As filed with the Securities and Exchange Commission on December 16, 1997
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

J. Crew Group, Inc.

(Exact name of registrant as specified in its charter)

New York	6719	22-2894486
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

770 Broadway
New York, New York 10003
(212) 209-2500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael P. McHugh
Vice President
J. Crew Group, Inc.
770 Broadway
New York, New York 10003
(212) 209-2500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of correspondence to:

Paul J. Shim, Esq.
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

Approximate date of commencement of proposed sale to the public: As soon as practicable after the Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: |_|

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Aggregate principal amount at maturity to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(1)	Amount of registration fee
Series B 13 1/8% Senior Discount Debentures due 2008	$142,000,000	100%	$142,000,000	$41,890

(1) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

J. CREW GROUP, INC.

Registration Statement on Form S-4
(Cross Reference Sheet Furnished Pursuant to Item 501(b) of Regulation S-K)

Item	Location in Prospectus
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Facing Page of the Registration Statement; Cross Reference Sheet; Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Available Information; Incorporation of Certain Documents by Reference; Outside Back Cover Page of Prospectus
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	Prospectus Summary; Risk Factors; Selected Financial Data
4. Terms of the Transaction	Prospectus Summary; Risk Factors; The Exchange Offer; Description of the New Debentures; Plan of Distribution; Certain U.S. Federal Considerations Tax
5. Pro Forma Financial Information	Pro Forma Capitalization; Unaudited Pro Forma Consolidated Financial Data
6. Material Contracts With the Company Being Acquired	Not Applicable
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	Not Applicable
8. Interests of Named Experts and Counsel	Not Applicable
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable
10. Information with Respect to S-3 Registrants	Not Applicable
11. Incorporation of Certain Information by Reference	Not Applicable
12. Information with Respect to S-2 or S-3 Registrants	Not Applicable
13. Incorporation of Certain Information by Reference	Not Applicable
14. Information with Respect to Registrants Other Than S-3 or S-2 Registrants	Outside Front Cover of Prospectus; Prospectus Summary; Selected Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Consolidated Financial Statements
15. Information with Respect to S-3 Companies	Not Applicable
16. Information with Respect to S-2 or S-3 Companies	Not Applicable
17. Information with Respect to Companies Other Than S-3 or S-2 Companies	Not Applicable
18. Information if Proxies, Consents or Authorizations Are To Be Solicited	Not Applicable
19. Information if Proxies,	

X-- X
X Information contained herein is subject to completion or X
X amendment. A registration statement relating to these securities X
X has been filed with the Securities and Exchange Commission. These X
X securities may not be sold nor may offers to buy be accepted X
X prior to the time the registration statement becomes effective. X
X This prospectus shall not constitute an offer to sell or the X
X solicitation of an offer to buy nor shall there be any sale of X
X these securities in any State in which such offer, solicitation X
X or sale would be unlawful prior to registration or qualification X
X under the securities laws of any such State X
X-- X

SUBJECT TO COMPLETION-DATED DECEMBER 16, 1997

PROSPECTUS

J. Crew Group, Inc.

Offer to Exchange Series B 13 1/8% Senior Discount Debentures due 2008, which have been registered under the Securities Act of 1933, as amended,for any and all outstanding Series A 13 1/8% Senior Discount Debentures due 2008

The Exchange Offer will expire at 5:00 p.m., New York City time, on _____, 1997, unless extended. J. Crew Group, Inc., a New York corporation (the "Issuer" or "Holdings"), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying letter of transmittal (the "Letter of Transmittal" and such offer being the "Exchange Offer"), to exchange Series B 13 1/8% Senior Discount Debentures due 2008 of the Issuer (the "New Debentures"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which this Prospectus is a part, for an equal principal amount of outstanding Series A 13 1/8% Senior Discount Debentures due 2008 of the Issuer (the "Old Debentures"), of which $142,000,000 aggregate principal amount at maturity is outstanding as of the date hereof. The New Debentures and the Old Debentures are collectively referred to herein as the "Debentures."

Any and all Old Debentures that are validly tendered and not withdrawn on or prior to 5:00 P.M., New York City time, on the date the Exchange Offer expires, which will be _____, 1997 (30 calendar days following the commencement of the Exchange Offer) unless the Exchange Offer is extended (such date, including as extended, the "Expiration Date"), will be accepted for exchange. Tenders of Old Debentures may be withdrawn at any time prior to 5:00 P.M., New York City time on the Expiration Date. The Exchange Offer is not conditioned upon any minimum principal amount of Old Debentures being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by the Issuer, and to the terms of the Registration Rights Agreement, dated as of October 17, 1997, by and among the Issuer and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc. (the "Initial Purchasers") (the "Registration Rights Agreement"). Old Debentures may only be tendered in integral multiples of $1,000 of principal amount at maturity. See "The Exchange Offer."

The New Debentures will be entitled to the benefits of the same Indenture (as defined herein) that governs the Old Debentures and that will govern the New Debentures. The form and terms of the New Debentures are the same in all material respects as the form and terms of the Old Debentures, except that the New Debentures have been registered under the Securities Act and therefore will not bear legends restricting the transfer thereof. See "The Exchange Offer" and "Description of the New Debentures."

The New Debentures will be represented by permanent global debentures in fully registered form and will be deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interests in the permanent global debentures will be shown on, and transfers thereof will be effected through, records maintained by DTC and its participants.

Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission"), as set forth in no-action letters issued to third parties, including Exxon Capital Holdings Corporation, SEC No-Action Letter (available May 13, 1988), Morgan Stanley & Co. Incorporated, SEC No-Action Letter (available June 5, 1991) and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993) (collectively, the "Exchange Offer No-Action Letters"), the Issuer believes that the New Debentures issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by each holder (other than a broker-dealer who acquires such New Debentures directly from the Issuer for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act and other than any holder that is an "affiliate"

(as defined in Rule 405 under the Securities Act) of the Issuer) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Debentures are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement with any person to participate in a distribution of such New Debentures. By tendering Old Debentures in exchange for New Debentures, each holder, other than a broker-dealer, will represent to the Issuer that: (i) it is not an affiliate (as defined in Rule 405 under the Securities Act) of the Issuer; (ii) it is not a broker-dealer tendering Old Debentures acquired for its own account directly from the Issuer; (iii) any New Debentures to be received by it will be acquired in the ordinary course of its business; and (iv) it is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement or understanding to participate in a distribution of New Debentures. If a holder of Old Debentures is engaged in or intends to engage in a distribution of New Debentures or has any arrangement or understanding with respect to the distribution of New Debentures to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction.

(continued on next page)

FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PARTICIPANTS IN THE EXCHANGE OFFER, SEE "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS PROSPECTUS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

[GRAPHIC OMITTED]The date of this Prospectus is _____, 1997

(continued from cover page)

Each broker-dealer that receives New Debentures for its own account pursuant to the Exchange Offer (a "Participating Broker-Dealer") must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. Pursuant to the Registration Rights Agreement, the Issuer has agreed that it will make this Prospectus available to any Participating Broker-Dealer for a period of time not to exceed one year after the date on which the Exchange Offer is consummated for use in connection with any such resale. See "Plan of Distribution."

The Issuer will not receive any proceeds from this offering. The Issuer has agreed to pay the expenses of the Exchange Offer. No underwriter is being utilized in connection with the Exchange Offer.

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL THE ISSUER ACCEPT SURRENDERS FOR EXCHANGE FROM, HOLDERS OF OLD DEBENTURES IN ANY JURISDICTION IN WHICH THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES AND BLUE SKY LAWS OF SUCH JURISDICTION.

The Old Debentures have been designated as eligible for trading in the Private Offerings, Resale and Trading through Automated Linkages ("PORTAL") market. Prior to this Exchange Offer, there has been no public market for the New Debentures. If such a market were to develop, the New Debentures could trade at prices that may be higher or lower than their principal amount. The Issuer does not intend to apply for listing of the New Debentures on any securities exchange or for quotation of the New Debentures on The Nasdaq Stock Market's National Market or otherwise. The Initial Purchasers have previously made a market in the Old Debentures, and the Issuer has been advised that the Initial Purchasers currently intend to make a market in the New Debentures, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. The Initial Purchasers are not obligated, however, to make a market in the Old Debentures or the New Debentures and any such market making activity may be discontinued at any time without notice at the sole discretion of the Initial Purchasers. There can be no assurance as to the liquidity of the public market for the New Debentures or that any active public market for the New Debentures will develop or continue. If an active public market does not develop or continue, the market price and liquidity of the New Debentures may be adversely affected. See "Risk Factors--Absence of a Public Market."

AVAILABLE INFORMATION

The Issuer is not currently subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Issuer will become subject to such requirements upon the effectiveness of the Registration Statement (as defined herein). Pursuant to the indenture by and among the Issuer and State Street Bank and Trust Company (as trustee), dated as of October 17, 1997 (the "Indenture"), the Issuer has agreed to file with the Commission and provide to the holders of the Old Debentures annual reports and the information, documents and other reports which are required to be delivered pursuant to Sections 13 and 15(d) of the Exchange Act.

This Prospectus constitutes a part of a registration statement on Form S-4 (together with all amendments and exhibits, the "Registration Statement") filed by the Issuer with the Commission, through the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"), under the Securities Act, with respect to the New Debentures offered hereby. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to the Issuer and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copies of such documents filed as exhibits to the Registration Statement or otherwise filed with the Commission. These documents may be inspected without charge at the office of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies may be obtained at fees and charges prescribed by the Commission. Copies of such materials may also be obtained from the Web site that the Commission maintains at http://www.sec.gov.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

All reports and any definitive proxy or information statements filed by the Issuer pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the New Debentures offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

PROSPECTUS SUMMARY

Prior to the Recapitalization (as defined herein), Holdings owned all of the stock, directly or indirectly, of the various subsidiaries that had carried on the businesses described herein. In connection with the Recapitalization, Holdings organized J. Crew Operating Corp., a Delaware corporation ("Operating Corp"), and immediately prior to the consummation of the Recapitalization, Holdings transferred substantially all of its assets and liabilities to Operating Corp. Holdings' current operations are, and future operations are expected to be, limited to owning the stock of the Operating Corp. Holdings and its subsidiaries are collectively referred to herein as the "Company." The following summary is qualified in its entirety by the more detailed information and financial statements and the Unaudited Pro Forma Consolidated Financial Data of the Issuer, including the notes thereto, appearing elsewhere in this Prospectus. Except as otherwise set forth herein, references herein to "pro forma" financial data of the Issuer are to financial data of the Issuer which gives effect to the Recapitalization, including the issuance of the Debentures, the issuance of the Holdings Preferred Stock (as defined herein), the Holdings Common Equity Contribution (as defined herein) and the Operating Corp Distribution (as defined herein). References herein to fiscal years are to the fiscal years of Holdings, which end on the Friday closest to January 31 in the following calendar year. Accordingly, fiscal years 1992, 1993, 1994, 1995 and 1996 ended on January 29, 1993, January 28, 1994, February 3, 1995, February 2, 1996 and January 31, 1997. All fiscal years for which financial information is included in this Prospectus had 52 weeks, except fiscal 1994 which had 53 weeks.

The Company

Overview

The Company is a leading mail order and store retailer of women's and men's apparel, shoes and accessories operating primarily under the J. Crew(R) brand name. Under the direction of Emily Woods and Arthur Cinader (co-founders of the J. Crew brand and father and daughter), the Company has built a strong and widely recognized brand name known for its timeless styles at price points that the Company believes represent exceptional product value. The J. Crew image has been built and reinforced over its 14-year history through the circulation of more than one-half billion catalogs that use magazine-quality photography to portray a classic American perspective and aspirational lifestyle. Many of the original items introduced by the Company in the early 1980s (such as the rollneck sweater, weathered chino, barn jacket and pocket tee) were instrumental in establishing the J. Crew brand and continue to be core product offerings. The Company has capitalized on the strength of the J. Crew brand to provide customers with clothing to meet more of their lifestyle needs, including casual, career and sport. The strength of the J. Crew brand is demonstrated by a compound annual growth rate of 15.4% in J. Crew brand revenues between fiscal 1992 and fiscal 1996.

The J. Crew merchandising strategy emphasizes timeless styles and a broad assortment of high-quality products designed to provide customers with one-stop shopping opportunities at attractive prices. J. Crew catalogs and retail stores offer a full line of men's and women's basic durables (casual weekend wear), sport, swimwear, accessories and shoes, as well as the more tailored men's sportswear and women's "Classics" lines. Approximately 60% of the Company's J. Crew brand sales are derived from its core offerings of durables and sport clothing, the demand for which the Company believes is stable and resistant to changing fashion trends. The Company believes that the J. Crew image and merchandising strategy appeal to college-educated, professional and affluent customers who, in the Company's experience, have demonstrated strong brand loyalty and a tendency to make repeat purchases.

J. Crew products are distributed exclusively through the Company's catalog and store distribution channels. The Company currently circulates over 76 million J. Crew catalogs per annum and owns and operates 49 J. Crew retail stores and 42 J. Crew factory outlets. In addition, J. Crew products are distributed through 67 free-standing and shop-in-shop stores in Japan under a licensing agreement with Itochu Corporation and Itochu Fashion System Co., Ltd. (collectively "Itochu").

In addition to the Company's J. Crew operations, the Company operates Clifford & Wills, Inc. ("C&W"), a mail order and factory store women's apparel business that targets older, more conservative customers, and Popular Club Plan, Inc. ("PCP"), a direct selling catalog merchandiser of consumer branded goods through a "club" concept that provides credit sales to lower-income customers. During the twelve-month period ended November 7, 1997, the Company generated total revenues of $836.7 million, of which $583.1 million or approximately 70% was attributable to the J. Crew brand, and total Adjusted EBITDA of $47.6 million. See "--Summary Unaudited Pro Forma Consolidated Financial Data" for a description of Adjusted EBITDA.

Business Strengths

Since its inception, the Company has pursued a consistent operating strategy which has resulted in the following key strengths and distinguishing characteristics:

- Strong, Recognizable Brand. The Company has created a recognizable, differentiated brand image reflecting an American aspirational lifestyle. The J. Crew image is consistently communicated through all aspects of the Company's business including its merchandise design, distinctive catalogs and retail store environment. The Company's high-quality products, strong brand image and customer loyalty have resulted in strong gross margins and retail sales productivity.

- Premium Quality Products and Distinctive Designs at Attractive Price Points. The Company offers premium quality products reflecting a classic, clean aesthetic with a consistent design philosophy. All J. Crew products are designed by an in-house team of 15 designers led by Emily Woods. The Company believes that its in-house design capabilities ensure a coherent set of product offerings from season to season and year to year that provides significant value to its customers through attractive price points.

- Proven Retail Store Concept. J. Crew retail stores historically have generated strong and stable operating results. The Company believes that its sales per gross square foot are among the highest in its industry segment. J. Crew retail stores open during all of fiscal 1996 generated the following key operating statistics:

	Fiscal 1996 Average
Sales per gross square foot	$575
Store contribution margin	25.9%

Approximately 81% of the J. Crew retail stores that were open during all of 1996 had store contribution margins above 20%. All of the Company's J. Crew retail stores are profitable and have generated positive store contribution within the first twelve months of operation. In addition, J. Crew retail stores opened since fiscal 1992 have averaged approximately $550 in sales per gross square foot and 23.0% store contribution margin during the first twelve months of operation.

- Broad and Stable Product Offering. The Company's J. Crew product offering includes a broad array of items which appeal to a diverse customer base, spanning gender and age segments. A substantial portion of the J. Crew product line consists of basic durables, such as chinos, jeans and sweaters, which are not significantly modified from year to year and, in the Company's opinion, are resistant to shifting fashion trends. In 1996, sales of durables and sport clothing represented approximately 60% of total J. Crew brand revenues, having increased at a compound annual growth rate of approximately 15% since 1992.

- Synergistic Distribution Channels. The Company believes that the concurrent operation of the J. Crew mail order business and J. Crew retail stores provides a distinct advantage in the development of the J. Crew brand. Visibility and exposure of the brand are enhanced by the broad circulation of catalogs, aiding the expansion of the retail concept. In addition, the Company believes that the retail operations help attract first-

time "walk-by" customers to the catalog and improve the salability of fit-critical items through the catalog. The Company further believes that diversified distribution channels help insulate the Company against circumstances and events uniquely affecting one distribution channel or the other.

- Tightly Controlled Distribution. By selling products exclusively through J. Crew catalogs, J. Crew retail stores and J. Crew factory outlets, the Company is able to present and maintain a consistent brand image, control the presentation and pricing of its merchandise, provide a higher level of customer service, and closely monitor retail sell-through. The Company believes that tight control over the distribution of its products provides competitive advantages over other branded apparel retailers that distribute their goods through department stores.

Opportunities

The Company believes that substantial opportunities exist to enhance revenue and profitability by increasing efficiencies in the J. Crew mail order business and by expanding the J. Crew retail business.

- Implement Tactical Cost Savings Opportunities. While the Company believes that gross margins in the J. Crew mail order business have been strong, overall catalog profitability has been depressed by unnecessarily high operating expenses. The Company has identified a number of tactical cost savings that could be realized without affecting the Company's franchise or brand image. Included in Adjusted EBITDA are $7.5 million in estimated annual savings resulting from actions implemented prior to the Recapitalization, including the recent renegotiation of its catalog vendor contract, selected headcount and net payroll reductions and the insourcing of certain photography functions. The Company has identified approximately $7 million of further potential annual savings that are not reflected in Adjusted EBITDA, including process efficiencies currently under review, reduction of the Base Book trim size, installation of automatic sorting equipment and consolidation of the J. Crew and C&W New York corporate offices. The Company believes these additional cost savings could be implemented by mid-1998.

- Realize Cash Flow Increases Through J. Crew Mail Order SKU Rationalization. The Company's J. Crew mail order product offerings have increased from 33,000 stock-keeping units ("SKUs") in 1992 to 66,000 SKUs in 1996, partly as a result of a proliferation in colors and sizes offered. In recent season-to-season testing on the Company's swimwear and chino lines, the Company reduced SKUs by 33% and 45%, respectively, while posting category revenue increases. By eliminating slower-selling colors and sizes from its core offering, the Company believes it will be better able to forecast demand, increase fill rates and increase inventory turns, resulting in enhanced operating cash flow.

- Increase J. Crew Catalog Productivity Through Increased Segmentation. The Company believes that it circulates fewer and less-targeted catalog editions than its competitors, and that catalog productivity (as measured by initial demand per page circulated) could be enhanced by more precise targeting of catalog mailings through further customer segmentation. For example, in 1996 the Company introduced a Women's catalog which to date has achieved 20% higher initial demand per page circulated than that of the Company's primary mailing, the Base Book. To further enhance its segmentation efforts, the Company has recently introduced a College catalog and plans to introduce a Swimwear catalog in 1998. From 1997 to 1998, the increased segmentation is expected to result in an approximately 5% increase in the number of catalogs circulated, but an approximately 8% decrease in total pages circulated. Reductions in total pages circulated should result in a decrease in paper and postage expenses.

- Expand J. Crew Retail Operations. The Company's J. Crew retail store expansion strategy is to continue to increase its market share in its existing markets and to penetrate new markets. The Company expects to open a total of 12 stores in fiscal 1997, ten of which were open as of November 7, 1997. The Company currently intends to open 12 to 20 stores annually, funded primarily by cash flow generated from operations, resulting

in approximately 100 stores in operation by the end of fiscal 2000. Historically, new stores have cost the Company an average of $1.5 million in building improvements and working capital expenditures and have experienced a pay-back period of approximately 20 months. The Company has established an administrative infrastructure that it believes is sufficient to accommodate the retail expansion plan, providing the Company with additional margin improvement through overhead leverage. In addition, the Company believes, with a store base of only 49 stores, its markets are underpenetrated relative to its competitors and enough suitable locations exist nationwide to accommodate its expansion plan.

Holdings was incorporated under the laws of the State of New York in 1988 as a successor to Popular Services, Inc. Holdings maintains its principal executive office at 770 Broadway, New York, New York, 10003, and its telephone number is (212) 209-2500.

J. Crew (R) is a registered trademark of a wholly-owned subsidiary of the Company.

The Recapitalization

Holdings, its shareholders (the "Shareholders") and TPG Partners II, L.P. ("TPG Partners II") entered into a Recapitalization Agreement dated as of July 22, 1997, as amended as of October 17, 1997 (the "Recapitalization Agreement") which provided for the recapitalization of Holdings (the "Recapitalization"). Pursuant to the Recapitalization Agreement, Holdings purchased from the Shareholders all outstanding shares of Holdings' capital stock, other than shares having an implied value of $11.1 million, almost all of which continues to be held by Emily Woods, and which represented 14.8% of the outstanding shares of common stock, par value $.01 per share, of Holdings ("Holdings Common Stock") immediately following the transaction.

In connection with the Recapitalization, Holdings organized Operating Corp and immediately prior to the consummation of the Recapitalization, Holdings transferred substantially all of its assets and liabilities to Operating Corp. Holdings' current operations are, and future operations are expected to continue to be, limited to owning the stock of Operating Corp. Operating Corp has repaid substantially all of the Company's funded debt obligations existing immediately before the consummation of the Recapitalization (the "Debt Retirement"). At October 17, 1997, the aggregate principal amount of the Company's funded indebtedness was $186.0 million, consisting of $85.0 million aggregate principal amount of Senior Notes (the "Retired Senior Notes"), $99.0 million outstanding under a seasonal revolving credit facility (the "Retired Bank Credit Facility") and $2.0 million outstanding under an industrial revenue bond (the "Industrial Revenue Bond").

Cash funding requirements for the Recapitalization (which was consummated on October 17, 1997) totalled $559.7 million (including $99.0 million in seasonal borrowings) and were satisfied through the purchase by TPG Partners II and investors of an aggregate $188.9 million in Holdings' equity securities together with an aggregate $330.8 million in borrowings and $40.0 million in proceeds from the securitization of certain of the Company's accounts receivable, as follows: (i) the purchase by TPG Partners II, its affiliates and other investors of shares of Holdings' Common Stock (representing 85.2% of the outstanding shares) for $63.9 million (the "Holdings Common Equity Contribution"); (ii) the purchase by TPG Partners II, its affiliates and other investors of $125.0 million in liquidation value of preferred stock issued by Holdings (the "Holdings Preferred Stock"); (iii) gross proceeds of $75.3 million from the issuance and sale by Holdings of the Old Debentures (the "Offering"); (iv) $150.0 million from the gross proceeds of the offering by Operating Corp of the 10 3/8% Senior Subordinated Notes due 2007 (the "Operating Corp Senior Subordinated Notes") in a separate offering in which the Initial Purchasers acted as initial purchasers; (v) $40.0 million in proceeds from the securitization of certain of the Company's accounts receivable (the "Securitization"); (vi) $70.0 million of borrowings under a senior secured term loan facility among Operating Corp, Holdings, the several lenders from time to time parties thereto (collectively, the "Banks"), The Chase Manhattan Bank, as administrative and collateral agent ("Chase"), and Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent ("DLJ"), (the "Term Loan Facility"); and (vii) $35.6 million of borrowings under a senior secured revolving credit facility among the Operating Corp, Holdings, the Banks, Chase

and DLJ (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Bank Facilities"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," "Description of the New Debentures," "Description of Operating Corp Indebtedness" and "Capital Stock of Holdings and Operating Corp."

The Recapitalization was accounted for as a recapitalization transaction for accounting purposes. The repurchase of shares from the Shareholders, the Debt Retirement, the Holdings Common Equity Contribution, the issuance and sale by Holdings of the Holdings Preferred Stock and the Old Debentures, the borrowing by Operating Corp of funds under the Bank Facilities and the Securitization and the issuance and sale by Operating Corp of the Operating Corp Senior Subordinated Notes were effected in connection with the "Recapitalization."

The following table sets forth the sources and uses of funds in connection with the Recapitalization as it occurred on October 17, 1997:

	(dollars in thousands)
Sources:	
Revolving Credit Facility (1)	$ 35,559
Term Loan Facility	70,000
Securitization (2)	40,000
Operating Corp Senior Subordinated Notes	150,000
Debentures issued in the Offering	75,257
Holdings Preferred Stock	125,000
Holdings Common Equity Contribution	63,891
Total Sources	$ 559,707
Uses:	
Repurchase of Holdings' Capital Stock	$ 316,688
Repayment of Retired Bank Credit Facility (3)	99,212
Repayment of Retired Senior Notes (4)	93,104
Retirement of Industrial Revenue Bond	1,963
Transaction Fees and Expenses and Other Transacayments(5)	48,740
Total Uses	$ 559,707

(1) Reflects borrowings to partially refinance seasonal borrowings outstanding under the Retired Bank Credit Facility. Giving effect to the Recapitalization, average outstanding borrowings under the Revolving Credit Facility would have been $12.2 million during the twelve months ended November 7, 1997. Excludes letters of credit issued to facilitate international merchandise purchases, which had an aggregate outstanding balance of $37.4 million as of November 7, 1997. See the notes to the "Unaudited Pro Forma Statements of Operations" included herein.

(2) The Company securitized approximately $40 million of PCP consumer loan installment receivables off-balance sheet simultaneously with the consummation of the Recapitalization pursuant to a facility arranged by affiliates of the Initial Purchasers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Description of Other Issuer Indebtedness--Receivables Facility."

(3) Includes $0.2 million of accrued interest.

(4) Includes a $5.8 million make-whole premium in connection with the prepayment of the Retired Senior Notes and $2.3 million of accrued interest.

(5) Includes Holdings' expenses, management bonuses, financial advisory, consulting and other professional fees and deferred financing costs. See "Certain Relationships and Related Transactions."

Texas Pacific Group

Texas Pacific Group ("TPG") was founded by David Bonderman, James G. Coulter and William S. Price, III in 1992 to pursue public and private investment opportunities through a variety of methods, including leveraged buyouts, recapitalizations, joint ventures, restructurings and strategic public securities investments. The principals of TPG operate TPG Partners, L.P. and TPG Partners II, both Delaware limited partnerships with aggregate committed capital of over $3.2 billion. Among TPG's investments are branded consumer products companies Beringer Wine Estates, Del Monte Foods Company and Ducati Motor. Other TPG portfolio companies include America West Airlines, Belden & Blake Corporation, Favorite Brands International, Paradyne, Virgin Entertainment and Vivra Specialty Partners. In addition, the principals of TPG led the $9 billion reorganization of Continental Airlines in 1993.

The Exchange Offer

Registration Rights Agreement..... The Old Debentures were issued on October 17, 1997 to the Initial Purchasers. The Initial Purchasers placed the Old Debentures with institutional investors. In connection therewith, the Issuer and the Initial Purchasers entered into the Registration Rights Agreement, providing, among other things, for the Exchange Offer. See "The Exchange Offer."

The Exchange Offer..... New Debentures are being offered in exchange For an equal principal amount of Old Debentures. As of the date hereof, $142,000,000 aggregate principal amount at maturity of Old Debentures is outstanding. Old Debentures may be tendered only in integral multiples of $1,000 of principal amount at maturity.

Resale of New Debentures..... Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Issuer believes that the New Debentures issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by each holder thereof (other than a broker-dealer who acquires such New Debentures directly from the Issuer for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act and other than any holder that is an "affiliate" (as defined under Rule 405 of the Securities Act) of the Issuer) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Debentures are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement with any person to participate in a distribution of such New Debentures. By tendering the Old Debentures in exchange for New Debentures, each holder, other than a broker-dealer, will represent to the Issuer that: (i) it is not an affiliate (as defined in Rule 405 under the Securities Act) of the Issuer; (ii) it is not a broker-dealer tendering Old Debentures acquired for its own account directly from the Issuer; (iii) any New Debentures to be received by it were acquired in the ordinary course of its business; and (iv) it is not engaged in, and

does not intend to engage in, a distribution of such New Debentures and has no

	arrangement or understanding to participate in a distribution of the New Debentures. If a holder of Old Debentures is engaged in or intends to engage in a distribution of the New Debentures or has any arrangement or understanding with respect to the distribution of the New Debentures to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives New Debentures for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. The Issuer has agreed that it will make this Prospectus available to any Participating Broker-Dealer for a period of time not to exceed one year after the date on which the Exchange Offer is consummated for use in connection with any such resale. See "Plan of Distribution." To comply with the securities laws of certain jurisdictions, it may be necessary to qualify for sale or register the New Debentures prior to offering or selling such New Debentures. The Issuer has agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the New Debentures for offer or sale under the securities or "blue sky" laws of such jurisdictions as may be necessary to permit consummation of the Exchange Offer.
Consequences of Failure to Exchange Old Debentures.....	Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Old Debentures who do not exchange their Old Debentures for New Debentures in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Debentures, unless such Old Debentures are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Issuer will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "Risk Factors--Risk Factors Relating to the Debentures--Consequences of Failure to Exchange" and "The Exchange Offer--Terms of the Exchange Offer."

Expiration Date.....	5:00 p.m., New York City time, on _____, 1997 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended.
Yield and Interest on the New Debentures.....	13 1/8% (computed on a semi-annual bond equivalent basis) calculated from October 17, 1997. The New Debentures will accrete at a rate of 13 1/8%, compounded semi-annually, to an aggregate principal amount of $142.0 million by October 15, 2002. Cash interest will not accrue on the New Debentures prior to October 15, 2002. Commencing October 15, 2002, cash interest on the New Debentures will accrue and be payable, at a rate of 13 1/8% per annum, semi-annually in arrears on each April 15 and October 15.
Conditions to the Exchange Offer	The Exchange Offer is not conditioned upon any minimum principal amount of Old Debentures being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may, under certain circumstances, be waived by the Issuer. See "The Exchange Offer--Conditions." Except for the requirements of applicable federal and state securities laws, there are no federal or state regulatory requirements to be complied with or obtained by the Issuer connection in with the Exchange Offer.
Procedures for Tendering Old Debentures	Each holder of Old Debentures wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, together with the Old Debentures to be exchanged and any other required documentation to the Exchange Agent (as defined herein) at the address set forth herein or effect a tender of Old Debentures pursuant to the procedures for book-entry transfer as provided for herein. See "The Exchange Offer--Procedures for Tendering" and "--Book Entry Transfer."
Guaranteed Delivery Procedures.....	Holders of Old Debentures who wish to tender their Old Debentures and whose Old Debentures are not immediately available or who cannot deliver their Old Debentures and a properly completed Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date may tender their Old Debentures according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures."
Withdrawal Rights.....	Tenders of Old Debentures may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Debentures, a written notice of withdrawal must be received by the Exchange Agent at its address set forth herein under "The Exchange Offer--Exchange Agent" prior to 5:00 p.m.,

New York City time, on the Expiration Date.

Acceptance of Old Debentures and Delivery of New Debentures	Subject to certain conditions, any and all Old Debentures that are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The New Debentures issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date. See "The Exchange Offer--Terms of the Exchange Offer."
Certain Tax Considerations...	The exchange of New Debentures for Old Debentures should not be considered a sale or exchange or otherwise a taxable event for Federal income tax purposes. See "Certain U.S. Federal Tax Considerations."
Exchange Agent.....	State Street Bank and Trust Company is serving as exchange agent (the "Exchange Agent") in connection with the Exchange Offer.
Fees and Expenses.....	All expenses incident to consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by the Issuer. See "The Exchange Offer--Fees and Expenses."
Use of Proceeds.....	There will be no cash proceeds payable to the Issuer from the issuance of the New Debentures pursuant to the Exchange Offer. See "Use of Proceeds."

Summary of Terms of New Debentures

The Exchange Offer relates to the exchange of up to $142,000,000 aggregate principal amount at maturity of Old Debentures for up to an equal aggregate principal amount of New Debentures. The New Debentures will be entitled to the benefits of the same Indenture that governs the Old Debentures and that will govern the New Debentures. The form and terms of the New Debentures are the same in all material respects as the form and terms of the Old Debentures, except that the New Debentures have been registered under the Securities Act and therefore will not bear legends restricting the transfer thereof. See "Description of the New Debentures."

Maturity Date.....	October 15, 2008.
Yield and Interest Rate and Payment Dates.....	13 1/8% (computed on a semi-annual bond equivalent basis) calculated from October 17, 1997. The New Debentures will accrete at a rate of 13 1/8%, compounded semi-annually, to an aggregate principal amount of $142.0 million by October 15, 2002. Cash interest will not accrue on the New Debentures prior to October 15, 2002. Commencing October 15, 2002, cash interest on the New Debentures will accrue and be payable, at a rate of 13 1/8% per annum, semi-annually in arrears on each April 15 and October 15.
Optional Redemption.....	The New Debentures will be redeemable at the option of Holdings, in whole or in part, at any time on or after October 15, 2002, in cash at the redemption prices set forth herein, plus accrued and unpaid interest and Liquidated Damages (as defined herein), if any, thereon to the redemption date. In addition, at any time prior to October 15, 2000, Holdings may, at its option, on any one or more occasions, redeem up to 35% of the aggregate principal amount at maturity of the New Debentures originally issued at a redemption price equal to 113.125% of the Accreted Value (as defined herein) thereof, plus Liquidated Damages, if any, with the net cash proceeds of one or more Equity Offerings (as defined herein); provided that at least 65% of the original aggregate principal amount at maturity of the New Debentures will remain outstanding immediately following each such redemption. See "Description of the New Debentures--Optional Redemption."
Repurchase at the Option of Holders.....	Upon the occurrence of a Change of Control (as defined herein) each holder of New Debentures will have the right to require Holdings to repurchase all or any part of such holder's New Debentures at a price in cash equal to 101% of the Accreted Value thereof plus Liquidated Damages, if any, thereon to the date of repurchase in the case of any such purchase on or after October 15, 2002. Holdings does not have, and may not in the future have, any assets other than common stock of Operating Corp (which will be pledged to secure Operating Corp's obligations under the Bank Facilities). As a result, Holdings' ability to repurchase all or any part of the New Debentures upon the occurrence of a Change of Control will be dependent upon the receipt of dividends or other distributions from its direct and indirect subsidiaries. The Bank Facilities and the Operating Corp Senior Subordinated Notes restrict

Operating Corp from paying
dividends and making any

	other distributions to Holdings. If Holdings is unable to obtain dividends from Operating Corp sufficient to permit the repurchase of the New Debentures or does not refinance such indebtedness, Holdings will likely not have the financial resources to purchase New Debentures upon the occurrence of a Change of Control. In any event, there can be no assurance that Holdings' subsidiaries will have the resources available to pay any such dividend or make any such distribution. Furthermore, the Bank Facilities provide that certain change of control events will constitute a default thereunder and the Operating Corp Senior Subordinated Notes provide that, in the event of a Change of Control, Operating Corp will be required to offer to repurchase the Operating Corp Senior Subordinated Notes at the price specified therefore. Holdings' failure to make a Change of Control Offer (as defined herein) when required or to purchase tendered New Debentures when tendered would constitute an Event of Default (as defined herein) under the Indenture. See "Description of the New Debentures--Repurchase at the Option of Holders."
Ranking.....	The New Debentures will be senior obligations of Holdings. The New Debentures will rank pari passu in right of payment with all future senior indebtedness of Holdings and will rank senior in right of payment to all future subordinated indebtedness of Holdings. The New Debentures will be effectively subordinated to all liabilities of Holdings' subsidiaries. See "Description of the New Debentures."
Covenants.....	The Indenture contains certain covenants that, among other things, will limit the ability of Holdings and its Restricted Subsidiaries (as defined herein) to: incur indebtedness and issue preferred stock, repurchase Capital Stock (as defined herein) and certain indebtedness, engage in transactions with affiliates, incur or suffer to exist certain liens, pay dividends or other distributions, make certain investments, sell assets and engage in certain mergers and consolidations. See "Description of the New Debentures--Certain Covenants."

Use of Proceeds

There will be no cash proceeds payable to the Issuer from the issuance of the New Debentures pursuant to the Exchange Offer. The proceeds from the sale of the Old Debentures were used to fund the Recapitalization. See "Use of Proceeds" and "The Recapitalization."

Risk Factors

See "Risk Factors" for a discussion of certain factors that should be considered in evaluating an investment in the Debentures.

Summary Unaudited Pro Forma Consolidated Financial Data

The following table sets forth summary unaudited pro forma consolidated statement of operations data of the Issuer for the fiscal year ended January 31, 1997, for the forty weeks ended November 8, 1996 and November 7, 1997 and for the twelve months ended November 7, 1997 and summary unaudited historical and pro forma consolidated balance sheet data at July 18, 1997. The pro forma consolidated statement of operations data for the fiscal year ended January 31, 1997, for the forty weeks ended November 8, 1996 and November 7, 1997, and for the twelve months ended November 7, 1997 give effect to the Recapitalization as if it had occurred at February 3, 1996. The data presented below should be read in conjunction with the Consolidated Financial Statements, including the related Notes thereto, included herein, the other financial information included herein, "Unaudited Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal Year Ended	Forty Weeks Ended November		Twelve Months Ended
	January 31, 1997	8, 1996	7, 1997	November 7, 1997
	(dollars in thousands)			
Statement of Operations Data:				
Revenues (1)	$ 806,193	$ 536,743	$ 564,958	$ 834,408
Gross profit	377,474	244,687	254,093	386,880
Selling, general and administrative expenses	350,105	241,582	254,544	363,067
Income from operations	27,369	3,105	(451)	23,813
Net income (loss)(2)	(4,301)	(13,691)	(40,138)	(30,748)
Other Data:				
Depreciation and amortization	$ 10,541	$ 7,625	$ 10,191	$ 13,107
Net capital expenditures (3)				
New store openings	10,894	6,903	15,253	19,244
Other	11,587	8,044	13,012	16,555
Total net capital expenditures	$ 22,481	$ 14,947	$ 28,265	$ 35,799
Credit Ratios:				
Total average debt (6)				$ 307,494
Adjusted EBITDA (4)				47,590
Cash interest expense (5)				22,941
Total interest expense (5)				36,304
Adjusted EBITDA/cash interest expense				2.1
Adjusted EBITDA/total interest expense				1.3
Total average debt/Adjusted EBITDA (6)				6.5
Cash flows from operating activities				$ (1,837)
Cash flows from investing activities				$(35,799)
Cash flows from financing activities				$ 39,990

_____

(1) Revenues include the pro forma effect of the Securitization of accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Description of Other Issuer Indebtedness-- Receivables Facility."

