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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 quarterly period ended November 2, 2013

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the transition period from to

Commission file number 000-21250

THE GYMBOREE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**94-2615258** **(IRS Employer Identification No.)**
500 Howard Street, San Francisco, California **(Address of principal executive offices)**	**94105** **(Zip Code)**

(415) 278-7000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated Filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of December 16, 2013, the registrant had 1,000 shares of common stock outstanding, par value $0.001 per share, all of which are owned by Giraffe Holding, Inc., the registrant's indirect parent holding company, and are not publicly traded.

* In order to comply with reporting covenants governing the terms of its indebtedness, the Registrant files periodic and current reports with the SEC, but is not required by law to file reports under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

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Part I—FINANCIAL INFORMATION

Item 1. Financial Statements

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	November 2, 2013	February 2, 2013	October 27, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	$ 19,079	$ 33,328	$ 42,586
Accounts receivable	32,485	27,542	27,232
Merchandise inventories	222,414	197,935	255,722
Prepaid income taxes	1,815	2,903	5,165
Prepaid expenses	19,986	17,341	6,539
Deferred income taxes	11,721	31,383	38,660
Total current assets	307,500	310,432	375,904
Property and equipment:			
Land and buildings	22,428	22,428	22,428
Leasehold improvements	199,308	174,616	168,127
Furniture, fixtures and equipment	108,650	99,120	95,148
	330,386	296,164	285,703
Less accumulated depreciation and amortization	(121,119)	(90,839)	(80,217)
Net property and equipment	209,267	205,325	205,486
Goodwill	898,983	898,966	899,097
Other intangible assets	576,744	580,641	585,277
Deferred financing costs	34,067	40,040	43,018
Other assets	12,604	7,809	5,816
Total assets	$2,039,165	$2,043,213	$2,114,598
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 87,323	$ 90,133	$ 88,824
Accrued liabilities	113,472	90,443	101,573
Line of credit	24,000	—	—
Current obligation under capital lease	492	—	—
Total current liabilities	225,287	180,576	190,397
Long-term liabilities:			
Long-term debt	1,113,668	1,138,455	1,192,383
Long-term obligation under capital lease	3,532	—	—
Lease incentives and other deferred liabilities	49,772	40,104	38,955
Unrecognized tax benefits	12,416	7,848	7,685
Deferred income taxes	217,908	234,593	235,935
Total liabilities	1,622,583	1,601,576	1,665,355
Commitments and contingencies (see Notes 6, 7, 9 and 15)			
Stockholders' equity:			
Common stock, including additional paid-in capital ($.001 par value: 1,000 shares authorized, issued and outstanding)	516,629	519,687	521,918
Accumulated deficit	(112,102)	(76,231)	(70,540)
Accumulated other comprehensive loss	(5,795)	(5,914)	(5,901)
Total stockholders' equity	398,732	437,542	445,477
Noncontrolling interest	17,850	4,095	3,766
Total equity	416,582	441,637	449,243
Total liabilities and stockholders' equity	$2,039,165	$2,043,213	$2,114,598

See notes to condensed consolidated financial statements.

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net sales:				
Retail	$ 297,352	$ 299,965	$ 857,173	$ 847,195
Gymboree Play & Music	6,821	6,390	19,409	17,981
Retail Franchise	5,665	5,163	16,955	12,845
Total net sales	309,838	311,518	893,537	878,021
Cost of goods sold, including buying and occupancy expenses	(186,370)	(185,915)	(542,010)	(541,406)
Gross profit	123,468	125,603	351,527	336,615
Selling, general and administrative expenses	(111,199)	(99,016)	(317,351)	(286,350)
Operating income	12,269	26,587	34,176	50,265
Interest income	41	42	143	146
Interest expense	(20,483)	(21,312)	(61,352)	(64,163)
Loss on extinguishment of debt	(834)	—	(834)	(1,237)
Other income (expense), net	853	86	751	(4)
(Loss) income before income taxes	(8,154)	5,403	(27,116)	(14,993)
Income tax (expense) benefit	(16,244)	(493)	(9,455)	10,007
Net (loss) income	(24,398)	4,910	(36,571)	(4,986)
Net loss attributable to noncontrolling interest	413	1,211	700	2,835
Net (loss) income attributable to The Gymboree Corporation	$ (23,985)	$ 6,121	$ (35,871)	$ (2,151)

See notes to condensed consolidated financial statements.

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net (loss) income	$ (24,398)	$ 4,910	$ (36,571)	$ (4,986)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	8	92	(415)	33
Unrealized net (loss) gain on cash flow hedges, net of tax (expense) benefit of ($501), $123, $0 and $386	(871)	(208)	635	(109)
Total other comprehensive (loss) income, net of tax	(863)	(116)	220	(76)
Comprehensive (loss) income	(25,261)	4,794	(36,351)	(5,062)
Comprehensive loss attributable to noncontrolling interest	369	1,120	599	2,776
Comprehensive (loss) income attributable to The Gymboree Corporation	$ (24,892)	$ 5,914	$ (35,752)	$ (2,286)

See notes to condensed consolidated financial statements.

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	39 Weeks Ended	
	November 2, 2013	October 27, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (36,571)	$ (4,986)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on extinguishment of debt	834	1,237
Depreciation and amortization	34,825	43,776
Amortization of deferred financing costs and accretion of original issue discount	5,112	5,216
Interest rate cap contracts - adjustment to market	742	182
Loss on disposal/impairment of assets	5,662	2,090
Deferred income taxes	2,969	(12,986)
Share-based compensation expense	4,417	3,220
Other	40	1,685
Change in assets and liabilities:		
Accounts receivable	4,382	(2,317)
Merchandise inventories	(24,264)	(45,850)
Prepaid income taxes	1,223	(769)
Prepaid expenses and other assets	(5,144)	(1,021)
Accounts payable	(2,807)	9,785
Accrued liabilities	17,344	70
Lease incentives and other deferred liabilities	14,522	12,547
Net cash provided by operating activities	23,286	11,879
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(35,213)	(31,902)
Other	(235)	(584)
Net cash used in investing activities	(35,448)	(32,486)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Term Loan	—	(17,698)
Proceeds from ABL facility	79,000	—
Payments on ABL facility	(55,000)	—
Repurchase of notes	(24,760)	—
Payments of deferred financing costs	—	(1,347)
Payments on capital lease	(78)	—
Investment by affiliate of Parent	—	2,400
Dividend payment to Parent	(7,475)	—
Capital contribution received by noncontrolling interest	6,506	1,595
Net cash used in financing activities	(1,807)	(15,050)
Effect of exchange rate fluctuations on cash and cash equivalents	(280)	333
Net decrease in cash and cash equivalents	(14,249)	(35,324)
CASH AND CASH EQUIVALENTS:		
Beginning of period	33,328	77,910
End of period	$ 19,079	$ 42,586
OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds received	$ 1,591	$ 3,185
Cash paid for interest	$ 47,948	$ 50,682

See notes to condensed consolidated financial statements.

THE GYMBOREE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The unaudited interim condensed consolidated financial statements, which include The Gymboree Corporation (the "Company," "we" or "us") and our 100%-owned subsidiaries, as well as Gymboree (China) Commercial and Trading Co. Ltd. ("Gymboree China") and Gymboree (Tianjin) Educational Information Consultation Co. Ltd. ("Gymboree Tianjin") (collectively, the "VIEs"), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with generally accepted accounting principles have been omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended February 2, 2013 filed with the Securities and Exchange Commission on May 2, 2013.

The accompanying condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations, comprehensive income (loss) and cash flows for the periods presented. The results of operations for the 13 and 39 weeks ended November 2, 2013 are not necessarily indicative of the operating results that may be expected for the 52-week period ending February 1, 2014 ("fiscal 2013") or any future period.

2. Recently Issued Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The guidance is effective prospectively for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In February 2013, the FASB issued guidance to finalize the reporting of amounts reclassified out of accumulated other comprehensive income. This new standard requires the registrant to disclose either in a single note, or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. The guidance is effective for annual reporting periods and interim periods within those years beginning after December 15, 2012. We adopted this guidance in the first quarter of fiscal 2013 as presented in Note 13.

3. Goodwill and Intangible Assets and Liabilities

Goodwill

Operating income for our retail stores segment has declined $19.6 million or 46% during the first nine months of fiscal 2013 compared to the same period last year. Due to recent trends impacting our retail stores segment, we qualitatively assessed the valuation of our retail segment reporting units. This qualitative assessment resulted in a determination that it was more likely than not that the fair value of these reporting units exceeded their carrying amount at November 2, 2013. If these trends continue through the remainder of the year and our forecast of future operating performance further declines, there is the potential for goodwill impairment related to our Gymboree Retail and Gymboree Outlet reporting units.

In addition, other significant adverse changes to our business environment or future cash flows could cause us to record additional impairment charges in future periods, which could be material. Our annual goodwill impairment test will be performed for our annual test date, which is November 30, 2013, which will be completed prior to filing our 10-K and the results of which will be reported in our Form 10-K for the fiscal year ending February 1, 2014.

During the 13 and 39 week periods ended October 27, 2012, we did not identify any impairment indicators for goodwill or other indefinite-lived intangible assets.

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Intangible Assets and Liabilities

Intangible assets and liabilities consist of the following (in thousands):

	November 2, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible Assets Not Subject to Amortization:			
Trade names	$ 567,494		$ 567,494
Intangible Assets Subject to Amortization:			
Customer relationships	36,400	$ (36,400)	—
Below market leases	7,055	(3,908)	3,147
Co-branded credit card agreement	4,000	(1,804)	2,196
Franchise agreements	6,600	(2,693)	3,907
	54,055	(44,805)	9,250
Total other intangible assets	$ 621,549	$ (44,805)	$ 576,744
Intangible Liabilities Subject to Amortization:			
Above market leases (included in Lease incentives and other deferred liabilities)	$ (16,631)	$ 9,366	$ (7,265)

	February 2, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible Assets Not Subject to Amortization:			
Trade names	$ 567,494		$ 567,494
Intangible Assets Subject to Amortization:			
Customer relationships	36,400	$ (34,525)	1,875
Below market leases	7,055	(3,037)	4,018
Co-branded credit card agreement	4,000	(1,342)	2,658
Franchise agreements	6,600	(2,004)	4,596
	54,055	(40,908)	13,147
Total other intangible assets	$ 621,549	$ (40,908)	$ 580,641
Intangible Liabilities Subject to Amortization:			
Above market leases (included in Lease incentives and other deferred liabilities)	$ (16,631)	$ 7,382	$ (9,249)

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	October 27, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible Assets Not Subject to Amortization:			
Trade names	$ 567,447		$ 567,447
Intangible Assets Subject to Amortization:			
Customer relationships	36,400	$ (30,569)	5,831
Below market leases	7,055	(2,693)	4,362
Co-branded credit card agreement	4,000	(1,189)	2,811
Franchise agreements	6,600	(1,774)	4,826
	54,055	(36,225)	17,830
Total other intangible assets	$ 621,502	$ (36,225)	$ 585,277
Intangible Liabilities Subject to Amortization:			
Above market leases (included in Lease incentives and other deferred liabilities)	$ (16,631)	$ 6,613	$ (10,018)

During the 13 week periods ended November 2, 2013 and October 27, 2012, we recorded net amortization income of approximately $0.3 million and $0.5 million, respectively, in cost of goods sold ("COGS"). During the 39 week periods ended November 2, 2013 and October 27, 2012, we recorded net amortization income of approximately $1.1 million and $1.5 million, respectively, in COGS.

During the 13 week periods ended November 2, 2013 and October 27, 2012, we recorded amortization expense of approximately $0.4 million and $4.3 million, respectively, in selling, general and administrative expenses ("SG&A"). During the 39 week periods ended November 2, 2013 and October 27, 2012, we recorded amortization expense of approximately $3.0 million and $13.0 million, respectively, in SG&A.

We estimate that amortization expense (income) related to intangible assets and liabilities will be as follows for the remainder of fiscal 2013 and each of the next five fiscal years (in thousands):

Fiscal	Below Market Leases	Above Market Leases	Other Intangibles	Total
2013 (remaining 13 weeks)	$ 287	$ (624)	$ 384	$ 47
2014	1,059	(2,023)	1,534	570
2015	835	(1,579)	1,534	790
2016	483	(1,428)	1,393	448
2017	342	(1,016)	332	(342)
2018 and remaining	141	(595)	926	472

4. Derivative Financial Instruments

We enter into forward foreign exchange contracts with respect to certain purchases in United States dollars of inventory to be sold in our retail stores in Canada. The purpose of these contracts is to protect our margins on the eventual sale of the inventory from fluctuations in the exchange rate for Canadian and United States dollars. The term of these forward foreign exchange contracts is generally less than one year. These contracts are treated as cash-flow hedges. Amounts reported in accumulated other comprehensive income (loss) related to these forward foreign exchange contracts will be reclassified to cost of goods sold over a three-month period. We also enter into forward foreign exchange contracts with respect to short-term intercompany balances between U.S. and foreign entities in Canada and Australia. The purpose of these contracts is to protect us from fluctuations in the exchange rates upon the settlement of such balances. These contracts are not designated as hedges. Consequently, changes in the fair value of these contracts are included in other income.

We use interest rate caps to hedge against rising interest rates associated with our Term Loan (see Note 7) above the strike rate of the cap through December 23, 2016, the maturity date of the caps. The interest rate caps were designated on the date of execution as cash-flow hedges. In December 2010, we paid approximately $12.1 million to enter into these interest rate caps. This premium, and any related amounts reported in accumulated other comprehensive loss, are being amortized to interest expense through December 23, 2016, as interest payments are made on the underlying Term Loan. During the 13 week periods ended November 2, 2013 and October 27, 2012, we reclassified approximately $0.3 million and $0.1 million respectively, from accumulated other comprehensive loss to interest expense. During the 39 week period ended November 2, 2013 and October 27, 2012, we reclassified approximately $0.7 million and $0.2 million respectively, from accumulated other comprehensive loss to interest expense. We estimate that approximately $1.8 million will be reclassified from accumulated other comprehensive loss to interest expense within the next 12 months.

For a derivative instrument designated as a cash-flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (loss) and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. Gains or losses on the derivative representing either hedge components excluded from the assessment of effectiveness or hedge ineffectiveness are recognized in earnings.

We had the following outstanding derivatives designated as cash-flow hedges (in thousands):

	November 2, 2013		February 2, 2013		October 27, 2012	
	Number of Instruments	Notional (USD)	Number of Instruments	Notional (USD)	Number of Instruments	Notional (USD)
Interest rate derivatives						
Purchased Caps	4	$700,000	4	$700,000	4	$700,000
Foreign exchange derivatives						
Forward foreign exchange contracts	3	3,420	6	6,377	3	3,922
Total	7	$703,420	10	$706,377	7	$703,922

In addition to the cash flow hedges above, as of November 2, 2013 and February 2, 2013, the Company had one forward foreign exchange contract with a notional amount of $0.4 million and $1.0 million, respectively, which was not designated as a hedge. We had no such forward foreign exchange contracts as of October 27, 2012.

The table below presents the fair value of all of our derivative financial instruments as well as their classification on the condensed consolidated balance sheets (in thousands).

	November 2, 2013		February 2, 2013		October 27, 2012	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Other Assets						
Purchased Interest Rate Caps	$ 641	$ —	$ 964	$ —	$ 817	$ —
Forward foreign exchange contracts	107	—	—	—	—	—
Accrued Liabilities						
Forward foreign exchange contracts	—	—	—	18	—	41
Total	$ 748	$ —	$ 964	$ 18	$ 817	$ 41

The tables below present the effect of all of our derivative financial instruments on the condensed consolidated statements of operations and comprehensive income (loss) for the 13 and 39 weeks ended November 2, 2013 and October 27, 2012 (in thousands). No amounts were reclassified from accumulated other comprehensive loss into income as a result of forecasted transactions that failed to occur or as a result of hedge ineffectiveness for either period.

	13 Weeks Ended November 2, 2013		
	Gains /(Losses) Recognized in OCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)	Gains /(Losses) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate caps	$ (546)	Interest expense	$ (310)
Forward foreign exchange contracts	3	Cost of goods sold	137
Total	$ (543)		$ (173)

	13 Weeks Ended October 27, 2012		
	Gains /(Losses) Recognized in OCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)	Gains /(Losses) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate caps	$ (270)	Interest expense	$ (69)
Forward foreign exchange contracts	(98)	Cost of goods sold	34
Total	$ (368)		$ (35)

	39 Weeks Ended November 2, 2013		
	Gains / (Losses) Recognized in OCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)	Gains / (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate caps	$ (323)	Interest expense	$ (742)
Forward foreign exchange contracts	407	Cost of goods sold	191
Total	$ 84		$ (551)

	39 Weeks Ended October 27, 2012		
	Gains / (Losses) Recognized in OCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)	Gains / (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate caps	$ (544)	Interest expense	$ (182)
Forward foreign exchange contracts	(14)	Cost of goods sold	122
Total	$ (558)		$ (60)

In the tables above, for the 13 and 39 weeks ended October 27, 2012, the previously disclosed amounts of gain (loss) recognized in OCI for both the effective portion of our interest rate caps of ($201) and ($361), respectively, and the effective portions of our forward foreign exchange contracts of ($78) and ($25), respectively, have been corrected. These corrections had no impact on the accompanying condensed consolidated balance sheet or statements of operations and comprehensive income (loss).

5. Fair Value Measurements

We record our money market funds, forward foreign exchange contracts and interest rate caps at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. Accounting guidance prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data.

Level 3 – Unobservable inputs for the asset or liability, which reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

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In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety is classified is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present our assets and liabilities measured at fair value on a recurring basis as of November 2, 2013, February 2, 2013 and October 27, 2012, aggregated by the level in the fair value hierarchy within which those measurements fall. There were no transfers into or out of Level 1 and Level 2 during the 13 and 39 weeks ended November 2, 2013 and October 27, 2012, or for the year ended February 2, 2013.

	November 2, 2013			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets				
Interest rate caps	$ —	$ 641	$ —	$ 641
Forward foreign exchange contracts	—	107	—	107
Total	$ —	$ 748	$ —	$ 748

	February 2, 2013			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets				
Money market funds	$ 17,297	$ —	$ —	$ 17,297
Interest rate caps	—	964	—	964
Total	$ 17,297	$ 964	$ —	$ 18,261
Liabilities				
Forward foreign exchange contracts	$ —	$ 18	$ —	$ 18

	October 27, 2012			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets				
Money market funds	$ 19,030	$ —	$ —	$ 19,030
Interest rate caps	—	817	—	817
Total	$ 19,030	$ 817	$ —	$ 19,847
Liabilities				
Forward foreign exchange contracts	$ —	$ 41	$ —	$ 41

Our cash equivalents, which are primarily placed in money market funds, are valued at their original purchase prices plus interest that has accrued at the stated rate.

The fair value of our interest rate caps was determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) were based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. In addition, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, were incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of these contracts for the effect of nonperformance risk, we have considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our interest rate caps fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with these derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of November 2, 2013, February 2, 2013, and October 27, 2012, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate cap positions and determined that the credit valuation adjustment was not significant to the overall valuation. As a result, we classified our interest rate caps derivative valuations in Level 2 of the fair value hierarchy.

The fair value of our forward foreign exchange contracts was determined using the market approach and Level 2 inputs. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.

The carrying value of cash and cash equivalents, receivables and payables balances approximate their estimated fair values due to the short maturities of these instruments. We estimate the fair value of our long-term debt using current market yields of similar debt. These current market yields are considered Level 2 inputs. The estimated fair value of long-term debt is as follows (in thousands):

	November 2, 2013		February 2, 2013		October 27, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan	$ 767,668	$ 746,029	$ 767,455	$ 749,874	$ 792,383	$ 774,554
Notes	346,000	332,160	371,000	348,740	400,000	381,520
	$ 1,113,668	$1,078,189	$ 1,138,455	$1,098,614	$ 1,192,383	$1,156,074

We had no other financial assets or liabilities measured at fair value as of November 2, 2013, February 2, 2013, and October 27, 2012.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Our non-financial assets, which primarily consist of goodwill, other intangible assets and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial assets are assessed for impairment and, if applicable, written-down to and recorded at fair value, considering external market participant assumptions.

During each of the 13 weeks ended November 2, 2013 and October 27, 2012, we recorded an impairment charge of $0.5 million, related to assets for under-performing stores. During the 39 weeks ended November 2, 2013 and October 27, 2012, we recorded an impairment charge of $1.5 million and $1.4 million, respectively, related to assets for under-performing stores. The fair market value of these non-financial assets was determined using the income approach and Level 3 inputs, which required management to make significant estimates about future cash flows. Management estimates the amount and timing of future cash flows based on historical operating results and its experience and knowledge of the retail market in which each store operates.

These impairment charges are included in selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

6. Line of Credit

We have a senior secured asset-based revolving credit facility, which was amended and restated in March 2012 to, among other things, lower the interest rate and extend the maturity date (as so amended and restated, the “ABL”). As a result of this amendment, we recorded a loss on extinguishment of debt of $1.2 million during the first quarter of fiscal 2012 for the write-off of deferred financing costs related to the ABL. The ABL provides senior secured financing of up to $225 million, subject to a borrowing base. Availability under the ABL is subject to the assets of the Company, any subsidiary co-borrowers and any subsidiary guarantors that are available to collateralize the borrowings thereunder, and is reduced by the level of outstanding letters of credit. As of November 2, 2013, there was $35.1 million of commercial and standby letters of credit outstanding and $24.0 million of borrowings outstanding.

As of November 2, 2013, availability under the ABL was approximately $165.9 million. There were borrowings of $79.0 million and repayments of $55.0 million during the 13 and 39 week periods ended November 2, 2013. Average borrowings outstanding under the ABL amounted to $10.6 million and $3.5 million, during the 13 and 39 week periods ended November 2, 2013, respectively. There were no borrowings during the 13 and 39 week periods ended October 27, 2012.

The ABL provides us the right to request up to $125 million of additional commitments under this facility (or, if less, the amount permitted under the Term Loan described in Note 7), subject to the satisfaction of certain conditions. Principal amounts outstanding under the ABL are due and payable in full in March 2017. Borrowings under the ABL bear interest at a rate per annum equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Bank of America, N.A., (2) the federal funds effective rate plus 0.50%, and (3) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%, or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs (“Adjusted LIBOR”), in each case plus an applicable margin. In addition to paying interest on outstanding principal under the ABL, we are required to pay a commitment fee on unutilized commitments thereunder, which is 0.375% per annum under the amended ABL.

If at any time the aggregate amount of outstanding loans, unreimbursed letter of credit drawings and undrawn letters of credit under the ABL exceeds the lesser of (a) the commitment amount and (b) the borrowing base, we will be required to repay outstanding loans and/or cash collateralize letters of credit in an aggregate amount equal to such excess, with no reduction of the commitment amount. The ABL contains financial and other covenants that, among other things, restrict our ability to incur additional indebtedness and pay dividends. As of November 2, 2013, we were in compliance with these covenants. The obligations under the ABL are secured, subject to certain exceptions, by substantially all of our assets. We and our 100%-owned domestic subsidiaries have fully and unconditionally guaranteed our obligations under the ABL.

7. Long-Term Debt

Long-term debt consists of (in thousands):

	November 2, 2013	February 2, 2013	October 27, 2012
Senior secured term loan facility, net of discount of $1,434, $1,647 and $1,719	$ 767,668	$ 767,455	$ 792,383
9.125% senior notes	346,000	371,000	400,000
Long-term debt	$ 1,113,668	$ 1,138,455	$ 1,192,383

We have an agreement with several lenders for an $820 million senior secured Term Loan, with a maturity date of February 2018. The Term Loan allows us to request additional tranches of term loans in an aggregate amount not to exceed $200 million, subject to the satisfaction of certain conditions, provided that such amount will be subject to reduction by the amount of any additional commitments incurred under the ABL described in Note 6. The interest rate for borrowings under the Term Loan is, at our option, a base rate plus an additional marginal rate of 2.5% or the Adjusted LIBOR rate (with a 1.5% floor) plus an additional rate of 3.5%. As of November 2, 2013, the interest rate under our Term Loan was 5%.

The Term Loan requires us to make quarterly payments equal to 0.25% of the original $820 million principal amount of the Term Loan made on the closing date plus accrued and unpaid interest thereon, with the balance due in February 2018. The Term Loan also has mandatory and voluntary pre-payment provisions, including a requirement that we prepay the Term Loan with a certain percentage of our annual excess cash flow.

We calculated our excess cash flow using fiscal 2012 operating results and concluded that we are not required to make any excess cash flow payments on the Term Loan during the first quarter of fiscal 2013. During fiscal 2012, we made one quarterly amortization payment of $2.1 million, prepaid $15.6 million of our Term Loan with our excess cash flow, and made a voluntary prepayment of $25.0 million. The excess cash flow payment made during fiscal 2012 was calculated based on fiscal 2011 operating results. We applied the voluntary prepayment and the excess cash flow prepayment toward our remaining quarterly amortization payments payable under the Term Loan in fiscal 2012 and applied the remainder of such prepayments toward our quarterly amortization payments payable under the Term Loan in fiscal 2013 through fiscal 2017. Future minimum principal payments on long-term debt excluding original issuance discount of $1.4 million as of November 2, 2013 are, as follows (in thousands):

Fiscal years	
2013	$ —
2014	—
2015	—
2016	—
2017	6,502
Thereafter	1,108,600
Total	$1,115,102

The Term Loan is presented net of the related original issue discount ("OID"). Accretion of OID is included in interest expense and was not material for the 13 and 39 weeks ended November 2, 2013 or October 27, 2012. The obligations under the Term Loan are secured, subject to certain exceptions, by substantially all of our assets and those of our 100%-owned domestic subsidiaries. The Company and our 100%-owned domestic subsidiaries also have fully and unconditionally guaranteed the Company's obligations under the Term Loan.

In fiscal 2010, we issued $400 million aggregate principal amount of 9.125% senior notes due in December 2018 (the "Notes"). Interest on the Notes is payable semi-annually. If the Company or our subsidiaries sell certain assets, we generally must either invest the net cash proceeds from such sale in our business within a certain period of time, use the proceeds to prepay senior secured debt, or make an offer to purchase a principal amount of the Notes equal to the excess net cash proceeds at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest. Upon a change in control, we may also be required to make an offer to purchase all of the Notes at a redemption price equal to 101% of the principal amount of the Notes redeemed plus accrued and unpaid interest. The Notes also contain optional redemption provisions, but subject to certain exceptions, we will not be entitled to redeem the Notes at our option prior to December 1, 2014. The Notes are unsecured senior obligations of the Company. The Company and our 100%-owned domestic subsidiaries have fully and unconditionally guaranteed the Company's obligations under the Notes (see Note 18). During the third quarter of fiscal 2013, we repurchased Notes with an aggregate principal amount of $25 million for $24.8 million in cash through privately negotiated transactions. We recorded a $0.2 million gain on extinguishment of debt and a $1.0 million charge related to the write-off of deferred financing costs associated with the extinguished debt. During the fourth quarter of fiscal 2012, we repurchased Notes with an aggregate principal amount of $29 million for $26.6 million in cash in privately negotiated transactions. We recorded a $2.4 million gain on extinguishment of debt and a $1.4 million charge related to the write-off of deferred financing costs associated with the extinguished debt.