(2) In the forty weeks ended November 7, 1997, the Company recognized an extraordinary loss of $4.5 million, net of income tax benefit, related to the early retirement of debt. The Company also recognized expenses of $19.9 million in connection with the Recapitalization.

(3) Capital expenditures are net of proceeds from construction

allowances.

(4) EBITDA represents income (loss) before extraordinary item and cumulative effect of accounting changes, income taxes, interest expense, depreciation and amortization and expenses of $19.9 million incurred in connection with the Recapitalization. The Issuer believes that EBITDA provides useful information regarding the Company's ability to service its debt; however, holders tendering Old Debentures in the Exchange Offer should consider the following factors in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with generally accepted accounting principles ("GAAP"), (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is defined as EBITDA, as defined above, revised to reflect management's estimate of certain cost savings and cost eliminations implemented prior to the Recapitalization. Holders tendering Old Debentures in the Exchange Offer should consider that Adjusted EBITDA (i) should not be considered in isolation, (ii) is not a measure of performance calculated in accordance with GAAP, (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. See notes to "Unaudited Pro Forma Statements of Operations" included herein. This information should be read in conjunction with the Unaudited Pro Forma Consolidated Financial Data and the related Notes thereto included herein.

	Twelve Months Ended November 7, 1997 (dollars in thousands)
Historical EBITDA	$40,970
Recapitalization pro forma adjustments:	
Loss on Securitization of accounts receivable	(2,250)
Cost savings and cost eliminations implemented prior to the Recapitalization:	
Renegotiation of catalog vendor contract(a)	2,100
Headcount and net payroll reductions(b)	4,550
Insourcing of photography shop(c)	820
Non-recurring severance(d)	1,400
Total adjustments	6,620
Adjusted EBITDA	$47,590

(a) Reflects the recent renegotiation of the Company's catalog vendor contract. The adjustment represents the difference between the amounts previously expensed for such items and the amounts which are expected to be expensed under the terms of the new contract.

(b) Represents compensation savings as a result of the termination of certain positions.

(c) Represents the estimated cost savings from bringing in-house certain photography functions that were previously performed by outside vendors.

(d) Reflects non-recurring severance associated with the termination of certain managers.

(5) Cash interest expense excludes, and total interest expense includes, non-cash interest in respect of the Debentures.

(6) For purposes of computing the ratio of total average debt to Adjusted EBITDA, total average debt on a pro forma basis as of November 7, 1997 reflects average outstanding balances under the Revolving Credit Facility of $12.2 million during the twelve months ended November 7, 1997 (giving effect to the Recapitalization), $70.0 million in aggregate principal amount of indebtedness under the Term Loan Facility and $150.0 million in aggregate principal amount of the Operating Corp Senior Subordinated Notes and $75.3 million in initial aggregate principal amount of the Debentures issued in the Offering. See the notes to "Unaudited Pro Forma Statements of Operations" included herein.

Summary Consolidated Financial And Operating Data

The following table sets forth summary consolidated historical financial, operating and other data of Holdings. The summary financial data for each of the five fiscal years ended January 31, 1997 are derived from the Consolidated Financial Statements of Holdings, which have been audited by Deloitte & Touche LLP, independent auditors. The summary financial data for the forty weeks ended November 8, 1996 and November 7, 1997 have been derived from the Unaudited Condensed Consolidated Financial Statements of the Company and include, in the opinion of

management, all adjustments necessary to present fairly the data for such periods. The results for the forty weeks ended November 7, 1997 are not necessarily indicative of the results to be expected for the fiscal year ending January 30, 1998 or for any future period. The data presented below should be read in conjunction with the Consolidated Financial Statements, including the related Notes thereto included herein, the other financial information included herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal Year Ended					Forty Weeks Ended	
	January 29, 1993	January 28, 1994	February 3, 1995	February 2, 1996	January 31, 1997	Nov. 8, 1996	Nov. 7, 1997
	(dollars in thousands, except per square foot data)					(unaudited)	
Financial Data:							
Revenues	$ 571,047	$ 646,972	$ 737,725	$ 745,909	$ 808,843	$538,781	$566,596
Gross profit	267,120	292,083	343,652	346,241	380,124	246,725	255,731
Selling, general and administrative expenses	238,730	265,857	311,468	327,672	348,305	240,197	253,159
Income from operations	28,390	26,226	32,184	18,569	31,819	6,528	2,572
Net income (loss) (1)	14,019	12,019	14,919	6,450	12,549	(573)	(28,598)
Operating Data:							
Revenues:							
J. Crew mail order	$ 201,463	$ 199,954	$ 247,272	$ 274,653	$ 289,772	$165,936	$157,840
J. Crew retail	72,906	108,650	135,726	134,959	167,957	110,399	140,574
J. Crew factory	38,563	49,253	62,626	79,203	94,579	70,266	75,965
J. Crew licensing	--	1,900	3,269	3,975	3,817	3,729	2,968
Total J. Crew brand	312,932	359,757	448,893	492,790	556,125	350,330	377,347
Other divisions (2)	258,115	287,215	288,832	253,119	252,718	188,451	189,249
Total	$ 571,047	$ 646,972	$ 737,725	$ 745,909	$ 808,843	$538,781	$566,596
EBITDA(3):							
J. Crew mail order	$ 12,840	$ 11,980	$ 24,345	$ 16,831	$ 17,524	$ (1,924)	$ (8,225)
J. Crew retail	6,720	5,055	13,333	15,194	16,847	8,800	8,177
J. Crew factory.	3,660	1,797	1,653	(66)	2,876	3,395	3,244
J. Crew licensing	(51)	1,239	2,422	2,820	2,467	2,797	2,285
Total J. Crew brand	23,169	20,071	41,753	34,779	39,714	13,068	5,481
Other divisions (2)	11,611	12,941	(1,459)	(5,938)	2,646	1,085	7,282
Total	$ 34,870	$ 33,012	$ 40,294	$ 28,841	$ 42,360	$ 14,153	$ 12,763

Other Data:							
Cash flows from operating activities	$22,400	$1,467	$1,774	$(7,849)	$16,497	$(42,766)	$(61,110)
Cash flows from investing activities	$(14,965)	$(11,086)	$(13,467)	$(14,640)	$(22,481)	$(14,947)	$(28,265)
Cash flows from financing activities	$638	$5,020	$6,763	$17,763	$(413)	$54,822	$95,255
J. Crew Mail Order:							
Number of catalogs circulated (in thousand$)	$ 56,983	62,547	$ 61,187	$ 67,519	$ 76,087	$ 53,942	$ 53,977
Number of pages circulated (in millions)	6,576	6,965	8,277	10,198	9,827	6,341	6,293
J. Crew Retail:							
Sales per gross square foot (4)	$ 622	$ 559	$ 594	$ 533	$ 551	NM	NM
Store contribution margin (5)	24.0%	18.7%	22.7%	25.5%	25.4%	NM	NM
Number of stores open at end of period	18	28	29	31	39	39	49
Comparable store sales change (6)	22.0%	(8.0)%	6.9%	(6.0)%	4.5%	4.0%	(6.1)%
Depreciation and amortization	$ 6,390	$ 6,786	$ 8,110	$ 10,272	$ 10,541	$ 7,625	$ 10,191
Net capital expenditures (7)							
New store openings ..	5,519	2,789	2,804	6,009	10,894	6,903	15,253
Other	9,446	8,297	10,663	8,631	11,587	8,044	13,012
Total net capital expenditures	$14,965	$11,086	$ 13,467	$ 14,640	$ 22,481	$14,947	$ 28,265

(1) In fiscal 1995, Holdings changed its method of accounting for catalog costs and for merchandise inventories and recognized an increase in net income from the aggregate cumulative effect of such accounting changes, net of income taxes, of $2.6 million. In the same year, Holdings recognized an extraordinary loss of $1.7 million, net of income tax benefit, related to the early retirement of debt. See Notes 11 and 12 of Notes to Consolidated Financial Statements.

During the forty weeks ended November 7, 1997, the Company recognized an extraordinary loss of $4.5 million, net of income tax benefit, related to the early retirement of debt and incurred other expenses of $19.9 million in connection with the Recapitalization.

(2) Includes the Company's PCP and C&W divisions and finance charge income derived from PCP installment sales.

(3) EBITDA represents income (loss) before extraordinary items and cumulative effect of accounting changes plus income taxes, interest expense, depreciation and amortization and expenses of $19.9 million incurred in connection with the Recapitalization. The Company believes that EBITDA provides useful information regarding the Company's ability to service its debt; however, EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as a substitute for net income as an indicator of the Company's operating performance or cash flow as a measure of liquidity. Holders tendering Old Debentures in the Exchange Offer should consider the following factors in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with GAAP, (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Issuer's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

(4) Sales per gross square foot is the result of dividing

annualized net retail sales for the period (reflecting adjustments based on management estimates of the impact of opening stores in different periods during the year) by gross square footage at the end of each fiscal period.

(5) Store contribution margin is computed as gross profit less in-store operating expenses divided by sales.

(6) Comparable store sales includes stores that have been open for one full twelve-month period.

(7) Capital expenditures are net of proceeds from construction allowances.

RISK FACTORS

Prospective holders of the New Debentures should carefully review the information contained and incorporated by reference in this Prospectus and should particularly consider the following matters:

Risk Factors Relating to the Company

Substantial Leverage; Liquidity; Stockholders' Deficit

In connection with the Recapitalization, the Company incurred a significant amount of additional indebtedness. As of November 7, 1997, the Company had total consolidated indebtedness of $194.7 million and stockholders' deficit of $342.3 million. In addition, subject to the restrictions in the Bank Facilities, the Operating Corp Senior Subordinated Notes and the Debentures, the Company may incur additional senior or other indebtedness from time to time to finance acquisitions or capital expenditures or for other general corporate purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Liquidity and Capital Resources."

The level of the Company's indebtedness could have important consequences to the holders of the Debentures, including, but not limited to, the following: (i) the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired; (ii) a significant portion of the Company's cash flow from operations must be dedicated to the payment of principal and interest on its indebtedness, thereby reducing the funds available to the Company for its operations; (iii) significant amounts of the Company's borrowings will bear interest at variable rates, which could result in higher interest expense in the event of increases in interest rates; (iv) the Indenture, the Senior Subordinated Note Indenture (as defined herein) and the Bank Facilities contain financial and restrictive covenants, the failure to comply with which may result in an event of default which, if not cured or waived, could have a material adverse effect on the Company; (v) the indebtedness outstanding under the Bank Facilities is secured and matures prior to the maturity of the Debentures; (vi) the Company may be substantially more leveraged than certain of its competitors, which may place the Company at a competitive disadvantage; and (vii) the Company's substantial degree of leverage may limit its flexibility to adjust to changing market conditions, reduce its ability to withstand competitive pressures and make it more vulnerable to a downturn in general economic conditions or its business. See "Description of the New Debentures" and "Description of Other Issuer Indebtedness."

The Company's ability to make scheduled payments or to refinance its debt obligations will depend upon its future financial and operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, certain of which are beyond its control. There can be no assurance that the Company's operating results, cash flow and capital resources will be sufficient for payment of its indebtedness in the future. In the absence of such operating results and resources, the Company could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations, and there can be no assurance as to the timing of such sales or the proceeds that the Company could realize therefrom. In addition, because significant amounts of the Company's borrowings will bear interest at variable rates, an increase in interest rates could adversely affect, among other things, the Company's ability to meet its debt service obligations. If the Company is unable to service its indebtedness, it may take actions such as reducing or delaying planned expansion and capital expenditures, selling assets, restructuring or refinancing its indebtedness or seeking additional equity capital. There can be no assurance that any of these actions could be effected on satisfactory terms, if at all.

Dependence on Key Personnel

Emily Woods' leadership in the areas of design, merchandising and operations has been a significant factor in the Company's success. The loss of Ms. Woods' services could have a material adverse affect on the Company. The Company also depends on the services of key members of its design and merchandising teams and other key officers and employees. While the Company believes that it has developed depth and experience among its key

personnel, there can be no assurance that the Company's business would not be affected if one or more of these individuals left the Company.

The Company has entered into an employment agreement with Ms. Woods and has employment agreements with certain other employees. See "Management--Employment Agreements and Other Compensation Arrangements." The Company maintains key person life insurance on Ms. Woods.

Fashion and Apparel Industry Risks

The Company believes that its success depends in substantial part on its ability to originate and define product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that the Company will continue to be successful in this regard. The Company attempts to reduce the risks of changing fashion trends and product acceptance by devoting a substantial portion of its product line to basic durables which are not significantly modified from year to year. Nevertheless, if the Company misjudges the market for its products, it may be faced with significant excess inventories for some products and missed opportunities with others.

The industry in which the Company operates is cyclical. Purchases of apparel and related merchandise tend to decline during recessionary periods and also may decline at other times. There can be no assurance that the Company will be able to maintain its historical growth in revenues or earnings, or remain profitable in the future. Further, a recession in the general economy or uncertainties regarding future economic prospects could affect consumer spending habits and have an adverse effect on the Company's results of operations.

Increases in Costs of Mailing, Paper and Printing

Postal rate increases and paper and printing costs affect the cost of the Company's catalog and promotional mailings. The Company relies on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. The Company is not a party to any long-term contracts for the supply of paper. The Company's cost of paper has fluctuated significantly during the past three fiscal years, and its future paper costs are subject to supply and demand forces external to its business. The Company's average cost per hundred-pound weight of paper was $39, $58 and $52 during fiscal 1994, 1995 and 1996, respectively, and $52 and $41 during the forty weeks ended November 8, 1996 and November 7, 1997, respectively. Consequently, there can be no assurance that the Company will not be subject to an increase in paper costs. Although the Company has recently entered into a new four-year contract for the printing of its catalogs, the contract offers no assurance that the Company's printing costs will not increase following expiration of the contract. Future increases in postal rates or paper or printing costs would have a negative impact on the Company's earnings to the extent that the Company is unable to pass such increases on directly to customers or offset such increases by raising selling prices or by implementing more efficient mailings. See "Business--J. Crew Brand--J. Crew Mail Order--Catalog Creation and Production."

Reliance on Foreign Sourcing

In 1996, approximately 50% of the J. Crew brand and Clifford & Wills merchandise was sourced from independent foreign factories located primarily in the Far East, and many of the Company's domestic vendors import a substantial portion of their merchandise from abroad. The Company has no long-term merchandise supply contracts and many of its imports are subject to existing or potential duties, tariffs or quotas that may limit the quantity of certain types of goods which may be imported into the United States from countries in those regions. The Company competes with other companies for production facilities and import quota capacity. The Company's business is also subject to a variety of other risks generally associated with doing business abroad, such as political instability (including issues concerning the future of Hong Kong following the transfer of Hong Kong to The People's Republic of China on July 1, 1997), currency and exchange risks and potential local issues. The Company's future performance will be subject to such factors, which are beyond its control, and there can be no assurance that such factors would not have a material adverse effect on the Company's results of operations. See "Business--General--Sourcing, Production and Quality."

The Company requires its licensing partners and independent manufacturers to operate in compliance with applicable laws and regulations. While the Company's internal and vendor operating guidelines promote ethical business practices, the Company does not control such manufacturers or their labor practices. The violation of labor or other laws by an independent manufacturer of the Company or by one of the Company's licensing partners, or the divergence of an independent manufacturer's or licensing partner's labor practices from those generally accepted as ethical in the United States, could have a material adverse effect on the Company's financial condition and results of operations.

Uncertainty Relating to Ability to Implement J. Crew Retail Growth Strategy

The Company intends to expand its base of J. Crew retail stores as part of its growth strategy. There can be no assurance that this strategy will be successful. The actual number and type of such stores to be opened and their success will be dependent upon a number of factors, including, among other things, the ability of the Company to manage such expansion and hire and train qualified associates, the availability of suitable store locations and the negotiation of acceptable lease terms for new locations and upon lease renewals for existing locations. There is no assurance that the Company will be able to open and operate new stores on a timely or profitable basis. In 1996, net of construction allowances, the Company spent $10.9 million for new stores and remodeling and anticipates spending approximately $16.2 million in 1997 and $23.0 million in 1998 for such capital expenditures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--J. Crew Brand--J. Crew Retail--New Store Expansion." The Company believes that the opening of J. Crew retail stores has diverted some customer revenues from the J. Crew mail order operations. There can be no assurance that future store openings will not continue to have such an effect.

Seasonality

The Company experiences seasonal fluctuations in its revenues and operating income, with a disproportionate amount of the Company's revenues and a majority of its income from operations typically realized during the fourth quarter of its fiscal year. Revenues and income from operations are generally weakest during the first and second quarters of the Company's fiscal year. The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new store openings and of catalog mailings, and the revenues contributed by new stores, merchandise mix and the timing and level of markdowns. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Seasonality."

Competition

All aspects of the Company's businesses are highly competitive. The Company competes primarily with other catalog operations, specialty brand retailers, department stores, and mass merchandisers engaged in the retail sale of men's and women's apparel, accessories, footwear and general merchandise. The Company believes that the principal bases upon which it competes are quality, design, efficient service, selection and price. However, certain of the Company's competitors are larger and have greater financial, marketing and other resources than the Company, and there can be no assurance that the Company will be able to compete successfully with them in the future.

Cautionary Statement Concerning Ability to Achieve Anticipated Cost Savings and Forward-Looking Statements

Management of the Company estimates that approximately $7 million of annualized net cost savings (in addition to the $7.5 million in estimated annual savings included in Adjusted EBITDA) could be achieved by mid- 1998, including process efficiencies, reduction of the Base Book trim size, installation of an automated sortation system at the Company's Lynchburg, Virginia distribution center and relocation of C&W to the J. Crew corporate headquarters office. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview," "Business--Overview" and "--Opportunities." The cost savings estimates were prepared solely by members of the management of the Company. The estimates necessarily reflect numerous assumptions as to future sales levels and other operating results, the availability of funds for capital expenditures as well as general industry and business conditions and other matters, many of which are beyond the control of the Company. Other

estimates were based on a management consensus as to what levels of purchasing and similar efficiencies should be achievable by an entity the size of the Company. All of these forward-looking statements are based on estimates and assumptions made by management of the Company, which although believed to be reasonable, are inherently uncertain and difficult to predict. There can be no assurance that the savings anticipated in these forward-looking statements will be achieved. In addition, there can be no assurance that unforeseen costs and expenses or other factors will not offset the estimated cost savings or other components or the Company's plan in whole or in part.

The information contained herein contains forward-looking statements that involve a number of risks and uncertainties. A number of factors could cause actual results, performance, achievements of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, the competitive environment in the apparel industry in general and in the Company's specific market areas; changes in prevailing interest rates and the availability of and terms of financing to fund the anticipated growth of the Company's business; inflation; changes in costs of goods and services; economic conditions in general and in the Company's specific market areas; demographic changes; changes in or failure to comply with federal, state and/or local government regulations; liability and other claims asserted against the Company; changes in operating strategy or development plans; the ability to attract and retain qualified personnel; the ability to control inventory levels; the significant indebtedness of the Company; labor disturbances; the ability to negotiate agreements with suppliers on favorable terms; changes in the Company's capital expenditure plan; and other factors referenced herein. In addition, such forward-looking statements are necessarily dependent upon assumptions, estimates and dates that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Forward-looking statements regarding revenues and EBITDA are particularly subject to a variety of assumptions, some or all of which may not be realized. Accordingly, any forward-looking statements included herein do not purport to be predictions of future events or circumstances and may not be realized. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "pro forma," "anticipates" or "intends" or the negative of any thereof, or other variations thereon or comparable terminology, or by discussions of strategy or intentions. Given these uncertainties, prospective purchasers of New Debentures are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligations to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Risk Factors Relating to the Debentures

Limitation on Access to Cash Flow of Subsidiaries; Holding Company Structure

Holdings is a holding company, and its ability to pay interest on the Debentures is dependent upon the receipt of dividends from its direct and indirect subsidiaries. Holdings does not have and may not in the future have, any assets other than the common stock of Operating Corp. Operating Corp and its subsidiaries are parties to the Bank Facilities and an indenture relating to the Operating Corp Senior Subordinated Notes (the "Senior Subordinated Note Indenture"), each of which imposes substantial restrictions on Operating Corp's ability to pay dividends to Holdings. Any payment of dividends will be subject to the satisfaction of certain financial conditions set forth in the Senior Subordinated Note Indenture and the Bank Facilities. The ability of Operating Corp and its subsidiaries to comply with such conditions in the Senior Subordinated Note Indenture may be affected by events that are beyond the control of Holdings. The breach of any such conditions could result in a default under the Senior Subordinated Note Indenture, the Term Loan Facility and/or the Revolving Credit Facility, and in the event of any such default, the holders of the Operating Corp Senior Subordinated Notes or the lenders under the Bank Facilities could elect to accelerate the maturity of all the Operating Corp Senior Subordinated Notes or the loans under such facilities. If the maturity of the Operating Corp Senior Subordinated Notes or the loans under the Bank Facilities were to be accelerated, all such outstanding debt would be required to be paid in full before Operating Corp or its subsidiaries would be permitted to distribute any assets or cash to Holdings. There can be no assurance that the assets of Holdings would be sufficient to repay all of such outstanding debt and to meet its obligations under the Indenture. Future borrowings by Operating Corp can be expected to contain restrictions or prohibitions on the

payment of dividends by Operating Corp and its subsidiaries to Holdings. In addition, under Delaware law, a subsidiary of a company is permitted to pay dividends on its capital stock, only out of its surplus or, in the event that it has no surplus, out of its net profits for the year in which a dividend is declared or for the immediately preceding fiscal year. Surplus is defined as the excess of a company's total assets over the sum of its total liabilities plus the par value of its outstanding capital stock. In order to pay dividends in cash, Operating Corp must have surplus or net profits equal to the full amount of the cash dividend at the time such dividend is declared. In determining Operating Corp's ability to pay dividends, Delaware law permits the Board of Directors of Operating Corp to revalue its assets and liabilities from time to time to their fair market values in order to create surplus. Holdings cannot predict what the value of its subsidiaries' assets or the amounts of their liabilities will be in the future and, accordingly, there can be no assurance that Holdings will be able to pay its debt service obligations on the Debentures. In addition, indebtedness outstanding under the Bank Facilities will be secured by substantially all of the assets of the Company (including the common stock of Operating Corp).

As a result of the holding company structure of Holdings, the Holders of the Debentures will be structurally junior to all creditors of the Holdings' subsidiaries, except to the extent that Holdings is itself recognized as a creditor of any such subsidiary, in which case the claims of Holdings would still be subordinate to any security in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by Holdings. In the event of insolvency, liquidation, reorganization, dissolution or other winding-up of the Holdings' subsidiaries, Holdings will not receive any funds available to pay to creditors of the subsidiaries. As of November 7, 1997, the aggregate amount of indebtedness and other obligations of Holdings' subsidiaries (including trade payables and other accrued liabilities) was $508.3 million.

Restrictive Debt Covenants

The Indenture, the Senior Subordinated Note Indenture and the Bank Facilities contain a number of significant covenants that, among other things, restrict the ability of the Company to dispose of assets, incur additional indebtedness, prepay other indebtedness (including the Debentures) or amend certain debt instruments pay dividends, create liens on assets, enter into sale and leaseback transactions, make investments, loans or advances, make acquisitions, engage in mergers or consolidations, change the business conducted by the Issuer or its subsidiaries, make capital expenditures or engage in certain transactions with affiliates and otherwise restrict certain corporate activities. In addition, under the Bank Facilities, Operating Corp is required to comply with specified financial ratios and tests, including minimum interest coverage ratios, leverage ratios below a specified maximum, minimum net worth levels and minimum ratios of inventory to senior debt. See "Description of the New Debentures" and "Description of Operating Corp Indebtedness."

The Company's ability to comply with such agreements may be affected by events beyond its control, including prevailing economic, financial and industry conditions. The breach of any of such covenants or restrictions could result in a default under the Bank Facilities, the Senior Subordinated Note Indenture and/or the Indenture, which would permit the senior lenders, or the holders of the Operating Corp Senior Subordinated Notes and/or the Debentures, or both, as the case may be, to declare all amounts borrowed thereunder to be due and payable, together with accrued and unpaid interest, and the commitments of the senior lenders to make further extensions of credit under the Bank Facilities could be terminated. If the Company were unable to repay its indebtedness to its senior lenders, such lenders could proceed against the collateral securing such indebtedness as described under "Description of Operating Corp Indebtedness."

Fraudulent Transfer Statutes

Under federal or state fraudulent transfer laws, if a court were to find that, at the time the Debentures were issued, the Issuer (i) issued the Debentures with the intent of hindering, delaying or defrauding current or future creditors or (ii) (A) received less than fair consideration or reasonably equivalent value for incurring the indebtedness represented by the Debentures, and (B)(1) was insolvent or was rendered insolvent by reason of the issuance of the Debentures, (2) was engaged, or about to engage, in a business or transaction for which its assets were unreasonably small or (3) intended to incur, or believed (or should have believed) it would incur, debts beyond

its ability to pay as such debts mature (as all of the foregoing terms are defined in or interpreted under such fraudulent transfer statutes), such court could avoid all or a portion of the Issuer's obligations to the holders of Debentures, subordinate the Issuer's obligations to the holders of the Debentures to other existing and future indebtedness of the Issuer, the effect of which would be to entitle such other creditors to be paid in full before any payment could be made on the Debentures, and take other action detrimental to the holders of the Debentures, including in certain circumstances, invalidating the Debentures. In that event, there would be no assurance that any repayment on the Debentures would ever be recovered by the holders of the Debentures.

The definition of insolvency for purposes of the foregoing considerations varies among jurisdictions depending upon the federal or state law that is being applied in any such proceeding. However, the Issuer generally would be considered insolvent at the time it incurs the indebtedness constituting the Debentures if (i) the fair market value (or fair saleable value) of its assets is less than the amount required to pay its total existing debts and liabilities (including the probable liability on contingent liabilities) as they become absolute or matured or (ii) it is incurring debts beyond its ability to pay as such debts mature. There can be no assurance as to what standard a court would apply in order to determine whether the Issuer was "insolvent" as of the date the Debentures were issued, or that, regardless of the method of valuation, a court would not determine that the Issuer was insolvent on that date. Nor can there be any assurance that a court would not determine, regardless of whether the Issuer was insolvent on the date the Debentures were issued, that the payments constituted fraudulent transfers on another ground. To the extent that proceeds from the sale of the Debentures are used to make a distribution to a stockholder on account of the ownership of capital stock, a court may find that the Issuer did not receive fair consideration or reasonably equivalent value for the incurrence of the indebtedness represented by the Debentures.

Based upon financial and other information currently available to it, management of the Issuer believes that the Debentures are being incurred for proper purposes and in good faith and that the Issuer (i) is solvent and will continue to be solvent after issuing the Debentures, (ii) will have sufficient capital for carrying on its business after such issuance, and (iii) will be able to pay its debts as they mature. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Possible Inability to Repurchase Debentures upon Change of Control

In the event of a Change of Control, each holder of Debentures will have the right to require Holdings to repurchase all or any part of such holder's Debentures at the offer price specified therefore in the Indenture. Holdings does not have, and may not in the future have, any assets other than common stock of Operating Corp (which is pledged to secure Operating Corp's obligations under the Bank Facilities). As a result, Holdings' ability to repurchase all or any part of the Debentures upon the occurrence of a Change of Control will be dependent upon the receipt of dividends or other distributions from its direct and indirect subsidiaries. The Bank Facilities and the Operating Corp Senior Subordinated Notes restrict Operating Corp from paying dividends and making any other distributions to Holdings. If Holdings does not obtain dividends from Operating Corp sufficient to permit the repurchase of the Debentures or does not refinance such indebtedness, Holdings will likely not have the financial resources to purchase Debentures upon the occurrence of a Change of Control. In any event, there can be no assurance that Holdings' subsidiaries will have the resources available to pay such dividend or make any such distribution. Furthermore, the Bank Facilities provide that certain change of control events will constitute a default thereunder, and the Operating Corp Senior Subordinated Notes provide that, in the event of a Change of Control, Operating Corp will be required to offer to repurchase the Operating Corp Senior Subordinated Notes at the price specified therefore. Holdings' failure to make a Change of Control offer when required or to purchase tendered Debentures when tendered would constitute an Event of Default under the Indenture. See "Description of the New Debentures" and "Description of Other Issuer Indebtedness."

Original Issue Discount; Limitations on Holders' Claims

Under the Indenture, in the event of an acceleration of the maturity of the Debentures upon the occurrence of an Event of Default, the holders of the Debentures, which have been (in the case of Old Debentures) or will be (in the case of New Debentures) issued at a substantial original issue discount from their principal amount at maturity,

may be entitled to recover only the amount which may be declared due and payable pursuant to the Indenture, which will be less than the principal amount at maturity of such Debentures. See "Description of the Debentures-- Events of Default and Remedies."

If a bankruptcy case is commenced by or against Holdings under the Bankruptcy Code (as defined herein), the claim of a holder of Debentures with respect to the principal amount thereof may be limited to an amount equal to the sum of (i) the issue price of the Debentures and (ii) that portion of the original issue discount (as determined on the basis of such issue price) which is not deemed to constitute "unmature interest" for purposes of the Bankruptcy Code. Accordingly, holders of the Debentures under such circumstances may, even if sufficient funds are available, receive a lesser amount than they would be entitled to under the express terms of the Indenture. In addition, the same rules as those used for the calculation of original issue discount under federal income tax law and, accordingly, a holder might be required to recognize gain or loss in the event of a distribution related to such a bankruptcy case.

Consequences of Failure to Exchange

Holders of Old Debentures who do not exchange their Old Debentures for New Debentures pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Debentures as set forth in the legend thereon as a consequence of the issuance of the Old Debentures pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Debentures may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Issuer does not currently anticipate that it will register the Old Debentures under the Securities Act. To the extent that Old Debentures are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Debentures could be adversely affected.

Absence of Public Market

The Old Debentures have been designated as eligible for trading in the PORTAL market. Prior to this Exchange Offer, there has been no public market for the New Debentures. If such a market were to develop, the New Debentures could trade at prices that may be higher or lower than their principal amount. The Issuer does not intend to apply for listing of the New Debentures on any securities exchange or for quotation of the New Debentures on The Nasdaq Stock Market's National Market or otherwise. The Initial Purchasers have previously made a market in the Old Debentures, and the Issuer has been advised that the Initial Purchasers currently intend to make a market in the New Debentures, as permitted by applicable laws and regulations, after consummation of the Exchange Offer. The Initial Purchasers are not obligated, however, to make a market in the Old Debentures or the New Debentures and any such market making activity may be discontinued at any time without notice at the sole discretion of the Initial Purchasers. There can be no assurance as to the liquidity of the public market for the New Debentures or that any active public market for the New Debentures will develop or continue. If an active public market does not develop or continue, the market price and liquidity of the New Debentures may be adversely affected.

THE RECAPITALIZATION

The Shareholders, Holdings and TPG Partners II are parties to the Recapitalization Agreement which provided for the recapitalization of Holdings. Pursuant to the Recapitalization Agreement, Holdings purchased from the Shareholders all outstanding shares of Holdings' capital stock, other than shares having an implied value of $11.1 million, almost all of which continues to be held by Emily Woods, and which represented 14.8% of the outstanding shares of Holdings' Common Stock immediately following the transaction.

In connection with the Recapitalization, Holdings organized Operating Corp and immediately prior to the consummation of the Recapitalization, Holdings transferred substantially all of its assets and liabilities to Operating Corp. Holdings' current operations are, and future operations are expected to be, limited to owning the stock of Operating Corp. Operating Corp repaid substantially all of the Company's funded debt obligations existing immediately before the consummation of the Recapitalization. At October 17, 1997, the aggregate principal amount of the Company's funded indebtedness was $186.0 million, consisting of the Retired Senior Notes, the Retired Bank Credit Facility and the Industrial Revenue Bond.

Cash funding requirements for the Recapitalization (which was consummated on October 17, 1997) totalled $559.7 million (including $99.0 million in seasonal borrowings) and were satisfied through the purchase by TPG Partners II and investors of an aggregate $188.9 million in Holdings' equity securities together with an aggregate $330.8 million in borrowings and $40.0 million in proceeds from the Securitization, as follows: (i) the purchase by TPG Partners II, its affiliates and other investors of shares of Holdings' Common Stock (representing 85.2% of the outstanding shares) for $63.9 million; (ii) the purchase by TPG Partners II, its affiliates and other investors of $125.0 million in liquidation value of Holdings Preferred Stock; (iii) gross proceeds of $75.3 million from the issuance and sale by Holdings of Holdings Senior Discount Debentures; (iv) $150.0 million from the gross proceeds of the Offering; (v) $40.0 million in proceeds from the Securitization; (vi) $70.0 million of borrowings under the Term Loan Facility; and (vii) $35.6 million of borrowings under the Revolving Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," "Description of the New Debentures," "Description of Operating Corp Indebtedness" and "Capital Stock of Holdings and Operating Corp."

The Recapitalization was accounted for as a recapitalization transaction for accounting purposes. The repurchase of shares from the Shareholders, the Debt Retirement, the Holdings Common Equity Contribution, the issuance and sale by Holdings of the Holdings Preferred Stock and the Holdings Senior Discount Debentures, the borrowing by Operating Corp of funds under the Bank Facilities and the Securitization and the issuance and sale by Operating Corp of the Operating Corp Senior Subordinated Notes were effected in connection with the Recapitalization.

The following table summarizes the sources and uses of funds in the Recapitalization:

	(dollars in thousands)
Sources:	
Revolving Credit Facility (1)	$ 35,559
Term Loan Facility	70,000
Securitization (2)	40,000
Operating Corp Senior Subordinated Notes	150,000
Debentures issued in the Offering	75,257
Holdings Preferred Stock	125,000
Holdings Common Equity Contribution	63,891
Total Sources	$559,707
Uses:	
Repurchase of Holdings' Capital Stock	$ 316,688
Repayment of Retired Bank Credit Facility	(99,212)
Repayment of Retired Senior Notes (4)	93,104
Retirement of Industrial Revenue Bond (5)	1,963
Transaction Fees and Expenses and Other Transaction Payments (6)	48,740
Total Uses	$559,707

(1) Reflects borrowings to partially refinance seasonal borrowings outstanding under the Retired Bank Credit Facility. Giving effect to the Recapitalization, average outstanding

borrowings under the Revolving Credit Facility would have been $12.2 million during the twelve months ended November 7, 1997. Excludes letters of credit issued to facilitate international merchandise purchases, which had an aggregate outstanding balance of $37.4 million as of November 7, 1997. See the notes to the "Unaudited Pro Forma Statements of Operations" included herein.

(2) The Company securitized approximately $40 million of PCP consumer loan installment receivables off-balance sheet simultaneously with the consummation of the Recapitalization pursuant to a facility arranged by affiliates of the Initial Purchasers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Description of Other Issuer Indebtedness--Receivables Facility."

(3) The Retired Bank Credit Facility was in an aggregate principal amount of up to $200.0 million, of which up to $120.0 million was available for direct borrowings. Borrowings under the Retired Bank Credit Facility were prepaid in whole without penalty or premium and included accrued interest of $0.2 million.

(4) The Retired Senior Notes were prepaid in connection with the Recapitalization. The prepayment required the Issuer to pay a make-whole premium in the amount of $5.8 million. Also included is $2.3 million of accrued interest.

(5) The industrial revenue bond was prepaid in whole without penalty or premium.

(6) Includes Holdings' expenses, management bonuses, financial advisory, consulting and other professional fees and deferred financing costs. See "Certain Relationships and Related Transactions."

TEXAS PACIFIC GROUP

TPG was founded by David Bonderman, James G. Coulter and William S. Price, III in 1992 to pursue public and private investment opportunities through a variety of methods, including leveraged buyouts, recapitalizations, joint ventures, restructurings and strategic public securities investments. The principals of TPG operate TPG Partners, L.P. and TPG Partners II, both Delaware limited partnerships with aggregate committed capital of over $3.2 billion. Among TPG's investments are branded consumer products companies Beringer Wine Estates, Del Monte Foods Company and Ducati Motor. Other TPG portfolio companies include America West Airlines, Belden & Blake Corporation, Favorite Brands International, Paradyne, Virgin Entertainment and Vivra Specialty Partners. In addition, the principals of TPG led the $9 billion reorganization of Continental Airlines in 1993.

The principal executive office of TPG is located at 201 Main Street, Suite 2420, Fort Worth, Texas 76102 and its telephone number is (817) 871-4000.

USE OF PROCEEDS

There will be no cash proceeds payable to the Issuer from the issuance of the New Debentures pursuant to the Exchange Offer. The proceeds from the sale of the Old Debentures were used by Holdings to finance the Recapitalization.