Interest expense was $20.5 million and $61.4 million for the 13 and 39 weeks ended November 2, 2013, including $1.8 million and $5.1 million, respectively, of amortization of deferred financing costs and accretion of OID. For the 13 and 39 weeks ended October 27, 2012, interest expense was $21.3 million and $64.2 million, respectively, including $1.7 million and $5.2 million, respectively, of amortization of deferred financing costs and accretion of OID.

8. Lease Incentives and Other Deferred Liabilities

Lease incentives and other deferred liabilities consist of the following (in thousands):

	November 2, 2013	February 2, 2013	October 27, 2012
Above market leases	$ 7,265	$ 9,249	$ 10,018
Deferred rent	14,493	11,269	10,074
Lease allowances	24,474	18,059	17,268
Other	3,540	1,527	1,595
Total	$ 49,772	$ 40,104	$ 38,955

9. Leases

During the third quarter of fiscal 2013, we outsourced the fulfillment of certain online customer orders to a third-party fulfillment center in Ohio, under an operating services agreement. The agreement provides us with warehousing, fulfillment and logistic services for Gymboree.com products for approximately $8.8 million per year commencing in the third quarter of fiscal 2013 and ending in the second quarter of fiscal 2019. Certain assets under the operating services agreement, including leasehold improvements, equipment and software, are treated as a capital lease which commenced in the third quarter of fiscal 2013 and ends in fiscal 2019. Assets recorded under capital lease were recorded at the present value of minimum lease payments and are amortized over the lease term. Amortization of the capital lease assets were included in the line item “Selling, general and administrative expenses” in our condensed consolidated statements of operations. As of the third quarter of fiscal 2013, the following assets under capital lease are included under the line “Property and equipment” in our condensed consolidated balance sheet (in thousands):

	November 2, 2013
Leasehold improvements	$ 1,776
Furniture, fixtures and equipment	2,326
Total assets under capital lease	4,102
Less: Accumulated depreciation	(119)
Net assets under capital lease	$ 3,983

Annual future minimum obligations under capital leases for each of the next five years and thereafter, as of the third quarter of fiscal 2013 are as follows (in thousands):

Fiscal Years	Capital Leases
2013	$ 210
2014	838
2015	838
2016	838
2017	838
Thereafter	1,714
Total minimum lease payments	5,276
Less amount representing interest	(1,252)
Total future minimum lease payments	4,024
Less current portion of obligation under capital lease	(492)
Obligations under capital lease, less current portion	$ 3,532

The Company capitalized asset retirement costs and recorded a related asset retirement obligation of $2.0 million on inception of the capital lease for restoration of the leased property to its original condition upon completion of the agreement. These items are included in the line “Leasehold improvements” and “Lease incentives and other deferred liabilities,” respectively in our condensed consolidated balance sheet. Total amortization and accretion expense related to the asset retirement obligation of the capital lease were not material for the third quarter of fiscal 2013.

10. Share-Based Compensation

2010 Equity Incentive Plan

Share-based compensation expense is included as a component of selling, general and administrative expenses. Share-based compensation expense consisted of the following (in thousands):

	13 Weeks Ended		39 Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Share-based compensation expense	$ 1,443	$ 303	$ 4,417	$ 3,220

2013 Gymboree China Phantom Equity Incentive Plan

Units awarded under the Company's 2013 Gymboree China Phantom Equity Incentive Plan (the "Phantom Plan") represent a hypothetical equity interest in Gymboree Hong Kong Limited, the unconsolidated direct parent of the VIEs ("Gymboree HK"). The Company is a member of a related party group that controls Gymboree HK. Each award gives the holder of the award the conditional right to receive, in accordance with the terms of the Phantom Plan and the award, a specified interest in the value of the "Pool." For this purpose, the "Pool" means an amount of cash equal to 10% of the amount by which the sum of the amount of cash and the fair market value of marketable securities, in each case, received by Bain Fund X, L.P. and its permitted transferees in respect of shares of common stock of Gymboree HK they beneficially own exceeds a number equal to $12 million plus the amount of any additional equity investment, whether direct or indirect, by the Bain Fund X, L.P. and its permitted transferees in Gymboree HK.

Under a form of award adopted under the Phantom Plan on September 12, 2013, each award will conditionally vest as to 20% of the Units subject to the award on each of the first five anniversaries of the date specified by the Plan administrator, subject to continued employment or service with the Company through the applicable anniversary.

Under that form of award, each award will only vest and become payable if a "Payment Event" (an occurrence of sale or a qualified IPO as defined in the Phantom Plan) occurs at a time when the award is outstanding. Upon the occurrence of a Payment Event, the Company is obligated to make a payment in cash to the holder of the award equal to the product of (i) the value of the Pool and (ii) (A) the number of conditionally vested Units that were outstanding under the participant's award immediately prior to the Payment Event divided by (B) 1,000,000. All Units subject to the award will conditionally vest in full upon the occurrence of a "Sale" (as defined in the Phantom Plan). If the Payment Event is not a Sale, any portion of an award that is not then conditionally vested will remain eligible to conditionally vest in accordance with its original conditional vesting schedule. With respect to Units that conditionally vest after the occurrence of a Payment Event, if any, on the date such Units conditionally vest, the Company will make a payment in cash to the holder of the award equal to product of (i) the value of the Pool and (ii) (A) the number of Units that conditionally vested on such date divided by (B) 1,000,000.

During the third quarter of fiscal 2013, the compensation committee of the Board of Directors of the Company, which currently serves as the administrator of the Phantom Plan, granted 0.7 million awards under the Phantom Plan. Since payment is contingent upon a Payment Event, share-based compensation expense will be recorded on these awards in the period that a Payment Event occurs.

11. Dividend Payment to Parent

In the first and third quarters of fiscal 2013, we distributed in the form of a dividend to Giraffe Holding, Inc., our indirect parent holding company ("Parent"), $0.2 million and $0.6 million, respectively, which was used by Parent to repurchase shares of its stock. During the third quarter of 2013, we distributed $6.7 million in the form of a dividend to Parent, which was used by Parent's shareholders to fund their equity investment in the VIE (see Note 17). No dividend was distributed during the 39 week period ended October 27, 2012.

12. Income Taxes

We believe that it is reasonably possible that the total amount of unrecognized tax benefits of $12.1 million as of November 2, 2013 will decrease by as much as $5.6 million during the next twelve months due to the resolution of certain tax contingencies and lapses of applicable statutes of limitations.

Accounting Standards Codification ("ASC") 740 requires a valuation allowance to be established when it is "more likely than not" that all or a portion of deferred tax assets will not be realized. We consider all available positive and negative evidence, including prior operating results, the nature and reason for any losses, our forecast of future taxable income and the dates on which any deferred tax assets are expected to expire, in evaluating whether a valuation allowance is required. As a result of weighing the available objective evidence and our evaluation as of November 2, 2013, we recorded an $18.4 million increase to income tax expense in order to establish a valuation allowance against certain deferred tax assets. As of November 2, 2013, February 2, 2013, and October 27, 2012, the total valuation allowance against deferred tax assets was $25.2 million, $4.4 million and $2.9 million, respectively. The valuation allowance as of November 2, 2013, represents a full valuation allowance against deferred tax assets in certain jurisdictions. We intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal.

As of November 2, 2013, we also concluded it is “more likely than not” that $5.9 million of our net deferred tax assets will be realized. However, this realization is not assured. The amount actually realized could vary if there are differences in the timing or amount of future reversals of existing deferred tax liabilities. If we determine that we will not realize all or part of these deferred tax assets, we will record an additional valuation allowance against our deferred tax assets and an associated charge to income tax expense in the period such determination is made.

13. Accumulated Other Comprehensive Loss

The following table shows the components of accumulated other comprehensive income (loss) (“OCI”), net of tax (in thousands):

	November 2, 2013	February 2, 2013	October 27, 2012
Foreign currency translation	$ 292	$ 808	$ 788
Accumulated changes in fair value of derivative financial instruments, net of tax benefit of $3,982, $3,982 and $4,301	(6,087)	(6,722)	(6,689)
Total accumulated other comprehensive loss	$ (5,795)	$ (5,914)	$ (5,901)

Changes in accumulated OCI balance by component are shown below (in thousands):

	13 Weeks Ended November 2, 2013		
	Derivatives	Foreign Currency	Total Comprehensive (Loss) Income Including Noncontrolling Interest
Beginning balance	$ (5,216)	$ 328	$ (4,888)
Other comprehensive loss recognized before reclassifications	(543)	8	(535)
Amounts reclassified from accumulated other comprehensive loss to earnings	173	—	173
Tax expense	(501)	—	(501)
Net current-period other comprehensive loss	(871)	8	(863)
Other comprehensive income attributable to noncontrolling interest	—	(44)	(44)
Ending balance	$ (6,087)	$ 292	$ (5,795)

	13 Weeks Ended October 27, 2012		
	Derivatives	Foreign Currency	Total Comprehensive (Loss) Income Including Noncontrolling Interest
Beginning balance	$ (6,480)	$ 697	$ (5,783)
Other comprehensive (loss) income before reclassifications	(368)	91	(277)
Amounts reclassified from accumulated other comprehensive loss to earnings	35	—	35
Tax benefit	124	—	124
Net current-period other comprehensive (loss) income	(209)	91	(118)
Other comprehensive income attributable to noncontrolling interest	—	—	—
Ending balance	$ (6,689)	$ 788	$ (5,901)

	39 Weeks Ended November 2, 2013		
	Derivatives	Foreign Currency	Total Comprehensive (Loss) Income Including Noncontrolling Interest
Beginning balance	$ (6,722)	$ 808	$ (5,914)
Other comprehensive income (loss) recognized before reclassifications	84	(415)	(331)
Amounts reclassified from accumulated other comprehensive loss to earnings	551	—	551
Tax benefit	—	—	—
Net current-period other comprehensive income (loss)	635	(415)	220
Other comprehensive income attributable to noncontrolling interest	—	(101)	(101)
Ending balance	$ (6,087)	$ 292	$ (5,795)

	39 Weeks Ended October 27, 2012		
	Derivatives	Foreign Currency	Total Comprehensive (Loss) Income Including Noncontrolling Interest
Beginning balance	$ (6,579)	$ 754	$ (5,825)
Other comprehensive (loss) income before reclassifications	(558)	34	(524)
Amounts reclassified from accumulated other comprehensive loss to earnings	61	—	61
Tax benefit	387	—	387
Net current-period other comprehensive (loss) income	(110)	34	(76)
Other comprehensive income attributable to noncontrolling interest	—	—	—
Ending balance	$ (6,689)	$ 788	$ (5,901)

14. Related Party Transactions

During the 13 and 39 week periods ended November 2, 2013, we sold inventory to a company controlled by Bain Capital for $0.7 million and $8.7 million, respectively, and purchased services from another company controlled by Bain Capital for $0.6 million and $1.8 million, respectively.

15. Commitments and Contingencies

During the third quarter of fiscal 2013, we outsourced the fulfillment of certain online customer orders to a third-party fulfillment center in Ohio, under an operating services agreement. The agreement provides us with warehousing, fulfillment and logistic services for Gymboree.com products for approximately $8.8 million per year commencing in the third quarter of fiscal 2013 and ending in the second quarter of fiscal 2019.

There have been no other significant changes to our contractual obligations and commercial commitments as disclosed in our Annual Report on Form 10-K as of February 2, 2013, other than those which occur in the normal course of business.

Contingencies

From time to time, we are subject to various legal actions arising in the ordinary course of our business. Many of these legal actions raise complex factual and legal issues, which are subject to uncertainties. We cannot predict with reasonable assurance the outcome of these legal actions brought against us. Accordingly, any settlements or resolutions in these legal actions may occur and affect our net income in the quarter of such settlement or resolution. However, we do not believe that the outcome of any legal actions would have a material effect on our condensed consolidated financial statements taken as a whole.

16. Segment Information

We have four reportable segments: retail stores, Gymboree Play & Music, International Retail Franchise, and one reportable segment related to the activities of our consolidated VIEs. These reportable segments were identified based on how our business is managed and evaluated by our chief operating decision maker. The retail stores segment includes four operating segments (brands), which sell high-quality apparel for children: Gymboree Retail (including an online store), Gymboree Outlet, Janie and Jack (including an online store), and Crazy 8 (including an online store). These four operating segments have been aggregated into one reportable segment because these operating segments have similar historical economic characteristics and/or are expected to have similar economic characteristics and similar long-term financial performance in the future. Gross margin is the principal measure we consider in determining whether the economic characteristics are similar. In addition, each operating segment has similar products, production processes and type or class of customer. We believe that disaggregating our operating segments would not provide material additional information. Corporate overhead (costs related to our distribution center and shared corporate services) is included in the retail stores segment.