CAPITALIZATION

The following table sets forth as of November 7, 1997 the actual unaudited capitalization of the Company. See "The Recapitalization," "Use of Proceeds," "Description of the New Debentures," "Description of Operating Corp Indebtedness" and "Capital Stock of Holdings and Operating Corp." This table should be read in conjunction with the "Selected Consolidated Financial Data" and "Unaudited Pro Forma Consolidated Financial Data" included elsewhere in this Prospectus.

	As of November 7, 1997 Actual (dollars in thousands)
Cash and cash equivalents.....	$12,992
Debt:	
Revolving Credit Facility(1)	$47,000
Term Loan Facility	70,000
10-3/8% Senior Subordinated Notes due 2007	150,000
13-1/8% Senior Discount Debentures	75,257
Total debt	342,257
14-1/2% Preferred Stock	125,000
Stockholders' deficit	(194,712)
Total capitalization	$272,545

(1) Excludes letters of credit issued to facilitate international merchandise purchases, which had an aggregate outstanding balance of $37.4 million as of November 7, 1997.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma consolidated financial data with respect to the Company (the "Unaudited Pro Forma Financial Data") is based on the historical Consolidated Financial Statements of the Company included elsewhere in this Prospectus adjusted to give effect to the Recapitalization. The Unaudited Pro Forma Statements of Operations give effect to the Recapitalization as if it had occurred on February 3, 1996. The Recapitalization and the related adjustments are described in the accompanying notes. The pro forma adjustments are based upon preliminary estimates and certain assumptions that management of the Company believes are reasonable in the circumstances. In the opinion of management, all adjustments have been made that are necessary to present fairly the pro forma data. Actual amounts could differ from those set forth below.

The Unaudited Pro Forma Financial Data should be read in conjunction with the notes included herewith, the Company's Consolidated Financial Statements and notes thereto as of February 2, 1996 and January 31, 1997 and for each of the fiscal years in the three-year period ended January 31, 1997, the Company's Unaudited Condensed Consolidated Financial Data as of November 7, 1997 and for the forty week periods ended November 7, 1997 and November 8, 1996, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus. The Unaudited Pro Forma Financial Data do not purport to represent what the Company's results of operations would have been had the Recapitalization occurred on the dates specified, or to project the Company's results of operations for any future period or date.

The unaudited supplemental data reflect (i) certain pro forma adjustments and (ii) management's estimates of certain cost savings and cost eliminations which management believes will be attained. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

Twelve Months Ended November 7, 1997

	Historical	Pro Forma Adjustments: Operating Corp	Pro Forma Adjustments: Holdings	Pro Forma
	(dollars in thousands)			
Revenues	$836,658	$ (2,250)(1)	$ --	$834,408
Cost of sales	447,528	--	--	447,528
Gross profit	389,130	(2,250)(1)	--	386,880
Selling, general and administrative expensess	361,267	1,800(5)	--	363,067
Income (loss) from operations	27,863	(4,050)	--	23,813
Interest expense:				
Non-cash interest expense	1,052	1,397(2)	10,914(7)	13,363
Cash interest expense	13,736	9,205(3)	--	22,941
Expenses incurred in connection with the Recapitalization	19,851	--	-- (8)	19,851
Provision (benefit) for income taxes	4,200	(6,007)(4)	(4,487)(4)	(6,904)
Extraordinary loss (net of income benefit)	4,500	--	-- (8)	4,500
Net income (loss)	$(15,476)	$(8,645)	$(6,627)	$(30,748)

	Historical	Pro Forma and Supplemental Adjustments	Adjusted
	(dollars in thousands)		
Supplemental Data:			
Depreciation and amortization	$13,107	$ --	$13,107
EBITDA	40,970	6,620(8)	47,590
Ratio of Adjusted EBITDA/cash interest expense (6)			2.1x
Ratio of Adjusted EBITDA/total interest expense (6)			1.3x
Ratio of total average debt/Adjusted EBITDA (9)			6.5x
Cash flows from operating activities	$		
Cash flows from investing activities	$		
Cash flows from financing activities	$		

Fiscal Year Ended January 31, 1997

	Historical	Pro Forma Adjustments: Operating Corp	Pro Forma Adjustments: Holdings	ProForma
	(dollars in thousands)			
Revenues	$808,843	(2,650)(1)	--	$806,193
Cost of sales	428,719	--	--	428,719
Gross profit	380,124	(2,650)(1)	--	377,474
Selling, general and administrative expenses	348,305	1,800 (5)	--	350,105

Income (loss) from operations	31,819	(4,450)	--	27,369
Interest expense:				
Non-cash interest expense	401	1,485 (2)	10,422	12,308
Cash interest expense	10,069	11,894 (3)	--	21,963
Provision (benefit) for income taxes	8,800	(7,310)(4)	(4,091)(4)	(2,601)
Net income (loss)	$12,549	(10,519)	$(6,331)	(4,301)

See accompanying notes to the unaudited pro forma statements of operations.

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

Forty Weeks Ended November 7, 1997

	Historical	Pro Forma Adjustments: Operating Corp	Pro Forma Adjustments: Holdings	Pro Forma
		(dollars in thousands)		
Revenues	$566,596	$(1,638)(1)	$ --	$564,958
Cost of sales	310,865	--	--	310,865
Gross profit	255,731	(1,638)(1)	--	254,093
Selling, general and administrative expenses	253,159	1,385 (5)	--	254,544
Income (loss) from operations	2,572	(3,023)	--	(451)
Interest expense:				
Non-cash interest expense	962	1,052 (2)	8,274(7)	10,288
Cash interest expense	10,907	6,966 (3)	--	17,873
Expenses incurred in connection with the Recapitalization	19,851	--	--	19,851
Provision (benefit) for income taxes	(5,050)	(4,527)(4)	(3,248)(4)	(12,825)
Extraordinary loss (net of income benefit)	4,500	--	--	4,500
Net income (loss)	$(28,598)	(6,514)	$(5,026)	$(40,138)

Forty Weeks Ended November 8, 1996

	Historical	Pro Forma Adjustments: Operating Corp	Pro Forma Adjustments: Holdings	Pro Forma
		(dollars in thousands)		
Revenues	$538,781	$(2,038)(1)	$--	536,743
Cost of sales	292,056	--	--	292,056
Gross profit	246,725	(2,038)(1)	--	244,687
Selling, general and administrative expenses	240,197	1,385 (5)	--	241,582
Income (loss) from operations	6,528	(3,423)	--	3,105
Interest expense:				
Non-cash interest expense	311	1,140 (2)	7,782(7)	9,233
Cash interest expense	7,240	9,655 (3)	--	16,895
Provision (benefit) for income taxes	(450)	(5,829)	(3,053)(4)	(9,332)
Net income (loss)	$ (573)	$(8,389)(5)	$(4,729)	(13,691)

See accompanying notes to the unaudited pro forma statements of operations.

NOTES TO UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

(1) Represents the estimated loss on the Securitization of accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Description of Operating Corp Indebtedness--Receivables Facility."

(2) Represents the net increase in non-cash interest expense relating to the amortization of debt issuance costs of Operating Corp of $13.0 million relating to debt issued in connection with the Recapitalization.

(3) Gives effect to the increase in estimated cash interest expense from the use of borrowings to finance the Recapitalization and future working capital requirements of Operating Corp:

	Fiscal Year Ended January 31, 1997	Forty Weeks Ended November 8, 1996	Forty Weeks Ended November 7, 1997	Twelve Months Ended November 7, 1997
	(dollars in thousands)			
Interest on the Operating Corp Senior Subordinated Notes(a)	$15,563	$11,972	$11,972	$15,563
Interest on the Bank Facilities:				
Term Loan Facility(b)	5,600	4,308	4,308	5,600
Revolving Credit Facility(b)	--	--	978	978
Other	800	615	615	800
Total	21,963	16,895	17,873	22,941
Less: amounts in historical statement of operations	10,069	7,240	10,907	13,736
Adjustment to interest expense	$11,894	$9,655	$6,966	$ 9,205

(a) Interest is calculated at an effective interest rate of 10.375% for the period indicated.

(b) Interest is calculated at an estimated weighted average effective interest rate of 8.0%.

(c) Interest is based on the average of historical daily outstanding borrowings under the revolving credit facility during the period, reduced (without giving effect to any negative average daily balances) by $63.5 million, reflecting the application of the proceeds of the Recapitalization. No interest income was assumed.

(4) Estimated income tax effects of the pro forma adjustments at an effective tax rate of 41%.

(5) Reflects non-cash compensation expense in connection with a grant of restricted stock.

(6) Cash interest expense excludes, and total interest expense includes, non-cash interest in respect of the Debentures.

(7) Represents the increase in non-cash interest expense relating to the amortization of original issue discount of the Debentures at an annual rate of 13.125%, compounded semi-annually, and amortization of debt issuance costs of Holdings of $2.4 million.

(8) Historical EBITDA is defined as income before extraordinary items and cumulative effect of accounting changes, interest expense, income tax expense, depreciation and amortization and expenses of $19.9 million incurred in connection with the Recapitalization. The Issuer believes that EBITDA provides useful information regarding the Company's ability to service its debt; however holders tendering Old Debentures in the Exchange Offer should consider the following factors in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with GAAP, (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with

GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and

related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is defined as EBITDA, revised to reflect management's estimate of certain cost savings and cost eliminations implemented prior to the Recapitalization. The Issuer believes that EBITDA provides useful information regarding the Company's ability to service its debt; however, Adjusted EBITDA (i) should not be considered in isolation, (ii) is not a measure of performance calculated in accordance with GAAP, (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. The management estimates of cost savings and cost eliminations which are anticipated on a going-forward basis and which are reflected in Adjusted EBITDA are as set forth below:

	Twelve Months Ended November 7, 1997 (dollars in thousands)
Historical EBITDA	$40,970
Recapitalization pro forma adjustments:	
Loss on Securitization of accounts receivable	(2,250)
Cost savings and cost eliminations implemented prior to the Recapitalization:	
Renegotiation of catalog vendor contract(a)	2,100
Headcount and net payroll reductions(b)	4,550
Insourcing of photography shop(c)	820
Non-recurring severance(d)	1,400
Total adjustments	6,620
Adjusted EBITDA	$47,590

(a) Reflects the recent renegotiation of the Company's catalog vendor contract. The adjustment represents the difference between the amounts previously expensed for such items and the amounts which are expected to be expensed under the terms of the new contract.

(b) Represents compensation savings as a result of the termination of certain positions.

(c) Represents the estimated cost savings from bringing in-house certain photography functions that were previously performed by outside vendors.

(d) Reflects non-recurring severance associated with the termination of certain managers.

(9) For purposes of computing the ratio of total average debt to Adjusted EBITDA, total average debt on a pro forma basis as of November 7, 1997 reflects average outstanding balances under the Revolving Credit Facility of $12.2 million during the twelve months ended November 7, 1997 (giving effect to the Recapitalization), $70.0 million in aggregate principal amount of indebtedness under the Term Loan Facility, $150.0 million in aggregate principal amount of Operating Corp Senior Subordinated Notes and $75.3 million in initial aggregate principal amount of the Old Debentures. Actual daily outstanding borrowings under the revolving credit facility were reduced (without giving effect to any negative average daily balances) by $63.5 million, reflecting the application of the proceeds of the Recapitalization, in computing average outstanding borrowings.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated historical financial, operating, other and balance sheet data of Holdings. The selected financial and balance sheet data for each of the five fiscal years ended January 31, 1997 are derived from the Consolidated Financial Statements of Holdings, which have been audited by Deloitte & Touche LLP, independent auditors. The selected financial data for the forty weeks ended November 8, 1996 and November 7, 1997 have been derived from the Holdings' Unaudited Condensed Consolidated Financial Statements and include, in the opinion of management, all adjustments necessary to present fairly the data for such periods. The results for the forty weeks ended November 7, 1997 are not necessarily indicative of the results to be expected for the fiscal year ending January 30, 1998 or for any future period. The data presented below should be read in conjunction with the Consolidated Financial Statements, including the related Notes thereto, included herein, the other financial information included herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal Year Ended					Forty Weeks Ended	
	January 29, 1993	January 28, 1994	February 3, 1995	February 2, 1996	January 31, 1997	November 8, 1996	November 7, 1997
	(dollars in thousands, except per square foot data)					(unaudited)	
Financial Data:							
Revenues	$ 571,047	$ 646,972	$ 737,725	$ 745,909	$ 808,843	$ 538,781	$ 566,596
Cost of goods sold(1)	303,927	354,889	394,073	399,668	428,719	292,056	310,865
Gross profit	267,120	292,083	343,652	346,241	380,124	246,725	255,731
Selling, general and administrative expenses	238,730	265,857	311,468	327,672	348,305	240,197	253,159
Income from operations	28,390	26,226	32,184	18,569	31,819	6,528	2,572
Interest expense-net	5,241	6,107	6,965	9,350	10,470	7,551	11,869
Expenses incurred-Recapitalization	--	--	--	--	--	--	19,851
for income taxes	9,130	8,100	10,300	3,700	8,800	(450)	(5,050)
Extraordinary item and cumulative effect of accounting changes(2)	--	--	--	931	--	--	4,500
Net income (loss)(2)	$ 14,019	$ 12,019	$ 14,919	$ 6,450	$ 12,549	$ (573)	$(28,598)
Operating Data:							
Revenues:							
J. Crew mail order	$ 201,463	$ 199,954	$ 247,272	$ 274,653	$ 289,772	$ 165,936	$ 157,840
J. Crew retail	72,906	108,650	135,726	134,959	167,957	110,399	140,574
J. Crew factory	38,563	49,253	62,626	79,203	94,579	70,266	75,965
J. Crew licensing	--	1,900	3,269	3,975	3,817	3,279	2,968
Total J. Crew brand	312,932	359,757	448,893	492,790	556,125	350,330	377,347
Other divisions(3)	258,115	287,215	288,832	253,119	252,718	188,451	189,249
Total	$ 571,047	$ 646,972	$ 737,725	$ 745,909	$ 808,843	$ 538,781	$ 566,566
EBITDA(4):							
J. Crew mail order	$ 12,840	$ 11,980	$ 24,345	$ 16,831	$ 17,524	$ (1,924)	$ (8,225)
J. Crew retail	6,720	5,055	13,333	15,194	16,847	8,800	8,177
J. Crew factory	3,660	1,797	1,653	(66)	2,876	3,395	3,244
J. Crew licensing	(51)	1,239	2,422	2,820	2,467	2,797	2,285
Total J. Crew brand	23,169	20,071	41,753	34,779	39,714	13,068	5,481
Other divisions(3)	11,611	12,941	(1,459)	(5,938)	2,646	1,085	7,282
Total	$ 34,870	$ 33,012	$ 40,294	$ 28,841	$ 42,360	$ 14,153	$ 12,763
Other Data:							
Cash flows from operating activities	$22,400	$1,467	$1,774	$(7,849)	$16,497	$(42,766)	$(61,100)
Cash flows from investing activities	$(14,965)	$(11,086)	$(13,467)	$(14,640)	$(22,481)	$(14,947)	$(28,265)
Cash flows from financing activities	$638	$5,020	$6,763	$17,763	$(413)	$54,822	$ 95,225
J. Crew Mail Order:							
Number of catalogs circulated (in thousands)	56,983	62,547	61,187	67,519	76,087	53,942	53,977

Number of pages circulated (in millions)	6,576	6,965	8,277	10,198	9,827	6,341	6,293
J. Crew Retail:							
Sales per gross square foot(5)	$ 622	$ 559	$ 594	$ 533	$ 551	NM	NM
Store contribution margin(6)	24.0%	18.7%	22.7%	25.5%	25.4%	NM	NM

Number of stores open at end of period ...	18	28	29	31	39	39	49
Comparable store sales change(7)	22.0%	(8.0)%	6.9%	(6.0)%	4.5%	4.0%	(6.1)%
Depreciation and amortization	$ 6,390	$ 6,786	$ 8,110	$ 10,272	$ 10,541	$ 7,625	$ 10,191
Net capital expenditures(8)							
New store openings.	5,519	2,789	2,804	6,009	10,894	6,903	15,253
Other	9,446	8,297	10,663	8,631	11,587	8,044	13,012
Total net capital expenditures	14,965	11,086	13,467	14,640	22,481	14,947	28,265
Ratio of earnings to fixed charges(9)	3.1x	2.5x	2.6x	1.5x	2.0x	1.5x	1.1x
Balance Sheet Data (at period end):							
Cash and cash equivalents .	$ 27,784	$ 23,185	$18,255	$ 13,529	$ 7,132	$ 10,638	$ 12,992
Working capital(10)	56,864	75,391	96,437	118,964	125,327	167,908	173,341
Total assets	232,582	287,233	324,795	355,249	410,821	454,177	439,391
Total debt	56,783	61,803	69,566	87,329	87,092	142,151	342,257
Stockholders' equity (deficit)	53,584	66,221	82,041	89,633	102,006	89,060	(194,712)

(1) Includes buying and occupancy costs.

(2) In fiscal 1995, Holdings changed its method of accounting for catalog costs and for merchandise inventories and recognized an increase in net income from the aggregate cumulative effect of such accounting changes, net of income taxes, of $2.6 million. In the same year, Holdings recognized extraordinary losses of $1.7 million, net of income tax benefit, related to the early retirement of debt. See Notes 11 and 12 of Notes to Consolidated Financial Statements. In the forty weeks ended November 7, 1997, Holdings recognized an extraordinary loss of $4.5 million net of income tax benefit related to the early retirement of debt.

(3) Includes the Company's PCP and C&W divisions and finance charge income derived from PCP installment sales.

(4) EBITDA represents income (loss) before extraordinary items and cumulative effect of accounting changes plus income taxes, interest expense, depreciation and amortization and expenses of $19.9 million incurred in connection with the Recapitalization. The Company believes that EBITDA provides useful information regarding the Company's ability to service its debt; however, EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as a substitute for net income as an indicator of the Company's operating performance or cash flow as a measure of liquidity. Holders tendering Old Debentures in the Exchange Offer should consider the following factors in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with GAAP, (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Issuer's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

(5) Sales per gross square foot is the result of dividing annualized net retail sales for the period (reflecting adjustments based on management estimates of the impact of opening stores in different periods during the year) by gross square footage at the end of each fiscal period.

(6) Store contribution margin is computed as gross profit less in-store operating expenses divided by sales.

(7) Comparable store sales includes stores that have been open for one full twelve-month period.

(8) Capital expenditures are net of proceeds from construction allowances.

(9) For purposes of computing the ratio of earnings to fixed charges, earnings include income before income taxes,

extraordinary items and cumulative effect of accounting changes and expenses incurred in connection with the Recapitalization of $19.9 million in the forty weeks ended November 7, 1997, plus fixed charges. Fixed charges consist of interest expense and one-third of rental expense (deemed by management to be representative of the interest factor of rental payments).

(10) Working capital is computed as current assets less current liabilities, excluding cash and cash equivalents, current portion of long-term debt and borrowings under the revolving credit facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Selected Consolidated Financial Data and the Consolidated Financial Statements of Holdings and the related notes thereto which are included elsewhere in this Prospectus. The Company's fiscal year ends on the Friday closest to January 31. Accordingly, fiscal years 1992, 1993, 1994, 1995 and 1996 ended on January 29, 1993, January 28, 1994, February 3, 1995, February 2, 1996 and January 31, 1997. All fiscal years for which financial information is included in this Prospectus had 52 weeks, except fiscal 1994 which had 53 weeks.

Overview

The Company's origins date back to the 1947 founding of Popular Merchandising Co. which operated PCP, a direct selling catalog merchandiser of consumer branded goods. In 1983, drawing upon their family's 35- year experience in catalog retailing, Arthur Cinader and Emily Woods, the son and granddaughter of PCP's founder, founded the J. Crew brand with innovative durables products (including the rollneck sweater, weathered chino, barn jacket and pocket tee) that continue to be core J. Crew brand product offerings today. In 1984, C&W was founded as a mail order women's apparel business targeting an older, more conservative customer than J. Crew. Capitalizing on the strength of its J. Crew brand franchise, the Company began developing select retail store locations in 1989. Today, the Company is a leading mail order and store retailer of women's and men's apparel, shoes and accessories operating primarily under the J. Crew brand name. Since the introduction of the J. Crew brand in 1983, the Company has mailed more than one-half billion J. Crew catalogs, opened 49 J. Crew retail stores and 42 J. Crew Factory Outlet stores. In addition, J. Crew products are distributed through 67 free-standing and shop-in- shop stores in Japan under a licensing agreement with Itochu. The Company's J. Crew brand revenues have increased from $312.9 million in fiscal 1992 to $556.1 million in fiscal 1996, representing a compound annual growth rate of 15.4%.

The following table sets forth, for the periods indicated, revenues and EBITDA for the Company's major operating divisions:

	Fiscal Year					Forty Weeks Ended		Twelve Months Ended
	1992	1993	1994	1995	1996	Nov. 8, 1996	Nov. 7, 1997	Nov. 7, 1997
	(dollars in millions)							
Revenues:								
J. Crew mail order	$201.5	$200.0	$247.3	$274.6	$289.8	$166.0	$157.8	$281.6
J. Crew retail	72.9	108.7	135.7	135.0	168.0	110.4	140.6	198.2
J. Crew factory	38.5	49.2	62.6	79.2	94.5	70.2	76.0	100.3
J. Crew licensing	--	1.9	3.3	4.0	3.8	3.7	2.9	3.0
Total J. Crew brand	312.9	359.8	448.9	492.8	556.1	350.3	377.3	583.1
Other divisions (1)	258.1	287.2	288.8	253.1	252.7	188.4	189.3	253.6
Total revenues	$571.0	$647.0	$737.7	$745.9	$808.8	$538.7	$566.6	$836.7
EBITDA (2):								
J. Crew mail order	$ 12.8	$ 12.0	$ 24.4	$ 16.8	$ 17.5	$ (1.9)	$ (8.2)	$ 11.2
J. Crew retail	6.7	5.1	13.3	15.2	16.8	8.8	8.2	16.2
J. Crew factory	3.7	1.8	1.7	--	2.9	3.4	3.2	2.7
J. Crew licensing	--	1.2	2.4	2.8	2.5	2.8	2.3	2.0
Total J. Crew brand	23.2	20.1	41.8	34.8	39.7	13.1	5.5	32.1
Other divisions (3)	11.6	12.9	(1.5)	(5.9)	2.6	1.0	7.3	8.9
Total EBITDA	$34.8	$33.0	$40.3	$28.9	$42.3	$14.1	$12.8	$41.0
Cash flow from operating activities	$22.4	$1.5	$1.8	$(7.8)	$16.5	$(42.8)	$(61.1)	$(1.8)
Cash flow from investing activities	$(15.0)	$(11.1)	$(13.5)	$(14.6	$(22.5)	$(14.9)	$(28.3)	$(35.8)
Cash flow from financing activities	$0.6	$5.0	$6.8	$17.8	$(0.4)	$54.8	$ 95.2	$(40.0)

(1) Includes net sales from the Company's PCP and C&W divisions and finance charge income derived from PCP installment sales.

(2) EBITDA represents income (loss) before extraordinary items and cumulative effect of accounting changes plus income taxes, interest expense, depreciation and amortization and expenses of $19.9 million incurred in connection with the Recapitalization. The Company believes that EBITDA provides useful information regarding the Company's ability to service its debt; however, EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as a substitute for net income as an indicator of the Company's operating performance or cash flow as a measure of liquidity. Holders tendering Old Debentures in the Exchange Offer should consider the following factors in evaluating such

measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with GAAP, (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Issuer's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

(3) Includes EBITDA from the Company's PCP and C&W divisions.

The following sets forth, for the periods indicated, the percentage relationship to revenues of certain items in the Company's consolidated statements of operations for the fiscal periods shown below:

	Fiscal Year			Forty Weeks Ended	
	1994	1995	1996	Nov. 8, 1996	Nov. 7, 1997
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold, including buying and occupancy costs	53.4	53.6	53.0	54.2	54.9
Gross profit	46.6	46.4	47.0	45.8	45.1
Selling, general and administrative expenses	42.2	43.9	43.1	44.6	44.7
Income from operations	4.4	2.5	3.9	1.2	0.4
Interest expense, net	1.0	1.3	1.3	1.4	2.1
Expenses incurred-recapitalization	--	--	--	--	3.5
Income (loss) before provision for income taxes, extraordinary item and cumulative effect of accounting changes	3.4	1.2	2.6	(0.2)	(5.2)
Provision (benefit) for income taxes	1.4	0.5	1.0	(0.1)	(0.9)
Income (loss) before extraordinary item and cumulative effect of accounting changes	2.0%	0.7%	1.6%	(0.1)%	(4.3)%

The Company's revenues include sales of the Company's merchandise offered through the J. Crew, C&W and PCP catalogs, as well as through the C&W Factory stores, the retail stores operated through Grace Holmes, Inc. ("J. Crew Retail") and the factory outlet stores operated through H.F.D. No. 55, Inc. ("J. Crew Factory Outlet"). Also included in revenues are J. Crew brand licensing royalties and finance charge income derived from PCP installment sales. Cost of goods sold includes the cost of products purchased for sale, design, purchasing and

warehousing costs, as well as occupancy costs of the Company's retail and factory stores. Selling, general and administrative expenses include all other operating expenses, principally catalog and other selling costs, payroll, depreciation and corporate expenses.

In fiscal 1995, the Company operations were affected by: (i) an increase in selling, general and administrative expenses tied to a spike in paper prices to levels never before experienced in the Company's history coupled with an increase in catalog circulation; (ii) the unsuccessful repositioning of C&W from targeting more mature, conservative customers to targeting younger, more urban customers; and (iii) negative comparable store sales in the J. Crew Retail and J. Crew Factory Outlet operations, primarily as a result of severe weather conditions during the holiday season and weak menswear performance. Since 1995, paper prices have declined in each period indicated and C&W has been reoriented toward its traditional conservative, career-oriented customer base and its operating results have stabilized.

The Company has identified a number of tactical cost savings that could be realized without affecting the Company's franchise or brand image. The Company implemented actions prior to the Recapitalization which management believes will result in estimated annual savings of $7.5 million. These actions include the recent renegotiation of its new catalog vendor contract, selected headcount and net payroll reductions and insourcing of certain photography functions. The Company has identified approximately $7 million of further potential savings through process efficiencies, reduction of the Base Book trim size, installation of automatic sorting equipment and consolidation of J. Crew and C&W New York corporate offices. The Company believes these additional cost savings could be implemented by mid-1998. See "Risk Factors--Cautionary Statement Concerning Ability to Achieve Anticipated Cost Savings and Forward-Looking Statements."

In August 1997, United Parcel Service ("UPS"), which had traditionally shipped approximately 60% of merchandise orders for J. Crew Mail Order and C&W, experienced a two-week strike. In anticipation of the strike, J. Crew Mail Order, C&W and PCP made alternative arrangements with the United States Postal Service to ensure uninterrupted delivery service for the same volume of shipments as ordinarily made during the affected period. However, under the perception that orders would not be filled in a timely manner, many consumers hesitated to place orders for catalog merchandise during the strike, adversely affecting operations of J. Crew Mail Order, C&W and PCP. The Company also delayed, by approximately three weeks of the "back-to-school" season mailing of its J. Crew College catalog during the pendency of the strike.

Results of Operations

The Forty Weeks Ended November 7, 1997 Compared to the Forty Weeks Ended November 8, 1996

Revenues

Revenues increased 5.2% to $566.6 million in the forty weeks ended November 7, 1997 from $538.7 million in the forty weeks ended November 8, 1996, as a result of increased sales of J. Crew brand merchandise. J. Crew brand revenues increased by 7.7% to $377.3 million in the forty weeks ended November 7, 1997 from $350.3 million in the comparable 1996 period. Other divisions contributed $189.3 million of revenues during the forty weeks ended November 7, 1997 as compared to $188.4 million in the same period in 1996.

J. Crew Mail Order revenues decreased 4.9% to $157.8 million in the forty weeks ended November 7, 1997 from $166.0 million in the forty weeks ended November 8, 1996. The percentage of the Company's total revenues derived from J. Crew Mail Order decreased to 27.9% in the forty weeks ended November 7, 1997 from 30.8% in the forty weeks ended November 8, 1996. The decrease in J.Crew Mail Order revenues was primarily the result of the UPS strike. Gross sales were down 19% from July 18, 1997 to the end of the UPS strike on August 23, 1997

compared to the same period in 1996. Additionally, weak performance in menswear sales and unseasonably warm weather on the east coast in the first part of the fall season also contributed to the decreased sales. The number of catalogs mailed were at the same approximate level of 54 million as in the same forty week period in the prior year.

J. Crew Retail revenues increased by 27.4% to $140.6 million in the forty weeks ended November 7, 1997 from $110.4 million in the forty weeks ended November 8 ,1996. The percentage of the Company's total revenues derived from its J. Crew Retail stores increased to 24.8% in the forty weeks ended November 7, 1997 from 20.5% in the forty weeks ended November 8, 1996. The increase in J. Crew Retail revenues is the result of opening 10 new stores since the comparable period in 1996. Comparable store sales decreased 6.1% as the result of the opening of new stores in proximity to existing store locations and weak performance in menswear sales. Unseasonably warm weather in the first part of the fall season also contributed to a decreased sales of fall and winter clothing.

J. Crew Factory Outlet revenues increased by 8.1% to $76.0 million in the forty weeks ended November 7, 1997 from $70.2 million in the forty weeks ended November 8, 1996. The percentage of the Company's total revenue derived from J. Crew Factory Outlet remained at approximately 13.0% in the forty weeks ended November 7, 1997 as compared to the forty weeks ended November 8, 1996. J. Crew Factory stores comparable store sales increased 6% in the forty weeks ending November 7, 1997. The comparable store sales increase was principally due to the overall improvement in store merchandising under the direction of a new factory outlet merchandising Vice President. J. Crew Factory Outlet opened two new stores and closed one store.

PCP revenues increased 2.0% to $136.7 million in the forty weeks ended November 7, 1997 compared to $134.0 million in the forty weeks ended November 8, 1996. The percentage of the Company's total revenues derived from PCP decreased to 24.1% in the forty weeks ended November 7, 1997 from 24.9% in the forty weeks ended November 8, 1996. The number of catalogs mailed remained at the same approximate level of 7 million and the number of selling agents remained unchanged at approximately 106,000 during the forty weeks ended November 7, 1997 compared to the same period in 1996. The increased sales in the forty week period ended November 7, 1997 over the same period in the prior year is attributable to better performance in ready-to-wear and specifically in the new branded merchandise.

C&W revenues decreased 3.3% to $52.6 million in the forty weeks ended November 7, 1997 from $54.4 million in the forty weeks ended November 8, 1996. The percentage of the Company's revenues derived from C&W decreased to 9.3% in the forty weeks ended November 7, 1997 from 10.1% in the forty weeks ended November 8, 1996. The number of catalogs mailed increased to approximately 27.9 million in the forty weeks ended November 7, 1997 from approximately 24.8 million in the forty weeks ended November 8, 1996. The decrease in sales is the result of unseasonably warm weather on the east coast in the first part of the fall season affecting the sales of fall and winter clothing.

Gross Profit

Gross profit as a percentage of revenues was 45.1% for the forty weeks ended November 7, 1997 as compared to 45.8% in the same period in 1996. The slight decrease in gross profit was primarily due to an increase in J. Crew Retail buying and occupancy costs, reflecting the higher cost associated with opening new stores in urban areas such as New York City.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of revenues increased to 44.7% in the forty weeks ended November 7, 1997 from 44.6% in the forty weeks ended November 8, 1996. The increase as a percentage of revenues is a result of increased general and administration expenses of 2.2% of revenues primarily in J. Crew Mail Order, which was partially offset by decreases in selling expenses in J. Crew Mail Order, C&W and PCP of 2.1% of revenues. The increase in general and administrative expenses was primarily a result of increased staffing and the decrease in selling expenses was principally a result of decreased paper costs.

Interest Expense

Interest expense increased to $11.9 million or 2.1% of revenues in the forty weeks ended November 7, 1997 from $7.6 million or 1.4% of revenues in the forty weeks ended November 8, 1996. This increase was due to an over 90% increase in average borrowing to $66.7 million in the forty weeks ended November 7, 1997 compared to average borrowings of $34.5 million in the same period last year. The borrowings were required to fund the increased inventory levels and the increased capital expenditures. Additionally, the issuance of the Old Notes in the Offering in aggregate principal amount of $150 million contributed approximately $0.9 million to the increased interest and the issuance of Senior Discount Debentures of $75.3 million contributed approximately $0.6 million to the increased interest.

Fiscal 1996 Compared to Fiscal 1995

Revenues

Revenues increased 8.4% to $808.8 million in fiscal 1996 from $745.9 million in fiscal 1995, as the result of increased sales of J. Crew brand merchandise. J. Crew brand revenues increased 12.8% to $556.1 million in fiscal 1996 from $492.8 million in fiscal 1995. Other divisions contributed $252.7 million in revenues in fiscal 1996 as compared to $253.1 million in fiscal 1995.

J. Crew Mail Order revenues increased 5.5% to $289.8 million in fiscal 1996 from $274.6 million in fiscal 1995. The percentage of the Company's total revenues derived from J. Crew Mail Order decreased to 35.8% in fiscal 1996 from 36.8% in fiscal 1995. The increase in J. Crew Mail Order revenues principally resulted from the introduction of the Women's Book and the related increase in overall J. Crew catalog circulation to approximately 76 million in 1996 from approximately 68 million in 1995.

J. Crew Retail revenues increased by 24.4% to $168.0 million in fiscal 1996 from $135.0 million in fiscal 1995. The percentage of the Company's total revenues derived from its J. Crew Retail stores increased to 20.8% in 1996 from 18.1% in 1995. The increase in revenues was principally the result of the opening of eight new stores and a 4.5% increase in comparable store sales in fiscal 1996. The increase in comparable store sales was principally due to strong performance in the J. Crew womenswear lines, including Durables, Classics and Collection.

J. Crew Factory Outlet revenues increased by 19.3% to $94.5 million in fiscal 1996 from $79.2 million in fiscal 1995. The percentage of the Company's total revenues derived from its J. Crew Factory Outlet stores increased to 11.7% in fiscal 1996 from 10.6% in fiscal 1995. The increase in J. Crew Factory Outlet revenues was principally the result of a 7.0% increase in comparable store sales. During fiscal 1996, J. Crew Factory Outlets opened three stores and closed four stores. Similar to J. Crew Retail, the increase in comparable store sales for J. Crew Factory Outlets was principally due to strong performance in the J. Crew womenswear lines.

PCP revenues decreased by 2.4% to $177.7 million in fiscal 1996 from $182.1 million in fiscal 1995. The percentage of the Company's total revenues derived from PCP decreased to 22.0% in fiscal 1996 from 24.4% in fiscal 1995. The decrease in revenues primarily resulted from competitive discounting in the northeastern market which was partially offset by revenues from the introduction of brand-name apparel. During fiscal 1996, the number of catalogs mailed remained flat at approximately seven million and the number of selling agents remained unchanged at approximately 106,000.

C&W revenues increased by 5.6% to $75.0 million in fiscal 1996 from $71.0 million in fiscal 1995. The percentage of the Company's revenues derived from C&W decreased slightly to 9.3% in fiscal 1996 from 9.5% in fiscal 1995. The increase in C&W revenues during fiscal 1996 reflected: (i) the return to its original merchandising strategy of providing conservative career-oriented clothing, see "--Overview;" and (ii) the introduction of a value pricing strategy. In addition, the Company reduced the catalog circulation of C&W in fiscal 1996 to 38 million from

40 million in fiscal 1995. The Company believes that C&W's return to its original focus is in place and currently plans to increase its C&W catalog mailings.

Gross Profit

Gross profit increased to 47.0% of revenues in 1996 as compared to 46.4% of revenues in 1995. This increase primarily resulted from an increase in merchandise margins in J. Crew Mail Order.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to 43.1% of revenues in fiscal 1996 from 43.9% of revenues in 1995. The decline in selling, general and administrative expenses as a percentage of revenues principally reflects a decrease in catalog circulation costs (consisting primarily of paper, postage and printing). These costs declined to 15.9% of revenues in fiscal 1996 from 16.9% of revenues in fiscal 1995, principally as a result of a decrease in paper costs to 3.2% of revenues in fiscal 1996 from 3.9% of revenues in fiscal 1995, and a decrease in number of pages circulated by J. Crew Mail Order from 10.2 billion in fiscal 1995 to 9.8 billion in fiscal 1996 as a result of the J. Crew Mail Order customer segmentation strategy. Circulation at C&W also decreased. This decrease was partially offset by an increase in general and administrative expenses related to payroll for new J. Crew retail stores opened during the period. Absolute dollar amounts of selling, general and administrative expenses increased to $348.3 million in fiscal 1996 from $327.7 million in fiscal 1995, primarily reflecting volume related costs.

Interest Expense

Interest expense increased to $10.5 million or 1.3% of revenues in fiscal 1996 from $9.4 million or 1.3% of revenues in fiscal 1995. This increase was due primarily to higher average borrowings under the revolving credit agreement.