The following table provides the summary financial data of each reportable segment (in thousands):

	13 Weeks Ended November 2, 2013					
	Retail Stores	Gymboree Play & Music	International Retail Franchise	VIEs	Intersegment Elimination	Total
Net sales	$ 295,969	$ 3,879	$ 5,791	$ 5,395	$ (1,196)	$ 309,838
Operating income (loss)	8,786	1,836	2,430	(803)	20	12,269
Total assets	1,924,170	61,034	29,403	26,028	(1,470)	2,039,165

	13 Weeks Ended October 27, 2012					
	Retail Stores	Gymboree Play & Music	International Retail Franchise	VIEs	Intersegment Elimination	Total
Net sales	$ 299,476	$ 6,320	$ 5,212	$ 3,123	$ (2,613)	$ 311,518
Operating income (loss)	23,245	1,745	1,704	(23)	(84)	26,587
Total assets	2,013,305	60,369	30,349	14,504	(3,929)	2,114,598

	39 Weeks Ended November 2, 2013					
	Retail Stores	Gymboree Play & Music	International Retail Franchise	VIEs	Intersegment Elimination	Total
Net sales	$ 853,422	$ 11,524	$ 17,318	$15,027	$ (3,754)	$ 893,537
Operating income (loss)	22,657	5,284	7,499	(1,318)	54	34,176
Total assets	1,924,170	61,034	29,403	26,028	(1,470)	2,039,165

	39 Weeks Ended October 27, 2012					
	Retail Stores	Gymboree Play & Music	International Retail Franchise	VIEs	Intersegment Elimination	Total
Net sales	$ 845,978	$ 17,522	$ 12,930	$ 8,322	$ (6,731)	$ 878,021
Operating income (loss)	42,249	5,380	4,723	(1,889)	(198)	50,265
Total assets	2,013,305	60,369	30,349	14,504	(3,929)	2,114,598

Interest expense, depreciation and amortization expense and capital expenditures have not been separately disclosed above as the amounts primarily relate to the retail segment. The Gymboree Play & Music and International Retail Franchise segments recorded intersegment revenues of $1.1 million and $0.1 million, respectively, for the 13 weeks ended November 2, 2013, and $3.4 million and $0.4 million, respectively, for the 39 weeks ended November 2, 2013. The Gymboree Play & Music and VIE segments recorded intersegment revenues of $0.5 million and $2.0 million, respectively, for the 13 weeks ended October 27, 2012 and $1.1 million and $5.5 million, respectively, for the 39 weeks ended October 27, 2012. There were no other material intersegment revenues.

We attribute retail store revenues to individual countries based on selling location. For Gymboree International Retail Franchise, all sales were attributed to the United States geographic segment.

Effective November 2012, as a result of a modification to the Master Service Agreement with Gymboree Tianjin, China Play & Music franchisee sales are attributable to the international geographic segment and all other Gymboree Play & Music sales are attributable to the U.S. geographic segment.

Long-lived assets include net property and equipment, goodwill, other intangibles, deferred financing costs and other assets. The following tables provide the summary financial data of each of our two geographical segments, United States and international (in thousands):

	13 Weeks Ended			
	November 2, 2013		October 27, 2012	
	United States	International	United States	International
Net sales	$ 290,962	$ 18,876	$ 297,415	$ 14,103
Long-lived assets	1,671,918	59,747	1,686,209	52,485

	39 Weeks Ended			
	November 2, 2013		October 27, 2012	
	United States	International	United States	International
Net sales	$ 841,855	$ 51,682	$ 839,018	$ 39,003
Long-lived assets	1,671,918	59,747	1,686,209	52,485

17. Variable Interest Entities

Gymboree China, Gymboree Tianjin and the Company are indirectly controlled by Gymboree Holding, Ltd. and investment funds sponsored by Bain Capital. Gymboree China and Gymboree Tianjin have been determined to be variable interest entities, and we (as well as our 100%-owned subsidiaries) are a member of a related party group that controls the VIEs and absorbs the economics of the VIEs. Based on our relationship with the VIEs, we determined that we are most closely associated with the VIEs, and therefore, consolidate them as the primary beneficiary. However, as we have a 0% ownership interest in the VIEs, 100% of the results of operations of the VIEs are recorded as noncontrolling interest. The assets of the VIEs cannot be used by us. The liabilities of the VIEs are comprised mainly of short-term accrued expenses, and their creditors have no recourse to our general credit or assets.

The following tables reflect the impact of the VIEs on the condensed consolidated balance sheets as of November 2, 2013, February 2, 2013 and October 27, 2012 and the condensed consolidated statements of operations for the 13 and 39 weeks ended November 2, 2013 and October 27, 2012 (in thousands):

Condensed Consolidating Balance Sheets

	November, 2 2013			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Cash and cash equivalents	$ 13,743	$ 5,336	$ —	$ 19,079
Other current assets	273,798	16,093	(1,470)	288,421
Total current assets	287,541	21,429	(1,470)	307,500
Non-current assets	1,727,065	4,599	1	1,731,665
Total assets	$ 2,014,606	$26,028	$ (1,469)	$2,039,165
Current liabilities	$ 218,665	$ 7,916	$ (1,294)	$ 225,287
Non-current liabilities	1,397,034	262	—	1,397,296
Total liabilities	1,615,699	8,178	(1,294)	1,622,583
Total stockholders' equity	398,907	—	(175)	398,732
Noncontrolling interest	—	17,850	—	17,850
Total liabilities and stockholders' equity	$ 2,014,606	$26,028	$ (1,469)	$2,039,165

	February 2, 2013			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Cash and cash equivalents	$ 27,223	$ 6,105	$ —	$ 33,328
Other current assets	276,121	5,448	(4,465)	277,104
Total current assets	303,344	11,553	(4,465)	310,432
Non-current assets	1,730,865	1,916	—	1,732,781
Total assets	$ 2,034,209	$13,469	$ (4,465)	$2,043,213
Current liabilities	$ 175,555	$ 9,244	$ (4,223)	$ 180,576
Non-current liabilities	1,420,870	130	—	1,421,000
Total liabilities	1,596,425	9,374	(4,223)	1,601,576
Total stockholders' equity	437,784	—	(242)	437,542
Noncontrolling interest	—	4,095	—	4,095
Total liabilities and stockholders' equity	$ 2,034,209	$13,469	$ (4,465)	$2,043,213

	October 27, 2012			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Cash and cash equivalents	$ 34,721	$ 7,865	$ —	$ 42,586
Other current assets	331,842	5,405	(3,929)	333,318
Total current assets	366,563	13,270	(3,929)	375,904
Non-current assets	1,737,460	1,234	—	1,738,694
Total assets	$ 2,104,023	$14,504	$ (3,929)	$2,114,598
Current liabilities	$ 183,479	$10,658	$ (3,740)	$ 190,397
Non-current liabilities	1,474,878	80	—	1,474,958
Total liabilities	1,658,357	10,738	(3,740)	1,665,355
Total stockholders' equity	445,666	—	(189)	445,477
Noncontrolling interest	—	3,766	—	3,766
Total liabilities and stockholders' equity	$ 2,104,023	$14,504	$ (3,929)	$2,114,598

Condensed Consolidating Statements of Operations

	For the 13 Weeks Ended November 2, 2013			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Net sales	$ 305,639	$ 5,395	$ (1,196)	$ 309,838
Cost of goods sold	(185,116)	(1,297)	43	(186,370)
Operating expenses	(107,471)	(4,901)	1,173	(111,199)
Operating income (loss)	13,052	(803)	20	12,269
Other non-operating (expense) income	(21,140)	717	—	(20,423)
Loss before income taxes	(8,088)	(86)	20	(8,154)
Income tax expense	(15,917)	(327)	—	(16,244)
Net (loss) income	(24,005)	(413)	20	(24,398)
Net loss attributable to noncontrolling interest	—	413	—	413
Net loss attributable to The Gymboree Corporation	$ (24,005)	$ —	$ 20	$ (23,985)

	For the 13 Weeks Ended October 27, 2012			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Net sales	$ 311,008	$ 3,123	$ (2,613)	$ 311,518
Cost of goods sold	(185,529)	(818)	432	(185,915)
Operating expenses	(98,785)	(2,328)	2,097	(99,016)
Operating income (loss)	26,694	(23)	(84)	26,587
Other non-operating (expense) income	(21,265)	81	—	(21,184)
Income before income taxes	5,429	58	(84)	5,403
Income tax benefit (expense)	776	(1,269)	—	(493)
Net income (loss)	6,205	(1,211)	(84)	4,910
Net loss attributable to noncontrolling interest	—	1,211	—	1,211
Net income attributable to The Gymboree Corporation	$ 6,205	$ —	$ (84)	$ 6,121

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	For the 39 weeks Ended November 2, 2013			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Net sales	$ 882,264	$ 15,027	$ (3,754)	$ 893,537
Cost of goods sold	(538,591)	(3,868)	449	(542,010)
Operating expenses	(308,233)	(12,477)	3,359	(317,351)
Operating income (loss)	35,440	(1,318)	54	34,176
Other non-operating (expense) income	(62,163)	871	—	(61,292)
Loss before income taxes	(26,723)	(447)	54	(27,116)
Income tax expense	(9,202)	(253)	—	(9,455)
Net loss	(35,925)	(700)	54	(36,571)
Net loss attributable to noncontrolling interest	—	700	—	700
Net loss attributable to The Gymboree Corporation	$ (35,925)	$ —	$ 54	$ (35,871)

	For the 39 weeks Ended October 27, 2012			
	Balance Before Consolidation of VIEs	VIEs	Eliminations	As Reported
Net sales	$ 876,430	$ 8,322	$ (6,731)	$ 878,021
Cost of goods sold	(540,091)	(2,262)	947	(541,406)
Operating expenses	(283,987)	(7,949)	5,586	(286,350)
Operating income (loss)	52,352	(1,889)	(198)	50,265
Other non-operating (expense) income	(65,356)	98	—	(65,258)
Loss before income taxes	(13,004)	(1,791)	(198)	(14,993)
Income tax benefit (expense)	11,051	(1,044)	—	10,007
Net loss	(1,953)	(2,835)	(198)	(4,986)
Net loss attributable to noncontrolling interest	—	2,835	—	2,835
Net loss attributable to The Gymboree Corporation	$ (1,953)	$ —	$ (198)	$ (2,151)

18. Condensed Guarantor Data

The Company and its 100%-owned domestic subsidiaries have fully and unconditionally guaranteed the Notes. The following condensed consolidating financial information presents the financial position, results of operations and cash flows of The Gymboree Corporation and the guarantor and non-guarantor subsidiaries. The VIEs financial results are included in those of the non-guarantor subsidiaries.

Advance Pricing Agreement

During the third quarter of fiscal 2013, we established the terms of a bilateral Advance Pricing Agreement ("APA") between the United States and Canadian tax authorities. The APA established a methodology for determining arm's length transfer prices between our United States and Canadian subsidiaries. The APA required us to recalculate transfer prices from fiscal years 2007 through 2012 using this methodology. Consequently, in the third quarter of fiscal 2013, we recorded in our Canadian subsidiary, included in our condensed non-guarantor balance sheet, a $9.2 million increase to both our February 3, 2013 accumulated deficit and intercompany payable to our U.S. subsidiaries related to fiscal years 2007 through 2012. Correspondingly, in the third quarter of fiscal 2013, our U.S. subsidiaries, included in our condensed The Gymboree Corporation and guarantor balance sheets, recorded a $3.7 million and $5.5 million increase, respectively, in both our February 3, 2013 retained earnings and intercompany receivable from our Canadian subsidiary. These adjustments were eliminated on consolidation and do not impact our previously reported consolidated balance sheets and statements of operations.

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEETS
(In thousands)

	As of November 2, 2013				
	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 1,438	$ 3,381	$ 14,260	$ —	$ 19,079
Accounts receivable, net of allowance	367	20,087	12,031	—	32,485
Merchandise inventories	—	216,605	6,231	(422)	222,414
Prepaid income taxes	1,478	—	337	—	1,815
Prepaid expenses	4,011	14,659	1,316	—	19,986
Deferred income taxes	—	15,295	864	(4,438)	11,721
Intercompany receivable	—	489,942	—	(489,942)	—
Total current assets	7,294	759,969	35,039	(494,802)	307,500
Property and Equipment, net	13,166	185,689	10,412	—	209,267
Goodwill	—	859,165	39,818	—	898,983
Other Intangible Assets	—	576,623	121	—	576,744
Deferred Financing Costs	34,067	—	—	—	34,067
Other Assets	21,321	2,142	13,696	(24,555)	12,604
Investment in Subsidiaries	1,985,248	—	—	(1,985,248)	—
Total Assets	$ 2,061,096	$2,383,588	$ 99,086	$(2,504,605)	$2,039,165
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 8,756	$ 77,192	$ 1,375	$ —	$ 87,323
Accrued liabilities	38,548	66,832	8,092	—	113,472
Deferred income taxes	4,363	—	75	(4,438)	—
Line of credit	24,000	—	—	—	24,000
Current obligation under capital lease	—	492	—	—	492
Current portion of long-term debt	—	—	—	—	—
Intercompany payable	468,686	—	21,678	(490,364)	—
Total current liabilities	544,353	144,516	31,220	(494,802)	225,287
Long-Term Liabilities:					
Long-term debt	1,113,668	—	—	—	1,113,668
Long-term obligation under capital lease	—	3,532	—	—	3,532
Lease incentives and other liabilities	4,343	47,638	10,207	—	62,188
Deferred income taxes	—	242,463	—	(24,555)	217,908
Total Liabilities	1,662,364	438,149	41,427	(519,357)	1,622,583
Total stockholders' equity	398,732	1,945,439	39,809	(1,985,248)	398,732
Noncontrolling interest	—	—	17,850	—	17,850
Total liabilities and stockholders' equity	$ 2,061,096	$2,383,588	$ 99,086	$(2,504,605)	$2,039,165

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEETS
(In thousands)