Fiscal 1995 Compared to Fiscal 1994

Revenues. Revenues increased 1.1% to $745.9 million in fiscal 1995 from $737.7 million in fiscal 1994, reflecting increased sales of J. Crew brand merchandise, which more than offset declines in other divisions. J. Crew brand revenues increased by 9.8% to $492.8 million in fiscal 1995 from $448.9 million in fiscal 1994. Other divisions contributed $253.1 million in revenues in fiscal 1995 compared to $288.8 million in fiscal 1994, a decrease of 12.4%.

J. Crew Mail Order revenues increased 11.0% to $274.6 million in fiscal 1995 from $247.3 million in fiscal 1994. The percentage of the Company's total revenues derived from J. Crew Mail Order increased to 36.8% in fiscal 1995 from 33.5% in fiscal 1994. The revenue improvement was primarily due to an increase in the number of catalogs mailed to approximately 68 million in fiscal 1995 from approximately 61 million in fiscal in 1994 as a result of growth in the 12-month buyer file.

J. Crew Retail revenues were $135.0 million in fiscal 1995 compared to $135.7 million in fiscal 1994. The percentage of the Company's total revenues derived from its J. Crew Retail stores decreased to 18.1% in fiscal 1995 from 18.4% in fiscal 1994. The sales performance was primarily the result of a 6.3% decrease in comparable store sales which was partially offset by the opening of two new stores in November, 1995. The decrease in comparable store sales was principally a result of: (i) severe weather conditions in the Northeast, which negatively affected sales during the holiday season; and (ii) weak performance in menswear as a result of competitive pressures from men's sport offerings by the Company's principal competitors.

J. Crew Factory Outlet revenues increased by 26.5% to $79.2 million in fiscal 1995 from $62.6 million in fiscal 1994. The percentage of the Company's total revenues derived from its J. Crew Factory Outlet stores

increased to 10.6% in fiscal 1995 from 8.5% in fiscal 1994. J. Crew Factory Outlet revenue improvement primarily reflected the opening of 12 new stores (and the closing of two underperforming stores) in fiscal 1995, partially offset by a 9.9% decrease in comparable store sales. The decrease in comparable store sales was principally due to the lack of key products in the merchandise assortment in the stores and poor weather in the Northeast which negatively affected the holiday retail season.

PCP revenues decreased by 4.0% to $182.1 million in fiscal 1995 from $189.7 million in fiscal 1994. The percentage of the Company's total revenues derived from PCP decreased to 24.4% in fiscal 1995 from 25.7% in fiscal 1994. The decrease in revenues principally resulted from fulfillment disruptions during PCP's relocation to its new distribution center in Edison, New Jersey. During fiscal 1995, the number of catalogs mailed remained flat at approximately seven million and the number of selling agents remained unchanged at approximately 106,000.

C&W revenues decreased by 28.4% to $71.0 million in fiscal 1995 from $99.1 million in fiscal 1994. The percentage of the Company's revenues derived from C&W decreased to 9.5% in fiscal 1995 from 13.4% in fiscal 1994. The decrease in revenues reflected the unsuccessful attempt at repositioning C&W as a retailer of urban- oriented clothing. See "--Overview." The number of C&W catalogs circulated remained at 40 million during fiscal 1995 compared to fiscal 1994.

Gross Profit

In 1995, gross profit was 46.4% of revenues as compared to 46.6% of revenues in 1994. The decrease was primarily attributable to an increase in buying and occupancy costs, which was offset by improved merchandise margins in J. Crew Mail Order.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were 43.9% of revenues in fiscal 1995 as compared to 42.2% of revenues in 1994. The increase primarily reflects a substantial increase in catalog circulation costs (consisting primarily of paper, postage and printing) to 16.9% of revenues in fiscal 1995 from 14.5% of revenues in fiscal 1994. Paper costs increased from 2.7% of revenues in fiscal 1994 to 3.9% of revenues in fiscal 1995, reflecting a spike in paper prices to levels not previously experienced in the Company's history. Postage costs increased sharply, as a result of an approximately 14% postal rate increase that occurred in January, 1995. Increased catalog circulation costs also reflected an approximately 10% increase in catalogs circulated by J. Crew Mail Order, from 61 million in fiscal 1994 to 68 million in fiscal 1995 and an approximately 23% increase in pages circulated from 8.3 billion in fiscal 1994 to 10.2 billion in fiscal 1995. C&W circulation was unchanged. These factors more than offset a decrease in general and administrative expenses and a decrease in J. Crew Retail store operating expenses.

Interest Expense

Interest expense increased to $9.4 million or 1.3% of revenues in fiscal 1995 from $7.0 million or 1.0% of revenues in fiscal 1994. This increase was due primarily to higher average borrowings under the revolving credit agreement and the issuance of an additional $15.0 million of long-term debt.

Seasonality

The Company's retail and mail order businesses experience two distinct selling seasons, spring and fall. The spring season is comprised of the first and second quarters, consisting of twelve and sixteen weeks, respectively, and the fall season is comprised of the third and fourth quarters, each consisting of twelve weeks. J. Crew Retail stores, J. Crew Factory Outlet stores, C&W Factory stores and PCP are stronger in the third and fourth quarters and the J. Crew and C&W Mail Order businesses are strongest in the fourth quarter. In addition, the Company's working capital requirements fluctuate throughout the year, increasing substantially in September and

October in anticipation of the holiday season inventory requirements. The Company funds its working capital requirements primarily through a revolving credit facility, which historically has been paid down in full at the end of the Company's fiscal year.

The following table sets forth certain unaudited quarterly information for fiscal 1995 and 1996:

	Fiscal Year 1995				Fiscal Year 1996			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(dollars in millions)							
Revenues:								
J. Crew mail order ..	$ 45.5	$ 57.5	$ 61.8	$109.8	$ 46.1	$ 54.1	$ 65.6	$124.0
J. Crew retail	23.3	35.3	33.1	43.3	27.3	40.8	42.3	57.6
J. Crew factory	13.0	25.3	21.2	19.7	15.4	30.9	24.0	24.2
J. Crew licensing ...	1.2	1.2	1.2	0.4	1.2	1.2	1.3	0.1
Total J. Crew brand	83.0	119.3	117.3	173.2	90.0	127.0	133.2	205.9
Other divisions ...	57.8	61.0	72.2	62.1	56.5	60.8	71.0	64.4
Total revenues .	$140.8	$180.3	$189.5	$235.3	$146.5	$187.8	$204.2	$270.3
% of full year	18.9%	24.2%	25.4%	31.5%	18.1%	23.3%	25.2%	33.4%
Gross profit	$ 66.5	$ 87.3	$ 82.9	$109.5	$ 68.9	$ 83.6	$ 94.2	$133.4
% of full year	19.2%	25.2%	23.9%	31.7%	18.1%	22.0%	24.8%	35.1%
Operating income (loss)	$ (2.3)	$ (3.1)	$ 11.3	$ 12.7	$ (4.5)	$ (9.6)	$ 20.7	$ 25.2
% of full year	(12.4)%	(16.7)%	60.8%	68.3%	(14.2)%	(30.2)%	65.1%	79.3%

Liquidity and Capital Resources

Historical

The Company's primary cash needs have been for opening new stores, warehouse expansion and working capital. The Company's sources of liquidity have been cash flow from operations, proceeds from the private placement of long-term debt and borrowings under a revolving credit facility.

In April 1997, the Company entered into the Retired Bank Credit Facility with a group of twelve banks with Morgan Guaranty Trust Company of New York as agent. The Retired Bank Credit Facility provided for commitments in an aggregate amount of up to $200.0 million of which up to $120.0 million was available for direct borrowings. The Retired Bank Credit Facility replaced the Company's previous revolving credit agreement which provided for commitments in an aggregate amount of up to $125.0 million, of which up to $75.0 million was available for direct borrowings. Borrowings under the Retired Bank Credit Facility were unsecured and bore interest, at the Company's option, at the base rate (defined as the higher of the bank's prime rate or the Federal Funds rate plus 0.5%) or the London Interbank Offering Rate ("LIBOR") plus 0.625%. The Retired Bank Credit Facility was to expire on April 17, 2000. There were no borrowings outstanding under the Company's revolving credit agreements at January 31, 1997 and February 2, 1996. Average borrowings under the Company's revolving credit agreements were $25.5 million and $31.2 million for the years ended on February 2, 1996 and January 31, 1997, respectively. Outstanding letters of credit issued to facilitate international merchandise purchases were $25.9 million and $37.8 million on February 2, 1996 and January 31, 1997, respectively.

Borrowings under the Retired Bank Credit Facility on October 17, 1997, prior to the Recapitalization, were $99.0 million and letters of credit outstanding were $38.7 million. Average borrowings under the credit agreement were $68.8 million for the period ended on October 17, 1997.

In June 1995, the Company issued $85.0 million of the

Retired Senior Notes to institutional investors in a private placement. At October 17, 1997 the Retired Senior Notes were retired by the Company at a cost of $93.1 million that included accrued interest on the Retired Senior Notes and a make-whole premium.

In the first forty weeks of fiscal 1997, cash used in operating activities was $61.1 million compared to $42.8 million in the comparable period in 1996, an increase of $18.3 million. This increase resulted primarily from an increase in the net loss of $28.0 million and

is primarily attributable to $25.6 million of cash paid relating to expenses incurred in connection with the Recapitalization and an extraordinary item of $4.5 million relating to the early retirement of debt.

Net cash provided by (used in) operating activities was $16.5 million, ($7.8) million and $1.8 million for fiscal years 1996, 1995 and 1994, respectively. The improvement in cash flow from operations in 1996 was primarily attributable to the increase in net income and the timing of income tax payments/refunds for fiscal years 1995 and 1996. In 1995, the decrease in cash flow from operations was attributable to the decrease in net income.

Net cash used in investing activities included capital expenditures, primarily for the Company's J. Crew Retail expansion strategy, net of construction allowances. Net capital expenditures increased from $14.9 million in the forty weeks ended November 8, 1996 to $28.3 million in the comparable period in 1997. Capital expenditures in the 1996 period resulted from the opening of eight J. Crew Retail stores and the $6.0 million relocation of the retail warehouse to Asheville, North Carolina. Capital expenditures in the 1997 period included the opening of ten J. Crew Retail stores and the $6.0 million relocation of the Company's headquarters office in New York City.

Net capital expenditures totaled $22.5 million, $14.6 million and $13.5 million in fiscal years 1996, 1995 and 1994. Capital expenditures included the opening of eight J. Crew Retail stores and three J. Crew Factory Outlet stores in 1996, two J. Crew Retail stores and 12 J. Crew Factory Outlet stores in 1995 and one J. Crew Retail store and seven J. Crew Factory Outlet stores in 1994. In fiscal 1994, $4.2 million was expended for the PCP distribution facility in Edison, New Jersey and $2.2 million was used to expand the Lynchburg, Virginia telemarketing and distribution center.

Net cash provided by (used in) financing activities totaled ($0.4) million, $17.8 million and $6.8 million in fiscal years 1996, 1995 and 1994. In fiscal 1995, the Company borrowed $85.0 million in private placement debt of which $67.0 million was used to repay then outstanding long-term debt. In fiscal 1994, $15.0 million of additional long-term debt was offset by required payments of $7.0 million for outstanding long-term debt and a $1.0 million dividend.

After the Recapitalization

Since consummating the Recapitalization, the Company's primary sources of liquidity have been cash flow from operations and borrowings under the Revolving Credit Facility. The Company's primary uses of cash have been debt service requirements, capital expenditures and working capital. The Company expects that ongoing requirements for debt service, capital expenditures and working capital will be funded from operating cash flow and borrowings under the Revolving Credit Facility.

The Company has incurred substantial indebtedness in connection with the Recapitalization. After giving effect to the Recapitalization and application of the proceeds of the Old Debentures, the Holdings Preferred Stock, the Holdings Common Equity contribution and the distribution by Operating Corp to Holdings of the net proceeds of the issuance of the Operating Corp Senior Subordinated Notes, the Securitization and borrowings under the Bank Facilities (less the repayment of the Retired Bank Credit Facility, the Retired Senior Notes and other indebtedness and transaction expenses), the Company had $342.3 million of indebtedness outstanding and $194.7 million of stockholders' deficit, in each case as of November 7, 1997. The Company's significant debt service obligations following the Recapitalization could, under certain circumstances, have material consequences to security holders of the Company, including holders of the New Debentures. See "Risk Factors."

Concurrent with the Recapitalization, Operating Corp issued the Operating Corp Senior Subordinated Notes for $150.0 million in gross proceeds, entered into the Term Loan Facility and the Revolving Credit Facility and consummated the Securitization. The Term Loan Facility is a single tranche term loan in the aggregate principal amount of $70.0 million. The Revolving Credit Facility provides revolving loans in an aggregate amount of up to $200.0 million. Upon closing of the Recapitalization, Operating Corp borrowed the full amount available under the

Term Loan Facility and approximately $35.6 million under the Revolving Credit Facility. Borrowings under the Revolving Credit Facility were used to partially refinance seasonal borrowings outstanding under the Retired Bank Credit Facility. The amount remaining available under the Revolving Credit Facility is available to fund the working capital requirements of Operating Corp. The Securitization generated approximately $40 million in proceeds. Proceeds to Operating Corp from the issuance of the Operating Corp Senior Subordinated Notes, the Securitization and from initial borrowings under the Bank Facilities, less the repayment of the Retired Bank Credit Facility, the Retired Senior Notes and other indebtedness and transaction expenses, were distributed to Holdings to finance the Recapitalization and the fees and expenses in connection therewith (the "Operating Corp Distribution"). To provide additional financing to fund the Recapitalization, Holdings raised $264.2 million through (i) the sale to TPG Partners II, its affiliates and other investors of approximately 46,853 shares of Holdings Common Stock (representing 85.2% of the outstanding shares) for $63.9 million, (ii) gross proceeds of $75.3 million from the issuance of the Old Debentures and (iii) the issuance of $125.0 million in liquidation value of Holdings Preferred Stock.

The proceeds of the Operating Corp Senior Subordinated Notes, the Securitization, the Holdings Senior Discount Debentures, the Holdings Preferred Stock, the purchase of Holdings Common Stock by TPG Partners II, its affiliates and other investors and the initial borrowings under the Bank Facilities were used to finance the repurchase from the Shareholders of all outstanding shares of Holdings' capital stock (other than shares of Holdings Common Stock having an implied value of $11.1 million, almost all of which continues to be held by Emily Woods, and which represented 14.8% of the shares of Holdings Common Stock immediately following the transaction) to refinance outstanding indebtedness of Holdings and to pay fees and expenses incurred in connection with the Recapitalization.

Borrowings under the Bank Facilities bear interest at a rate per annum equal (at Operating Corp's option) to a margin over either a base rate or LIBOR. The Bank Facilities will mature six years after the closing date of the Recapitalization. Operating Corp's obligations under the Bank Facilities are guaranteed by each of Operating Corp's direct and indirect subsidiaries. The Bank Facilities and the guarantees thereof are secured by substantially all assets of Holdings and its direct and indirect subsidiaries (other than any receivables subsidiary) and a pledge of the capital stock of Operating Corp and all direct and indirect subsidiaries of Holdings, subject to certain limitations with respect to foreign subsidiaries. The Bank Facilities contain customary covenants and events of default, including substantial restrictions on Operating Corp's ability to make dividends or distributions to Holdings. See "Description of Operating Corp Indebtedness."

Simultaneously with the consummation of the Recapitalization, the Company entered into an agreement with affiliates of the Initial Purchasers establishing a revolving securitization facility in which the initial transaction was the securitization of approximately $40 million of PCP consumer loan installment receivables. The Securitization involved the transfer of receivables to a trust in exchange for cash and subordinated interests in the pool of receivables, and the subsequent sale by the trust of certificates of beneficial interest to third party investors. Although the Company remains obligated to repurchase receivables in the event of return of the related merchandise and under certain other limited circumstances, the Company has no obligation to reimburse the trust or the purchasers of beneficial interests for credit losses. The trust is held by a special-purpose, bankruptcy remote subsidiary ("SPV") established by PCP. At November 7, 1997, the SPV had net assets of approximately $17.5 million. The SPV is not a guarantor of the Operating Corp Senior Subordinated Notes or the Bank Facilities. See "Description of Operating Corp Indebtedness--Receivables Facility." The Securitization was accounted for as a sale of receivables, and resulted in a charge to earnings of approximately $0.4 million million for the period ended November 7, 1997.

The Operating Corp Senior Subordinated Notes are guaranteed by each subsidiary of Operating Corp, but are not guaranteed by Holdings. The Operating Corp Senior Subordinated Notes mature in 2007. Interest on the Operating Corp Senior Subordinated Notes is payable semi-annually in cash. The Operating Corp Senior Subordinated Notes contain customary covenants and events of default, including covenants that limit the ability of Operating Corp and its subsidiaries to incur debt, pay dividends and make certain investments.

The Holdings Preferred Stock bears cumulative dividends at the rate of 14.50% per annum (payable quarterly) for all periods ending on or prior to October 17, 2009 and 16.50% per annum thereafter. Dividends compound to the extent not paid in cash. Subject to restrictions imposed by the Operating Corp Senior Subordinated Notes, the Bank Facilities, the Debentures and other documents relating to the Company's indebtedness, Holdings may redeem the Holdings Preferred Stock at any time, at the then-applicable redemption price and, in certain circumstances (including the occurrence of a change of control of Holdings), may be required to repurchase shares of Holdings Preferred Stock at liquidation value plus accumulated and unpaid dividends to the date of repurchase. See "Capital Stock of Holdings and Operating Corp."

The New Debentures will mature on October 15, 2008. Cash interest will not accrue on the New Debentures prior to October 15, 2002. Thereafter, interest on the New Debentures will be payable semiannually in cash. See "Description of the New Debentures."

The Company expects that capital expenditures, net of construction allowances, during fiscal 1997 will be approximately $34 million, primarily to fund the opening of 12 retail stores, the relocation of the Company's headquarters office in New York City and the consolidation of J. Crew and C&W corporate offices. Capital expenditures are expected to be funded from internally generated cash flows and by borrowing from available financing sources. See "Business--J. Crew Brand--J. Crew Retail--New Store Expansion."

Borrowings outstanding under the Revolving Credit Facility on November 7, 1997 were $47.0 million and letters of credit outstanding as of November 7, 1997 were $37.4 million.

Management believes that cash flow from operations and availability under the Revolving Credit Facility will provide adequate funds for the Company's foreseeable working capital needs, planned capital expenditures and debt service obligations. The Company's ability to fund its operations and make planned capital expenditures, to make scheduled debt payments, to refinance indebtedness and to remain in compliance with all of the financial covenants under its debt agreements depends on its future operating performance and cash flow, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond its control. See "Risk Factors."

Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information, which will be effective for financial statements beginning after December 15, 1997. SFAS No. 131 redefines how operating segments are determined and requires expanded quantitative and qualitative disclosures relating to a company's operating segments. The Company has not yet completed its analysis of how it will be affected.

Impact of Inflation

The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on its results of operations and financial condition have been minor. However, there can be no assurance that during a period of significant inflation, the Company's results of operations would not be adversely affected.

BUSINESS

Overview

The Company is a leading mail order and store retailer of women's and men's apparel, shoes and accessories operating primarily under the J. Crew(R) brand name. Under the direction of Emily Woods and Arthur Cinader (co-founders of the J. Crew brand and father and daughter), the Company has built a strong and widely recognized brand name known for its timeless styles at price points that the Company believes represent exceptional product value. The J. Crew image has been built and reinforced over its 14-year history through the circulation of more than one-half billion catalogs that use magazine-quality photography to portray a classic American perspective and aspirational lifestyle. Many of the original items introduced by the Company in the early 1980s (such as the rollneck sweater, weathered chino, barn jacket and pocket tee) were instrumental in establishing the J. Crew brand and continue to be core product offerings. The Company has capitalized on the strength of the J. Crew brand to provide customers with clothing to meet more of their lifestyle needs, including casual, career and sport. The strength of the J. Crew brand is demonstrated by a compound annual growth rate of 15.4% in J. Crew brand revenues between fiscal 1992 and fiscal 1996.

The J. Crew merchandising strategy emphasizes timeless styles and a broad assortment of high-quality products designed to provide customers with one-stop shopping opportunities at attractive prices. J. Crew catalogs and retail stores offer a full line of men's and women's basic durables (casual weekend wear), sport, swimwear, accessories and shoes, as well as the more tailored men's sportswear and women's "Classics" lines. Approximately 60% of the Company's J. Crew brand sales are derived from its core offerings of durables and sport clothing, the demand for which the Company believes is stable and resistant to changing fashion trends. The Company believes that the J. Crew image and merchandising strategy appeal to college-educated, professional and affluent customers who, in the Company's experience, have demonstrated strong brand loyalty and a tendency to make repeat purchases.

J. Crew products are distributed exclusively through the Company's catalog and store distribution channels. The Company currently circulates over 76 million J. Crew catalogs per annum and owns and operates 49 J. Crew retail stores and 42 J. Crew factory outlets. In addition, J. Crew products are distributed through 67 free-standing and shop-in-shop stores in Japan under a licensing agreement with Itochu.

In addition to the Company's J. Crew operations, the Company operates C&W, a mail order and factory store women's apparel business that targets older, more conservative customers, and PCP, a direct selling catalog merchandiser of consumer branded goods through a "club" concept that provides credit sales to lower-income customers. During the twelve-month period ended November 7, 1997, the Company generated total revenues of $836.7 million, of which $583.1 million or approximately 70% was attributable to the J. Crew brand, and total Adjusted EBITDA of $47.6 million. See "Summary--Summary Unaudited Pro Forma Consolidated Financial Data" for a description of Adjusted EBITDA.

Business Strengths

Since its inception, the Company has pursued a consistent operating strategy which has resulted in the following key strengths and distinguishing characteristics:

- Strong, Recognizable Brand. The Company has created a recognizable, differentiated brand image reflecting an American aspirational lifestyle. The J. Crew image is consistently communicated through all aspects of the Company's business including its merchandise design, distinctive catalogs and retail store environment. The Company's high-quality products, strong brand image and customer loyalty have resulted in strong gross margins and retail sales productivity.

- Premium Quality Products and Distinctive Designs at Attractive Price Points. The Company offers premium quality products reflecting a classic, clean aesthetic with a consistent design philosophy. All J. Crew products are designed by an in-house team of 15 designers led by Emily Woods. The Company believes that its in-house design capabilities ensure a coherent set of product offerings from season to season and year to year that provides significant value to its customers through attractive price points.

- Proven Retail Store Concept. J. Crew Retail stores historically have generated strong and stable operating results. The Company believes that its sales per gross square foot are among the highest in its industry segment. J. Crew Retail stores open during all of fiscal 1996 generated the following key operating statistics:

	Fiscal 1996 Average
Sales per gross square foot	$575
Store contribution margin	25.9

Approximately 81% of the J. Crew Retail stores that were open during all of 1996 had store contribution margins above 20%. All of the Company's J. Crew Retail stores are profitable and have generated positive store contribution within the first twelve months of operation. In addition, J. Crew Retail stores opened since fiscal 1992 have averaged approximately $550 in sales per gross square foot and 23.0% store contribution margin during the first twelve months of operation.

- Broad and Stable Product Offering. The Company's J. Crew product offering includes a broad array of items which appeal to a diverse customer base, spanning gender and age segments. A substantial portion of the J. Crew product line consists of basic durables, such as chinos, jeans and sweaters, which are not significantly modified from year to year and, in the Company's opinion, are resistant to shifting fashion trends. In 1996, sales of durables and sport clothing represented approximately 60% of total J. Crew brand revenues, having increased at a compound annual growth rate of approximately 15% since 1992.

- Synergistic Distribution Channels. The Company believes that the concurrent operation of the J. Crew Mail Order business and J. Crew Retail stores provides a distinct advantage in the development of the J. Crew brand. Visibility and exposure of the brand are enhanced by the broad circulation of catalogs, aiding the expansion of the retail concept. In addition, the Company believes that the retail operations help attract first-time "walk-by" customers to the catalog and improve the salability of fit-critical items through the catalog. The Company further believes that diversified distribution channels help insulate the Company against circumstances and events uniquely affecting one distribution channel or the other.

- Tightly Controlled Distribution. By selling products exclusively through J. Crew catalogs, J. Crew Retail stores and J. Crew Factory Outlets, the Company is able to present and maintain a consistent brand image, control the presentation and pricing of its merchandise, provide a higher level of customer service, and closely monitor retail sell-through. The Company believes that tight control over the distribution of its products provides competitive advantages over other branded apparel retailers that distribute their goods through department stores.

Opportunities

The Company believes that substantial opportunities exist to enhance revenue and profitability by increasing efficiencies in the J. Crew Mail Order business and by expanding the J. Crew Retail business.

- Implement Tactical Cost Savings Opportunities--While the Company believes that gross margins in the J. Crew Mail Order business have been strong, overall catalog profitability has been depressed by unnecessarily high operating expenses. The Company has identified a number of tactical cost savings that could be realized

without affecting the Company's franchise or brand image. Included in Adjusted EBITDA are $7.5 million in estimated annual savings resulting from actions implemented prior to the Recapitalization, including negotiation of a new catalog vendor contract, selected headcount and net payroll reductions and the insourcing of certain photography functions. The Company has identified approximately $7 million of further potential annual savings that are not reflected in Adjusted EBITDA, including process efficiencies currently under review, reduction of the Base Book trim size, installation of automatic sorting equipment and consolidation of the J. Crew and C&W New York corporate offices. The Company believes these additional cost savings could be implemented by mid-1998.

- Realize Cash Flow Increases Through J. Crew Mail Order SKU Rationalization--The Company's J. Crew Mail Order product offerings have increased from 33,000 SKUs in 1992 to 66,000 SKUs in 1996, partly as a result of a proliferation in colors and sizes offered. In recent season-to-season testing on the Company's swimwear and chino lines, the Company reduced SKUs by 33% and 45%, respectively, while posting category revenue increases. By eliminating slower-selling colors and sizes from its core offering, the Company believes it will be better able to forecast demand, increase fill rates and increase inventory turns, resulting in enhanced operating cash flow.

- Increase J. Crew Catalog Productivity Through Increased Segmentation--The Company believes that it circulates fewer and less-targeted catalog editions than its competitors, and that catalog productivity (as measured by initial demand per page circulated) could be enhanced by more precise targeting of catalog mailings through further customer segmentation. For example, in 1996 the Company introduced a Women's catalog which to date has achieved 20% higher initial demand per page circulated than that of the Company's primary mailing, the Base Book. To further enhance its segmentation efforts, the Company has recently introduced a College catalog and plans to introduce a Swimwear catalog in 1998. From 1997 to 1998, the increased segmentation is expected to result in an approximately 5% increase in the number of catalogs circulated, but an approximately 8% decrease in total pages circulated. Reductions in total pages circulated should result in a decrease in paper and postage expenses.

- Expand J. Crew Retail Operations--The Company's J. Crew Retail store expansion strategy is to continue to increase its market share in its existing markets and to penetrate new markets. The Company expects to open a total of 12 stores in fiscal 1997, ten of which were open as of November 7, 1997. The Company currently intends to open 12 to 20 stores annually, funded primarily by cash flow generated from operations, resulting in approximately 100 stores in operation by the end of fiscal 2000. Historically, new stores have cost the Company an average of $1.5 million in building improvements and working capital expenditures and have experienced a pay-back period of approximately 20 months. The Company has established an administrative infrastructure that it believes is sufficient to accommodate the retail expansion plan, providing the Company with additional margin improvement through overhead leverage. In addition, the Company believes, with a store base of only 49 stores, its markets are underpenetrated relative to its competitors and enough suitable locations exist nationwide to accommodate its expansion plan.

The Company has five major operating divisions: J. Crew Mail Order, J. Crew Retail, J. Crew Factory Outlets, PCP and C&W. J. Crew Mail Order, J. Crew Retail and J. Crew Factory Outlets each operate under the J. Crew brand name. In 1996, products sold under the J. Crew brand contributed $556.1 million in revenues (including licensing revenues) or 68.8% of the Company's total revenues. J. Crew brand revenues in 1996 were comprised of $289.8 million (52.1%) from J. Crew Mail Order, $168.0 million (30.2%) from J. Crew Retail and $94.5 million (17.0%) from J. Crew Factory Outlets. In fiscal 1996, PCP and C&W contributed revenues of $177.7 million and $75.0 million, respectively, representing approximately 22.0% and 9.3%, respectively, of the Company's total revenues.

J. Crew Brand

Merchandising and Design Strategy

The J. Crew merchandising strategy focuses on creating and delivering a broad assortment of high-quality products in timeless styles intended to provide customers with one-stop shopping opportunities at attractive prices. Many of the original items introduced by the Company in the early 1980s (such as the rollneck sweater, weathered chino, barn jacket and pocket tee) were instrumental in establishing the J. Crew brand, and continue to be core product offerings. The Company has capitalized on the strength of the J. Crew brand image to provide its customers with clothing to meet more of their lifestyle needs, including casual, career and sport.

Over time, the J. Crew merchandising strategy has evolved from providing unisex products to creating full lines of men's and women's clothing, shoes and accessories. This has had the effect of increasing overall J. Crew brand sales volume, and significantly increasing revenues from sales of women's apparel as a percentage of total J. Crew brand sales. J. Crew Mail Order sales in 1996 were approximately 55% women's and 45% men's, while sales in the J. Crew Retail stores were approximately 60% women's and 40% men's. The following table sets forth the J. Crew merchandise mix as a percentage of total J. Crew Mail Order and Retail revenues for the years 1992 through 1996. (J. Crew brand sales statistics throughout this section exclude sales in J. Crew Factory Outlets.)

	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Women's	38%	42%	47%	53%	56%
Men's	62	58	53	47	44
	100%	100%	100%	100%	100%

J. Crew Womenswear

The ready-to-wear women's apparel market is divided by price point into five segments ranging from lowest to highest as follows: Budget, Moderate, Better, Bridge and Designer. J. Crew womenswear competes primarily in the Better and Bridge segments of the market. J. Crew womenswear comprises the Durables, Sport, Classics, Collection, Swim, Shoes, Accessories and Intimates lines. The Durables and Sport lines consist of casual apparel and comprised 52.5% of J. Crew womenswear sales in 1996. The Durables line includes core items such as jeans, knits and sweaters that retail between $20 to $100, while the Sport line includes basic outerwear and knits that retail between $40 to $200. Revenues from the Durables and Sport lines have increased from $44.2 million in 1992 to $135.6 million in 1996, representing a compound annual growth rate of 32.3%. The Company has capitalized on the strength of these lines with the successful extension of its womenswear offering through its Classics and Collection lines. The Classics line features women's suits, dresses, jackets and trousers that retail between $50 to $300. Women's Collection is positioned as a designer line at substantially lower price points than other designer lines, and features suits, dresses, jackets and trousers made of fine Italian fabrics that retail between $250 to $1,800. Women's Accessories includes sunglasses, hats, scarves, gloves, belts, bags, hosiery, hair products and small leather goods.

J. Crew catalogs provide a broader selection of the Durables and Sport lines than the retail stores, while the retail stores provide a broader selection of the Classics line than the catalogs. The Collection line is featured exclusively in select retail stores, and Classics are sold primarily through retail stores, to reinforce a high-end brand image and to accommodate customer fit, fabric and price considerations before purchase.

J. Crew Menswear

J. Crew menswear comprises the Durables, Sport, Sportswear, Swim, Shoes, Accessories and Underwear/Loungewear lines. The Durables and Sport lines consist of casual apparel and comprised 78.2% of J. Crew menswear sales in 1996. The Durables line includes casual jeans and chinos, sweaters and outerwear that retail between $40 and $400. The Company recently introduced the Sport line to meet growing consumer demand for sport and outdoor apparel that combines designer styling with technical authenticity. Revenues from the Durables

and Sport lines have increased from $121.8 million in 1992 to $155.8 million in 1996, representing a compound annual growth rate of 6.3%. The Sportswear line includes men's sportscoats, shirts and trousers that retail between $50 and $500.

J. Crew catalogs feature a broader selection of men's casual Durables and Sport merchandise than in the retail stores. Men's Sportswear is featured exclusively in the retail stores to reinforce a high-end brand image and to accommodate customer fit, fabric and price considerations before purchase.

Design

Every J. Crew product is designed by Emily Woods and her in-house design staff of 15 designers to reflect a classic, clean aesthetic that is consistent with the brand's American lifestyle image. Design teams are formed around J. Crew product lines and categories to develop concepts, themes and products for each of the Company's J. Crew businesses. Members of the J. Crew technical design team develop construction and fit specifications for every product to ensure quality workmanship and consistency across product lines. These teams work in close collaboration with the merchandising and production staff in order to gain market and other input. Product merchandisers provide designers with market trend and other information at initial stages of the design process. J. Crew designers and merchants source globally for fabrics, yarns and finishing products to ensure quality and value, while manufacturing teams research and develop key vendors worldwide to identify and maintain the essential characteristics for every style.

J. Crew Mail Order

Since its inception in 1983, J. Crew Mail Order has distinguished itself from other catalog retailers by its award-winning catalog, which utilizes magazine-quality "real moment" pictures to depict an aspirational lifestyle image. During fiscal 1996, J. Crew Mail Order distributed 30 catalog editions with a combined circulation of more than 76 million, generating $289.8 million in revenues or 52.1% of the Company's total J. Crew brand revenues.

Circulation Strategy

J. Crew Mail Order's circulation strategy focuses on continually improving the segmentation of customer files and the acquisition of additional customer names. In 1996, approximately 60% of J. Crew Mail Order revenues were from customers in the 12-month buyer file (buyers who have made a purchase from any J. Crew catalog in the prior 12 months). Between 1992 and 1996 the J. Crew Mail Order 12-month buyer file grew at a compound annual growth rate of 10.0%.

Customer Segmentation. In 1996, the Company began segmenting its customer file and tailoring its catalog offerings to address the different product needs of its customer segments. To increase core catalog productivity and improve the effectiveness of marginal and prospecting circulation, each customer segment is offered different catalog editions. The Company currently circulates Base, Women's, Prospect and Sale catalogs to targeted customer segments, has recently introduced a College catalog and intends to introduce a Swimwear catalog in 1998.

Descriptions of the Company's current catalogs follow:

- Base Books. These catalogs contain the entire mail order product offering and are sent primarily to 12-month buyers.

- Women's Books. Introduced in the spring of 1996, the Women's books feature women's merchandise and are sent to buyers who purchase primarily women's merchandise. These books represent an additional customer contact potentially generating incremental revenue from women customers.

- Prospect Books. Introduced in late 1995, these editions are abridged versions of the Base Books and are sent to less active and prospective customers in order to cost-effectively reactivate old customers and acquire new customers.

- Sale Books. These catalogs contain overstock merchandise to be sold at reduced prices without adversely affecting the J. Crew brand image.

The following are descriptions of the recently introduced College book and the Swimwear book planned for 1998:

- College Books. College books present a merchandise mix (primarily men's and women's Durables, Sport and Swimwear) that is most often purchased by and for students. These catalogs consist of a new creative presentation involving a lifestyle setting appealing to the youth market. The Company believes that these new catalogs will also be effective as prospecting vehicles: the page counts are relatively low (68 pages) and the product lines offered are of above average productivity.

- Swimwear Books. The Company plans to offer its full swimwear line together with selected casual weekend clothing in a special catalog edition to be mailed to its most productive women customers as well as to prospective customers. The Company's analysis of buyer performance indicates that swimwear is the most productive category for existing buyers and the product classification most frequently purchased by first-time buyers.

The Company believes that it circulates fewer and less-targeted catalog editions than its competitors, and that segmentation will improve the productivity (as measured by initial demand per page circulated) of its circulation by: (i) increasing its offers to its most productive customers and decreasing its offers to its less productive customers, and (ii) reducing both the page count and number of mailings of its Base Books. For example, in 1996, the Company introduced the Women's catalog which to date has achieved 20% higher initial demand per page circulated than that of the Base Book. The overall effect of increased segmentation is expected to be an increase in books circulated (and customer contacts made) and a decrease in pages circulated. In 1996, total circulation increased to approximately 76 million from approximately 68 million in 1995, primarily as a result of the introduction of Prospect and Women's catalogs, while pages circulated during this period decreased to 9.8 billion from 10.2 billion. From 1997 to 1998, the increased segmentation is expected to result in an approximately 5% increase in the number of catalogs circulated, but an approximately 8% decrease in total pages circulated. Reductions in total pages circulated should result in a decrease in paper and postage expenses.

Customer Acquisition and List Management. J. Crew Mail Order's name acquisition programs are designed to attract new customers in a cost-effective manner. The Company acquires new names from various sources, including list rentals, exchanges with other catalog and credit card companies, "friends' name" card inserts and, recently, through J. Crew Retail stores which represent an increasingly significant resource in prospecting for new names. Names and addresses of 25% to 30% of the customers making credit card purchases at J. Crew Retail stores are automatically captured at the point of sale. Customers are also asked to fill out cards at the cash register when they make purchases. In addition, the Company is exploring the feasibility of placing telephones in its J. Crew Retail stores with direct access to the J. Crew Mail Order telemarketing center to allow customers in the stores to order catalog-specific or out-of-stock items.

The Company believes that circulation planning based on more sophisticated statistical circulation models will increase the effectiveness of catalog mailings and maximize the productivity of its buyer file. As a result, the Company is testing increasingly sophisticated statistical circulation planning models to improve its ability to predict customer purchase behavior based on a wide range of variables. The Company plans to use these analyses to enhance its circulation efficiencies.