	As of February 2, 2013				
	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 18,431	$ 3,128	$ 11,769	$ —	$ 33,328
Accounts receivable, net of allowance	1,280	23,679	2,583	—	27,542
Merchandise inventories	—	193,003	4,907	25	197,935
Prepaid income taxes	1,821	682	400	—	2,903
Prepaid expenses	3,142	12,909	1,290	—	17,341
Deferred income taxes	15,488	16,528	—	(633)	31,383
Intercompany receivable	—	468,919	—	(468,919)	—
Total current assets	40,162	718,848	20,949	(469,527)	310,432
Property and Equipment, net	15,679	180,021	9,625	—	205,325
Goodwill	—	859,166	39,800	—	898,966
Other Intangible Assets	—	580,492	149	—	580,641
Deferred Financing Costs	40,040	—	—	—	40,040
Other Assets	15,409	2,061	7,067	(16,728)	7,809
Investment in subsidiaries	1,976,277	—	—	(1,976,277)	—
Total Assets	$ 2,087,567	$2,340,588	$ 77,590	$(2,462,532)	$2,043,213
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 14,269	$ 74,589	$ 1,275	$ —	$ 90,133
Accrued liabilities	35,991	48,446	6,006	—	90,443
Deferred income taxes	—	—	633	(633)	—
Intercompany payable	456,934	—	11,960	(468,894)	—
Total current liabilities	507,194	123,035	19,874	(469,527)	180,576
Long-Term Liabilities:					
Long-term debt	1,138,455	—	—	—	1,138,455
Lease incentives and other liabilities	4,376	38,693	4,883	—	47,952
Deferred income taxes	—	250,427	894	(16,728)	234,593
Total Liabilities	1,650,025	412,155	25,651	(486,255)	1,601,576
Total stockholders' equity	437,542	1,928,433	47,844	(1,976,277)	437,542
Noncontrolling interest	—	—	4,095	—	4,095
Total liabilities and stockholders' equity	$ 2,087,567	$2,340,588	$ 77,590	$(2,462,532)	$2,043,213

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEETS
(In thousands)

	As of October 27, 2012				
	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 19,899	$ 9,209	$ 13,478	$ —	$ 42,586
Accounts receivable, net of allowance	1,323	22,682	3,227	—	27,232
Merchandise inventories	—	249,825	5,969	(72)	255,722
Prepaid income taxes	3,582	714	869	—	5,165
Prepaid expenses	3,880	2,126	533	—	6,539
Deferred income taxes	26,593	12,576	—	(509)	38,660
Intercompany receivable	—	413,419	—	(413,419)	—
Total current assets	55,277	710,551	24,076	(414,000)	375,904
Property and Equipment, net	16,568	179,363	9,555	—	205,486
Goodwill	—	859,297	39,800	—	899,097
Other Intangible Assets	—	585,116	161	—	585,277
Deferred Financing Costs	43,018	—	—	—	43,018
Other Assets	13,706	1,667	5,260	(14,817)	5,816
Investment in Subsidiaries	1,960,041	—	—	(1,960,041)	—
Total Assets	$ 2,088,610	$2,335,994	$ 78,852	$(2,388,858)	$2,114,598
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 5,545	$ 82,299	$ 980	$ —	$ 88,824
Accrued liabilities	38,259	54,872	8,442	—	101,573
Deferred income taxes	—	—	508	(508)	—
Intercompany payable	402,999	—	9,935	(412,934)	—
Total current liabilities	446,803	137,171	19,865	(413,442)	190,397
Long-Term Liabilities:					
Long-term debt	1,192,383	—	—	—	1,192,383
Lease incentives and other liabilities	3,947	37,672	5,021	—	46,640
Deferred income taxes	—	250,752	—	(14,817)	235,935
Total Liabilities	1,643,133	425,595	24,886	(428,259)	1,665,355
Total Stockholders' Equity	445,477	1,910,399	50,200	(1,960,599)	445,477
Noncontrolling interest	—	—	3,766	—	3,766
Total Equity	445,477	1,910,399	53,966	(1,960,599)	449,243
Total Liabilities and Stockholders' Equity	$ 2,088,610	$2,335,994	$ 78,852	$(2,388,858)	$2,114,598

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE 13 WEEKS ENDED NOVEMBER 2, 2013
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales:					
Retail	$ 443	$ 287,574	$ 16,232	$ (6,897)	$ 297,352
Gymboree Play & Music	—	2,808	4,013	—	6,821
Retail Franchise	—	5,665	—	—	5,665
Intercompany revenue	12,866	1,490	—	(14,356)	—
Total net sales	13,309	297,537	20,245	(21,253)	309,838
Cost of goods sold, including buying and occupancy expenses	(1,435)	(180,116)	(10,720)	5,901	(186,370)
Gross profit	11,874	117,421	9,525	(15,352)	123,468
Selling, general and administrative expenses	(14,271)	(103,254)	(9,090)	15,416	(111,199)
Operating (loss) income	(2,397)	14,167	435	64	12,269
Interest income	29	6	5	1	41
Interest expense	(20,421)	(62)	—	—	(20,483)
Loss on extinguishment of debt	(834)	—	—	—	(834)
Other (expense) income, net	(37)	(4)	894	—	853
(Loss) income before income taxes	(23,660)	14,107	1,334	65	(8,154)
Income tax (expense) benefit	(2,244)	(14,626)	626	—	(16,244)
Equity in earnings of affiliates, net of tax	1,919	—	—	(1,919)	—
Net (loss) income	(23,985)	(519)	1,960	(1,854)	(24,398)
Net loss attributable to noncontrolling interest	—	—	413	—	413
Net (loss) income attributable to The Gymboree Corporation	$ (23,985)	$ (519)	$ 2,373	$ (1,854)	$ (23,985)

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE 13 WEEKS ENDED OCTOBER 27, 2012
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales:					
Retail	$ 478	$ 291,922	$ 14,564	$ (6,999)	$ 299,965
Gymboree Play & Music	—	5,801	589	—	6,390
Retail Franchise	—	5,163	—	—	5,163
Intercompany revenue	11,825	837	2,046	(14,708)	—
Total net sales	12,303	303,723	17,199	(21,707)	311,518
Cost of goods sold, including buying and occupancy expenses	(1,340)	(182,017)	(10,093)	7,535	(185,915)
Gross profit	10,963	121,706	7,106	(14,172)	125,603
Selling, general and administrative expenses	(11,440)	(95,197)	(6,394)	14,015	(99,016)
Operating (loss) income	(477)	26,509	712	(157)	26,587
Interest income	13	9	20	—	42
Interest expense	(21,312)	—	—	—	(21,312)
Other income, net	5	2	79	—	86
(Loss) income before income taxes	(21,771)	26,520	811	(157)	5,403
Income tax benefit (expense)	9,714	(8,172)	(2,035)	—	(493)
Equity in earnings of affiliates, net of tax	18,178	—	—	(18,178)	—
Net income (loss)	6,121	18,348	(1,224)	(18,335)	4,910
Net loss attributable to noncontrolling interest	—	—	1,211	—	1,211
Net income (loss) attributable to The Gymboree Corporation	$ 6,121	$ 18,348	$ (13)	$ (18,335)	$ 6,121

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE 39 WEEKS ENDED NOVEMBER 2, 2013
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales:					
Retail	$ 1,365	$ 831,597	$ 44,597	$ (20,386)	$ 857,173
Gymboree Play & Music	—	8,132	11,277	—	19,409
Retail Franchise	—	16,955	—	—	16,955
Intercompany revenue	45,883	4,592	—	(50,475)	—
Total net sales	47,248	861,276	55,874	(70,861)	893,537
Cost of goods sold, including buying and occupancy expenses	(4,389)	(525,280)	(30,172)	17,831	(542,010)
Gross profit	42,859	335,996	25,702	(53,030)	351,527
Selling, general and administrative expenses	(49,249)	(295,002)	(26,150)	53,050	(317,351)
Operating (loss) income	(6,390)	40,994	(448)	20	34,176
Interest income	62	29	52	—	143
Interest expense	(61,290)	(62)	(1)	1	(61,352)
Loss on extinguishment of debt	(834)	—	—	—	(834)
Other (expense) income, net	(261)	(5)	1,017	—	751
(Loss) income before income taxes	(68,713)	40,956	620	21	(27,116)
Income tax benefit (expense)	19,834	(29,467)	178	—	(9,455)
Equity in earnings of affiliates, net of tax	13,008	—	—	(13,008)	—
Net (loss) income	(35,871)	11,489	798	(12,987)	(36,571)
Net loss attributable to noncontrolling interest	—	—	700	—	700
Net (loss) income attributable to The Gymboree Corporation	$ (35,871)	$ 11,489	$ 1,498	$ (12,987)	$ (35,871)

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE 39 WEEKS ENDED OCTOBER 27, 2012
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales:					
Retail	$ 1,307	$ 825,274	$ 41,029	$ (20,415)	$ 847,195
Gymboree Play & Music	—	16,379	1,602	—	17,981
Retail Franchise	—	12,845	—	—	12,845
Intercompany revenue	35,518	2,151	5,505	(43,174)	—
Total net sales	36,825	856,649	48,136	(63,589)	878,021
Cost of goods sold, including buying and occupancy expenses	(4,009)	(528,161)	(29,129)	19,893	(541,406)
Gross profit	32,816	328,488	19,007	(43,696)	336,615
Selling, general and administrative expenses	(37,090)	(274,852)	(17,855)	43,447	(286,350)
Operating (loss) income	(4,274)	53,636	1,152	(249)	50,265
Interest income	65	10	71	—	146
Interest expense	(64,163)	—	—	—	(64,163)
Loss on extinguishment of debt	(1,237)	—	—	—	(1,237)
Other (expense) income, net	(46)	—	42	—	(4)
(Loss) income before income taxes	(69,655)	53,646	1,265	(249)	(14,993)
Income tax benefit (expense)	35,347	(23,921)	(1,419)	—	10,007
Equity in earnings of affiliates, net of tax	32,157	—	—	(32,157)	—
Net (loss) income	(2,151)	29,725	(154)	(32,406)	(4,986)
Net loss attributable to noncontrolling interest	—	—	2,835	—	2,835
Net (loss) income attributable to The Gymboree Corporation	$ (2,151)	$ 29,725	$ 2,681	$ (32,406)	$ (2,151)

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THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE 13 WEEKS ENDED NOVEMBER 2, 2013
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	$ (23,985)	$ (519)	$ 1,960	$ (1,854)	$ (24,398)
Other comprehensive (loss) income, net of tax:					
Foreign currency translation adjustments	(36)	—	(11)	55	8
Unrealized net loss on cash flow hedges, net of tax expense of $501	(871)	—	(191)	191	(871)
Total other comprehensive loss, net of tax	(907)	—	(202)	246	(863)
Comprehensive (loss) income	(24,892)	(519)	1,758	(1,608)	(25,261)
Comprehensive income attributable to noncontrolling interest	—	—	369	—	369
Comprehensive (loss) income attributable to The Gymboree Corporation	$ (24,892)	$ (519)	$ 2,127	$ (1,608)	$ (24,892)

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE 13 WEEKS ENDED OCTOBER 27, 2012
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 6,121	$ 18,348	$ (1,224)	$ (18,335)	$ 4,910
Other comprehensive (loss) income, net of tax:					
Foreign currency translation adjustments	—	—	92	—	92
Unrealized net loss on cash flow hedges, net of tax benefit of $123	(123)	—	(85)	—	(208)
Total other comprehensive (loss) income, net of tax	(123)	—	7	—	(116)
Comprehensive income (loss)	5,998	18,348	(1,217)	(18,335)	4,794
Comprehensive loss attributable to noncontrolling interest	—	—	1,120	—	1,120
Comprehensive income (loss) attributable to The Gymboree Corporation	$ 5,998	$ 18,348	$ (97)	$ (18,335)	$ 5,914

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE 39 WEEKS ENDED NOVEMBER 2, 2013
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	$ (35,871)	$ 11,489	$ 798	$ (12,987)	$ (36,571)
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	(516)	—	(456)	557	(415)
Unrealized net gain on cash flow hedges, net of tax benefit of $0	635	—	217	(217)	635
Total other comprehensive income (loss), net of tax	119	—	(239)	340	220
Comprehensive (loss) income	(35,752)	11,489	559	(12,647)	(36,351)
Comprehensive loss attributable to noncontrolling interest	—	—	599	—	599
Comprehensive (loss) income attributable to The Gymboree Corporation	$ (35,752)	$ 11,489	$ 1,158	$ (12,647)	$ (35,752)

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE 39 WEEKS ENDED OCTOBER 27, 2012
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	$ (2,151)	$ 29,725	$ (154)	$ (32,406)	$ (4,986)
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	33	—	33
Unrealized net loss on cash flow hedges, net of tax benefit of $386	(59)	—	(50)	—	(109)
Total other comprehensive loss, net of tax	(59)	—	(17)	—	(76)
Comprehensive (loss) income	(2,210)	29,725	(171)	(32,406)	(5,062)
Comprehensive loss attributable to noncontrolling interest	—	—	2,776	—	2,776
Comprehensive (loss) income attributable to The Gymboree Corporation	$ (2,210)	$ 29,725	$ 2,605	$ (32,406)	$ (2,286)

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE 39 WEEKS ENDED NOVEMBER 2, 2013
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash (used in) provided by operating activities	$ (52,645)	$ 85,441	$ (9,510)	$ —	$ 23,286
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	(1,648)	(30,438)	(3,127)	—	(35,213)
Other	—	11	(246)	—	(235)
Net cash used in investing activities	(1,648)	(30,427)	(3,373)	—	(35,448)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany transfers	45,535	(54,683)	9,148	—	—
Proceeds from ABL facility	79,000	—	—	—	79,000
Payments on ABL facility	(55,000)	—	—	—	(55,000)
Repurchase of notes	(24,760)	—	—	—	(24,760)
Payments on capital lease	—	(78)	—	—	(78)
Dividend payment to parent	(7,475)	—	—	—	(7,475)
Capital contribution received by noncontrolling interest	—	—	6,506	—	6,506
Net cash provided by (used in) financing activities	37,300	(54,761)	15,654	—	(1,807)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	(280)	—	(280)
Net (decrease) increase in cash and cash equivalents	(16,993)	253	2,491	—	(14,249)
CASH AND CASH EQUIVALENTS:					
Beginning of Period	18,431	3,128	11,769	—	33,328
End of Period	$ 1,438	$ 3,381	$ 14,260	$ —	$ 19,079

THE GYMBOREE CORPORATION
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE 39 WEEKS ENDED OCTOBER 27, 2012
(In thousands)

	The Gymboree Corporation	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash (used in) provided by operating activities	$ (38,940)	$ 49,393	$ 1,426	$ —	$ 11,879
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	(1,881)	(28,372)	(1,649)	—	(31,902)
Investment in subsidiaries	(180)	—	—	180	—
Other	—	(159)	(425)	—	(584)
Net cash used in investing activities	(2,061)	(28,531)	(2,074)	180	(32,486)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany transfers	18,635	(18,040)	(595)	—	—
Payments on Term Loan	(17,698)	—	—	—	(17,698)
Payments of deferred financing costs	(1,347)	—	—	—	(1,347)
Investment by Parent	—	—	180	(180)	—
Investment by affiliate of Parent	2,400	—	—	—	2,400
Capital contribution received by noncontrolling interest	—	—	1,595	—	1,595
Net cash provided by (used in) financing activities	1,990	(18,040)	1,180	(180)	(15,050)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	333	—	333
Net (decrease) increase in cash and cash equivalents	(39,011)	2,822	865	—	(35,324)
CASH AND CASH EQUIVALENTS:					
Beginning of Period	58,910	6,387	12,613	—	77,910
End of Period	$ 19,899	$ 9,209	$ 13,478	$ —	$ 42,586

The Company and its guarantor subsidiaries participate in a cash pooling program. As part of this program, cash balances are generally swept on a daily basis between the guarantor subsidiary bank accounts and those of the Company. In addition, we pay expenses on behalf of our guarantor and non-guarantor subsidiaries on a regular basis. These types of transactions have been accounted for as intercompany transfers within financing activities.

The Company's transactions include interest, tax payments and intercompany sales transactions related to administrative costs incurred by the Company, which are billed to guarantor and non-guarantor subsidiaries on a cost plus basis. All intercompany transactions are presumed to be settled in cash and therefore are included in operating activities. Non-operating cash flow changes have been classified as financing activities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of
The Gymboree Corporation

We have reviewed the accompanying condensed consolidated balance sheets of The Gymboree Corporation and subsidiaries (the "Company") as of November 2, 2013 and October 27, 2012, and the related condensed consolidated statements of operations and comprehensive income (loss) for the thirteen and thirty-nine week periods then ended, and of cash flows for the thirty-nine week periods then ended. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The Gymboree Corporation and subsidiaries as of February 2, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the fiscal year then ended (not presented herein); and in our report dated May 2, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 2, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

December 16, 2013

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This quarterly report contains forward-looking statements. You can identify forward-looking statements because they contain words such as "believe," "expect," "may," "will," "should," "could," "seek," "intend," "plan," "estimate," or "anticipate" or similar expressions that concern our strategy, plans or intentions. All statements we make relating to: future sales, costs and expenses and gross profit percentages; the continuation of historical trends; planned store openings; our ability to operate our business under our capital and operating structure; and the sufficiency of our cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we had expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Item 1A, Risk Factors," in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended February 2, 2013, filed with the Securities and Exchange Commission on May 2, 2013 (the "Fiscal 2012 Annual Report"). We encourage you to read these risk factors disclosures carefully. We caution investors not to place substantial reliance on the forward-looking statements contained in this quarterly report. These statements, like all statements in this quarterly report, speak only as of the date of this quarterly report (unless another date is indicated), and we undertake no obligation to update or revise the statements in light of future developments.

Overview

The Gymboree Corporation ("we," "us," "our," "Gymboree" and "Company") is one of the largest children's apparel specialty retailers in North America, offering collections of high-quality apparel and accessories. As of November 2, 2013, we operated a total of 1,319 retail stores, as follows: 633 Gymboree® stores (including 583 in the United States, 43 in Canada, 1 in Puerto Rico and 6 in Australia), 164 Gymboree Outlet stores (162 in the United States and 2 in Puerto Rico), 139 Janie and Jack® shops, and 383 Crazy 8® stores in the United States, as well as 3 online stores at *www.gymboree.com*, *www.janieandjack.com* and *www.crazy8.com*. We also offer directed parent-child developmental play programs at 708 franchised and Company-operated Gymboree Play & Music® centers in the United States and 41 other countries. In addition, as of November 2, 2013, third-party overseas partners operated 71 Gymboree stores in the Middle East, South Korea, Latin America and China, including 19 Gymboree retail stores operated by Gymboree (China) Commercial and Trading Co. Ltd. ("Gymboree China"). Gymboree China and Gymboree (Tianjin) Educational Information Consultation Co. Ltd. ("Gymboree Tianjin") are collectively referred to as the "VIEs." Gymboree Tianjin provides various services on Gymboree Play & Music's behalf to Gymboree Play & Music's franchisees in China.

During the third quarter of fiscal 2013, we opened 21 new stores, of which 11 were Crazy 8 stores. In fiscal 2013, we plan to open approximately 85 stores consisting mostly of Crazy 8 stores.

Seasonality

Our business is impacted by the general seasonal trends characteristic of the apparel and retail industries. Sales from retail operations in the past several years have been highest during the third and fourth fiscal quarters, somewhat lower during the first fiscal quarter, and lowest during the second fiscal quarter. Consequently, the results for any fiscal quarter are not necessarily indicative of results for the full year. These historical quarterly trends may not continue in the future.

Results of Operations

13 weeks ended November 2, 2013, compared to 13 weeks ended October 27, 2012

Net Sales

Net retail sales for the third quarter of fiscal 2013 decreased to $297.4 million from $300.0 million in the same period last year, a decrease of $2.6 million or 0.9%. Comparable store sales (including online sales) decreased by 4% in the third quarter of fiscal 2013 compared to the same period in the prior year. Comparable store sales (excluding online sales) decreased by 6% in the third quarter of fiscal 2013 compared to the same period in the prior year. Total net stores increased from 1,228 as of the third quarter of fiscal 2012 to 1,319 as of the third quarter of fiscal 2013. Total square footage increased from approximately 2.5 million square feet to approximately 2.7 million square feet from the third quarter of fiscal 2012 to the third quarter of fiscal 2013.

Gymboree Play & Music net sales for the third quarter of fiscal 2013 increased to $6.8 million from $6.4 million in the same period last year, an increase of $0.4 million or 6.7%. This increase was primarily due to increased equipment and product sales.

Retail franchise net sales for the third quarter of fiscal 2013 increased to $5.7 million from $5.2 million in the same period last year, an increase of $0.5 million or 9.7%. As of November 2, 2013, our third-party overseas partners operated 71 Gymboree stores in other countries, compared to 41 stores as of the end of the same period last year.

Gross Profit

Gross profit for the third quarter of fiscal 2013 decreased to $123.5 million from $125.6 million in the same period last year. As a percentage of net sales, gross profit for the third quarter of fiscal 2013 decreased 0.5 percentage points to 39.8% from 40.3% in the same period last year. The decrease in gross profit as a percentage of net sales was due to deleveraging of occupancy and buying expenses, partially offset by lower commodity prices (primarily cotton). As we record certain distribution costs as a component of selling, general and administrative expenses ("SG&A") and do not include such costs in cost of goods sold, our cost of goods sold and gross profit may not be comparable to those of other companies. Our distribution costs recorded in SG&A expenses represent primarily outbound shipping and handling expenses to our stores.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, which principally consist of non-occupancy store expenses, non-buying costs, corporate overhead, and distribution expenses, increased to $111.2 million in the third quarter of fiscal 2013 compared to $99.0 million in the same period last year. As a percentage of net sales, SG&A expenses increased 4.1 percentage points to 35.9% for the third quarter of fiscal 2013 from 31.8% in the same period last year due to a deleveraging of expenses on lower comparable store sales, investments in corporate infrastructure, a $3.1 million write off of abandoned assets, partially offset by lower amortization expense of acquisition-related intangibles.

Interest Expense

Interest expense decreased to $20.5 million in the third quarter of fiscal 2013 compared to $21.3 million in the same period last year. The decrease of $0.8 million is primarily related to the repayment of $42.7 million of our Term Loan in fiscal 2012, and a repurchase of an aggregate principal amount of $25 million and $29 million of our Notes in privately negotiated transactions in the third quarter of fiscal 2013 and during fiscal 2012, respectively.

Loss on Extinguishment of Debt

During the third quarter of fiscal 2013, we repurchased Notes in privately negotiated transactions with an aggregate principal amount of $25.0 million for $24.8 million in cash, which resulted in a $0.2 million gain on extinguishment of debt and a $1.0 million charge related to the write-off of deferred financing costs.

Income Taxes

The effective tax rate for the third quarter of fiscal 2013 and 2012 was -199.2% and 9.1%, respectively. The change in effective tax rates was due to the impact of recording a valuation allowance in the third quarter of fiscal 2013 against applicable net deferred tax assets in jurisdictions where it is more likely than not that these assets will not be realized (see Note 12 to the condensed consolidated financial statements included elsewhere in this quarterly report). The actual fiscal 2013 effective tax rate will ultimately depend on several variables, including the mix of earnings between domestic and international operations, our overall level of earnings in fiscal 2013, and the potential resolution of tax contingencies. Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty.

Weighing the available objective evidence, we concluded it is "more likely than not" that a portion of our net deferred tax assets will not be realized. As such, we increased our valuation allowance against certain net deferred tax assets by $18.4 million in the third quarter of 2013, compared to $0.2 million in the same period last year.

***39 weeks ended November 2,* 2013, compared to 39 weeks ended October 27, 2012**

Net Sales

Net retail sales for the 39 weeks ended November 2, 2013 increased to $857.2 million from $847.2 million in the same period last year, an increase of $10.0 million or 1.2%. Comparable store sales (including online sales) decreased by 4% in the 39 weeks ended November 2, 2013 compared to the same period in the prior year. Comparable store sales (excluding online sales) decreased by 7% in the 39 weeks ended November 2, 2013 compared to the same period in the prior year. Total net stores increased from 1,228 as of the third quarter of fiscal 2012 to 1,319 as of the third quarter of fiscal 2013. Total square footage increased from approximately 2.5 million square feet to approximately 2.7 million square feet from the third quarter of fiscal 2012 to the third quarter of fiscal 2013.

Gymboree Play & Music net sales for the 39 weeks ended November 2, 2013 increased to $19.4 million from $18.0 million in the same period last year, an increase of $1.4 million or 7.9%. This increase was primarily due to increased equipment and product sales.

Retail franchise net sales for the 39 weeks ended November 2, 2013 increased to $17.0 million from $12.8 million in the same period last year, an increase of $4.2 million or 32.0%. As of November 2, 2013, our third-party overseas partners operated 71 Gymboree stores in other countries, compared to 41 stores as of the end of the same period last year.

Gross Profit

Gross profit for the 39 weeks ended November 2, 2013 increased to $351.5 million from $336.6 million in the same period last year. As a percentage of net sales, gross profit for the 39 weeks ended November 2, 2013 increased 1.0 percentage points to 39.3% from 38.3% in the same period last year. The increase in gross profit as a percentage of net sales was due to lower commodity prices (primarily cotton), partially offset by deleveraging of buying and occupancy expenses. As we record certain distribution costs as a component of selling, general and administrative expenses ("SG&A") and do not include such costs in cost of goods sold, our cost of goods sold and gross profit may not be comparable to those of other companies. Our distribution costs recorded in SG&A expenses represent primarily outbound shipping and handling expenses to our stores.

Selling, General and Administrative Expenses

SG&A increased to $317.4 million for the 39 weeks ended November 2, 2013 compared to $286.4 million in the same period last year. As a percentage of net sales, SG&A expenses increased 2.9 percentage points to 35.5% for the 39 weeks ended November 2, 2013 from 32.6% in the same period last year primarily due to a deleveraging of expenses on lower comparable store sales and investments in corporate infrastructure, partially offset by lower amortization expense of acquisition-related intangibles.

Interest Expense

Interest expense decreased to $61.4 million for the 39 weeks ended November 2, 2013 compared to $64.2 million in the same period last year. The decrease of $2.8 million is primarily related to the repayment of $42.7 million of our Term Loan in fiscal 2012 and a repurchase of an aggregate principal amount of $25 million and $29 million of our Notes in the third quarter of fiscal 2013 and during fiscal 2012, respectively.

Loss on Extinguishment of Debt

Loss on extinguishment of debt for the 39 weeks ended November 2, 2013 decreased to $0.8 million from $1.2 million in the same period last year. During the third quarter of fiscal 2013, we repurchased Notes with an aggregate principal amount of $25.0 million for $24.8 million in cash, which resulted in a $0.2 million gain on extinguishment of debt and a $1.0 million charge related to the write-off of deferred financing costs. During the 39 weeks ended October 27, 2012, we amended and restated our ABL Facility to, among other things, lower the interest rate and extend the maturity date, which resulted in a $1.2 million charge related to the write-off of deferred financing costs.

Income Taxes

The effective tax rate for the 39 weeks ended November 2, 2013 and October 27, 2012 was -34.9% and 66.7%, respectively. The change in effective tax rates was due to the impact of recording a valuation allowance in the third quarter of fiscal 2013 against applicable net deferred tax assets in jurisdictions where it is more likely than not that these assets will not be realized (see Note 12 to the condensed consolidated financial statements included elsewhere in this quarterly report). The actual fiscal 2013 effective tax rate will ultimately depend on several variables, including the mix of earnings between domestic and international operations, our overall level of earnings in fiscal 2013, and the potential resolution of tax contingencies. Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty.

Weighing the available objective evidence, we concluded it is "more likely than not" that a portion of our net deferred tax assets will not be realized. As such, we increased our valuation allowance against certain net deferred tax assets by $20.8 million for the 39 weeks ended November 2, 2013, compared to $0.6 million in the same period last year.