Catalog Creation and Production

The Company is distinguished from other catalog retailers by its award-winning catalog, which utilizes magazine-quality "real moment" pictures to depict an aspirational lifestyle image. All creative work on the catalogs is coordinated by J. Crew personnel to maintain and reinforce the J. Crew brand image. Photography is executed both on location and in studios, and creative design and copy writing are executed on a desk-top publishing system. Digital images are transmitted directly to outside printers, thereby reducing lead times and improving reproduction quality. The Company believes that appropriate page presentation of its merchandise stimulates demand and therefore places great emphasis on page layout.

J. Crew Mail Order does not have long-term contracts with paper mills and, instead, purchases paper from paper mills at a two and one-half month specified rate. Projected paper requirements are communicated on an annual basis to paper mills to ensure the availability of an adequate supply. Management believes that the Company's long-standing relationships with a number of the largest coated paper mills in the United States allow it to purchase paper at favorable prices commensurate with the Company's size and payment terms. See "Risk Factors--Increases in Costs of Mailing, Paper and Printing."

Telemarketing and Customer Service

J. Crew Mail Order's primary telemarketing and fulfillment facilities are located in Lynchburg, Virginia. Telemarketing operations are open 24 hours a day, seven days a week and handled over 7.5 million calls in fiscal 1996. Orders for merchandise may be received by telephone, facsimile, mail and the Company's website, although orders through the toll-free telephone service accounted for 90% of orders in fiscal 1996. The telemarketing center is staffed by a total of 900 full-time telemarketing associates, and up to 2,500 associates during peak periods, who are trained to assist customers in determining the customer's correct size and to describe merchandise fabric, texture and function. Each telemarketing associate utilizes a terminal with access to an IBM mainframe computer which houses complete and up-to-date product and order information. The fulfillment operations are designed to process and ship customer orders in a quick and cost-effective manner. Orders placed before 9:00 p.m. are shipped the following day. Same-day shipping is available for orders placed before noon. During non-peak periods, approximately 11,000 packages are shipped daily, and during peak periods, 25,000 daily.

J. Crew Retail

An important aspect of the Company's business strategy is an expansion program designed to reach new and existing customers through the opening of J. Crew Retail stores. In addition to generating sales of J. Crew products, J. Crew Retail stores help set and reinforce the J. Crew brand image. The stores are designed in-house and fixtured to create a distinctive J. Crew environment and store associates are trained to maintain high standards of visual presentation and customer service. The result is a complete statement of J. Crew's timeless American style, classic design and attractive product value. During fiscal 1996, J. Crew Retail generated revenues of $168.0 million, representing 30.2% of the Company's total J. Crew brand revenues.

The Company believes that J. Crew Retail derives significant benefits from the concurrent operation of J. Crew Mail Order. The broad circulation of J. Crew catalogs performs an advertising function, enhancing the visibility and exposure of the brand, aiding the expansion of the retail concept and increasing the profitability of the stores.

J. Crew Retail maintains a uniform appearance throughout its store base, in terms of merchandise display and location on the selling floor. Store managers receive detailed store plans that dictate fixture and merchandise placement to ensure uniform execution of the merchandising strategy at the store level. Standardization of store design and merchandise presentation also maximizes usage and productivity of selling space and lowers the cost of store furnishings allowing J. Crew Retail to cost-effectively open new stores and refurbish existing ones.

Store Economics

The Company believes that its J. Crew Retail stores are among the most productive in its industry segment. All of the Company's J. Crew Retail stores are profitable and have generated positive store contribution within the first 12 months of opening. J. Crew Retail stores that were open during all of fiscal 1996 averaged $4.8 million per store in sales, produced sales per gross square foot of approximately $575 and generated store contribution margins of approximately 25.9%. The Company believes that these results compare favorably to the average among retailers that the Company believes to be its primary competitors. J. Crew Retail stores have an average size of 8,300 gross square feet. The Company's historical average cost for leasehold improvements, furniture and fixtures for new stores was approximately $950,000 per store, after giving effect to construction allowances. The Company anticipates that the cost of these improvements will increase as it targets more urban, high-traffic areas for its stores. Average pre-opening costs per store, which are expensed as incurred, were $87,000. In addition, working capital requirements, consisting almost entirely of inventory purchases, averaged approximately $550,000 per store.

Current Stores

As of November 7, 1997 J. Crew Retail operated 49 retail stores nationwide, having expanded from 18 stores in 1993. The Company intends to open 12 stores in fiscal 1997, ten of which were open as of November 7, 1997. The stores are located in upscale shopping malls and in retail areas within major metropolitan markets that have an established higher-end retail business.

The table below highlights certain information regarding J. Crew Retail stores opened through fiscal 1996.

	Stores Open at Beginning of Fiscal Year	Stores Opened During Fiscal Year	Stores Closed During Fiscal Year	Stores at End of Fiscal Year	Total Square Footage (000's)	Average Store Total Square Footage at End of Year
1992 ...	9	9	--	18	140	7,778
1993 ...	18	10	--	28	226	8,071
1994 ...	28	1	--	29	235	8,103
1995 ...	29	2	--	31	266	8,581
1996 ...	31	8	--	39	338	8,667

New Store Expansion

J. Crew Retail plans to expand its store base to 51 in 1997 and currently intends to increase the number of stores in operation by 12 to 20 stores annually, resulting in approximately 100 stores in operation by the end of fiscal 2000. The retail expansion plan will initially focus on markets in which J. Crew Mail Order has been successful and, more generally, in areas within major metropolitan markets with affluent and well educated populations. The Company will continue to cluster stores in markets which provide the greatest sales potential, such as New York, New Jersey, Massachusetts, California and Florida. Historically, new stores have cost the Company an average of $1.5 million in building and working capital expenditures and have experienced a pay-back period of approximately 20 months. The Company believes, with a base of 49 stores, its markets are underpenetrated relative to its competitors and enough suitable locations exist nationwide to accommodate its expansion plan.

The following is a summary of the stores opened as of November 7, 1997 and those expected to be opened in 1997 after November 7, 1997:

	Location	Opening Date	Total Square Footage
Opened:	91 Fifth Avenue, New York, NY	3/4	5,875
	Boca Town Center, Boca Raton, FL	4/16	7,099
	Copley Place, Boston, MA	5/9	6,792
	Short Hills Mall, Short Hills, NJ	6/4	10,000
	South Park, Charlotte, NC	6/18	8,402
	Danbury Fair (Durables), Danbury, CT	7/16	5,398
	Century City, Los Angeles, CA	7/30	6,497
	Westfarms, West Hartford, CT	8/1	8,000
	Beachwood, Cleveland, OH	9/19	7,900
	Fashion Valley, San Diego, CA	10/8	8,312
Expected:	South Shore Mall, Braintree, MA	11/12	7,600
	Aventura Mall, Miami, FL	11/30	7,749

J. Crew Factory Outlets

The Company extends its reach to additional consumer groups through its 42 J. Crew Factory Outlets. Offering J. Crew products at an average of 30% below full retail prices, J. Crew Factory Outlets target value-oriented consumers. The factory outlet stores also serve to liquidate excess, irregular or out-of-season J. Crew products outside of the Company's two primary distribution channels. During fiscal 1996, J. Crew Factory Outlets generated revenues of $94.5 million, representing 17.0% of the Company's total J. Crew brand revenues.

J. Crew Factory Outlets offer selections of J. Crew menswear and womenswear. Ranging in size from 3,800 to 10,000 square feet with an average of 6,500 square feet, the stores are generally located in major outlet centers in 25 states across the United States. The Company believes that the outlet stores, which are designed in-house, maintain fixturing, visual presentation and service standards superior to those typically associated with outlet stores.

Popular Club Plan

PCP is a direct selling catalog business offering a broad range of department store merchandise on proprietary, in-house credit plans to the lower and lower-middle income market. PCP markets its catalog products primarily in eleven states in the northeastern United States. PCP offers two distinct product categories: Home Store (53% of 1996 sales) and Ready-to-Wear (47% of 1996 sales). Home Store products include textiles, home furnishings, housewares and electronics. Ready-to-Wear includes men's and women's sportswear, coats, lingerie, juniors, accessories, jewelry, shoes, children's wear, infants, special size and swimwear. During fiscal 1996, Popular Club Plan's annual circulation of 7.3 million catalogs generated revenues of $177.7 million, representing 22.0% of total Company revenues.

PCP markets products through an extensive network of over 100,000 local independent sales representatives ("Secretaries"), using a unique combination of mail order and direct selling methods. In contrast to a retail store sales associate, a Secretary is a lead shopper who solicits his or her own circle of friends, relatives, and co-workers to shop from the catalog. Secretaries are compensated through commission reward credits which can be redeemed for free merchandise. This provides them with both a sales and collection incentive. All Secretary applicants are screened and scored with proprietary behavior models in conjunction with national credit bureau information. Only 60% of applicants are set up as new accounts.

PCP offers customers a 22-week payment plan and a 44-week payment plan for payment of merchandise ordered from PCP. Sales through these proprietary credit products accounted for 96.3% of PCP revenues in 1996. PCP performs ongoing credit analysis on each Secretary and his or her club. Although Secretaries do not guarantee payment of members they recruit, reward credits of club Secretaries may be withheld to offset poor credit performance. PCP monitors collections through its approximately 70-person credit and collection department. While the primary dunning process is done through club Secretaries, if an individual is delinquent more than ten weeks, credit collectors will also take on the responsibility of contacting the customer directly. Over the last five years, PCP's annual credit losses have averaged approximately 4% of net credit sales.

Clifford & Wills

C&W is a direct mail order and factory store business which offers a broad range of women's updated apparel covering career to casual as well as accessories and shoes. The typical customer is a 36 to 55 year old upper-moderate to better-priced women's apparel customer, parallel to that of a full-price department store.

The brand is positioned to offer bridge level clothing at prices which are 20% to 30% below the prices offered in better departments of department stores, thereby satisfying the target customer's desire for updated apparel at a compelling price advantage. The Company also operates nine C&W outlet stores in Pennsylvania, Florida, Wisconsin, Indiana, Texas, Georgia and Connecticut. During 1996, C&W had revenues of $75.0 million representing 9.3% of total Company revenues.

General

Sourcing, Production and Quality

The Company maintains separate merchandising, design, manufacturing and quality assurance teams for the production of J. Crew and C&W merchandise. The Company's products are designed exclusively by in-house design and product development teams which support each line and class of product. These teams provide individual attention and expertise to every style, ensuring that these styles fit the respective J. Crew and C&W brand images. PCP primarily purchases merchandise from manufacturers and distributors.

The Company's merchandise is produced for the Company by a variety of manufacturers, both domestically and outside the United States. The Company does not own or operate any manufacturing facilities, instead contracting with third party vendors for the production of its products. Manufacturing teams research and develop products and source from vendors across 38 countries to identify and maintain essential quality and value for every product. In 1996, approximately 60% of the Company's J. Crew brand products were sourced in the Far East, 20% were sourced domestically and 20% were from Europe and other regions. PCP and C&W source the majority of their products through domestic vendors. Rarely does the Company represent the majority of any one vendor's business and no one vendor supplies more than 10% of the Company's merchandise.

The Company employs independent buying agents to conduct in-line and final quality inspections at each manufacturing site. Random inspections of all incoming J. Crew and C&W merchandise at the Lynchburg and Asheville distribution facilities further assure that the Company's products are of a consistently high quality. PCP primarily sells consumer goods which have been subjected to the manufacturer's own quality control processes prior to receipt by PCP.

Due to the high concentration of foreign suppliers of J. Crew brand merchandise, the Company estimates 10-month lead times for its products. Currently, the Company must make commitments on its piece goods eight to nine months prior to the issuance of the respective catalog and must decide on SKU color buys within six months of issuance. The Company is working to establish, either through the use of more domestic vendors or through strategic partnerships, a core group of long-term suppliers that provide quicker response times. The Company

believes that the implementation of shorter lead times will improve fill rates, reduce the overall complexity in inventory management and improve its ability to more accurately forecast demand, all of which should provide substantial savings to the Company.

Distribution

The Company operates three main telemarketing and distribution facilities for its operations. Order fulfillment for J. Crew Mail Order and C&W takes place at the 406,500 square foot telemarketing and distribution center located in Lynchburg, Virginia. The Lynchburg facility processes approximately 3.8 million orders per year and employs approximately 1,800 full- and part-time employees during its peak season.

The 192,500 square foot telemarketing and distribution facility in Asheville, North Carolina was recently converted into the main distribution center to service the retail and outlet store operations and also houses a J. Crew Mail Order telemarketing center. This facility employs approximately 700 full- and part-time employees during its non-peak season and an additional 1,100 employees during the peak holiday season. PCP conducts its fulfillment operations from a 369,000 square foot distribution facility located in Edison, New Jersey. The Edison facility employs approximately 300 and 600 full- and part-time employees during the non-peak and peak seasons, respectively.

Each fulfillment center is designed to process and ship customer orders in a quick and cost-efficient manner. Same-day shipping is available for orders placed before noon; and orders placed before 9:00 p.m. are shipped the following day. The Company ships merchandise via the UPS, the United States Postal Service and FedEx. To enhance efficiency, each facility is fully equipped with a highly advanced telephone system, an automated warehouse locator system and an inventory bar coding system. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Recent Developments."

Management Information Systems

The Company's management information systems are designed to provide, among other things, comprehensive order processing, production, accounting and management information for the marketing, manufacturing, importing and distribution functions of the Company's business. The Company has installed sophisticated point-of-sale registers in its J. Crew Retail and Factory Outlet stores that enable it to track inventory from store receipt to final sale on a real-time basis. The Company believes its merchandising and financial system, coupled with its point-of-sale registers and software programs, allow for rapid stock replenishment, concise merchandise planning and real-time inventory accounting practices. J. Crew Mail Order and C&W share the same management information system and each of the Company's business units has its own information system that is customized to the needs of that particular business.

The Company's telephone and telemarketing systems, warehouse package sorting systems, automated warehouse locators and inventory bar coding systems utilize advanced technology. These systems have provided the Company with a number of benefits in the form of enhanced customer service, improved operational efficiency and increased management control and reporting. The Company's IBM 3990 system stores data, such as customer list segmentation and analysis of market trends, and rapidly transfers the information throughout the Company. In addition, the Company's real-time inventory computer systems provide inventory management on a per SKU basis and allow for a more efficient fulfillment process. J. Crew's management information systems also produce daily and weekly sales and performance reports.

Trademarks and International Licensing

J. Crew International, Inc., an indirect subsidiary of Holdings, currently owns all of the trademarks for the J. Crew name that the Company holds in the United States and internationally, as well as its international licensing

contracts with third parties. Trademarks related to the J. Crew name are registered in the United States Patent and Trademark Office.

The Company derives revenues from the international licensing of its trademarks in the J. Crew name and the know-how it has developed. The Company has entered into a licensing agreement with Itochu in Japan which gives the Company the right to receive payments of percentage royalty fees in exchange for the exclusive right to use the Company's trademarks in Japan. In 1996, licensee sales at retail stores in Japan were approximately $100 million through 67 free-standing and shop-in-shop stores. Under the license agreement the Company retains a high degree of control over the manufacture, design, marketing and sale of merchandise under the J. Crew trademarks. The Company is currently negotiating a five-year renewal of this agreement which otherwise expires in January, 1998.

The Company believes there is significant growth potential in international markets as the Company can leverage off its base in Japan into other key Asian markets. The Company is in the process of exploring licensing agreements covering Hong Kong, China, Singapore, Thailand and Malaysia. In 1996, licensing revenues totaled $3.8 million.

Employees

The Company focuses significant resources on the selection and training of sales associates in both its mail order, retail and factory operations. Sales associates are required to be familiar with the full range of merchandise of the business in which they are working and have the ability to assist customers with merchandise selection. Both retail and factory store management are compensated in a combination of annual salary plus performance-based bonuses. Retail, telemarketing and factory associates are compensated on an hourly basis and may earn team-based performance incentives.

At November 7, 1997, the Company had approximately 6,300 associates, of whom approximately 4,300 were full-time associates and 2,000 were part-time associates. In addition, approximately 3,000 associates are hired on a seasonal basis to meet demand during the peak holiday buying season. None of the associates employed by J. Crew Mail Order, J. Crew Retail, J. Crew Factory Outlets or C&W are represented by a union. Approximately 240 warehouse employees at PCP are represented by the Teamsters under a collective bargaining agreement which expires in June 1999. The Company believes that its relationship with its associates is good.

Properties

The Company is headquartered in New York City, although PCP maintains a separate main office in Garfield, New Jersey. Both the New York City headquarters offices and PCP's Garfield office are leased from third parties. The Company owns two telemarketing and distribution facilities: a 406,500-square-foot telemarketing and distribution center for J. Crew and C&W mail order in Lynchburg, Virginia and a 192,500-square-foot distribution center in Asheville, North Carolina servicing the J. Crew Retail and J. Crew and C&W outlet store operations. The Company also leases from a third party a 369,000-square-foot distribution facility located in Edison, New Jersey dedicated to PCP's fulfillment operations.

As of November 7, 1997, the Company operated 100 retail and factory outlet stores. All of the retail and factory outlet stores are leased from third parties, and the leases in most cases have terms of 10 to 12 years, not including renewal options. As a general matter, the leases contain standard provisions concerning the payment of rent, events of default and the rights and obligations of each party. Rent due under the leases is comprised of annual base rent plus a contingent rent payment based on the store's sales in excess of a specified threshold. Substantially all the leases are guaranteed by Holdings.

The table below sets forth the number of stores by state operated by the Company in the United States as of November 7, 1997:

	Retail Stores	Outlet Stores(1)	Total Number of Stores
Alabama	--	1	1
Arizona	1	--	1
California	8	3	11
Colorado	1	2	3
Connecticut	3	2	5
Delaware	--	1	1
Florida	2	5	7
Georgia	1	3	4
Illinois	4	--	4
Indiana	1	3	4
Kansas	--	1	1
Maine	--	2	2
Maryland	1	--	1
Massachusetts	4	1	5
Michigan	1	1	2
Minnesota	1	--	1
Missouri	1	1	2
New Hampshire	--	2	2
New Jersey	2	1	3
New Mexico	1	--	1
New York	4	4	8
North Carolina	2	--	2
Ohio	2	--	2
Oregon	1	--	1
Pennsylvania	2	5	7
South Carolina	--	1	1
Tennessee	--	1	1
Texas	3	5	8
Utah	--	1	1
Vermont	--	1	1
Virginia	1	1	2
Washington	1	1	2
Wisconsin	--	2	2
District of Columbia	1	--	1
Total	49	51	100

(1) Includes nine C&W outlet stores.

Competition

All aspects of the Company's businesses are highly competitive. The Company competes primarily with other catalog operations, specialty brand retailers, department stores, and mass merchandisers engaged in the retail sale of men's and women's apparel, accessories, footwear and general merchandise. The Company believes that the principal bases upon which it competes are quality, design, efficient service, selection and price.

The Company believes that it has significant competitive strength because of its strong brand name, distinctive designs, premium quality products, controlled distribution and strong catalog and retail market positions. However, certain of the Company's competitors are larger and have greater financial, marketing and other resources than the Company, and there can be no assurance that the Company will be able to compete successfully with them in the future.

Legal and Regulatory Matters

The Company is a defendant in several lawsuits arising in the ordinary course of business. Although the amount of any liability that could arise with respect to any such lawsuit cannot be accurately predicted, in the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the Company.

A 1992 Supreme Court decision confirmed that the Commerce Clause of the United States Constitution prevents a state from requiring the collection of its use tax by a mail order company unless the company has a physical presence in the state. However, there continues to be some uncertainty in this area due to inconsistent application of the Supreme Court decision by state and federal courts. The Company attempts to conduct its operations in compliance with its interpretation of the applicable legal standard, but there can be no assurance that this compliance will not be challenged. From time to time, various states have sought to require companies to begin collection of use taxes and/or pay taxes from previous sales. The Company has not received assessments from any state in which it is not currently collecting sales taxes since the 1992 Supreme Court decision.

The Supreme Court decision also established that Congress has the power to enact legislation that would permit states to require collection of use taxes by mail order companies. Congress has from time to time considered proposals for such legislation. The Company anticipates that any legislative change, if adopted, would be applied only on a prospective basis.

Directors and Executive Officers

The following table sets forth the name, age and position of individuals who are serving as directors of Holdings and executive officers of the Company. TPG Partners II anticipates that it will cause to be elected additional individuals, including individuals unaffiliated with either TPG Partners II or the Company, to serve as directors of Holdings. Each director of Holdings will hold office until the next annual meeting of shareholders or until his or her successor has been elected and qualified. Officers of the Company are elected by their respective Boards of Directors and serve at the discretion of such Board.

Name	Age	Position
Emily Woods	35	Director--J. Crew Group, Inc. Chairman and Chief Executive Officer--J. Crew Group, Inc. Chief Executive Officer--J. Crew Operating Corp. President--J. Crew, Inc.
David Bonderman ...	54	Director--J. Crew Group, Inc.
James G. Coulter ..	37	Director--J. Crew Group, Inc.
Richard W. Boyce ..	43	Director--J. Crew Group, Inc.
Michael P. McHugh .	58	Vice President--Finance - CFO--J. Crew Group, Inc. Vice President--Finance - CFO--J. Crew Operating Corp. President--J. Crew International, Inc. and J. Crew Services, Inc.
Matthew E. Rubel ..	39	President--Popular Club Plan, Inc.
David M. DeMattei .	41	President--Grace Holmes, Inc.; H.F.D. No. 55, Inc.
Nicholas Lamberti .	55	Vice President--J. Crew Operating Corp.

Emily Woods

Chairman and Chief Executive Officer--J. Crew Group, Inc.; Chief Executive Officer and President--J. Crew Operating Corp.; President--J. Crew, Inc.

Ms. Woods became Chairman of the Board of Directors and Chief Executive Officer of Holdings upon consummation of the Recapitalization. Ms. Woods is also currently the Chief Executive Officer and a director of Operating Corp and the President of J. Crew, Inc., a wholly owned subsidiary of Operating Corp. Ms. Woods co-founded the J. Crew brand in 1983 and is currently its designer. Ms. Woods has also served as Vice-Chairman of J. Crew Group, Inc.

David Bonderman

Director--J. Crew Group, Inc.

Mr. Bonderman became a director of Holdings upon consummation of the Recapitalization. Mr. Bonderman is also currently serving as a director of Operating Corp. Mr. Bonderman is a principal and founding partner of TPG. Prior to forming TPG, Mr. Bonderman was Chief Operating Officer and Chief Investment Officer of Keystone Inc. ("Keystone"), the private investment firm, from 1983 to August 1992. Mr. Bonderman serves on the Boards of Directors of Continental Airlines, Inc., Bell & Howell Company, Virgin Entertainment, Beringer Wine Estates, Inc., Denbury Resources, Inc., Ducati Motor Holdings, S.p.A., Washington Mutual, Inc., Ryanair, Ltd., and Credicom Asia, N.V. Mr. Bonderman also serves in general partner advisory board roles for Acadia Partners, L.P., Newbridge Investment Partners, L.P., Newbridge Latin America, L.P. and Aqua International, L.P.

James G. Coulter
Director--J. Crew Group, Inc.

Mr. Coulter became a director of Holdings upon consummation of the Recapitalization. Mr. Coulter is also currently serving as a director of Operating Corp. Mr. Coulter is a principal and founding partner of TPG. Prior to forming TPG, Mr. Coulter was a Vice President of Keystone from 1986 to 1992. Mr. Coulter serves on the Boards of Directors of America West Airlines, Inc., Virgin Entertainment, Beringer Wine Estates, Inc. and Paradyne Partners, L.P. and was formerly on the Board of Directors of Allied Waste Industries Inc. and Continental Airlines, Inc.

Richard W. Boyce
Director--J. Crew Group, Inc.

Mr. Boyce became a director of Holdings upon consummation of the Recapitalization. Mr. Boyce is also currently serving as a director of Operating Corp and J. Crew Operating Corp., C&W Outlet, Inc., Clifford & Wills, Inc., J. Crew Retail, J. Crew Factory Outlet, J. Crew, Inc, J. Crew International, Inc., J. Crew Services, Inc. and Popular Club Plan, Inc., each of which is a wholly owned subsidiary of Operating Corp. Mr. Boyce is the President of CAF, Inc., a management consulting firm which advises various companies controlled by TPG. Prior to founding CAF, Inc. in 1997, Mr. Boyce served as Senior Vice President of Operations for Pepsi-Cola North America ("PCNA") from 1996 to 1997, and Chief Financial Officer of PCNA from 1994 to 1996. From 1992 to 1994, Mr. Boyce served as Senior Vice President-Strategic Planning for PepsiCo. Prior to joining PepsiCo., Mr. Boyce was a Director at the management consulting firm of Bain & Company where he was employed from 1980 to 1992.

Michael P. McHugh
Vice President Finance - CFO--J. Crew Group, Inc.; Vice President Finance - CFO--J. Crew Operating Corp.; President--J. Crew International, Inc. and J. Crew Services, Inc.

Mr. McHugh is the Vice President Finance and Chief Financial Officer of Holdings. Mr. McHugh has been with the Company since September 1986 and is also currently the Vice President Finance and Chief Financial Officer of Operating Corp and the President of J. Crew International, Inc. and J. Crew Services, Inc. Prior to joining the Company, Mr. McHugh was the Vice President of Finance and Director of the Regina Company from 1983 to 1986, served as the Controller of Operations for Revlon, Inc. from 1977 to 1983, was the U.S. Controller for Canada Dry Corp. from 1975 to 1977 and was a Division Controller and Division Vice President of Finance and Administration at Borden, Inc. from 1968 to 1975.

David M. DeMattei
President--Grace Holmes, Inc.; H.F.D. No. 55, Inc.

Mr. DeMattei became President of J. Crew Factory Outlet upon consummation of the Recapitalization. Mr. DeMattei joined the Company in 1995 and has served as President of J. Crew Retail since June 1995. From 1993 to 1994, Mr. DeMattei served as President of Banana Republic, a division of The Gap, Inc., and from 1983 to 1993, Mr. DeMattei worked in various other executive level positions at The Gap, Inc., including Executive Vice President-Chief Financial Officer from April 1992 to May 1995 and Senior Vice President-Chief Financial Officer from February 1991 to March 1992.

Matthew E. Rubel
President--Popular Club Plan, Inc.

Mr. Rubel joined the Company in September 1994 as the President of PCP. Prior to joining the Company, Mr. Rubel served as the President, CEO, and a member of the Board of Directors at Pepe Jeans USA in 1994, and from 1987 to 1993, he was the President of Specialty Division at Revlon, Inc. From 1984 to 1987, Mr. Rubel served as an Executive Vice President of Murjani International and from 1980 to 1984, he was employed by Bonwit Teller.

Nicholas Lamberti
Vice President--J. Crew Operating Corp.

Mr. Lamberti joined the Company in January 1991 as Vice President - Corporate Controller. Prior to joining the Company, Mr. Lamerti was with Deloitte & Touche from 1966 to 1991.

Employment Agreements and Other Compensation Arrangements

Holdings and Operating Corp (the "Employers") and Ms. Woods entered into an employment agreement, which provides that, for a period of five years commencing on the closing of the Recapitalization, she will serve as Chairman of the Board of Directors and Chief Executive Officer of Holdings and as Chief Executive Officer of Operating Corp. The employment agreement provides for an annual base salary of $1.0 million, and provides an annual target bonus of up to $1.0 million based on achievement of earnings objectives to be determined each year. The employment agreement also provides for the grant of 3,308 shares of Holdings Common Stock (the "Restricted Shares") on January 1, 1998. The Restricted Shares will vest as follows: (i) 393 shares immediately upon grant; (ii) 972 shares on each of the third and fourth anniversaries of the Recapitalization and (iii) 971 shares on the fifth anniversary of the Recapitalization. In connection with the grant of the Restricted Shares, the Employers will pay Ms. Woods an amount equal to the federal, state and local income and payroll taxes incurred by Ms. Woods in 1998 as a result of the grant of the Restricted Shares and any federal, state and local income and payroll taxes incurred as a result of such payment. Ms. Woods is also entitled to various executive benefits and perquisites under the employment agreement.

In connection with the Recapitalization, Ms. Woods retained shares of Holdings Common Stock representing approximately 14.8% of the total outstanding shares of Holdings Common Stock determined immediately after the closing of the Recapitalization, such retention effected using an implied purchase price for the retained shares equal to the price that TPG Partners II paid for shares of Holdings Common Stock in connection with the Recapitalization (the "TPG Partners II Price"). Ms. Woods also purchased approximately $3.0 million of Preferred Stock issued in connection with the Recapitalization.

Under the Option Plan (as defined herein), Holdings has granted Ms. Woods an option to purchase 1,641 shares of Holdings Common Stock at an exercise price equal to the TPG Partners II Price, 20% of which shall become exercisable following the end of each of fiscal years 1998 through 2002, provided that the Company attains certain earnings targets; however, all unvested options shall become exercisable (i) if Ms. Woods' employment is terminated by Holdings without cause, by Ms. Woods for good reason or by reason of death or disability, (ii) in the event of a change in control of Holdings, or (iii) if Ms. Woods is still employed by Holdings, on the seventh anniversary of the closing of the Recapitalization.

Also under the Option Plan, Holdings has granted Ms. Woods the option to purchase 820 shares of Holdings Common Stock. Under this option, Ms. Woods has the right to exercise 20% of the option after each of the first through the fifth anniversaries of the grant date at an exercise price equal to 125%, 156.25%, 195.31%, 244.14% and 305.18% of the TPG Partners II Price, respectively. The exercise of this option may require Ms. Woods to purchase a proportional amount of Preferred Stock issued in connection with the Recapitalization. In addition, all options shall become exercisable (i) if Ms. Woods' employment is terminated by Holdings without cause, by Ms. Woods for good reason or by reason of her death or disability or (ii) in the event of a change in control of Holdings.

All options granted to Ms. Woods are generally governed by and subject to the J. Crew Group, Inc. Stock Option Plan described below.

The shares of Holdings Common Stock acquired by Ms. Woods pursuant to the foregoing are subject to a shareholders' agreement providing for certain transfer restrictions, registration rights and customary tag-along and drag-along rights.

Operating Corp and Mr. DeMattei are parties to an employment agreement which provides that Mr. DeMattei will be employed as president of J. Crew Retail Division with an annual salary of $525,000, which increases by $25,000 on each of June 1, 1998 and June 1, 1999. In addition, the agreement provides that Mr. DeMattei is eligible for an annual bonus for fiscal year 1997 of up to approximately $350,000 and a long-term incentive bonus if certain performance objectives are satisfied. Annual bonuses for subsequent years will be

determined on a year to year basis. Mr. DeMattei is also entitled to various executive benefits and perquisites under the agreement. The agreement expires on January 28, 2000.

Operating Corp and Mr. Rubel are parties to an employment agreement which provides that Mr. Rubel will be employed as president of PCP with an annual salary of $475,000. The agreement provides that Mr. Rubel is eligible for annual bonus and long-term incentive bonus based on the performance of PCP. The agreement expires on January 31, 1999.

Holdings has adopted, subject to the receipt of applicable stockholder approval, the J. Crew Group Inc. Stock Option Plan (the "Option Plan") in order to promote the interests of the Company and its shareholders by providing the Company's key employees and consultants with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company. Under the Option Plan, the Board of Directors of Holdings will appoint a committee to administer the Option Plan and to grant options to purchase shares of Holdings Common Stock to certain key employees and consultants of the Company. Currently, there is an aggregate of 7,388 shares of Holdings Common Stock available for grants to key employees and consultants under the Option Plan (including the 2,461 shares underlying the options granted to Ms. Woods as described above). The options granted under the Option Plan may be subject to various vesting conditions, including, under some circumstances, the achievement of certain performance objectives. All shares of Holdings Common Stock acquired by key employees or consultants pursuant to the foregoing shall be subject to a shareholders' agreement providing for certain transfer restrictions, registration rights and customary tag-along and drag-along rights.

Executive Compensation

The following table sets forth compensation paid by the Company for fiscal years 1994, 1995 and 1996 to each individual serving as its chief executive officer during fiscal 1996 and to each of the four other most highly compensated executive officers of the Company as of the end of fiscal 1996.

Name and Principal Positions	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Comp. ($)	Long Term Compensation: LTIP Payouts ($)	Long Term Compensation: All Other Comp. ($)
Arthur Cinader (1)	1996	307,692	--	--	--	--
Chief Executive Officer	1995	700,000	109,000	--	--	--
	1994	700,000	83,000	--	--	--
Emily Woods (2)	1996	700,000	--	--	--	--
President	1995	700,000	1,327,700(3)	1,079,713(4)	--	--
	1994	700,000	1,970,040(5)	1,816,811(6)	--	--
David DeMattei (7)	1996	475,771	100,000	--	--	--
President, J. Crew Retail	1995	352,661	100,000	--	--	--
Matthew Rubel	1996	422,418	150,000	--	--	--
President, Popular Club Plan	1995	391,346	50,000	--	--	--
	1994	112,500	--	--	--	--
Paul Raffin (8) (9)	1996	426,663	75,000	--	--	--
President, J. Crew Catalogue	1995	304,200	50,000	--	--	--
Robert Bernard (10)	1996	650,000	136,500	752,500(11)	--	--
	1995	650,000	350,000	--	--	--
	1994	581,930	--	--	--	--

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(1) Mr. Cinader was replaced as Chief Executive Officer on October 17, 1997.

(2) Ms. Woods became Chief Executive Officer on October 17, 1997.

(3) Of this amount, $1,139,000 represents the value of a grant to the executive of Holdings Common Stock.

(4) This amount was paid as reimbursement for income taxes incurred as a result of the grant of Holdings Common Stock.

(5) Of this amount, $1,884,240 represents the value of a grant to the executive of Holdings Common Stock.

(6) This amount was paid as reimbursement for income taxes incurred as a result of the grant of Holdings Common Stock.

(7) Mr. DeMattei was not employed by the Company in 1994.

(8) Mr. Raffin resigned from the Company as of November 13, 1997.

(9) Mr. Raffin was not employed by the Company in 1994.

(10) Mr. Bernard resigned from the Company as of October 28, 1996.

(11) This amount represents severance payment to the executive.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As part of arrangements made prior to the negotiation and execution of the Recapitalization Agreement, Holdings agreed to make bonus payments to certain of its executive officers upon consummation of any merger, acquisition, recapitalization or other transaction resulting in a change of control of Holdings. Thus, Holdings made bonus payments in the amount of (i) $10.0 million to Emily Woods, (ii) $0.3 million to Matthew Rubel, (iii) $0.3 million to Michael McHugh and (iv) $1.2 million to other employees.

In addition, effective on the closing of the Recapitalization, the Company and Arthur Cinader entered into an Employment/Consulting and Non-Compete Agreement, under which Mr. Cinader agreed to serve as an employee and/or consultant for twelve months following the closing of the Recapitalization. Under the agreement, Mr. Cinader agreed, for a period of five years from the closing of the Recapitalization, not to compete, directly or indirectly, in association with or as a stockholder, director, officer, consultant, employee, partner, joint venturer, member or otherwise through any person or entity work for, act as a consultant to, or own any interest in, any competitor of the Company or its affiliates. In consideration of Mr. Cinader's non-compete, employment and consulting undertakings, the Company paid Mr. Cinader a total of $4.2 million. In addition, during this five-year period, Mr. Cinader is entitled to coverage under the Company's health and welfare plans.

In connection with the Recapitalization, the Company paid TPG a financial advisory fee in the amount of $5.5 million.

Holdings and its subsidiaries also entered into a tax sharing agreement providing (among other things) that each of the subsidiaries will reimburse Holdings for its share of income taxes determined as if such subsidiary had filed its tax returns separately from Holdings.

CAPITAL STOCK OF HOLDINGS AND OPERATING CORP

General

Operating Corp is authorized by the terms of its certificate of incorporation to issue 1,000 shares of common stock and 1,000 shares of preferred stock. Operating Corp has issued and outstanding 100 shares of common stock, each share of which is entitled to one vote. Holdings owns all of the issued and outstanding stock of Operating Corp. Holdings does not have any material assets other than the common stock of Operating Corp.

Holdings' restated certificate of incorporation authorizes Holdings to issue capital stock consisting of 100,000,000 shares of common stock, par value $.01 per share, 1,000,000 shares of Series A cumulative preferred stock, par value $.01 per share ("Series A Preferred Stock"), and 1,000,000 shares of Series B cumulative preferred stock, par value $.01 per share ("Series B Preferred Stock"). Holdings currently has outstanding 55,000 shares of common stock, 92,500 shares of Series A Preferred Stock and 32,500 shares of Series B Preferred Stock.