Financial Condition

Liquidity and Capital Resources

Cash and cash equivalents were $19.1 million at November 2, 2013, representing a decrease of $14.2 million from February 2, 2013. As of November 2, 2013 and February 2, 2013, cash and cash equivalents included $5.3 million and $6.1 million, respectively, held by the two entities that make up the VIEs, which we have determined to be variable interest entities of which we are the primary beneficiary, and the results of which we have consolidated into our financial statements (see Note 17 to the condensed consolidating financial statements included elsewhere in this quarterly report). The assets of the VIEs cannot be used by us. Working capital as of November 2, 2013 and February 2, 2013 was $82.2 million and $129.9 million, respectively.

Cash flows provided by operating activities

Net cash provided by operating activities for the 39 weeks ended November 2, 2013 and October 27, 2012 was $23.3 million and $11.9 million, respectively. The increase in cash provided by operating activities was primarily due to lower inventory purchases offset by a decrease in income.

Cash flows used in investing activities

Net cash used in investing activities for the 39 weeks ended November 2, 2013 was $35.4 million compared to $32.5 million in the same period last year, related primarily to the opening of new stores, relocation, remodeling and/or expansion of existing stores and information technology improvements.

Cash flows used in financing activities

Net cash used in financing activities for the 39 weeks ended November 2, 2013 was $1.8 million compared to $15.1 million in the same period last year. Net cash used in financing activities for the 39 weeks ended November 2, 2013, is primarily due to a repurchase of our Notes in privately negotiated transactions with $24.8 million in cash, a capital contribution of $7.5 million to Parent, partially offset by net proceeds of $24.0 million from our ABL and a capital contribution of $6.5 million to the VIEs made by their immediate corporate parent. Net cash used in financing activities for the 39 weeks ended October 27, 2012, is primarily due to the prepayment of $15.6 million of the Term Loan, quarterly principal payment of $2.1 million on our Term Loan and costs paid to refinance our ABL, partially offset by $4.0 million in capital contributions.

We have an $820 million Term Loan and a $225 million ABL Facility. As of November 2, 2013, $769.1 million was outstanding under the Term Loan and $24 million was outstanding under the ABL Facility. Amounts available under the ABL Facility are subject to customary borrowing base limitations and are reduced by letter of credit utilization. There was approximately $165.9 million of undrawn availability under the ABL Facility as of November 2, 2013. The Term Loan and ABL Facility also allow an aggregate of $200 million in uncommitted incremental facilities, the availability of which is subject to our meeting certain conditions. No incremental facilities are currently in effect. The Term Loan and ABL Facility contain covenants that, among other things, restrict our ability to incur additional indebtedness and pay dividends. The ABL Facility also contains financial covenants. As of November 2, 2013, we were in compliance with these covenants.

Subject to certain limitations imposed on business combinations under the agreements governing our indebtedness, we may from time to time, consider strategic acquisitions as an alternative means of growth, which may be funded with cash on hand or require us to incur additional indebtedness.

We and our subsidiaries, the VIEs, and our affiliates may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions, by tender offer or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe that cash generated by operations, the remaining funds available under our senior credit facilities (collectively, the "Senior Credit Facilities"), and existing cash and cash equivalents will be sufficient to meet working capital requirements, service our debt and finance capital expenditures over the next twelve months. However, if we face unanticipated cash needs such as the funding of a future acquisition or other capital investment, our existing cash and cash equivalents and net cash provided by operating activities may be insufficient. In addition we cannot assure that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Senior Credit Facilities in amounts sufficient to enable us to repay our indebtedness when due, including the Notes, or to fund other liquidity needs. See "Item 1A. Risk Factors—Risks Related to Our Indebtedness and Certain Other Obligations" in our Fiscal 2012 Annual Report. We also regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure. If opportunities are favorable, we may refinance our existing debt or issue additional securities.

Critical Accounting Policies, Estimates and Judgments

As of November 2, 2013, we had goodwill of $899 million allocated to our reporting units. Goodwill is tested for impairment in the fourth quarter of each fiscal year or whenever events or changes in circumstances indicate that its carrying value may not be fully recoverable, by performing a two-step goodwill impairment test. The first step of the two-step goodwill impairment test is to compare the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step of the two-step goodwill impairment test is required to measure the goodwill impairment loss. The second step includes valuing all the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount.

Based on the results of the first step of the Company's impairment test performed during the fourth quarter of fiscal 2012, we determined that the fair value of the Janie and Jack, Crazy 8, Gymboree Play & Music and International Retail Franchise reporting units each exceeded their carrying values by more than 25%. However, the fair value of the Gymboree Retail and Gymboree Outlet reporting units exceeded their carrying values by less than 10% and 5%, respectively. Goodwill of $531.6 million and $148.6 million was allocated to the Gymboree Retail and Gymboree Outlet reporting units, respectively.

Calculating the fair value of a reporting unit and the implied fair value of reporting unit goodwill requires significant judgment. The use of different assumptions, estimates or judgments in either step of the goodwill impairment testing process, such as the estimated future cash flows of reporting units, the discount rate used to discount such cash flows, or the estimated fair value of the reporting units' tangible and intangible assets and liabilities, could significantly increase or decrease the estimated fair value of a reporting unit or its net assets.

Operating income for our retail stores segment has declined $19.6 million or 46% during the first nine months of fiscal 2013 compared to the same period last year. Due to recent trends impacting our retail stores segment, we qualitatively assessed the valuation of our retail segment reporting units. This qualitative assessment resulted in a determination that it was more likely than not that the fair value of these reporting units exceeded their carrying amount at November 2, 2013. If these trends continue through the remainder of the year and our forecast of future operating performance further declines, there is the potential for goodwill impairment related to our Gymboree Retail and Gymboree Outlet reporting units.

Significant adverse changes to our business environment or future cash flows could cause us to record impairment charges in future periods, which could be material. Our annual goodwill impairment test will be performed for our annual test date, which is November 30, 2013, and will be completed prior to filing the 10-K, the results of which will be reported in our Form 10-K for the fiscal year ending February 1, 2014.

There have been no other material changes to our critical accounting policies and estimates affecting the application of those policies since our Fiscal 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 2, 2013.

Non-GAAP Measures

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

In the table below, we present Adjusted EBITDA (which is defined as net income (loss) before interest expense, interest income, income tax expense/benefit, and depreciation and amortization (EBITDA) adjusted for the other items described below), which is considered a non-GAAP financial measure. We present Adjusted EBITDA in this quarterly report because we consider it an important supplemental measure of performance used by management and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the retail industry. Adjusted EBITDA is calculated in substantially the same manner as "EBITDA" under the indenture governing the Notes and "Consolidated EBITDA" under the agreement governing our Senior Credit Facilities. We believe that the inclusion of supplementary adjustments applied to EBITDA in presenting Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash items and unusual or non-recurring items that we do not expect to continue in the future and to provide additional information with respect to our ability to meet our future debt service and to comply with various covenants in documents governing our indebtedness. However, Adjusted EBITDA is not a presentation made in accordance with GAAP, and our computation of Adjusted EBITDA may vary from others in the retail industry. Adjusted EBITDA should not be considered an alternative to operating income or net income (loss), as a measure of operating performance or cash flow, or as a measure of liquidity. Adjusted EBITDA has important limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- excludes income tax payments that represent a reduction in cash available to us; and
- does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of ongoing operations.

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The following table is a reconciliation of net loss to Adjusted EBITDA for the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
	(In thousands)			
Net (loss) income attributable to The Gymboree Corporation	$ (23,985)	$ 6,121	$ (35,871)	$ (2,151)
Reconciling items (a):				
Interest expense	20,483	21,312	61,352	64,163
Interest income	(41)	(32)	(114)	(116)
Income tax expense (benefit)	15,917	(776)	9,202	(11,051)
Depreciation and amortization (b)	10,874	14,727	34,156	43,467
Non-cash share-based compensation expense	1,443	303	4,417	3,220
Loss on disposal/impairment on assets	3,712	827	5,583	2,090
Loss on extinguishment of debt	834	—	834	1,237
Other (c)	775	—	3,238	—
Acquisition-related adjustments (d)	3,890	4,409	11,882	13,288
Adjusted EBITDA	$ 33,902	$ 46,891	$ 94,679	$ 114,147

(a) Excludes amounts related to noncontrolling interest, which are already excluded from net (loss) income attributable to The Gymboree Corporation.
(b) Includes the following (in thousands):

Amortization of intangible assets (impacts SG&A)	$ 383	$ 4,340	$ 3,025	$ 13,020
Amortization of below and above market leases (impacts COGS)	(348)	(406)	(1,110)	(1,442)
	$ 35	$ 3,934	$ 1,915	$ 11,578

(c) Other is comprised of a non-recurring change in reserves, restructuring charges, and executive-related hiring expenses.
(d) Includes the following (in thousands):

Additional rent expense recognized due to the elimination of deferred rent and construction allowances in purchase accounting (impacts COGS)	$ 2,217	$ 2,293	$ 6,675	$ 6,925
Sponsor fees, legal and accounting, as well as other costs incurred as a result of the Acquisition or refinancing (impacts SG&A)	974	919	3,069	2,767
Decrease in net sales due to the elimination of deferred revenue related to the Company's co-branded credit card program in purchase accounting (impacts net sales)	699	1,197	2,138	3,596
	$ 3,890	$ 4,409	$ 11,882	$ 13,288

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We enter into forward foreign exchange contracts with respect to certain purchases in United States dollars of inventory to be sold in our retail stores in Canada. The purpose of these contracts is to protect our margins on the eventual sale of the inventory from fluctuations in the exchange rate for Canadian and United States dollars. The term of the forward exchange contracts is generally less than one year. Our U.S. entity also enters into forward foreign exchange contracts with respect to short-term intercompany balances between our Canadian, Australian and U.S. entities. The purpose of these contracts is to protect us from fluctuations in the exchange rate for Canadian, Australian and United States dollars upon the settlement of such balances.

The table below summarizes the notional amounts and fair values of our forward foreign exchange contracts in U.S. dollars.

	Notional Amount	Fair Value Gain (Loss)	Weighted-Average Rate
	(in thousands, except weighted-average rate data)		
November 2, 2013	$ 3,800	$ 107	0.97
February 2, 2013	$ 7,419	$ (18)	1.00
October 27, 2012	$ 3,922	$ (41)	0.99

Interest Rate Risk

We are subject to interest rate risk in connection with our long-term debt. Our principal interest rate risk relates to the outstanding Term Loan. We had $769.1 million outstanding under our Term Loan as of November 2, 2013, bearing interest at variable rates. The interest rate for borrowings under the Term Loan is, at our option, a base rate plus an additional marginal rate of 2.5% or the Adjusted LIBOR rate (with a 1.5% floor) plus an additional rate of 3.5%. As of November 2, 2013, the interest rate under our Term Loan was 5%. A 0.125% increase in the Adjusted LIBOR rate, above the 1.5% floor, would have increased annual interest expense by approximately $1.0 million, assuming $769.1 million of indebtedness thereunder was outstanding for the whole year. The Term Loan and the ABL also allow an aggregate of $200 million in uncommitted incremental facilities, bearing interest at variable rates. No incremental facilities are currently in effect.

In December 2010, we purchased four interest rate caps to hedge against rising interest rates associated with our Term Loan above the 5% strike rate of the caps through December 23, 2016, the maturity date of the caps. The notional amount of these caps is $700 million. As of November 2, 2013, February 2, 2013, and October 27, 2012, accumulated other comprehensive loss included approximately $10.3 million, $10.7 million, and $11.0 million, respectively, in unrealized losses related to the interest rate caps.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company conducted an evaluation, under the supervision and with the participation of the Company’s management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on the Company’s evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information relating to the Company (including its consolidated subsidiaries) required to be included in the Company’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. In addition, the Company’s Principal Executive Officer and Principal Financial Officer concluded as of the end of the period covered by this report that the Company’s disclosure controls and procedures are also effective to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is accumulated and communicated to the Company’s management, including the Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the third quarter of the Company's fiscal 2013, there was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

Our Business Could Suffer if We Are Unsuccessful in Integrating and Operating our New Fulfillment Center

During the third quarter of fiscal 2013, we began to fulfill online customer orders to a third-party fulfillment center in Ohio, which we operate through an outsourced arrangement. The arrangement provides us with warehousing, fulfillment and logistic services for Gymboree.com online orders. The arrangement requires us to rely on a third party for critical business functions. If this third party is unable to successfully operate the fulfillment center under this arrangement, we may experience a material adverse effect on our business and operating results.

There have been no other material changes during the period covered by this Quarterly Report on Form 10-Q to the risk factors disclosed in Part I, Item 1A, of our 2012 Annual Report on Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. MINE SAFETY DISCLOSURES

None

Item 5. Other Information

None

Item 6. Exhibits

10.1	Consulting Agreement, dated as of October 3, 2013, by and among The Gymboree Corporation, Gymboree Holding, Ltd., Giraffe Holding, Inc., and Kip M. Garcia.
31.1	Certification of Mark Breitbard Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Evan Price Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Mark Breitbard Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Evan Price Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from The Gymboree Corporation's Quarterly Report on Form 10-Q for the quarter ended November 2, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) (iv) Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

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

THE GYMBOREE CORPORATION
(Registrant)

December 16, 2013	By:	/s/ Mark Breitbard
Date		Mark Breitbard Chief Executive Officer

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Exhibit Index

Exhibit Number	Description
10.1	Consulting Agreement, dated as of October 3, 2013, by and among The Gymboree Corporation, Gymboree Holding, Ltd., Giraffe Holding, Inc., and Kip M. Garcia.
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Exhibit 10.1

THE GYMBOREE CORPORATION
500 Howard Street
San Francisco, California 94105

October 3, 2013

Dear Kip:

The purpose of this letter agreement (the "Agreement") is to set out the terms of your transition from your current role as President of The Gymboree Corporation (the "Company"). You will cease to be the Company's President effective as of December 31, 2013 (such date, the "First Transition Date"). The terms on which you will continue to provide services to the Company following the First Transition Date, initially as an employee and then as an independent contractor, are as follows:

1. **Base Salary Through First Transition Date.** Subject to your continued employment through the First Transition Date, you will continue to be paid your annual base salary at the rate in effect as of the date hereof on the Company's regular payroll schedule.

2. **Annual Bonus for 2013**. You will be eligible to receive an annual cash bonus under the Company's annual bonus program in respect of the Company's 2013 fiscal year with a target amount equal to 100% of your annual base salary as of the First Transition Date, subject to (i) your continued employment with the Company through the First Transition Date, and (ii) the Release (as defined below) becoming effective as described in Section 12 below. Any annual bonus payable to you in respect of the Company's 2013 fiscal year shall be paid to you at the time bonuses are paid to other executives of the Company and in all events prior to December 31, 2014. For the avoidance of doubt, you will not be eligible for an annual bonus in respect of the Company's 2014 fiscal year.

3. **Creative Advisor and Consulting Services**. Subject to your remaining employed with the Company through the First Transition Date, beginning on January 1, 2014 and continuing through April 30, 2014 (such date, the "Second Transition Date" and such period, the "Creative Advisor Term"), you will continue to be employed as a Creative Advisor to the Company. In that role you will perform such services as are requested by the Company. Subject to your remaining employed with the Company through the Second Transition Date, beginning on May 1, 2014 and continuing through December 31, 2014 (the "Consulting Term", and together with the Creative Advisor Term, the "Term") you will perform such consulting services as the Company reasonably requests, subject to the limitations set forth in Section 8 below (collectively, the "Consulting Services"). You will determine the method, timing, and means of performing the Consulting Services, subject to the reasonable requests of the Company. You will devote such business time as is necessary or desirable to fully perform hereunder.

4. **Status of Employee Benefits.** Following the First Transition Date, you and your eligible dependents will remain eligible to participate in all employee benefit plans of the Company that are made available generally to senior executive officers of the Company, subject to the terms of such plans; *provided* that you will not earn vacation or other similar benefits at any time after the First Transition Date. As of the Second Transition Date, except for any right you may have to continue your participation and that of your eligible dependents in the Company's group medical, dental, and vision plans under the federal law known as "COBRA", your participation in all employee benefit plans of the Company will end in accordance with the terms of those plans. To the extent you properly elect COBRA continuation coverage, beginning on May 1, 2014, the Company shall, to the extent permitted under applicable law, reimburse you on a monthly basis for the full cost of the premiums due for such coverage for a period that ends on the earlier to occur of (i) expiration or early termination of COBRA continuation coverage in accordance with the requirements of COBRA, and (ii) December 31, 2014. In the event the Company's payment obligations end based on clause (ii) of the foregoing sentence, you shall be responsible for properly paying the full cost of the premiums due for any future COBRA continuation coverage to which you are then entitled.

5. **Repurchase of Units.** Notwithstanding anything to the contrary in the Shareholders Agreement dated December 23, 2011 by and among, Gymboree Holding, Ltd. ("Holding"), Giraffe Holding, Inc., you and certain other parties (the "Shareholders Agreement"), the parties hereto agree that Holding will repurchase the 100,008 shares of Class A common stock of Holding, 11,112 shares of Class B common stock of Holding and 1,166 shares of Class C common stock of Holding currently held by you (or, if applicable, your Management Call Group (as defined in the

Shareholders Agreement)) within 30 days of the latest date set forth on the signature page hereto for an amount equal to the Fair Market Value (as defined in the Shareholders Agreement) of such shares. Such repurchase shall be made in accordance with the procedures set forth in Section 5.2 of the Shareholders Agreement.

6. **Treatment of Stock Options**. Notwithstanding anything to the contrary in the Giraffe Holding, Inc. 2010 Equity Incentive Plan (the "Equity Plan") or any option agreement thereunder, for purposes of the Equity Plan and all outstanding options issued to you thereunder (your "Options"), your "Employment" (as defined in the Equity Plan) will be deemed to terminate, and vesting shall cease with respect to your Options, as of the First Transition Date. Except as set forth in the immediately preceding sentence, the terms applicable to your Options shall remain unchanged.

7. **Compensation for the Services**. During the Term, as full compensation for all services performed by you for the Company and its affiliates, and subject to your performance hereunder (including, without limitation, compliance the restrictive covenants described in Section 5 of the Prior Agreement (as defined below) as modified by Section 9 below) the Company will pay you compensation at an annual rate of $192,000 (the "Base Compensation"). During the Creative Advisor Term, the Base Compensation shall be payable in accordance with the Company's regular payroll schedule, subject to your continued service to the Company through the date of the payment. On the Second Transition Date, you will receive pay for all work you performed for the Company through your final payroll period, to the extent not previously paid. During the Consulting Term, the Base Compensation shall be payable in equal monthly installments, subject to your continued service to the Company through the date of the payment.

8. **Relationship of the Parties**. It is expressly understood and agreed by you and the Company that, during the Consulting Term, you shall be an independent contractor in the performance of each and every part of this Agreement and that nothing contained in this Agreement is intended, or shall be construed, to establish an employment, partnership or joint venture relationship between you and the Company or as constituting the exercise by the Company of control or direction over the manner or method by which you perform the Consulting Services. You shall be an agent of the Company only to the extent necessary for you to perform the Consulting Services. Other than as set forth in the immediately preceding sentence, you shall have no right, power or authority in any way to bind the Company or any of its affiliates to the fulfillment of any condition, contract or obligation or to create any liability binding on the Company.

9. **Restrictive Covenants**. You hereby acknowledge and agree that you will remain subject to the restrictive covenants set forth in Section 5 of the letter agreement, dated as of October 31, 2012 between you and the Company (the "Prior Agreement") following the execution of this Agreement; provided that, the post-employment non-competition, non-solicitation and non-hire periods described in the Prior Agreement shall commence upon the date you cease performing services hereunder (rather than upon your termination of employment with the Company) and shall end on the first anniversary of such date. You further acknowledge and agree that the Company's obligation to pay the Base Compensation pursuant to Section 7 above is expressly conditioned on your compliance with Section 5 of the Prior Agreement, as modified by this Section 9.

10. **Return of Documents and Other Property.** You agree that upon the termination of your services to the Company, you will return to the Company any and all records, documents, materials and information (whether in hardcopy, on electronic media or otherwise) related to the business (whether present or otherwise) of the Company and its affiliates, and all keys, access cards, credit cards, computer hardware and software, telephones and telephone-related equipment, and all other property of the Company or its affiliates in your possession or control.

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

12. **Release of Claims.** As soon as reasonably practicable following the First Transition Date, you will sign a general release of claims (the "Release") in the form attached hereto as Exhibit A. You will be given 21 days to consider the Release and the Release will take effect on the eighth day following the date of your signing, provided you do not timely revoke it by providing written notice to the Company. The payment due under Section 2 of this Agreement is expressly conditioned on the Release becoming effective within 60 days of the First Transition Date.

13. **Miscellaneous**.

    a. Merger Clause; Severability. This Agreement contains the entire agreement between you and the Company, and supersedes all prior and contemporaneous communications, agreements and understandings, whether written or oral, with respect to your employment and the termination thereof, including, without limitation, the severance provisions contained in Section 4 of the Prior Agreement, and your consulting arrangement with the Company; *provided* that the Prior Agreement, unless earlier terminated, shall remain in effect through the First Transition Date at which point it shall immediately terminate in full (other than Section 5 of the Prior Agreement, as modified by Section 9 above, which shall survive the First Transition Date). In the event that your employment with the Company terminates prior to the First Transition Date, this Agreement shall terminate immediately and become null and void in all respects. This Agreement shall not be construed strictly for or against you, the Company, Holding or any released party described in the Release. The provisions of this Agreement are severable, which means that if any provision is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision.

b. Amendment; Headings. This Agreement may not be modified or amended, and no breach will be deemed to be waived, unless agreed to in writing by you and the Company. The captions and headings in this Agreement are for convenience only, and in no way define or describe the scope or content of any provision of this Agreement.

c. Continued Performance. The obligations of the Company to make payments to you and to provide you with benefits under this Agreement are expressly conditioned upon your continued full performance of your obligations under this Agreement. Nothing in this Agreement shall give you the right to continue as an employee or other service provider of the Company or any of its affiliates.

d. Governing Law and Venue. This Agreement is governed by the laws of the state of Delaware. The parties agree that Delaware courts shall have exclusive jurisdiction and venue over any claim made by any of the parties hereunder. The parties further agree that the Delaware courts have personal jurisdiction over the parties to this Agreement.

[The remainder of this page is left intentionally blank.]

If the terms of this Agreement are acceptable to you, please promptly sign, date and return it to the General Counsel of the Company.

The Gymboree Corporation

By: /s/ Mark Breitbard
Mark Breitbard
Its: Chief Executive Officer

Date: October 3, 2013

Giraffe Holding, Inc.

By: /s/ Mark Breitbard
Mark Breitbard
Its: Chief Executive Officer

Date: October 3, 2013

Accepted and Agreed:

/s/ Kip Garcia
Kip Garcia

Date: October 3, 2013

Gymboree Holding, Ltd.

By: /s/ Mark Breitbard
Mark Breitbard
Its: Director

Date: October 3, 2013

Exhibit A
Release of Claims

In exchange for the opportunity to earn an annual bonus as set forth in Section 2 of the letter agreement between you, The Gymboree Corporation (the "Company") and Gymboree Holding, Ltd., dated October 1, 2013 (the "Agreement"), and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, on your own behalf and that of your heirs, executives, administrators, beneficiaries, personal representatives and assigns, you, KIP GARCIA, agree that this release of claims (this "Release") shall be in complete and final settlement of any and all causes of action, rights and claims, whether known or unknown, that you have had in the past, now have, or might now have, in any way related to, connected with or arising out of your employment or its termination or relating to employment discrimination claims (including claims of race or sex discrimination and/or sexual harassment, and/or age) and/or retaliation under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, 42 U.S.C. § 1981, the Age Discrimination in Employment Act, 29 U.S.C. § 626 (ADEA), the Genetic Information Nondiscrimination Act of 2008, and all employment discrimination claims arising under any similar state and local laws, disputed wages, or claims for any back wages or overtime, claims for benefits (including any and all of employee benefit, fringe benefit, stock benefit, or severance-related programs, arrangements, and plans), claims for paid leave, and including claims under the Fair Labor Standards Act or the Equal Pay Act, the WARN Act, the Employee Retirement Income Security Act of 1974 (ERISA), and any similar state and local laws, disability discrimination claims under the Americans with Disabilities Act, and applicable state and local laws, wrongful discharge and/or breach of contract claims, claims arising under the Family & Medical Leave Act, tort claims, including invasion of privacy, defamation, fraud, and infliction of emotional distress and any similar state and local laws, and/or any other federal, state or local laws, regulations or other requirement, and you hereby release and forever discharge the Company, its subsidiaries, affiliates and any direct or indirect parent (including but not limited to Giraffe Holding, Inc. and Gymboree Holding, Ltd.) or controlling companies and its subsidiaries and affiliates and all of their past, present, and future officers, directors, trustees, shareholders, employees, employee benefit plans, agents, general and limited partners, members, managers, joint venturers, investors, representatives, successors and assigns, and all others connected with any of them, both individually and in their official capacities, from any and all such causes of action, rights and claims. Further, you represent and warrant that you have not filed any such claim to date, nor have you assigned any such claim to any other person or entity.

This Release creates legally binding obligations, and the Company therefore advises you to consult an attorney before signing it. In signing this Release, you give the Company assurance that you have signed it voluntarily and with a full understanding of its terms; that you have had sufficient opportunity, before signing this Release, to consider its terms and to consult with an attorney, if you wished to do so; and that, in signing this Agreement, you have not relied on any promises or representations, express or implied, from the Company or any of its affiliates.

If the terms of this Release are acceptable to you, you must sign, date and return it to the General Counsel of the Company within **21 days** of the date you receive it. You may revoke this Release at any time during the seven-day period immediately following the date of your signing by written notice of such revocation to the undersigned. If you do not revoke it, then, at the expiration of that seven-day period, this Release will take effect as a legally binding agreement between you and the Company on the basis set forth above.

THIS RELEASE MUST BE SIGNED AND DELIVERED TO THE GENERAL COUNSEL OF THE GYMBOREE CORPORATION BY THE DEADLINE IN THE IMMEDIATELY PRECEDING PARAGRAPH IN ORDER FOR YOU TO RECEIVE THE PAYMENT DESCRIBED IN SECTION 2 OF THE AGREEMENT. **YOU MAY NOT SIGN THIS RELEASE BEFORE THE FIRST TRANSITION DATE (AS DEFINED IN THE AGREEMENT).**

Accepted and Agreed:

____
Kip Garcia

Date: ____________________________________

Exhibit 31.1

CERTIFICATION

I, Mark Breitbard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gymboree Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 16, 2013	By: /s/ Mark Breitbard
Date	Mark Breitbard Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Evan Price, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gymboree Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 16, 2013	By:	/s/ Evan Price
Date		Evan Price Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Gymboree Corporation (the “Company”) on Form 10-Q for the quarterly period ended November 2, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, Mark Breitbard, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 16, 2013	By: /s/ Mark Breitbard
Date	Mark Breitbard Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Gymboree Corporation (the "Company") on Form 10-Q for the quarterly period ended November 2, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Evan Price, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 16, 2013	By: /s/ Evan Price
Date	Evan Price Chief Financial Officer (Principal Financial Officer)