The Series A Preferred Stock and Series B Preferred Stock (collectively, the "Holdings Preferred Stock") will accumulate dividends at the rate of 14.50% per annum (payable quarterly) for periods ending on or prior to October 17, 2009. Thereafter, the Series A Preferred Stock will accumulate dividends at the rate of 16.50% per annum. Dividends on the Holdings Preferred Stock will compound to the extent not paid. The Holdings Preferred Stock had an initial liquidation preference of $1,000 per share. Holdings will be required on October 17, 2009 to redeem shares of Series B Preferred Stock and to pay all accumulated dividends that have been applied, if any, to increase liquidation value of the Series A Preferred Stock (the "clean-down"). Shares of Holdings Preferred Stock may be redeemed at the option of Holdings, in whole or in part, at the redemption prices set forth below (expressed as percentages of liquidation preference), together with all accumulated and unpaid dividends to the redemption date, if redeemed during the six month period beginning on the dates indicated below:

October 17, 1997 ..... 103.0%
April 17, 1998 ..... 102.5%
October 17, 1998 ..... 102.0%
April 17, 1999 ..... 101.5%
October 17, 1999 ..... 101.0%
April 17, 2000 ..... 100.5%
October 17, 2000 and
thereafter 100.0%

Optional redemption of the Holdings Preferred Stock is subject to, and expressly conditioned upon, certain limitations under the Senior Subordinated Note Indenture, the Bank Facilities, the Debentures and other documents relating to the Company's indebtedness. Holdings may also be required to redeem shares of Holdings Preferred Stock in certain other circumstances, including the occurrence of a change of control of Holdings, in each case subject to the terms of the Senior Subordinated Note Indenture, the Bank Facilities, the Debentures and other documents relating to the Company's indebtedness. Holders of Holdings Preferred Stock do not have any voting rights with respect thereto, except for such rights as are provided under applicable law, the right to elect, as a class, two directors of Holdings in the event that Holdings fails to comply with its redemption and clean-down obligations and class voting rights with respect to transactions adversely affecting the rights, preferences or powers of the Holdings Preferred Stock.

Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Beneficial Owners of More Than 5% of the Issuer's Voting Securities

(1) Title of Class	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Percent of Class
Holdings Common Stock	TPG Partners II, L.P. 201 Main Street, Suite 2420 Fort Worth, TX 76102	31,566.779 shares	57.39%
Holdings Common Stock	Emily Woods Chairman and Chief Executive Officer J. Crew Group, Inc. 770 Broadway New York, NY 10003	8,017.883 shares	14.58%

Security Ownership of Management

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Percent of Class
Holdings Common Stock	Emily Woods	8,017.883	14.58%
Holdings Series A Preferred Stock	Emily Woods	2,978.505	3.22%

Bank Facilities

On the closing date of the Recapitalization, Operating Corp entered into the Bank Facilities among Operating Corp, Holdings, the several lenders from time to time parties thereto (collectively, the "Banks"), Chase, as administrative and collateral agent (the "Administrative Agent") and DLJ as syndication agent (collectively, the "Agents"). The following is a summary description of the principal terms of the Bank Facilities and the other loan documents. The description set forth below does not purport to be complete and is qualified in its entirety by reference to certain agreements setting forth the principal terms and conditions of the Bank Facilities, which are available upon request from the Issuer.

Structure. The Bank Facilities provide Operating Corp with: (i) a senior secured term loan facility of up to $70.0 million; and (ii) a senior secured revolving credit facility of up to $200.0 million.

The full amount of the Term Loan Facility and approximately $35.6 million of Revolving Credit Facility were borrowed on the closing date under the Bank Facilities (i) to partially finance the Recapitalization, (ii) to repay certain existing outstanding indebtedness of Operating Corp and (iii) to pay certain fees and expenses related to the Recapitalization. See "The Recapitalization." The Bank Facilities may be utilized to fund Operating Corp's working capital requirements, including issuance of stand-by and trade letters of credit, bankers' acceptances and for other general corporate purposes.

The Term Loan Facility is a single tranche term facility of $70.0 million which has a maturity of six years. Loans, letters of credit and bankers' acceptances under the Revolving Credit Facility will be available at any time during its six-year term subject to the fulfillment of customary conditions precedent including the absence of a default under the Bank Facilities; provided, that at least once during each fiscal year, for a period of 30 consecutive days, Operating Corp must repay all loans outstanding under the Revolving Credit Facility in excess of the amounts set forth below:

Fiscal Year	Amount (in millions)
1998	$ 25.0
1999	$ 20.0
2000	$ 15.0
2001	$ 10.0
2002 and thereafter	$ 0.0

Security; Guaranty. Operating Corp's obligations under the Bank Facilities are guaranteed by each of its direct and indirect domestic and, to the extent no adverse tax consequences would result, foreign subsidiaries, other than any receivables subsidiary. The Bank Facilities and the guarantees thereof are secured by a perfected first priority security interest in substantially all assets of Operating Corp and its direct and indirect domestic and, to the extent no adverse tax consequences would result, foreign subsidiaries including: (i) all real property; (ii) all accounts receivable (but excluding the accounts receivable of PCP), inventory and intangibles; and (iii) all of the capital stock of Operating Corp and its direct and indirect domestic and, to the extent no adverse tax consequences would result, foreign subsidiaries.

Interest; Maturity. Borrowings under the Bank Facilities bear interest at a rate per annum equal (at Operating Corp's option) to: (i) the Administrative Agent's Eurodollar rate plus an applicable margin or (ii) an alternate base rate equal to the highest of the Administrative Agent's prime rate, a certificate of deposit rate plus 1%, or the Federal Funds effective rate plus 1/2 of 1% plus, in each case, an applicable margin. Initially, the

applicable margin is 2.25% per annum for Eurodollar rate loans and 1.25% per annum for alternate base rate loans. The Bank Facilities will mature October 17, 2003.

Fees. Operating Corp is required to pay the Banks, on a quarterly basis, a commitment fee on the undrawn portion of the Bank Facilities at a rate equal to 1/2 of 1% per annum. Operating Corp is also obligated to pay (i) a per annum letter of credit fee on the aggregate amount of outstanding letters of credit; (ii) a fronting bank fee for the letter of credit issuing bank; (iii) certain fees in connection with the issuance of bankers' acceptances; and (iv) customary agent, arrangement and other similar fees.

Covenants. The Bank Facilities contain a number of covenants that, among other things, restrict the ability of Operating Corp and its subsidiaries to dispose of assets, incur additional indebtedness, prepay other indebtedness or amend certain debt instruments, pay dividends, create liens on assets, enter into sale and leaseback transactions, make investments, loans or advances, make acquisitions, engage in mergers or consolidations, change the business conducted by Operating Corp or its subsidiaries, or engage in certain transactions with affiliates and otherwise restrict certain corporate activities. In addition, under the Bank Facilities, Operating Corp is required to maintain specified financial ratios and tests, including minimum interest coverage ratios, leverage ratios below a specified maximum, minimum net worth levels and minimum ratios of inventory to senior debt.

Events of Default. The Bank Facilities contain customary events of default, including nonpayment of principal, interest or fees, material inaccuracy of representations and warranties, violation of covenants, cross- default and cross-acceleration to certain other indebtedness, certain events of bankruptcy and insolvency, material judgments against Operating Corp, invalidity of any guarantee or security interest and a change of control of Operating Corp in certain circumstances as set forth therein.

Receivables Facility

In connection with the Recapitalization, affiliates of the Initial Purchasers (the "Receivables Lenders") arranged a facility to securitize certain PCP consumer loan installment receivables (the "Receivables") on a revolving basis under a receivables program (the "Receivables Facility"). The Securitization involved the transfer of the Receivables with limited recourse through a special purpose, bankruptcy-remote subsidiary to a trust in exchange for cash and subordinated certificates representing undivided interests in the pool of Receivables, and the subsequent sale by the trust of certificates of beneficial interests, also representing undivided interests in the Receivables, to third party investors. The Securitization provided approximately $40 million of proceeds. The Company is obligated to repurchase Receivables related to customer credits such as merchandise returns and other Receivables defects. The Company has no obligation to reimburse the trust or the purchasers of beneficial interests for credit losses.

The Receivables Facility is contemplated to be an interim agreement pending the consummation of a private placement of Receivables-based securities or such other refinancing as the parties may agree to, proceeds of which will be used to prepay the Receivables Facility. If the Receivables Facility is not refinanced within two months of the date of closing, the interest rates thereunder will increase.

THE EXCHANGE OFFER

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and reference is made to the provisions of the Registration Rights Agreement, which has been filed as an exhibit to the Registration Statement and a copy of which is available as set forth under the heading "Available Information."

Terms of the Exchange Offer

In connection with the issuance of the Old Debentures pursuant to a Purchase Agreement dated as of October 14, 1997, by and among the Issuer and the Initial Purchasers, the Initial Purchasers and their respective assignees became entitled to the benefits of the Registration Rights Agreement.

Under the Registration Rights Agreement, the Issuer is required to file within 60 days after October 17, 1997 (the date the Registration Rights Agreement was entered into (the "Closing Date")) a registration statement (the "Exchange Offer Registration Statement") for a registered exchange offer with respect to an issue of new debentures identical in all material respects to the Old Debentures except that the new debentures shall contain no restrictive legend thereon. Under the Registration Rights Agreement, the Issuer is required to (i) cause the Exchange Offer Registration Statement to be filed with the Commission no later than 60 days after the Closing Date, (ii) use its best efforts to cause such Exchange Offer Registration Statement to become effective within 135 days after the Closing Date, (iii) use its best efforts to keep the Exchange Offer open for at least 20 Business Days (or longer if required by applicable law), (iv) use its best efforts to consummate the Exchange Offer on or prior to the 30th Business Day following the date on which the Exchange Offer Registration Statement is declared effective by the Commission and (v) cause the Exchange Offer to comply with all applicable federal and state securities laws. The Exchange Offer being made hereby, if commenced and consummated within the time periods described in this paragraph, will satisfy those requirements under the Registration Rights Agreement.

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, all Old Debentures validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. New Debentures of the same class will be issued in exchange for an equal principal amount of outstanding Old Debentures accepted in the Exchange Offer. Old Debentures may be tendered only in integral multiples of $1,000 of principal amount at maturity. This Prospectus, together with the Letter of Transmittal, is being sent to all registered holders as of _____ __, 1997. The Exchange Offer is not conditioned upon any minimum principal amount of Old Debentures being tendered in exchange. However, the obligation to accept Old Debentures for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth herein under "--Conditions."

Old Debentures shall be deemed to have been accepted as validly tendered when, as and if the Trustee has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders of Old Debentures for the purposes of receiving the New Debentures and delivering New Debentures to such holders.

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Issuer believes that the New Debentures issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by each holder thereof (other than a broker-dealer who acquires such New Debentures directly from the Issuer for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act and other than any holder that is an "affiliate" (as defined in Rule 405 under the Securities Act) of the Issuer without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Debentures are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement with any person to participate in a distribution of such New Debentures. By tendering the Old Debentures in exchange for New Debentures, each holder, other than a broker-dealer, will represent to the Issuer that: (i) it is not an affiliate (as defined in Rule 405 under the Securities Act) of the Issuer; (ii) it is not a broker-dealer tendering Old Debentures acquired for its own account directly from the Issuer; (iii) any New Debentures to be received by it will be acquired in the ordinary course of its business; and (iv) it is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement or understanding to participate in a distribution of the New Debentures. If a holder of Old Debentures is engaged in or intends to engage in a distribution of the New Debentures or has any arrangement or understanding with respect to the distribution of the New Debentures to be acquired pursuant to the

Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives New Debentures for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Debentures. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. The Issuer has agreed that it will make this Prospectus available to any Participating Broker-Dealer for a period of time not to exceed one year after the date on which the Exchange Offer is consummated for use in connection with any such resale. See "Plan of Distribution."

In the event that (i) any changes in law or the applicable interpretations of the staff of the Commission do not permit the Issuer to effect the Exchange Offer, or (ii) if any holder of Old Debentures shall notify the Issuer within 20 business days following the consummation of the Exchange Offer that (A) such holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such holder may not resell the New Debentures acquired by it in the Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such holder or (C) such holder is a broker-dealer and holds Old Debentures acquired directly from the Issuer or one of its affiliates, then the Issuer shall (x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Act (the "Shelf Registration Statement") on or prior to 30 days after the date on which the Issuer determines that it is not required to file the Exchange Offer Registration Statement pursuant to clause (i) above or 60 days after the date on which the Issuer receives the notice specified in clause (ii) above and shall (y) use its best efforts to cause such Shelf Registration Statement to become effective within 135 days after the date on which the Issuer becomes obligated to file such Shelf Registration Statement. If, after the Issuer has filed an Exchange Offer Registration Statement, the Issuer is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer shall not be permitted under applicable federal law, then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above. Such an event shall have no effect on the requirements of clause (y) above. The Issuer shall use its best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended to the extent necessary to ensure that it is available for sales of Transfer Restricted Securities (as defined below) by the holders thereof for a period of at least two years following the date on which such Shelf Registration Statement first becomes effective under the Securities Act. The term "Transfer Restricted Securities" means each Debenture, until the earliest to occur of (a) the date on which such Debenture is exchanged in the Exchange Offer and entitled to be resold to the public by the holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Debenture has been disposed of in accordance with a Shelf Registration Statement, (c) the date on which such Debenture is disposed of by a broker-dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including delivery of the prospectus contained therein) or (d) the date on which such Debenture is distributed to the public pursuant to Rule 144 under the Act.

If (i) the Exchange Offer Registration Statement or the Shelf Registration Statement is not filed with the Commission on or prior to the date specified in the Registration Rights Agreement, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the date specified for such effectiveness in the Registration Rights Agreement, (iii) the Exchange Offer has not been consummated within 180 days after the Closing Date or (iv) any Registration Statement required by the Registration Rights Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective immediately (each such event referred to in clauses (i) through (iv), a "Registration Default"), then the Issuer has agreed to pay liquidated damages to each holder of Transfer Restricted Securities. With respect to the first 90-day period immediately following the occurrence of such Registration

Default the liquidated damages shall equal $.05 per week per $1,000 principal amount of Transfer Restricted Securities held by

such holder for each week or portion thereof that the Registration Default continues. The amount of the liquidated damages shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of $.25 per week per $1,000 principal amount of Transfer Restricted Securities. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued liquidated damages shall be paid to the holder of the global debenture representing the Old Debentures by wire transfer of immediately available funds or by federal funds check and to holders of certificated securities by mailing checks to their registered addresses on each April 15 and October 15. All obligations of the Issuer set forth in the preceding paragraph that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Old Debentures who do not exchange their Old Debentures for New Debentures in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Debentures, unless such Old Debentures are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Issuer will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "Risk Factors--Risk Factors Relating to the Debentures--Consequences of Failure to Exchange."

Expiration Date; Extensions; Amendments; Termination

The term "Expiration Date" shall mean _____, 1997 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended, if and as required by applicable law, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended.

In order to extend the Expiration Date, the Issuer will notify the Exchange Agent of any extension by oral or written notice and will notify the holders of the Old Debentures by means of a press release or other public announcement prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

The Issuer reserves the right (i) to delay acceptance of any Old Debentures, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Old Debentures not previously accepted if any of the conditions set forth herein under "--Conditions" shall have occurred and shall not have been waived by the Issuer, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Old Debentures. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by the Issuer to constitute a material change, the Issuer will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Old Debentures of such amendment.

Yield Interest on the New Debentures

The New Debentures will accrete at a rate of 13 1/8%, compounded semi-annually, to an aggregate principal amount of $142.0 million by October 15, 2002. Cash interest will not accrue on the New Debentures prior to October 15, 2002. Commencing October 15, 2002, cash interest on the New Debentures will accrue and be payable, at a rate of 13 1/8% per annum, semi-annually in arrears on each April 15 and October 15.

Procedures for Tendering

To tender in the Exchange Offer, a holder must complete, sign and date the Letter of Transmittal, have the signatures thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver such Letter of Transmittal, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either (i) certificates for such Old Debentures must be received by the Exchange Agent along with the Letter of Transmittal, (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Debentures, if such procedure is available, into the Exchange Agent's account at DTC (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (iii) the holder must comply with the guaranteed delivery procedures described below. THE METHOD OF DELIVERY OF OLD DEBENTURES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDERS OF THE DEBENTURES. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OLD DEBENTURES SHOULD BE SENT TO THE ISSUER. Delivery of all documents must be made to the Exchange Agent at its address set forth below. Holders of Debentures may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The tender by a holder of Old Debentures will constitute an agreement between such holder and the Issuer in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

Only a holder of Old Debentures may tender such Old Debentures in the Exchange Offer. The term "holder" with respect to the Exchange Offer means any person in whose name Old Debentures are registered on the books of the Issuer or any other person who has obtained a properly completed bond power from the registered holder.

Any beneficial owner whose Old Debentures are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his behalf. If such beneficial owner wishes to tender on his own behalf, such beneficial owner must, prior to completing and executing the Letter of Transmittal and delivering his Old Debentures, either make appropriate arrangements to register ownership of the Old Debentures in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by any member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution") unless the Old Debentures tendered pursuant thereto are tendered (i) by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

If the Letter of Transmittal is signed by a person other than the registered holder of any Old Debentures listed therein, such Old Debentures must be endorsed or accompanied by bond powers and a proxy which authorizes

such person to tender the Old Debentures on behalf of the registered holder, in each case as the name of the registered holder or holders appears on the Old Debentures.

If the Letter of Transmittal or any Old Debentures or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Issuer, evidence satisfactory to the Issuer of their authority to so act must be submitted with the Letter of Transmittal.

All questions as to the validity, form, eligibility (including time of receipt) and withdrawal of the tendered Old Debentures will be determined by the Issuer in its sole discretion, which determination will be final and binding. The Issuer reserves the absolute right to reject any and all Old Debentures not properly tendered or any Old Debentures which, if accepted, would, in the opinion of counsel for the Issuer, be unlawful. The Issuer also reserves the absolute right to waive any irregularities or conditions of tender as to particular Old Debentures. The Issuer's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Debentures must be cured within such time as the Issuer shall determine. Neither the Issuer, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Old Debentures, nor shall any of them incur any liability for failure to give such notification. Tenders of Old Debentures will not be deemed to have been made until such irregularities have been cured or waived. Any Old Debentures received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the Exchange Agent to the tendering holders of Old Debentures, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, the Issuer reserves the right in its sole discretion, subject to the provisions of the Indenture, to (i) purchase or make offers for any Old Debentures that remain outstanding subsequent to the Expiration Date or, as set forth under "--Conditions", (ii) to terminate the Exchange Offer in accordance with the terms of the Registration Rights Agreement and (iii) to the extent permitted by applicable law, purchase Old Debentures in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

Acceptance of Old Debentures for Exchange; Delivery of New Debentures

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, all Old Debentures properly tendered will be accepted, promptly after the Expiration Date, and the New Debentures will be issued promptly after acceptance of the Old Debentures. See "-- Conditions" below. For purposes of the Exchange Offer, Old Debentures shall be deemed to have been accepted as validly tendered for exchange when, as and if the Issuer has given oral or written notice thereof to the Exchange Agent.

In all cases, issuance of New Debentures for Old Debentures that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Debentures or a timely Book-Entry Confirmation of such Old Debentures into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Debentures are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Debentures are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Debentures will be returned without expense to the tendering holder thereof (or, in the case of Old Debentures tendered by book-entry transfer procedures described below, such nonexchanged Old Debentures will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

Book-Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the Old Debentures at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Debentures by causing the Book-Entry Transfer Facility to transfer such Old Debentures into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Debentures may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "--Exchange Agent" on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

Guaranteed Delivery Procedures

If a registered holder of the Old Debentures desires to tender such Old Debentures, and the Old Debentures are not immediately available, or time will not permit such holder's Old Debentures or other required documents to reach the Exchange Agent before the Expiration Date, or the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal and Notice of Guaranteed Delivery, substantially in the form provided by the Issuer (by mail or hand delivery), setting forth the name and address of the holder of Old Debentures and the amount of Old Debentures tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Debentures, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent and (iii) the certificates for all physically tendered Old Debentures, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

Withdrawal of Tenders

Tenders of Old Debentures may be withdrawn at any time prior to 5:00 p.m., New York City time on the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time on the Expiration Date at one of the addresses set forth below under "--Exchange Agent." Any such notice of withdrawal must specify the name of the person having tendered the Old Debentures to be withdrawn, identify the Old Debentures to be withdrawn (including the principal amount of such Old Debentures) and (where certificates for Old Debentures have been transmitted) specify the name in which such Old Debentures are registered, if different from that of the withdrawing holder. If certificates for Old Debentures have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such holder is an Eligible Institution. If Old Debentures have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Debentures and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Issuer, whose determination shall be final and binding on all parties. Any Old Debentures so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Debentures which have been tendered for exchange but which are not exchanged for any reason will be

returned to the holder thereof without cost to such holder (or, in the case of Old Debentures tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described above, such Old Debentures will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Debentures) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Debentures may be retendered by following one of the procedures described under "--Procedures for Tendering" and "--Book-Entry Transfer" above at any time on or prior to the Expiration Date.

Conditions

Notwithstanding any other term of the Exchange Offer, Old Debentures will not be required to be accepted for exchange, nor will New Debentures be issued in exchange for any Old Debentures, and the Issuer may terminate or amend the Exchange Offer as provided herein before the acceptance of such Old Debentures, if because of any change in law, or applicable interpretations thereof by the Commission, the Issuer determines that they are not permitted to effect the Exchange Offer. The Issuer has no obligation to, and will not knowingly, permit acceptance of tenders of Old Debentures from affiliates (within the meaning of Rule 405 under the Securities Act) of the Issuer or from any other holder or holders who are not eligible to participate in the Exchange Offer under applicable law or interpretations thereof by the Commission, or if the New Debentures to be received by such holder or holders of Old Debentures in the Exchange Offer, upon receipt, will not be tradable by such holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the "blue sky" or securities laws of substantially all of the states of the United States.

Exchange Agent

State Street Bank & Trust Company has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance and requests for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent addressed as follows:

By Mail:
P.O. Box 778
Boston, Massachusetts 02102
Attention: Corporate Trust Department
Kellie Mullen

By Overnight Mail or Courier:
Two International Place
Boston, Massachusetts 02102
Attention: Corporate Trust Department
Kellie Mullen

By Hand in New York to 5:00 p.m.
(as drop agent):
61 Broadway
15th Floor
Corporate Trust Window
New York, New York 10006

By Hand in Boston to 5:00 p.m.:
Two International Place
Fourth Floor
Corporation Trust
Boston, Massachusetts 02110

For information call:
(617) 664-5587

Fees and Expenses

The expenses of soliciting tenders pursuant to the Exchange Offer will be borne by the Issuer. The principal solicitation for tenders pursuant to the Exchange Offer is being made by mail; however, additional solicitations may be made by telegraph, telephone, telecopy or in person by officers and regular employees of the Company.

The Issuer will not make any payments to brokers, dealers or other persons soliciting acceptances of the Exchange Offer. The Issuer, however, will pay the Exchange Agent reasonable and customary fees for its services

and will reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. The Issuer may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of the Prospectus and related documents to the beneficial owners of the Old Debentures, and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with the Exchange Offer will be paid by the Issuer, including fees and expenses of the Exchange Agent and Trustee and accounting, legal, printing and related fees and expenses.

The Issuer will pay all transfer taxes, if any, applicable to the exchange of Old Debentures pursuant to the Exchange Offer. If, however, certificates representing New Debentures or Old Debentures for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Debentures tendered, or if tendered Old Debentures are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Debentures pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

DESCRIPTION OF THE NEW DEBENTURES

General

The Old Debentures were issued, and the New Debentures will be, issued pursuant to the Indenture which is dated as of October 17, 1997 and is between the Company and State Street Bank and Trust Company, as trustee (the "Trustee"). The terms of the New Debentures will include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The New Debentures will be subject to all such terms, and prospective holders of New Debentures are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of the material provisions of the Indenture does not purport to be complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of certain terms used below. Copies of the proposed form of Indenture and Registration Rights Agreement are available as set forth below under "--Additional Information." The definitions of certain terms used in the following summary are set forth below under "--Certain Definitions."

The New Debentures will be general unsecured obligations of the Issuer and will be pari passu in right of payment to all current and future unsubordinated Indebtedness of the Issuer and senior in right of payment to all subordinated Indebtedness of the Issuer. The operations of the Issuer are conducted entirely through its Subsidiaries and, therefore, the Issuer is dependent in part upon the cash flow of its Subsidiaries to meet its obligations, including its obligations under the New Debentures. See "Risk Factors--Limitation on Access to Cash Flow of Subsidiaries; Holding Company Structure." The New Credit Facility and the Operating Corp Senior Subordinated Notes restrict Operating Corp. from paying any dividends or making any other distributions to the Issuer. The ability of Operating Corp to comply with the conditions in the Operating Corp Senior Subordinated Notes may be affected by certain events that are beyond the Issuer's control. The New Debentures will be effectively subordinated to all Indebtedness and other liabilities (including, without limitation, to Operating Corp's obligations under the New Credit Facility and the Operating Corp Senior Subordinated Notes). Any right of the Issuer to receive assets of any of its Subsidiaries upon such Subsidiary's liquidation or reorganization (and the consequent right of holders of the Operating Corp Senior Subordinated Notes to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors except to the extent that the Issuer itself is recognized as a creditor of such Subsidiary, in which case the claims of the Issuer would still be subordinate to the claims of such creditors who hold security in the assets of such Subsidiary and to the claims of such creditors who hold Indebtedness of such Subsidiary senior to that held by the Issuer. As of November 7, 1997, the Issuer had Indebtedness of $75.3 million (all of which was attributable to the Old Debentures) and the Issuer's Subsidiaries had $508.3 million of outstanding liabilities, including Indebtedness under the Operating Corp Senior Subordinated Notes and the Bank Facilities and including trade payables and other accrued liabilities. The Indenture will permit the incurrence of certain additional Indebtedness of the Issuer and the Issuer's Subsidiaries in the future. See "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock."

As of the Issue Date, all of the Issuer's subsidiaries other than any Receivables Subsidiary were Restricted Subsidiaries. However, under certain circumstances, the Issuer will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants set forth in the Indenture.

Principal, Maturity and Interest

New Debentures in an aggregate principal amount at maturity of up to $142.0 million will be issued in the Exchange Offer. The New Debentures will mature on October 15, 2008. The New Debentures will be issued at a substantial discount from their principal amount at maturity. Until October 15, 2002, no interest will accrue on the New Debentures, but the Accreted Value will increase (representing amortization of original issue discount) between the date of original issuance and October 15, 2002, on a semi-annual bond equivalent basis using a 360-day year comprised of twelve 30-day months, such that the Accreted Value shall be equal to the full principal amount at

maturity of the New Debentures on October 15, 2002. Beginning on October 15, 2002, interest on the New Debentures will accrue at the rate of 13-1/8% per annum and will be payable semi-annually in arrears on April 15 and October 15, commencing on April 15, 2003, to holders of record on the immediately preceding April 1 and October 1, respectively. Interest on the New Debentures will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from October 15, 2002. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal, premium, if any, and interest and Liquidated Damages on the New Debentures will be payable at the office or agency (the "Paying Agent") of the Issuer maintained for such purpose within the City and State of New York or, at the option of the Issuer, payment of principal, premium, interest, and Liquidated Damages may be made by check mailed to the holders of the New Debentures at their respective addresses set forth in the register of holders of Debentures; provided that all payments of principal, premium, interest and Liquidated Damages with respect to New Debentures represented by one or more permanent global debentures ("Global Debentures") will be required to be made by wire transfer of immediately available funds to the accounts of DTC or any successor thereto. Until otherwise designated by the Issuer, the Issuer's office or agency in New York will be the office of the Trustee maintained for such purpose. The New Debentures will be issued in denominations of $1,000 and integral multiples thereof.

Optional Redemption

Except as described below, the New Debentures will not be redeemable at the Issuer's option prior to October 15, 2002. Thereafter, the New Debentures will be subject to redemption at any time at the option of the Issuer, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on October 15 of the years indicated below:

Year	Percentage
2002	106.563
2003	104.375
2004	102.188
2005 and thereafter ...	100.000

Notwithstanding the foregoing, at any time on or prior to October 15 , 2000, the Issuer may (but shall not have the obligation to) redeem, on one or more occasions, up to an aggregate of 35% of the principal amount of New Debentures originally issued at a redemption price equal to 113.125% of the Accreted Value thereof, plus Liquidated Damages thereon, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that at least 65% of the aggregate principal amount at maturity of the New Debentures originally issued remain outstanding immediately after the occurrence of such redemption; and provided further, that such redemption shall occur within 90 days of the date of the closing of such Equity Offering.

Mandatory Redemption

Except as set forth under "--Repurchase at the Option of Holders," the Issuer is not required to make mandatory redemption or sinking fund payments with respect to the New Debentures.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control, each holder of New Debentures will have the right to require the Issuer to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such holder's New Debentures pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to

101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase or, in the case of repurchases of New Debentures prior to October 15, 2002 at a purchase price equal to 101% of the Accreted Value thereof as of the date of repurchase (the "Change of Control Payment"). Within 65 days following any Change of Control, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase New Debentures on the date specified in such notice, which date shall be no earlier than 30 days (or such shorter time period as may be permitted under applicable law, rules and regulations) and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the New Debentures as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture relating to such Change of Control Offer, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

On the Change of Control Payment Date, the Issuer will, to the extent lawful, (1) accept for payment all New Debentures or portions thereof properly tendered pursuant to the Change of Control Offer, (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all New Debentures or portions thereof so tendered and (3) deliver or cause to be delivered to the Trustee the New Debentures so accepted together with an officers' certificate stating the aggregate principal amount of New Debentures or portions thereof being purchased by the Issuer. The Paying Agent will promptly mail to each holder of New Debentures so tendered the Change of Control Payment for such New Debentures, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new New Debenture equal in principal amount to any unpurchased portion of the New Debentures surrendered, if any; provided that each such new New Debenture will be in a principal amount of $1,000 or an integral multiple thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the New Debentures to require that the Issuer repurchase or redeem the New Debentures in the event of a takeover, recapitalization or similar transaction.

The New Credit Facility and the Operating Corp Senior Subordinated Notes restrict Operating Corp from paying any dividends or making any other distributions to the Issuer. If the Issuer is unable to obtain dividends from Operating Corp sufficient to permit the repurchase of the New Debentures or does not refinance such Indebtedness, the Issuer will likely not have the financial resources to purchase New Debentures. In any event, there can be no assurance that the Issuer's Subsidiaries will have the resources available to pay any such dividend or make any such distribution. Prior to complying with the provisions of the preceding paragraphs, but in any event within 90 days following a Change of Control, the Issuer will either repay all outstanding Indebtedness of its Subsidiaries or obtain the requisite consents, if any, under the New Credit Facility and the Operating Corp Senior Subordinated Notes to permit the repurchase of the New Debentures required by this covenant. The Issuer will not be required to purchase any New Debentures until it has complied with the preceding sentence, but the Issuer's failure to make a Change of Control Offer when required or to purchase tendered New Debentures when tendered would constitute an Event of Default under the Indenture. See "Risk Factors--Substantial Leverage; Liquidity; Stockholders' Deficit" and "--Limitation on Access to Cash Flow of Subsidiaries; Holding Company Structure."

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all New Debentures validly tendered and not withdrawn under such Change of Control Offer.

The definition of Change of Control includes a phrase relating to the sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the assets of the Issuer and its Subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase 'substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of New Debentures to require the Issuer to repurchase such New Debentures as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless (i) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of the Board of Directors set forth in an officers' certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary is in the form of (A) cash or Cash Equivalents or (B) Qualified Proceeds; provided that the aggregate fair market value of Qualified Proceeds (other than cash or Cash Equivalents), which may be received in consideration for asset sales pursuant to this clause (ii) (B) shall not exceed $7.5 million since the Issue Date; provided further that the amount of (x) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet), of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the New Debentures) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Issuer or such Restricted Subsidiary from further liability and (y) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash (to extent of the cash received) within 180 days following the closing of such Asset Sale, shall be deemed to be cash for purposes of this provision.

Within 395 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer or its Restricted Subsidiaries may apply such Net Proceeds, at its option, (a) to repay Indebtedness of a Restricted Subsidiary of the Issuer, or (b) to the investment in, or the making of a capital expenditure or the acquisition of other property or assets in each case used or useable in a Permitted Business, or Capital Stock of any Person primarily engaged in a Permitted Business if, as a result of the acquisition by the Issuer or any Restricted Subsidiary thereof, such Person becomes a Restricted Subsidiary, or (c) as combination of the uses described in clauses (a) and (b). Pending the final application of any such Net Proceeds, the Issuer or its Restricted Subsidiaries may temporarily reduce Indebtedness of a Restricted Subsidiary of the Issuer or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales, other than 20% of the net proceeds from any sale of all or substantially all of the Capital Stock or assets of the Company's Popular Club Plan business or Clifford & Wills business (as each such business is constituted on the Issue Date) which have been utilized to repay, redeem, repurchase or otherwise retire outstanding New Debentures, that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuer will be required to make an offer to all holders of New Debentures and, to the extent required by the terms of any Pari Passu Indebtedness to all holders of such Pari Passu Indebtedness (an "Asset Sale Offer"), to purchase the maximum principal amount of New Debentures and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (or, in the case of repurchases of New Debentures prior to October 15, 2002, at a purchase price equal to 100% of the Accreted Value thereof plus Liquidated Damages, as of the date of repurchase), in accordance with the procedures set forth in the Indenture or such Pari Passu Indebtedness, as applicable. To the extent that the aggregate principal amount at maturity of New Debentures (or Accreted Value, as the case may be) and any such Pari Passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer or its Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount at maturity (or Accreted Value, as the case may be) of New Debentures and any such

Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the New Debentures to be purchased on a pro rata basis. Upon completion of such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

The New Credit Facility and the Senior Subordinated Notes restrict J. Crew Corp. from paying any dividends or making any other distributions to the Issuer. If the Issuer is unable to obtain dividends from J. Crew Corp. sufficient to permit the repurchase of the New Debentures or does not refinance such Indebtedness, the Issuer will likely not have the financial resources to purchase New Debentures. In any event, there can be no assurance that the Issuer's Subsidiaries will have the resources available to pay any such dividend or make any such distribution. The Issuer's failure to make an Asset Sale Offer when required or to purchase tendered New Debentures when tendered would constitute an Event of Default under the New Debenture Indenture. See "Risk Factors--Substantial Leverage; Liquidity; Stockholders' Deficit" and "--Limitation on Access to Cash Flow of Subsidiaries; Holding Company Structure."

Selection and Notice

If less than all of the New Debentures are to be redeemed or repurchased in an offer to purchase at any time, selection of New Debentures for redemption or repurchase will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the New Debentures are listed, or, if the New Debentures are not so listed, on a pro rata basis, by lot or by such other method as the Trustee deems fair and appropriate; provided that Notes to be redeemed with the proceeds of an Equity Offering shall be selected on a pro rata basis; provided further that no Notes of $1,000 or less shall be redeemed or repurchased in part. Notices of redemption may not be conditional. Notices of redemption or repurchase shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date or repurchase date to each holder of New Debentures to be redeemed or repurchased at its registered address. If any New Debenture is to be redeemed or repurchased in part only, the notice of redemption or repurchase that relates to such New Debenture shall state the portion of the principal amount thereof to be redeemed or repurchased. A new New Debenture in principal amount equal to the unredeemed or unrepurchased portion thereof will be issued in the name of the holder thereof upon cancellation of the original New Debenture. On and after the redemption or repurchase date, interest and Liquidated Damages will cease to accrue on New Debentures or portions of them called for redemption or repurchase.

Certain Covenants

Restricted Payments

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such dividend, distribution or other payment made as a payment in connection with any merger or consolidation involving the Issuer), other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer or dividends or distributions payable to the Issuer or any Wholly Owned Subsidiary of the Issuer; (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption or other acquisition or retirement for value made as a payment in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any Restricted Subsidiary (other than any such Equity Interests owned by the Issuer or any Restricted Subsidiary of the Issuer); (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the New Debentures, except a payment of interest or a payment of principal at Stated Maturity; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and immediately after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing; and

(b) the Issuer would, at the time of such Restricted Payment and after giving pro forma effect thereto, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under caption "--Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the date of the Indenture (excluding Restricted Payments permitted by clauses (ii), (iii), (iv), and (vi) of the next succeeding paragraph), is less than the sum (without duplication) of (i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the date of the Indenture to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (ii) 100% of the aggregate Qualified Proceeds received by the Issuer from contributions to the Issuer's capital or the issue or sale subsequent to the date of the Indenture of Equity Interests of the Issuer (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Issuer that have been converted into such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible debt securities) sold to a Subsidiary of the Issuer and other than Disqualified Stock or convertible debt securities that have been converted into Disqualified Stock), plus (iii) to the extent that any Restricted Investment that was made after the date of the Indenture is sold for Qualified Proceeds or otherwise liquidated or repaid (including, without limitation, by way of a dividend or other distribution, a repayment of a loan or advance or other transfer of assets) for in whole or in part, the lesser of (A) the Qualified Proceeds with respect to such Restricted Investment, (less the cost of disposition, if any) and (B) the initial amount of such Restricted Investment, plus (iv) upon the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the lesser of (x) the fair market value of such Subsidiary or (y) the aggregate amount of all Investments made in such Subsidiary subsequent to the Issue Date by the Issuer and its Restricted Subsidiaries, plus (v) $15.0 million.

The foregoing provisions will not prohibit (i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture; (ii) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness or Equity Interests of the Issuer in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Issuer) of, other Equity Interests of the Issuer (other than any Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (c) (ii) of the preceding paragraph; (iii) the defeasance, redemption, repurchase, retirement or other acquisition of subordinated Indebtedness in exchange for, or with the net cash proceeds from, an incurrence of Permitted Refinancing Indebtedness; (iv) the payment of any dividend (or the making of a similar distribution or redemption) by a Restricted Subsidiary of the Issuer to the holders of its common Equity Interests on a pro rata basis; (v) so long as no Default or Event of Default shall have occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer, or any Restricted Subsidiary of the Issuer, held by any member of the Issuer's (or any of its Restricted Subsidiaries') management, employees or consultants pursuant to any management, employee or consultant equity subscription agreement or stock option agreement in effect as of the date of the Indenture; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed the sum of (A) $10.0 million and (B) the aggregate cash proceeds received by the Issuer from any reissuance of Equity Interests by the Issuer to members of management of the Issuer and its Restricted Subsidiaries (provided that the cash proceeds referred to in this clause (B) shall be excluded from clause (c)(ii) of the preceding paragraph); (vi) distributions made by the Issuer on the date of the Indenture, the proceeds of which are utilized solely to consummate the Recapitalization; and (vii) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Issuer issued after the date of the Indenture in accordance with the covenant described below

under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock."

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default or an Event of Default. For purposes of making such determination, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of this covenant. All such outstanding Investments will be deemed to constitute Investments in an amount equal to the greater of (i) the net book value of such Investments at the time of such designation and (ii) the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The amount of (i) all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment and (ii) Qualified Proceeds (other than cash) shall be the fair market value on the date of receipt thereof by the Issuer of such Qualified Proceeds. The fair market value of any non-cash Restricted Payment and Qualified Proceeds shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if such fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, the Issuer shall deliver to the Trustee an officers' certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant "Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and that the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Issuer or any of its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue shares of Disqualified Stock if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 1.75 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The Indenture also provides that the Issuer will not incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the New Debentures on substantially identical terms; provided, however, that no Indebtedness of the Issuer shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured.

The provisions of the first paragraph of this covenant will not apply to the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(i) Indebtedness of the Issuer and its Restricted Subsidiaries under Credit Facilities; provided that the aggregate principal amount of all Indebtedness (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuer and its Restricted Subsidiaries thereunder) outstanding under all Credit Facilities after giving effect to such incurrence, including all Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (i), does not exceed an amount equal to $270.0 million less the aggregate principal of all principal payments thereunder

constituting permanent reductions of such Indebtedness pursuant to and in accordance with the covenant described under "--Repurchase at the Option of Holders--Asset Sales;"

(ii) the incurrence by the Issuer of Indebtedness represented by the New Debentures and the incurrence by J. Crew Corp. and its Subsidiaries of Indebtedness represented by the Senior Subordinated Notes and any guarantee thereof;

(iii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Issuer or such Restricted Subsidiary, in an aggregate principal amount not to exceed $25.0 million at any time outstanding;

(iv) other Indebtedness of the Issuer and its Restricted Subsidiaries outstanding on the Issue Date;

(v) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to exist or be incurred;

(vi) the incurrence of intercompany Indebtedness (A) between or among the Issuer and any Wholly Owned Restricted Subsidiaries of the Issuer or (B) by a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary of the Issuer or a Wholly Owned Subsidiary; provided, however, that (i) if the Issuer is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the New Debentures and (ii)(A) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Wholly Owned Restricted Subsidiary of the Issuer and (B) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Wholly Owned Restricted Subsidiary of the Issuer shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Subsidiary, as the case may be;

(vii) the incurrence by the Issuer or any of the Guarantors of Hedging Obligations that are incurred for the purpose of fixing or hedging (i) interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of this Indenture to be outstanding or (ii) the value of foreign currencies purchased or received by the Issuer in the ordinary course of business;

(viii) Indebtedness incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Issuer or a Restricted Subsidiary in the ordinary course of business;

(ix) Indebtedness arising from guarantees of Indebtedness of the Issuer or any Subsidiary or the agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, or other guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or Capital Stock of a Restricted Subsidiary for the purpose of financing such acquisition, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(x) Indebtedness of a Receivables Subsidiary that is not recourse to the Issuer or any other Restricted Subsidiary of the Issuer (other than Standard Securitization Undertakings) incurred in connection with a Qualified Receivables Transaction;

(xi) the guarantee by any Restricted Subsidiary of the Issuer of Indebtedness of any Restricted Subsidiary of the Issuer that was permitted to be incurred by another provision of this covenant;

(xii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Acquired Debt in an aggregate principal amount at any time outstanding not to exceed $20.0 million;

(xiii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five business days of incurrence; and

(xiv) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (xiv), not to exceed $30.0 million.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xiv) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer shall, in its sole discretion, classify such item of Indebtedness in any manner that complies with this covenant and such item of Indebtedness will be treated as having been incurred pursuant to only one of such clauses or pursuant to the first paragraph hereof. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

Liens

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien securing Indebtedness or trade payables on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom for purposes of security, except Permitted Liens, unless (i) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the New Debentures, the New Debentures are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens, (with the same relative priority as such subordinate or junior Indebtedness shall have with respect to the New Debentures) and (ii) in all other cases, the New Debentures are secured by such Lien on an equal and ratable basis.

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(A) pay dividends or make any other distributions to the Issuer or any of its Restricted Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (B) pay any Indebtedness owed to the Issuer or any of its Restricted Subsidiaries, (ii) make loans or advances to the Issuer or any of its Restricted Subsidiaries or (iii) transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (A) the New Credit Facility and the Senior Subordinated Notes, as in effect as of the date of the Indenture, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive with respect to such dividend and other payment restrictions than those contained in the New Credit Facility or the Senior Subordinated Notes, as the case may be, as in effect on the date of the Indenture, (B) the Indenture and the Notes, (C) applicable law or any applicable rule, regulation or order, (D) any agreement or instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such

acquisition (except to the extent such agreement or instrument was created or entered into in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, (E) by reason of customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business and consistent with past practices, (F) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired, (G) any Purchase Money Note, or other Indebtedness or contractual requirements incurred with respect to a Qualified Receivables Transaction relating to a Receivables Subsidiary, (H) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced and (I) contracts for the sale of assets containing customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

Merger, Consolidation or Sale of Assets

The Indenture provides that the Issuer may not consolidate or merge with or into (whether or not the Issuer is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person unless (i) the Issuer is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation or limited liability company organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Issuer under the New Debentures and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) except in the case of a merger of the Issuer with or into a Wholly Owned Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary), the Issuer or the entity or Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock." For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer. The foregoing clause (iv) will not prohibit (a) a merger between the Issuer and a Wholly Owned Subsidiary of the Issuer created for the purpose of holding the Capital Stock of the Issuer, (b) a merger between the Issuer and a Wholly Owned Restricted Subsidiary of the Issuer or (c) a merger between the Issuer and an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another State of the United States so long as, in the case of each of clause (a), (b) and (c), the amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby.

Transactions with Affiliates

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or Investment in, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the

Issuer or such Restricted Subsidiary with an unrelated Person and (ii) the Issuer delivers to the Trustee (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1.0 million, a resolution of the Board of Directors set forth in an officers' certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to the holders of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing; provided that (v) transactions with suppliers or other purchasers or sales of goods or services, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture agreements) and otherwise in accordance with the terms of the Indenture which are fair to the Issuer, in the good faith determination of the Board of Directors of the Issuer or the senior management of the Issuer and are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, (w) any employment agreements, stock option or other compensation agreements or plans (and the payment of amounts or the issuance of securities thereunder) and other reasonable fees, compensation, benefits and indemnities paid or entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business of the Issuer or such Restricted Subsidiary to or with the officers, directors or employees of the Issuer or its Restricted Subsidiaries, (x) transactions between or among the Issuer and/or its Restricted Subsidiaries, (y) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Subsidiary in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction and (z) Restricted Payments (other than Restricted Investments) that are permitted by the provisions of the Indenture described above under the caption "--Restricted Payments," in each case, shall not be deemed Affiliate Transactions.

Business Activities

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses.

Reports

The Indenture provides that, whether or not required by the rules and regulations of the Commission, so long as any New Debentures are outstanding, the Issuer will furnish to the holders of New Debentures (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Issuer were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Issuer and its consolidated Subsidiaries and, with respect to the annual information only, a report thereon by the Issuer's certified independent accountants and (ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Issuer were required to file such reports, in each case within the time periods set forth in the Commission's rules and regulations. In addition, whether or not required by the rules and regulations of the Commission, at any time after the consummation of the Exchange Offer contemplated by the Registration Rights Agreement, the Issuer will file a copy of all such information and reports with the Commission for public availability within the time periods set forth in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, at all times that the Commission does not accept the filings provided for in the preceding sentence, the Issuer has agreed that, for so long as any New Debentures remain outstanding, they will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default and Remedies

The Indenture provides that each of the following constitutes an Event of Default (each an "Event of Default"): (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the New Debentures; (ii) default in payment when due of the principal of or premium, if any, on the New Debentures; (iii) failure by the Issuer or any of its Restricted Subsidiaries for 30 days after notice by the Trustee or by the holders of at least 25% in principal amount of New Debentures then outstanding to comply with the provisions described under the captions "--Repurchase at the Option of Holders--Change of Control" or "--Asset Sales" or "--Certain Covenants--Restricted Payments" or "--Incurrence of Indebtedness and Issuance of Preferred Stock;" (iv) failure by the Issuer or any of its Restricted Subsidiaries for 60 days after notice by the Trustee or by the holders of at least 25% in principal amount of New Debentures then outstanding to comply with any of its other agreements in the Indenture or the New Debentures; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by a failure to pay principal of such Indebtedness after giving effect to any grace period provided in such Indebtedness (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its stated maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $20 million or more; (vi) failure by the Issuer or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $20 million (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing), which judgments are not paid, discharged or stayed for a period of 60 days; and (vii) certain events of bankruptcy or insolvency with respect to the Issuer or any of its Significant Subsidiaries.

If any Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding New Debentures may declare all the New Debentures to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, all outstanding New Debentures will become due and payable without further action or notice. Upon any acceleration of maturity of the New Debentures, all principal of and accrued interest and Liquidated Damages, if any, on (if on or after October 15, 2002) or Accreted Value of and Liquidated Damages, if any, on (if prior to October 15, 2002) the New Debentures shall be due and payable immediately. Holders of the New Debentures may not enforce the Indenture or the New Debentures except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding New Debentures may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the New Debentures notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. In the event of a declaration of acceleration of the New Debentures because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (v) of the preceding paragraph, the declaration of acceleration of the New Debentures shall be automatically annulled if the holders of any Indebtedness described in clause (v) of the preceding paragraph have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such declaration and if (a) the annulment of the acceleration of New Debentures would not conflict with any judgment or decree of a court of competent jurisdiction and (b) all existing Events of Default, except nonpayment of principal or interest on the New Debentures that became due solely because of the acceleration of the New Debentures, have been cured or waived.

The holders of a majority in aggregate principal amount of the New Debentures then outstanding by notice to the Trustee may on behalf of the holders of all of the New Debentures waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the New Debentures.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer, as such, shall have any liability for any obligations of the Issuer under the New Debentures or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of New Debentures by accepting a New Debenture waives and releases all such liability. The waiver and release are part of the consideration for issuance of the New Debentures. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding New Debentures ("Legal Defeasance") except for (i) the rights of holders of outstanding New Debentures to receive payments in respect of the principal of, premium, if any, and interest and Liquidated Damages on such New Debentures when such payments are due from the trust referred to below, (ii) the Issuer's obligations with respect to the New Debentures concerning issuing temporary New Debentures, registration of New Debentures, mutilated, destroyed, lost or stolen New Debentures and the maintenance of an office or agency for payment and money for security payments held in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith and (iv) the Legal Defeasance provisions of the Indenture. In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the New Debentures. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "--Events of Default and Remedies" will no longer constitute an Event of Default with respect to the New Debentures.

In order to exercise either Legal Defeasance or Covenant Defeasance, (i) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the New Debentures, cash in U.S. dollars, non-callable government securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal amount at maturity of or Accreted Value (as applicable) of, premium, if any, and interest and Liquidated Damages on the outstanding New Debentures on the stated maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the New Debentures are being defeased to maturity or to a particular redemption date; (ii) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, subject to customary assumptions and exclusions, the holders of the outstanding New Debentures will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (iii) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, the holders of the outstanding New Debentures will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the financing of amounts to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are

concerned, at any time in the period ending on the 91st day after the date of deposit; (v) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound; (vi) the Issuer must have delivered to the Trustee an opinion of counsel to the effect that, subject to customary assumptions and exclusions (which assumptions and exclusions shall not relate to the operation of Section 547 of the United States Bankruptcy Code or any analogous New York State law provision), after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (vii) the Issuer must deliver to the Trustee an officers' certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of New Debentures over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and (viii) the Issuer must deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Transfer and Exchange

A holder may transfer or exchange New Debentures in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any New Debentures selected for redemption. Also, the Issuer is not required to transfer or exchange any New Debentures for a period of 15 days before a selection of New Debentures to be redeemed.

The registered holder of a New Debentures will be treated as the owner of it for all purposes.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the New Debentures may be amended or supplemented with the consent of the holders of at least a majority in principal amount at maturity of the New Debentures then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, New Debentures), and any existing default or compliance with any provision of the Indenture or the New Debentures may be waived with the consent of the holders of a majority in principal amount of the then outstanding New Debentures (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, New Debentures).

Without the consent of each holder affected, an amendment or waiver may not (with respect to any New Debentures held by a non-consenting holder): (i) reduce the principal amount of New Debentures whose holders must consent to an amendment, supplement or waiver, (ii) reduce the principal of or change the fixed maturity of any New Debentures or alter the provisions with respect to the redemption of the New Debentures (other than provisions relating to the covenants described above under the caption "--Repurchase at the Option of Holders") or amend or modify the calculation of the Accreted Value so as to reduce the amount of the Accreted Value of the New Debentures, (iii) reduce the rate of or change the time for payment of interest on any New Debenture, (iv) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the New Debentures (except a rescission of acceleration of the New Debentures by the holders of at least a majority in aggregate principal amount at maturity of the New Debentures and a waiver of the payment default that resulted from such acceleration), (v) make any New Debenture payable in money other than that stated in the New Debentures, (vi) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of New Debentures to receive payments of principal of or premium, if any, or interest on the New Debentures, (vii) waive a redemption payment with respect to any New Debenture (other than a payment required by one of the covenants described above under the caption "--Repurchase at the Option of Holders"), or (viii) make any change in the foregoing amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of New Debentures, the Issuer and the Trustee may amend or supplement the Indenture or the New Debentures to cure any ambiguity, defect or inconsistency, to provide for uncertificated New Debentures in addition to or in place of certificated New Debentures, to provide for the assumption of the Issuer's obligations to holders of New Debentures in the case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the holders of New Debentures or that does not adversely affect the legal rights under the Indenture of any such holder, to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

Concerning the Trustee

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The holders of a majority in principal amount at maturity of the then outstanding New Debentures will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of New Debentures, unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Book-Entry, Delivery and Form

The Old Debentures were offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A New Debentures"). New Debentures will be issued in registered, global form in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. The Global Debentures will be deposited upon issuance with the Trustee as custodian for DTC in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Debentures may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Debentures may not be exchanged for New Debentures in certificated form except in the limited circumstances described below. See "--Exchange of Book-Entry Debentures for Certificated Debentures." In addition, transfer of beneficial interests in the Global Debentures will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and CEDEL), which may change from time to time.

Initially, the Trustee will act as Paying Agent and Registrar with respect to the New Debentures. The New Debentures may be presented for registration of transfer and exchange at the offices of the Registrar.

Depository Procedures

DTC has advised the Issuer that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship

with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests and transfer of ownership interests of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it, (i) upon deposit of the Global Debentures, DTC will credit the accounts of Participants tendering Old Debentures with portions of the applicable Global Debentures and (ii) ownership of such interests in the Global Debentures will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Debentures).

Investors in the Global Debentures may hold their interests therein directly through DTC, if they are participants in such system, or indirectly through organizations (including Euroclear and CEDEL) which are participants in such system. Euroclear or CEDEL will hold interests in the Global Debentures on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear, and Citibank, N.A., as operator of CEDEL. The depositaries, in turn, will hold such interests in the Global Debentures in customers' securities accounts in the depositaries' names on the books of DTC. All interests in a Global Debenture, including those held through Euroclear or CEDEL, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or CEDEL may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Debenture to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having beneficial interests in a Global Debenture to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the New Debentures, see "--Exchange of Book-Entry Debentures for Certificated Debentures" and "--Exchange of Certificated Debentures for Book-Entry Debentures."

EXCEPT AS DESCRIBED BELOW, OWNERS OF INTERESTS IN THE GLOBAL DEBENTURES WILL NOT HAVE NEW DEBENTURES REGISTERED IN THEIR NAMES, WILL NOT RECEIVE PHYSICAL DELIVERY OF NEW DEBENTURES IN CERTIFICATED FORM AND WILL NOT BE CONSIDERED THE REGISTERED OWNERS OR HOLDERS THEREOF UNDER THE INDENTURE FOR ANY PURPOSE.

Payments in respect of the principal of, premium, if any, interest and Liquidated Damages, if any, on a Global Debenture registered in the name of DTC or its nominee will be payable by the Trustee to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Issuer and the Trustee will treat the persons in whose names the New Debentures, including the Global Debentures, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Issuer nor the Trustee has or will have any responsibility or liability for (i) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Debentures, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Debentures or (ii) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants. DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the New Debentures (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date, in amounts proportionate to their respective holdings in the principal amount of beneficial interest in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of New Debentures will be governed by standing instructions and customary

practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Issuer. Neither the Issuer nor the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the New Debentures, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and CEDEL participants, interests in the Global Debentures are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. See "--Same-Day Settlement and Payment."

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and CEDEL will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or CEDEL participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or CEDEL, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or CEDEL, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or CEDEL, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Debentures in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and CEDEL participants may not deliver instructions directly to the depositaries for Euroclear or CEDEL.

Because of time zone differences, the securities account of a Euroclear or CEDEL participant purchasing an interest in Global Debentures from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or CEDEL participant, during the securities settlement processing day (which must be a business day for Euroclear and CEDEL) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or CEDEL as a result of sales of interests in a Global Debenture by or through a Euroclear or CEDEL participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or CEDEL cash account only as of the business day for Euroclear or CEDEL following DTC's settlement date.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of New Debentures only at the direction of one or more Participants to whose account with DTC interests in the Global Debentures are credited and only in respect of such portion of the aggregate principal amount of the New Debentures as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the New Debentures, DTC reserves the right to exchange the Global Debentures for legended New Debentures in certificated form, and to distribute such New Debentures to its Participants.

The information in this section concerning DTC, Euroclear and CEDEL and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Although DTC, Euroclear and CEDEL have agreed to the foregoing procedures to facilitate transfers of interests in the Global Debentures among Participants in DTC, Euroclear and CEDEL, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Trustee will have any responsibility for the performance by DTC, Euroclear or CEDEL or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Book-Entry Debentures for Certificated Debentures

A Global Debenture is exchangeable for definitive New Debentures in registered certificated form if (i) DTC (x) notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Debentures and the Issuer thereupon fails to appoint a successor depositary or (y) has ceased to be a clearing agency registered under the Exchange Act, (ii) the Issuer, at its option, notifies the Trustee, in writing that it elects to cause the issuance of the New Debentures in certificated form or (iii) there shall have occurred and be continuing an Event of Default or any event which after notice or lapse of time or both would be an Event of Default with respect to the New Debentures. In addition, beneficial interests in a Global Debenture may be exchanged for certificated New Debentures upon request but only upon at least 20 days prior written notice given to the Trustee by or on behalf of DTC in accordance with its customary procedures. In all cases, certificated New Debentures delivered in exchange for any Global Debenture or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors," unless the Issuer determines otherwise in compliance with applicable law.

Same-Day Settlement and Payment

The Indenture requires that payments in respect of the New Debentures represented by the Global Debentures (including principal, premium, if any, and interest and Liquidated Damages, if any) be made by wire transfer of immediately available funds to the accounts specified by the Global Debentures holder. With respect to New Debentures in certificated form, the Issuer will make all payments of principal, premium, if any, interest and Liquidated Damages, if any, by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. The New Debentures represented by the Global Debentures are expected to be eligible to trade in the PORTAL market and to trade in the Depositary's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such New Debentures will, therefore, be required by the Depositary to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated New Debentures will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or CEDEL participant purchasing an interest in a Global Debenture from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or CEDEL participant, during the securities settlement processing day (which must be a business day for Euroclear and CEDEL) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or CEDEL as a result of sales of interests in a Global Debenture by or through a Euroclear or CEDEL participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or CEDEL cash account only as of the business day for Euroclear or CEDEL following DTC's settlement date.

Registration Rights; Liquidated Damages

Pursuant to the Registration Rights Agreement, the Issuer agreed to file with the Commission the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the New Debentures. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuer will offer to the holders of Transfer Restricted Securities pursuant to the Exchange Offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for New Debentures. If (i) the Issuer is not required to file the Exchange Offer Registration Statement or permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy or (ii) any holder of Transfer Restricted Securities notifies the Issuer within the specified time period that (A) it is prohibited by law or Commission policy from participating in the Exchange Offer (other than due solely to the status of such holder as an affiliate of the Issuer within the meaning of the Securities Act) or (B) that it may not resell the New Debentures acquired by it in the Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer

Registration Statement is not appropriate or available for such resales or (C) that it is a broker-dealer and owns Debentures acquired directly from the Issuer or an affiliate of the Issuer, the Issuer will file with the Commission a Shelf Registration Statement to cover resales of the Debentures by the holders thereof who satisfy certain conditions relating to the provision of information in connection with the Shelf Registration Statement. The Issuer will use its best efforts to cause the applicable registration statement to be declared effective as promptly as possible by the Commission. For purposes of the foregoing, "Transfer Restricted Securities" means each Debenture until (i) the date on which such Debenture has been exchanged by a person other than a broker-dealer for a New Debenture in the Exchange Offer, (ii) following the exchange by a broker-dealer in the Exchange Offer of a Debenture for a New Debenture, the date on which such New Debenture is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Debenture has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Debenture is distributed to the public pursuant to Rule 144 under the Act.

The Registration Rights Agreement will provide that (i) the Issuer will file an Exchange Offer Registration Statement with the Commission on or prior to 60 days after the Closing Date, (ii) the Issuer will use its best efforts to have the Exchange Offer Registration Statement declared effective by the Commission on or prior to 135 days after the Closing Date, (iii) unless the Exchange Offer would not be permitted by applicable law or Commission policy, the Issuer will commence the Exchange Offer and use its best efforts to issue within 180 days after the Issue Date New Debentures in exchange for all Debentures tendered prior thereto in the Exchange Offer and (iv) if obligated to file the Shelf Registration Statement, the Issuer will use its best efforts to file the Shelf Registration Statement with the Commission on or prior to 60 days after such filing obligation arises and to cause the Shelf Registration to be declared effective by the Commission on or prior to 135 days after such obligation arises. If (a) the Issuer fails to file any of the Registration Statements required by the Registration Rights Agreement on or before the date specified for such filing, (b) any of such Registration Statements is not declared effective by the Commission on or prior to the date specified for such effectiveness (the "Effectiveness Target Date"), or (c) the Issuer fails to consummate the Exchange Offer within 180 days after the Issue Date, or (d) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the Registration Rights Agreement (each such event referred to in clauses (a) through (d) above a "Registration Default"), then the Issuer will pay liquidated damages ("Liquidated Damages") determined as follows: to each holder of Debentures, with respect to such 90-day period immediately following the occurrence of the first Registration Default in an amount equal to $0.05 per week per $1,000 principal amount of Debentures held by such holder. The amount of the Liquidated Damages will increase by an additional $0.05 per week per $1,000 principal amount of Debentures with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of $0.25 per week per $1,000 principal amount of Debentures. All accrued Liquidated Damages will be paid by the Issuer to the Global Debenture holder by wire transfer of immediately available funds or by federal funds check and to holders of Certificated Debentures by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of Liquidated Damages will cease.

Holders of Debentures will be required to make certain representations to the Issuer (as described in the Registration Rights Agreement) in order to participate in the Exchange Offer and will be required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their Debentures included in the Shelf Registration Statement and benefit from the provisions regarding Liquidated Damages set forth above.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Accreted Value" means, as of any date of determination prior to October 15, 2002, with respect to any Debenture, the sum of (a) the initial offering price (which shall be calculated by discounting the aggregate principal amount at maturity of such Debenture at a rate of 13-1/8% per annum, compounded semi-annually on each April 15 and October 15 from October 15, 2002 to the date of issuance) of such Debenture and (b) the portion of the excess of the principal amount of such Debenture over such initial offering price which shall have been accreted thereon through such date, such amount to be so accreted on a daily basis at a rate of 13-1/8% per annum of the initial offering price of such Debenture, compounded semi-annually on each April 15 and October 15 from the date of issuance of the Debentures through the date of determination, computed on the basis of a 360-day year of twelve 30-day months.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person or assumed in connection with the acquisition of any asset used or useful in a Permitted Business acquired by such specified Person; provided that such Indebtedness was not incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, or such acquisition, as the case may be.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Asset Sale" means (i) the sale, lease (other than an operating lease), conveyance or other disposition of any assets or rights (including, without limitation, by way of a sale and leaseback) other than in the ordinary course of business consistent with past practices (provided that the sale, lease (other than an operating lease), conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "--Repurchase at the Option of Holders--Change of Control" and/or the provisions described above under the caption "--Certain Covenants--Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant), and (ii) the sale by the Issuer and the issue or sale by any of the Restricted Subsidiaries of the Issuer of Equity Interests of any of the Issuer's Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions that have a fair market value (as determined in good faith by the Board of Directors) in excess of $1.0 million or for net cash proceeds in excess of $1.0 million. Notwithstanding the foregoing: (i) a transfer of assets by the Issuer to a Wholly Owned Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary) or by a Wholly Owned Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary) to the Issuer or to a Wholly Owned Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary), (ii) an issuance of Equity Interests by a Restricted Subsidiary of the Issuer to the Issuer or to a Wholly Owned Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary), (iii) a Restricted Payment that is permitted by the covenant described above under the caption "--Restricted Payments," (iv) the sale and leaseback of any assets within 90 days of the acquisition of such assets, (v) foreclosures on assets, (vi) the clearance of inventory and (vii) the sale, conveyance or other disposition of accounts receivables and related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Subsidiary or by a Receivables Subsidiary, in connection with a Qualified Receivables Transaction, in each case, will not be deemed to be Asset Sales.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participation, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (i) securities issued or unconditionally and fully guaranteed or insured by the full faith and credit of the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (ii) obligations issued or fully guaranteed by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof
maturing within one year from the date
of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Ratings Group ("S&P") or Moody's Investors Service, Inc. ("Moody's"), (iii) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any lender party to the New Credit Facility or with any domestic commercial bank having capital and surplus in excess of $250.0 million, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (iii), above entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having one of the two of the highest ratings obtainable from either Moody's or S&P and in each case maturing within one year after the date of acquisition and (vi) investments in funds investing exclusively in investments of the types described in clauses (i) through (v) above.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than the Principals and their Related Parties (ii) the adoption of a plan relating to the liquidation or dissolution of the Issuer, (iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that (A) any "person" (as defined above), other than the Principal and their Related Parties, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly, of 40% or more of the Voting Stock of the Issuer (measured by voting power rather than number of shares) and (B) the Principals and their Related Parties beneficially own, directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Issuer than such other "person", (iv) the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors or (v) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Issuer is converted into or exchanged for cash, securities or other property, other than any such transaction where (A) the Voting Stock of the Issuer outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person and (B) the "beneficial owners" (as defined above) of the Voting Stock of the Issuer immediately prior to such transaction own, directly or indirectly through one or more subsidiaries, not less than a majority of the total Voting Stock of the surviving or transferee corporation immediately after such transaction.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income of such Person and its Restricted Subsidiaries), plus (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, plus (iii) consolidated interest expense of such Person and its Restricted

Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash charge that was paid in a prior period) of such Person and its Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income, plus (v) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or any of its Restricted Subsidiaries or secured by a Lien on assets of such Person or any of its Restricted Subsidiaries, in each case, to the extent that such interest expense is deducted in computing such Consolidated Net Income, minus (vi) non-cash items increasing such Consolidated Net Income for such period, in each case, on a consolidated basis and determined in accordance with GAAP. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash charges of, a Restricted Subsidiary of a Person shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, provided that (i) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary thereof, (ii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, and (iii) the cumulative effect of a change in accounting principles shall be excluded.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Issuer or any Holding Company of the Issuer who (i) was a member of such Board of Directors on the date of the Indenture immediately after consummation of the Recapitalization or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were either members of such Board at the time of such nomination or election or are successor Continuing Directors appointed by such Continuing Directors (or their successors).

"Credit Facilities" means, with respect to the Issuer, one or more debt facilities (including, without limitation, the New Credit Facility) or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time. Indebtedness under Credit Facilities outstanding on the Issue Date shall be deemed to have been incurred on such date in reliance on the exceptions provided by clauses (i) and (ii) of the definition of Permitted Debt.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date on which the Debentures mature;

provided, however, that a class of Capital Stock shall not be Disqualified Stock hereunder solely as the result of any maturity or redemption that is conditioned upon, and subject to, compliance with the covenant described above under the caption "--Certain Covenants--Restricted Payments;" and provided further, that Capital Stock issued to any plan for the benefit of employees of the Issuer or its subsidiaries or by any such plan to such employees shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer in order to satisfy applicable statutory or regulatory obligations.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means an offering of common stock (other than Disqualified Stock) of the Issuer, pursuant to an effective registration statement filed with the Commission in accordance with the Securities Act, other than an offering pursuant to Form S-8 (or any successor thereto).

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations; provided, however, that in no event shall any amortization of deferred financing costs incurred in connection with the Recapitalization be included in Fixed Charges) and (ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon) and (iv) the product of (a) (without duplication) (1) all dividends paid or accrued in respect of Disqualified Stock which are not included in the interest expense of such Person for tax purposes for such period and (2) all cash dividend payments on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividend payments on Equity Interests payable solely in Equity Interests (other than Disqualified Stock) of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the Issuer or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays or redeems any Indebtedness (other than revolving credit borrowings) or issues or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period. In addition, for purposes of making the computation referred to above, (i) acquisitions that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow and Fixed Charges for such reference period shall be calculated without giving effect to clause (ii) of the proviso set forth in the definition of Consolidated Net Income and shall reflect any pro forma expense and cost reductions attributable to such acquisitions (to the extent such expense and cost reduction would be permitted by the Commission to be reflected in pro forma financial statements included in a registration statement filed with the Commission), and (ii) the Consolidated Cash Flow and Fixed Charges attributable to discontinued operations, as determined in

accordance

with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded and Consolidated Cash Flow shall reflect any pro forma expense or cost reductions relating to such discontinuance or disposition (to the extent such expense or cost reductions would be permitted by the Commission to be reflected in pro forma financial statements included in a registration statement filed with the Commission), and (iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the referent Person or any of its Subsidiaries following the Calculation Date.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of the Indenture provided, however, that all reports and other financial information provided by the Issuer to the holders, the Trustee and/or the Commission shall be prepared in accordance with GAAP, as in effect on the date of such report or other financial information.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or the value of foreign currencies.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of others secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any indebtedness of any other Person. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (ii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "--Certain Covenants--Restricted Payments."

"Issue Date" means the date on which notes are first issued and authenticated under the Indenture.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any option or other agreement to sell or give a security interest therein).

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the extinguishment of any Indebtedness of such Person or any of its Subsidiaries and (ii) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of Indebtedness (other than Indebtedness under the Credit Facilities) secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"New Credit Facility" means that certain credit facility, dated as of October 17, 1997, by and among the J. Crew Corp., Holdings, Chase, DLJ and DLJ Capital Funding, as agents and lenders, providing for up to $70.0 million of term borrowings and $200.0 million of revolving credit borrowings, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, extended, modified, renewed, refunded, replaced or refinanced from time to time.

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Issuer nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), or (b) is directly or indirectly liable (as a guarantor or otherwise), and (ii) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Issuer or any of its Restricted Subsidiaries, including the stock of such Unrestricted Subsidiary.

"Obligations" means, with respect to any Indebtedness, any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Permitted Business" means the design, manufacture, importing, exporting, distribution, marketing, licensing and wholesale and retail sale of apparel, housewares, home furnishings and related items, and businesses reasonably related thereto.

"Permitted Investments" means (a) any Investment in the Issuer or in a Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary) (b) any Investment in Cash and Cash Equivalents; (c) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment (i) such Person becomes a Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary) or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer (other than a Receivables Subsidiary); (d) any Restricted Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "--Repurchase at the Option of Holders--Asset Sales" or any transaction not constituting an Asset Sale by reason of the $1.0 million threshhold contained in the definition

thereof; (e) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer; (f) Hedging Obligations entered into in the ordinary course of the Issuer's or its Restricted Subsidiaries' Businesses and otherwise in compliance with the Indenture; (g) loans and advances to employees and officers of the Issuer and its Restricted Subsidiaries in the ordinary course of business for bona fide business purposes not in excess of $5 million at any one time outstanding; (h) additional Investments not to exceed $25 million at any one time outstanding; (i) Investments in securities of trade creditors or customers received in settlement of obligations or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers; and (j) Investments by the Issuer or a Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Transaction, provided, that any Investment in any such Person is in the form of a Purchase Money Note, any equity interest or interests in accounts receivable and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such accounts receivable.

"Permitted Liens" means (i) Liens existing as of the Issue Date to the extent and in the manner such Liens are in effect on the Issue Date; (ii) Liens on assets of Restricted Subsidiaries securing Indebtedness of Restricted Subsidiaries permitted to be incurred under the Indenture; (iii) Liens securing the Debentures; (iv) Liens securing the Issuer's obligations under the New Credit Facility; (v) Liens of the Issuer or a Wholly Owned Restricted Subsidiary on assets of any Restricted Subsidiary of the Issuer; (vi) Liens securing Permitted Refinancing Indebtedness which is incurred to refinance any Indebtedness which has been secured by a Lien permitted under the Indenture and which has been incurred in accordance with the provisions of the Indenture, provided, however, that such Liens (A) are not materially less favorable to the holders and are not materially more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced and (B) do not extend to or cover any property or assets of the Issuer or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced; (vii) Liens for taxes, assessments or governmental charges or claims either (A) not delinquent or (B) contested in good faith by appropriate proceedings and as to which the Issuer or its Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP; (viii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, supplies, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent for a period of more than 60 days or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof; (ix) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance an other types of social security or similar obligations, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money); (x) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgement shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired; (xi) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not interfering in any material respect with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries; (xii) any interest or title of a lessor under any lease, whether or not characterized as capital or operating; provided that such Liens do not extend to any property or assets which is not leased property subject to such lease; (xiii) Liens securing Capital Lease Obligations and purchase money Indebtedness incurred in accordance with the covenant described under "-- Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock;" provided, however, that (A) the Indebtedness shall not exceed the cost of such property or assets being acquired or constructed and shall not be secured by any property or assets of the Issuer or any Restricted Subsidiary of the Issuer other than the property or assets of the Issuer or any Restricted Subsidiary of the Issuer other than the property and assets being acquired or constructed and (B) the Lien securing such Indebtedness shall be created within 90 days of such acquisition or construction; (xiv) Liens upon specific items of inventory or other goods and proceeds of any Person securing such

Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(xv) Liens securing reimbursement obligations

with respect to letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof; (xvi) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any of its Restricted Subsidiaries, including rights of offset an set-off; (xvii) Liens securing Hedging Obligations which Hedging Obligations relate to Indebtedness that is otherwise permitted under the Indenture; (xviii) Liens securing Acquired Debt incurred in accordance with the covenant described under "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock;" provided that (A) such Liens secured such Acquired Debt at the time of and prior to the incurrence of such Acquired Debt by the Issuer or a Restricted Subsidiary of the Issuer and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Debt by the Issuer or a Restricted Subsidiary of the Issuer and (B) such Liens do not extend to or cover any property or assets of the Issuer or any of its Restricted Subsidiaries other than the property or assets that secured the Acquired Debt prior to the time such Indebtedness became Acquired Debt of the Issuer or a Restricted Subsidiary of the Issuer and are not more favorable to the lienholders than those securing the Acquired Debt prior to the incurrence of such Acquired Debt by the Issuer or a Restricted Subsidiary of the Issuer; (xix) leases or subleases granted to others not interfering in any material respect with the business of the Issuer or its Restricted Subsidiaries; (xx) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business; and (xxi) Liens or assets of a Receivables Subsidiary arising in connection with a Qualified Receivables Transaction.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Issuer or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, prepay, retire, renew, replace, defease or refund Indebtedness of the Issuer or any of its Subsidiaries (other than such Indebtedness described in clauses (i), (vi), (vii), (viii), (ix), (x), (xi), (xiii) and (xiv) of the covenant described above under the caption "-- Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock"); provided that: (i) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued interest on, the Indebtedness so extended, refinanced, renewed, prepaid, retired, replaced, defeased or refunded (plus the amount of reasonable expenses incurred in connection therewith including premiums paid, if any, to the holders thereof); (ii) such Permitted Refinancing Indebtedness has a final maturity date at or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, prepaid, retired, replaced, defeased or refunded; (iii) if the Indebtedness being extended, refinanced, renewed, prepaid, retired, replaced, defeased or refunded is subordinated in right of payment to the Debentures, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the holders of Debentures as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (iv) such Indebtedness is incurred either by the Issuer or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Principals" means TPG Partners II, L.P., a Delaware limited partnership.

"Purchase Money Note" means a promissory note evidencing a line of credit, or evidencing other Indebtedness owed to the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Transaction, which note shall be repaid from cash available to the maker of such note, other than amounts required to be established as reserves pursuant to agreement, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated receivables.

"Qualified Proceeds" means any of the following or any combination of the following: (i) cash, (ii) Cash Equivalents, (iii) long-term assets that are used or useful in a Permitted Business and (iv) the Capital Stock of any Person engaged primarily in a Permitted Business if, in connection with the

receipt by the Issuer or any Restricted

Subsidiary of the Issuer of such Capital Stock, (a) such Person becomes a Wholly-Owned Restricted Subsidiary and a Guarantor or (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or any Wholly-Owned Restricted Subsidiary of the Issuer that is a Guarantor.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Issuer or any Restricted Subsidiary pursuant to which the Issuer or any Restricted Subsidiary may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any Restricted Subsidiary) and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any Restricted Subsidiary and any asset related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving accounts receivable.

"Receivables Subsidiary" means a Wholly Owned Restricted Subsidiary which engages in no activities other than in connection with the financing of accounts receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary (a) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Issuer nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Issuer or such other Restricted Subsidiary than those that might be obtained at the time from persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing accounts receivable, and (c) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of the Issuer shall be evidenced by the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an officers' certificate certifying, to the best of such officer's knowledge and belief after consulting with counsel, that such designation complied with the foregoing conditions.

"Related Party" with respect to any Principal means (A) any controlling stockholder or a majority of (or more) owned Subsidiary of such Principal or, in the case of an individual, any spouse or immediate family member of such Principal, or (B) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority (or more) controlling interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (A).

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the date hereof of the Indenture.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Issuer or any Restricted Subsidiary which are reasonably customary in an accounts receivable transaction.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total Voting Stock thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"Unrestricted Subsidiary" means any Subsidiary of the Issuer that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution; but only to the extent that such Subsidiary: (a) is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; (b) is a Person with respect to which neither the Issuer nor any of its Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (c) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any of its Restricted Subsidiaries. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with a Trustee a certified copy of the Board Resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing conditions and was permitted by the covenant described above under the caption "--Certain Covenants--Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness and issuance of preferred stock by a Restricted Subsidiary of the Issuer of any outstanding Indebtedness or outstanding issue of preferred stock of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness and preferred stock is permitted under the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock," and (ii) no Default or Event of Default would exist following such designation.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Subsidiary" of any Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

CERTAIN U.S. FEDERAL TAX CONSIDERATIONS

Exchange of Old Debentures for New Debentures

The following summary describes the principal U.S. federal income tax consequences of the exchange of the Old Debentures for New Debentures (the "Exchange") that may be relevant to a beneficial owner of Debentures that will hold the New Debentures as capital assets and that is a citizen or resident of the United States, or that is a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) one or more U.S. fiduciaries have the authority to control all of the trust's substantial decisions.

The Exchange pursuant to the Exchange Offer will not be a taxable event for U.S. federal income tax purposes. As a result, a holder of an Old Debenture whose Old Debenture is accepted in an Exchange Offer will not recognize gain on the Exchange. A tendering holder's tax basis in the New Debentures will be the same as such holder's tax basis in its Old Debentures. A tendering holder's holding period for the New Debentures received pursuant to the Exchange Offer will include its holding period for the Old Debentures surrendered therefor.

ALL HOLDERS OF OLD DEBENTURES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE EXCHANGE OF OLD DEBENTURES FOR NEW DEBENTURES AND OF THE OWNERSHIP AND DISPOSITION OF NEW DEBENTURES RECEIVED IN THE EXCHANGE OFFER IN VIEW OF THEIR OWN PARTICULAR CIRCUMSTANCES.

Tax Considerations for Non-United States Holders

The following is a general discussion of certain United States federal income and estate tax consequences of the acquisition, ownership and disposition of Debentures by an initial beneficial owner of Debentures that, for United States federal income tax purposes, is not a "United States person" (a "Non-United States Holder"), but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Debentures. This discussion is based upon the United States federal tax law now in effect, which is subject to change, possibly retroactively, which could affect the continued validity of this summary. For purposes of this discussion, a "United States person" means a holder of a Debenture who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof, an estate whose income is includable in gross income for United States federal income tax purposes regardless of its source or a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. The tax treatment of the holders of the Debentures may vary depending upon their particular situations. U.S. persons acquiring the Debentures are subject to different rules than those discussed below. In addition, certain other holders (including insurance companies, tax exempt organizations, financial institutions, subsequent purchasers of Debentures and broker-dealers) may be subject to special rules not discussed below. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States federal government. In general, the summary assumes that a Non-U.S. Holder acquires a Debenture at original issuance and holds such Debenture as a capital asset and not as part of a "hedge," "straddle," "conversion transaction," "synthetic security" or other integrated investment. Prospective investors are urged to consult their tax advisors regarding the United States federal tax consequences of acquiring, holding and disposing of Debentures, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction.

Interest

Interest paid by the Issuer to a Non-United States Holder will not be subject to United States federal income or withholding tax if such interest is not effectively connected with the conduct of a trade or business within the United States by such Non-United States Holder and Non-United States Holder (i) does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Issuer; (ii) is not a controlled foreign corporation with respect to which the Issuer is a "related person" within the meaning of the United States Internal Revenue Code of 1986 (the "Code") and (iii) certifies, under penalties of perjury, that such holder is not a United States person and provides such holder's name and address.

Gain on Disposition

A Non-United States Holder will generally not be subject to United States federal income tax on gain recognized on a sale, redemption or other disposition of a Debenture unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-United States Holder or (ii) in the case of a Non-United States Holder who is a nonresident alien individual and holds the Debenture as a capital asset, such holder is present in the United States for 183 or more days in the taxable year and certain other requirements are met.

Federal Estate Taxes

If interest on the Debentures is exempt from withholding of United States federal income tax under the rules described above, the Debentures will not be included in the estate of a deceased Non-United States Holder for United States federal estate tax purposes.

Information Reporting and Backup Withholding

The Issuer will, where required, report to the holders of Debentures and the Internal Revenue Service the amount of any interest paid on the Debentures in each calendar year and the amounts of tax withheld, if any, with respect to such payments.

In the case of payments of interest to Non-United States Holders, temporary Treasury regulations provide that the 31% backup withholding tax and certain information reporting will not apply to such payments with respect to which either the requisite certification, as described above, has been received or an exemption has otherwise been established; provided that neither the Issuer nor its payment agent has actual knowledge that the holder is a United States person or that the conditions of any other exemption are not in fact satisfied. Under temporary Treasury regulations, these information reporting and backup withholding requirements will apply, however, to the gross proceeds paid to a Non-United States Holder on the disposition of the Debentures by or through a United States office of a United States or foreign broker, unless the holder certifies to the broker under penalties of perjury as to its name, address and status as a foreign person or the holder otherwise establishes an exemption. Information reporting requirements, but not backup withholding, will also apply to a payment of the proceeds of a disposition of the Debentures by or through a foreign office of a United States broker or foreign brokers with certain types of relationships to the United States unless such broker has documentary evidence in its file that the holder of the Debentures is not a United States person, and such broker has no actual knowledge to the contrary, or the holder establishes an exception. Neither information reporting nor backup withholding generally will apply to payment of the proceeds of a disposition of the Debentures by or through a foreign office of a foreign broker not subject to the preceding sentence.

On October 14, 1997, the Treasury Department published final regulations regarding the withholding and information reporting rules discussed above. In general, the final regulations do not alter the substantive withholding and information reporting requirements but unify current certification procedures and forms and clarify reliance standards. The final regulations will generally be effective for payments made after December 31, 1998 subject to certain transition rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-United States Holder's United States federal income tax liability, provided that the required information is furnished to the Internal Revenue Service.

PLAN OF DISTRIBUTION

Each broker-dealer that receives New Debentures for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Debentures. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Debentures received in exchange for Old Debentures where such Old Debentures were acquired as a result of market-making activities or other trading activities. The Issuer and the Guarantors have agreed that they will make this Prospectus available to any Participating Broker- Dealer for a period of time not to exceed one year after the date on which the Exchange Offer is consummated for use in connection with any such resale. In addition, until such date, all broker-dealers effecting transactions in the New Debentures may be required to deliver a prospectus.

Neither the Issuer nor the Guarantors will receive any proceeds from any sale of New Debentures by broker-dealers. New Debentures received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Debentures or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Debentures. Any broker-dealer that resells New Debentures that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Debentures may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of New Debentures and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Starting on the Expiration Date, the Issuer and the Guarantors will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Issuer has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the holders of the Old Debentures) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Old Debentures (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the New Debentures have been passed upon for the Issuer by Cleary, Gottlieb, Steen & Hamilton, New York, New York. Certain legal matters relating to the New Debentures have been passed upon for the Initial Purchasers by Latham & Watkins, New York, New York.

EXPERTS

The consolidated financial statements of J. Crew Group, Inc. and subsidiaries, as of January 31, 1997 and February 2, 1996, and for the fiscal years ended February 3, 1995, February 2, 1996 and January 31, 1997, appearing in this Prospectus have been audited by Deloitte & Touche LLP, independent auditors as stated in their report appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

CHANGE IN ACCOUNTANTS

At a meeting held on October 9, 1997, the Board of Directors of the Company approved the engagement of KPMG Peat Marwick LLP as its independent auditors for the fiscal year ending January 1998 to replace the firm of Deloitte & Touche LLP, effective October 9, 1997.

The reports of Deloitte & Touche LLP on the financial of J. Crew Group, Inc. statements for the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the financial statements of J. Crew Group, Inc. for each of the two fiscal years ended January 31, 1997 and in the subsequent interim period, there were no disagreements with Deloitte & Touche LLP on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of Deloitte & Touche LLP would have caused Deloitte & Touche LLP to make reference to the matter in their report.

The Issuer has requested Deloitte & Touche LLP to furnish it a letter addressed to the Commission stating whether it agrees with the above statements. A copy of that letter, dated December 15, 1997 is filed as Exhibit 16.1 to this Registration Statement.

J. CREW GROUP, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
J. Crew Group, Inc.

We have audited the accompanying consolidated balance sheets of J. Crew Group, Inc. and subsidiaries as of February 2, 1996 and January 31, 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended January 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of J. Crew Group, Inc. and subsidiaries as of February 2, 1996 and January 31, 1997, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 31, 1997 in conformity with generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, in 1995, the Company changed its method of accounting for catalog costs to conform with the provisions of Statement of Position 93-7, "Reporting on Advertising Costs," and changed its method of accounting for merchandise inventories.

Deloitte & Touche LLP

New York, New York
March 31, 1997

J. CREW GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 2, 1996	January 31, 1997
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,529	$ 7,132
Accounts receivable (net of allowance for doubtful accounts of $4,824 and $4,357, respectively)	58,280	58,079
Merchandise inventories	148,055	197,657
Prepaid expenses and other current assets	54,311	58,318
Refundable income taxes	4,900	--
Total current assets	279,075	321,186
PROPERTY AND EQUIPMENT--at cost:		
Land	1,405	1,405
Buildings and improvements	11,360	11,167
Furniture, fixtures and equipment	38,703	43,537
Leasehold improvements	60,218	75,378
Construction in progress	2,128	4,063
	113,814	135,550
Less accumulated depreciation and amortization	41,005	49,121
	72,809	86,429
OTHER ASSETS	3,365	3,206
TOTAL ASSETS	$355,249	$410,821
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 71,415	$103,279
Other current liabilities	59,243	62,938
Deferred income taxes	13,739	12,555
Federal and state income taxes payable	2,185	9,955
Current portion of long-term debt	237	237
Total current liabilities	146,819	188,964
LONG-TERM DEBT	87,092	86,855
DEFERRED CREDITS AND OTHER LONG-TERM LIABILITIES	31,705	32,996
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
6% noncumulative preferred stock	1,579	1,579
8% cumulative preferred stock	500	500
Common stock	263	263
Additional paid-in capital	3,710	3,710
Retained earnings	89,477	101,850
Treasury stock, at cost	(5,896)	(5,896)
Total stockholders' equity	89,633	102,006
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$355,249	$410,821

See notes to consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	February 3, 1995	February 2, 1996	January 31, 1997
	(In thousands)		
Net sales	$724,756	$732,580	$795,931
Other revenues	12,969	13,329	12,912
Revenues	737,725	745,909	808,843
Cost of goods sold, including buying and occupancy costs	394,073	399,668	428,719
Gross profit	343,652	346,241	380,124
Selling, general and administrative expenses	311,468	327,672	348,305
Income from operations	32,184	18,569	31,819
Interest expense--net	6,965	9,350	10,470
Income before provision for income taxes, extraordinary item and cumulative effect of accounting changes	25,219	9,219	21,349
Provision for income taxes	10,300	3,700	8,800
Income before extraordinary item and cumulative effect of accounting changes	14,919	5,519	12,549
Extraordinary item--loss on early retirement of debt (net of income tax benefit of $1,200)	--	(1,679)	--
Cumulative effect of accounting changes (net of income taxes of $1,800)	--	2,610	--
Net income	$14,919	$6,450	$12,549

See notes to consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	February 3, 1995	February 2, 1996	January 31, 1997
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$14,919	$6,450	$12,549
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,110	10,272	10,541
Amortization of deferred financing costs	249	1,186	401
Deferred incomes taxes	(987)	10,131	(1,184)
Provision for losses on accounts receivable	7,956	7,277	6,945
Noncash compensation expense	1,901	1,142	--
Changes in operating assets and liabilities:			
Accounts receivable	(7,041)	(7,708)	(6,744)
Merchandise inventories	(35,409)	(10,417)	(49,602)
Prepaid expenses and other current assets	(4,349)	(12,444)	(4,007)
Other assets	(1,244)	(2,031)	(375)
Accounts payable	7,876	6,318	31,864
Other liabilities	2,504	(5,351)	3,439
Federal and state income taxes payable	7,289	(12,674)	12,670
Net cash provided by (used in) operating activities	1,774	(7,849)	16,497
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(14,595)	(18,466)	(27,462)
Proceeds from construction allowances	1,128	3,826	4,981
Net cash used in investing activities	(13,467)	(14,640)	(22,481)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	15,000	85,000	--
Repayment of long-term debt	(7,237)	(67,237)	(237)
Dividends paid	(1,000)	--	(176)
Net cash provided by (used in) financing activities	6,763	17,763	(413)
DECREASE IN CASH AND CASH EQUIVALENTS	(4,930)	(4,726)	(6,397)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,185	18,255	13,529
CASH AND CASH EQUIVALENTS, END OF YEAR	$18,255	$13,529	$7,132
SUPPLEMENTARY CASH FLOW INFORMATION:			
Income taxes paid (refunded)	$4,063	$7,000	$(3,600)
Interest paid	$6,520	$9,601	$9,880

See notes to consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	6% Noncumulative Preferred Stock Issued		8% Cumulative Preferred Stock Issued		Common Stock Issued		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stock-holders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
	(In thousands, except shares)									
BALANCE, JANUARY 28, 1994	15,794	$1,579	5,000	$500	262,912	$263	$1,827	$69,108	$(7,056)	$66,221
Net income	--	--	--	--	--	--	--	14,919	--	14,919
Issuance of 5,033 shares of common stock from treasury under stock bonus agreement	--	--	--	--	--	--	1,166	--	735	1,901
Dividends	--	--	--	--	--	--	--	(1,000)	--	(1,000)
BALANCE, FEBRUARY 3, 1995	15,794	1,579	5,000	500	262,912	263	2,993	83,027	(6,321)	82,041
Net income	--	--	--	--	--	--	--	6,450	--	6,450
Issuance of 2,898 shares of common stock from treasury under stock bonus agreement	--	--	--	--	--	--	717	--	425	1,142
BALANCE, FEBRUARY 2, 1996	15,794	1,579	5,000	500	262,912	263	3,710	89,477	(5,896)	89,633
Net income	--	--	--	--	--	--	--	12,549	--	12,549
Dividends	--	--	--	--	--	--	--	(176)	--	(176)
BALANCE, JANUARY 31, 1997	15,794	$1,579	5,000	$500	262,912	$263	$3,710	$101,850	$(5,896)	$102,006

See notes to consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED FEBRUARY 3, 1995, FEBRUARY 2, 1996 AND JANUARY 31, 1997

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation--The accompanying consolidated financial statements include the accounts of J. Crew Group, Inc. and its wholly-owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

b. Business--The Company, which operates in one business segment, designs, contracts for the manufacture of, markets and distributes men's, women's and children's apparel, accessories and home furnishings. The Company's products are marketed through catalogs and retail stores primarily in the United States. The Company is also party to a licensing agreement which grant the licensees exclusive rights to use the Company's trademarks in connection with the manufacture and sale of products in Japan. The license agreement provides for payments based on specified percentages of net sales.

The Company is subject to seasonal fluctuations in its merchandise sales and results of operations. The Company expects its sales and operating results generally to be lower in the first, and second quarters than in the third and fourth quarters (which include the back-to-school and holiday season) of each fiscal year.

A significant amount of the Company's products are produced in the Far East through arrangements with independent contractors. As a result, the Company's operations could be adversely affected by political instability resulting in the disruption of trade from the countries in which these contractors are located or by the imposition of additional duties or regulations relating to imports or by the contractor's inability to meet the Company's production requirements.

c. Fiscal Year--The Company's fiscal year ends on the Friday closest to January 31. The fiscal years 1994, 1995 and 1996 ended on February 3, 1995 (53 weeks), February 2, 1996 (52 weeks) and January 31, 1997 (52 weeks).

d. Cash Equivalents--For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments, with maturities of 90 days or less when purchased, to be cash equivalents. Cash equivalents, which were $9,700,000 and $1,968,000 at February 2, 1996 and January 31, 1997, are stated at cost, which approximates market value.

e. Accounts Receivable--Accounts receivable consists of installment receivables resulting from the sale of merchandise of Popular Club Plan, Inc. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers comprising the accounts receivable base. Finance charge income, which is included in other revenues, for the fiscal years 1994, 1995 and 1996 was $9,700,000, $9,354,000 and $9,095,000.

f. Merchandise Inventories--Merchandise inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market. The Company capitalizes certain design, purchasing and warehousing costs into inventory. (See Note 12.)

g. Catalog Costs--Catalog costs, which primarily consist of catalog production and mailing costs, are capitalized and amortized over the expected future revenue stream, which is principally from three to five months from the date catalogs are mailed. The Company accounts for catalog costs in accordance with the AICPA

Statement of Position ("SOP") 93-7, "Reporting on Advertising Costs." SOP 93-7 requires that the amortization of capitalized advertising costs should be the amount computed using the ratio that current period revenues for the catalog cost pool bear to the total of current and estimated future period revenues for that catalog cost pool. Deferred catalog costs, included in prepaid expenses and other current assets, as of February 2, 1996 and January 31, 1997 were $40,743,000 and $41,191,000. Catalog costs, which are reflected in selling and administrative expenses, for the fiscal years 1994, 1995 and 1996 were $112,979,000, $132,566,000, and $135,633,000. (See Note 12).

h. Property and Equipment--Property and equipment are stated at cost. Buildings and improvements are depreciated by the straight-line method over the estimated useful lives of the respective assets of twenty years. Furniture, fixtures and equipment are depreciated by the straight-line method over the estimated useful lives of the respective assets, ranging from three to ten years. Leasehold improvements are amortized over the shorter of their useful lives or related lease terms.

The Company receives construction allowances upon entering into certain store leases. These construction allowances are recorded as deferred credits and are amortized over the term of the related lease.

i. Other Assets--Other assets consist primarily of debt issuance costs which are amortized over the term of the related debt agreements.

j. Income Taxes--The provision for income taxes includes taxes currently payable and deferred taxes resulting from the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

k. Revenue Recognition--Revenue is recognized when merchandise is shipped to customers. The Company accrues a sales return allowance in accordance with its return policy for estimated returns of merchandise subsequent to the balance sheet date that relate to sales prior to the balance sheet date.

l. Store Preopening Costs--Costs associated with the opening of new retail and outlet stores are expensed as incurred.

m. Financial Instruments--The following disclosure about the fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The fair value of the Company's long-term debt, including current portion, is estimated to be approximately $93,500,000 and $89,100,000 at February 2, 1996 and January 31, 1997, and is based on management's estimate of the present value of future cash flows discounted at the current market rate for financial instruments with similar characteristics and maturity. The carrying amounts of long-term debt are $87,329,000 and $87,092,000 at February 2, 1996 and January 31, 1997. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term maturity of those financial instruments. The estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

The Company from time to time enters into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations. Gains and losses on these contracts are deferred and recognized as adjustments to the bases of those assets. Such gains and losses were not material.

At February 2, 1996, the Company had a forward foreign exchange contract outstanding with J. P. Morgan to deliver 230 million yen on March 29, 1996. At January 31, 1997, the Company had a forward foreign exchange contract outstanding with J. P. Morgan to deliver 235 million yen on March 31, 1997. These contracts are hedges

relating to foreign licensing revenues. The fair value of these contracts approximated carrying value due to their short-term maturities.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to the forward foreign exchange contract, but it does not expect any counterparties to fail to meet their obligation given their high-credit rating.

n. Use of Estimates in the Preparation of Financial Statements--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of--In March 1995, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." SFAS No. 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and is effective for fiscal years beginning after December 15, 1995. The adoption of SFAS No. 121 did not have an effect on the Company's financial position or results of operations.

p. Reclassifications--Certain items in prior years in specific captions of the consolidated financial statements and notes to financial statements have been reclassed for comparative purposes.

2. OTHER CURRENT LIABILITIES

Other current liabilities consist of:

	February 2, 1996	January 31, 1997
Customer liabilities.....	$18,827,000	$22,968,000
Accrued catalog and marketing costs.....	9,191,000	10,734,000
Taxes, other than income taxes.....	7,235,000	9,093,000
Other.....	23,990,000	20,143,000
Total.....	$59,243,000	$62,938,000

3. LONG-TERM DEBT

	February 2, 1996	January 31, 1997
Senior Notes(a).....	$85,000,000	$85,000,000
Industrial Development Revenue Bond, bearing interest at 73.33% of prime rate (8.25% at January 31, 1997); due in monthly principal payments of $19,737 from January 1, 1987 through December 1, 2005(b).....	2,329,000	2,092,000
.....	87,329,000	87,092,000
Less payments due within one year.....	(237,000)	(237,000)
Total.....	$87,092,000	$86,855,000

(a) In June 1995, the Company issued privately to institutional investors $85,000,000 of 8.1% Senior Notes (the "Senior Notes") due December 15, 2004. Interest on the Senior Notes is payable semiannually on June 15 and December 15. The Senior Notes are payable in annual installments of $4,000,000 in December 1998 and $13,500,000 from December 1999 through December 2004. The proceeds of this private placement were used to prepay $58,000,000 principal amount of senior notes then outstanding and for general corporate purposes.

The provisions of the note agreement and the credit agreement (see Note 4) include (i) requirements that the Company maintain minimum levels of tangible net worth, fixed charges coverage, current ratio and funded debt as a percentage of tangible net worth; and (ii) limitations on liens, sale and leaseback transactions, funded debt, payment of dividends and repurchases of capital stock, acquisitions, investments and sales of assets, among others.

(b) Property with a net carrying value of approximately $3,400,000 is encumbered as collateral under the Industrial Development Revenue Bond as of January 31, 1997 and February 2, 1996.

The maturities of long-term debt required during the next five fiscal years are:

Fiscal Year	Amount
1997	$ 237,000
1998	4,237,000
1999	13,737,000
2000	13,737,000
2001	13,737,000

4. LINES OF CREDIT

In March 1995, the Company entered into a $125 million syndicated revolving credit agreement (the "Credit Agreement") with a group of seven banks with J. P. Morgan as agent. The Credit Agreement provides for commitments for direct borrowings of up to $75 million and letters of credit of up to $125 million. Borrowings under the Credit Agreement are unsecured and bear interest, at the Company's option, at the base rate (defined as the higher of the bank's prime rate or the Federal funds rate plus .5%) or the London Interbank Offering Rate plus .5%. The Credit Agreement expires on March 31, 1998.

During fiscal 1994, 1995 and 1996, maximum borrowings under revolving credit agreements were $25,900,000, $49,000,000 and $55,000,000, and average borrowings were $6,600,000, $25,500,000 and $31,200,000. There were no borrowings outstanding under the Credit Agreement at February 2, 1996 or January 31, 1997.

Outstanding letters of credit issued to facilitate international merchandise purchases at February 2, 1996 and January 31, 1997 amounted to $25,850,000 and $37,800,000.

5. STOCKHOLDERS' EQUITY

The Company has authorized 1,000,000 shares of common stock, $1 par value; 20,000 shares of 6% noncumulative preferred stock, $100 par value; and 10,000 shares of 8% cumulative preferred stock, $100 par value. The common and preferred stock have the right to vote, with each share entitled to one vote.

The holders of the 8% cumulative preferred stock shall be entitled to receive cash dividends when, as and if declared by the Board of Directors, at the rate of 8% per annum on its par value in priority to the payment of any

dividends for other classes of stock during any year. Such dividends shall be cumulative from the date of issue, so that if applicable dividends for any past dividend period shall not have been paid thereon or declared and a sum sufficient for payment not set apart, the deficiency shall be fully paid or set apart, without interest, before any dividend shall be paid or set apart for any other class of stock.

The Company has agreements with its stockholders requiring the stockholders to offer preferred or common shares to the Company at prices computed in accordance with the agreements before disposing of these shares to others. The Company may, at its option, redeem shares of preferred stock at a price equal to the par value of the preferred stock.

At January 31, 1997, the Company had 34,925 shares of common stock, 6,455 shares of 6% noncumulative preferred stock and 2,495 shares of 8% cumulative preferred stock held in treasury.

6. COMMITMENTS AND CONTINGENCIES

a. Operating Leases--As of January 31, 1997, the Company was obligated under various long-term operating leases for retail and outlet stores, warehouses and office space and equipment requiring minimum annual rentals. These operating leases expire on varying dates to 2012. At January 31, 1997 aggregate minimum rentals in future periods are as follows:

Fiscal Year	Amount
1997.....	$27,949,000
1998.....	28,766,000
1999.....	26,591,000
2000.....	24,000,000
2001.....	22,003,000
Thereafter.....	116,438,000

Certain of these leases include renewal options and provide for contingent rentals based upon sales and require the lessee to pay taxes, insurance and other occupancy costs.

Rent expense for fiscal 1994, 1995 and 1996 was $25,902,000, $27,366,000 and $29,852,000, including percentage rent of $2,470,000, $2,197,000 and $2,850,000.

b. Employment Agreements--The Company is party to employment agreements with certain executives which provide for compensation and certain other benefits. The agreements also provide for severance payments under certain circumstances.

In connection with an employment agreement, the Company was obligated to pay to an employee a bonus based upon a predetermined formula, payable in shares of common stock at fair value and cash. In connection with the agreement, the Company issued 5,033 and 2,898 treasury shares during fiscal 1994 and 1995.

c. Litigation--The Company is involved in various legal proceedings, both as plaintiff and as defendant, which are routine litigations incidental to the conduct of its business. The Company believes that the ultimate resolution of these matters will not have a material effect on its financial position or results of operations.

7. EMPLOYEE BENEFIT PLAN

The Company has a thrift/savings plan pursuant to Section 401 of the Internal Revenue Code whereby all eligible employees may contribute up to 15% of their annual base salaries subject to certain limitations. The

Company's contribution is based on a percentage formula set forth in the plan agreement. Company contributions to the thrift/savings plan for fiscal 1994, 1995 and 1996 were $1,325,000, $1,478,000 and $1,680,000.

8. LICENSE AGREEMENTS

The Company has a licensing agreement through January 1998 with Itochu, a Japanese trading company. The agreement permits Itochu to distribute J. Crew merchandise in Japan. The Company earns royalty payments under the agreement based on the sales of its merchandise. Royalty income, which is included in other revenues, for fiscal 1994, 1995 and 1996 was $3,269,000, $3,975,000 and $3,817,000.

9. INTEREST EXPENSE--NET

Interest expense, net consists of the following:

	Fiscal 1994	Fiscal 1995	Fiscal 1996
Interest expense.....	$7,145,000	$9,548,000	$10,613,000
Interest income.....	(180,000)	(198,000)	(143,000)
Interest expense--net...	$6,965,000	$9,350,000	$10,470,000

10. INCOME TAXES

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". This statement requires the use of the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax expense represents the change in the deferred tax asset/liability balance.

The provision for income taxes consists of:

	Fiscal 1994	Fiscal 1995	Fiscal 1996
Current:			
Federal	$9,100,000	$(5,131,0000)	$9,384,000
State and local	2,187,000	500,000	600,000
	11,287,000	(4,631,000)	9,984,000
Deferred	(987,000)	8,331,000	(1,184,000)
Income taxes before tax effect of extraordinary item and cumulative effect of accounting changes	10,300,000	3,700,000	8,800,000
Extraordinary item--current	--	(1,200,000)	--
Cumulative effect of accounting changes--deferred .	--	1,800,000	--
Total provision for income taxes	$10,300,000	$4,300,000	$8,800,000

The difference between the provision for income taxes based on the U.S. Federal statutory rate and the Company's effective rate is due primarily to state income taxes.

	Fiscal 1994	Fiscal 1995	Fiscal 1996
Federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of Federal benefit	5.8	5.1	6.2
Effective tax rate	40.8%	40.1%	41.2%

The tax effect of temporary differences which give rise to deferred tax assets and liabilities are:

	February 2 1996	January 31, 1997
Deferred tax assets:		
Allowance for doubtful accounts...	$1,979,000	$1,769,000
State net operating loss carryforwards	1,100,000	1,300,000
Other	1,177,000	3,155,000
	4,256,000	6,224,000
Deferred tax liabilities:		
Prepaid catalog costs and other prepaid costs	(17,995,000)	(18,779,000)
Net deferred income taxes	$(13,739,000)	$(12,555,000)

11. EXTRAORDINARY ITEM

In June 1995, the Company prepaid $58 million principal amount of senior notes and recorded an extraordinary loss of $1,679,000 (net of an income tax benefit of $1,200,000), consisting of the write-off of deferred financing costs and redemption premiums related to the early retirement of debt.

12. ACCOUNTING CHANGES

Effective February 4, 1995, the Company changed its method of accounting for catalog costs to conform with the provisions of the SOP 93-7. SOP 93-7 requires that the amortization of capitalized advertising costs should be the amount computed using the ratio that current period revenues for the catalog cost pool bear to the total of current and estimated future period revenues for that catalog cost pool. Prior to fiscal 1995, such costs were amortized on a straight-line basis over the estimated productive life of the catalog. The cumulative effect of applying this change in accounting on prior periods was a decrease in net income of $1,600,000 (net of an income tax benefit of $1,000,000).

Effective February 4, 1995, the Company modified its inventory accounting practices to include the capitalization of certain design, purchasing and warehousing costs. Prior to this change, these costs were charged to expense in the period incurred rather than in the period in which the inventories were sold. The Company believes this change is preferable because it provides a better matching of revenues and costs and improves the comparability of operating results and financial position with those of other companies. The cumulative effect of applying this change in accounting on prior periods was an increase in net income of $4,210,000 (net of income taxes of $2,800,000).

The effect of these changes on fiscal 1995's results, excluding the cumulative effect, was to increase net income by $1,000,000. The pro forma effect of these changes on net income in fiscal 1994 would not have been material.

J. CREW OPERATING CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31, 1997	November 7, 1997 (unaudited)
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$7,132	$12,992
Accounts receivable (net of allowance for doubtful accounts of $4,357 and $4,670, respectively)	58,079	17,493
Merchandise inventories	197,657	260,506
Prepaid expenses and other current assets	58,318	69,467
Refundable income taxes	--	4,481
Total current assets	321,186	364,939
Property and equipment--at cost:	135,550	171,976
Less accumulated depreciation and amortization	(49,121)	(61,485)
	86,429	110,491
Other assets	3,206	17,961
Total assets	$410,821	$493,391
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable--bank	$ --	$47,000
Accounts payable	103,279	115,648
Other current liabilities	62,938	50,403
Federal and state income taxes payable	9,955	--
Deferred income taxes	12,555	12,555
Current portion of long-term debt	237	
Total current liabilities	188,964	225,606
Long-term debt	86,855	295,257
Deferred credits and other long-term liabilities	32,996	42,240
Total liabilities	308,815	563,103
Redeemable preferred stock	--	125,000
Stockholders' equity	102,006	(194,712)
Total liabilities, redeemable preferred stock and stockholders' equity	$410,821	$493,391

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Forty Week Period Ended	
	November 8, 1996 (Unaudited)	November 7, 1997 (Unaudited)
	(In thousands)	
Net sales	$528,351	$556,993
Other revenues	10,430	9,603
Revenues	538,781	566,596
Cost of goods sold, including buying and occupancy costs	292,056	310,865
Gross profit	246,725	255,731
Selling, general and administrative expenses	240,197	253,159
Income from operations	7,078	2,572
Interest expense--net	8,101	11,869
Expenses incurred in connection with recapitalization	--	19,851
Loss before income taxes and extraordinary items	(1,023)	(29,148)
Income tax benefit	450	5,050
Net loss before extraordinary item	$ (573)	$(24,098)
Extraordinary item--loss on refinancing of debt ($7,627 net of income tax benefit of $3,127)	--	(4,500)
Net loss	$ (573)	$(28,598)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Forty Week Period Ended	
	November 8, 1996 (Unaudited)	November 7, 1997 (Unaudited)
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(573)	$(28,598)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,625	10,191
Amortization of deferred financing costs	311	2,268
Provision for losses on accounts receivable	4,921	4,946
Changes in assets and liabilities providing/(using) cash:		
Accounts receivable	(3,204)	35,640
Merchandise inventories	(79,203)	(62,849)
Prepaid expenses and other current assets	(18,927)	(11,149)
Other assets	(590)	(464)
Accounts payable	55,853	12,369
Other liabilities	(11,134)	(9,018)
Income taxes payable	2,155	(14,436)
Net cash used in operating activities	(42,766)	(61,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(19,826)	(38,426)
Proceeds from construction allowances	4,879	8,745
Net cash used in investing activities	(13,042)	(28,265)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving credit agreement	55,000	47,000
Issuance of long-term debt	--	295,257
Costs incurred in connection with issuance of debt	--	(16,820)
Repayment of long-term debt	(178)	(87,092)
Issuance of preferred stock	--	125,000
Issuance of common stock	--	63,891
Distribution to stockholders	--	(316,688)
Preferred stock dividends	--	(14,318)
Expenses incurred in connection with recapitalization	--	(13,594)
Net cash provided by financing activities	54,822	95,225
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,891)	5,860
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	13,529	7,132
CASH AND CASH EQUIVALENTS, END OF PERIOD	$10,638	$12,992

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FORTY WEEK PERIODS ENDED NOVEMBER 8, 1996 AND NOVEMBER 7, 1997

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of J. Crew Group, Inc. ("Holdings") and its wholly-owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Prior to the Recapitalization, Holdings owned all of the stock, directly or indirectly, of its various operating subsidiaries. In connection with the Recapitalization, Holdings formed J. Crew Operating Corp. and immediately prior to the consummation of the Recapitalization, Holdings transferred substantially all of its assets and liabilities to J. Crew Operating Corp.

The consolidated balance sheet as of November 7, 1997 and the consolidated statements of operations and cash flows for the forty week periods ended November 8, 1996 and November 7, 1997 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position of the Company, the results of its operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Consolidated Financial Statements for the fiscal year ended January 31, 1997.

The results of operations for the forty week period ended November 7, 1997 are not necessarily indicative of the operating results for the full fiscal year.

2. RECAPITALIZATION TRANSACTION

The Company, its shareholders (the "Shareholders") and TPG Partners II, L.P. are parties to a Recapitalization Agreement dated July 22, 1997 as amended as of October 17, 1997 (the "Recapitalization Agreement") which provided for the recapitalization of the Company (the "Recapitalization"). Pursuant to the Recapitalization Agreement, the Company purchased from the Shareholders all outstanding shares of the Company's capital stock, other than shares of the Company's Common Stock held by existing shareholders and which represented 14.8% of the outstanding shares of the Company's Common Stock immediately following the transaction. In connection with the Recapitalization, the Company repaid substantially all of its preexisting debt obligations immediately before the consummation of the Recapitalization.

The Recapitalization Agreement was accounted for as a recapitalization transaction for accounting purposes.

3. LINES OF CREDIT

On October 17, 1997, in connection with the Recapitalization (as defined below), the Company entered into a syndicated revolving credit agreement of up to $200.0 million (the "Revolving Credit Agreement") with a group of banks with The Chase Manhattan Bank, as administrative and collateral agent (the "Administrative Agent"), and Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent. The Bank Facilities may be utilized to fund the working capital requirements of the Company's subsidiaries, including issuance of stand-by and trade letters of credit and bankers' acceptances. Borrowings under the Bank Facilities are secured by a perfected first priority security interest in all assets (except for the accounts receivable of Popular Club Plan, Inc.) of the Company's direct and indirect domestic, and to the extent no adverse tax consequences would result, foreign subsidiaries and bear interest, at the Company's option at a base rate equal to the Administrative Agent's Eurodollar

rate plus an applicable margin or an alternate base rate equal to the highest of the Administrative Agent's prime rate, a certificate of deposit rate plus 1% or the Federal Funds effective rate plus one-half of 1% plus, in each case, an applicable margin. The Revolving Credit Agreement matures on October 17, 2003. The Revolving Credit Agreement replaced the Company's previous revolving credit agreement which provided for commitments in an aggregate amount of up to $200.0 million, of which up to $120.0 million was available for direct borrowings.

During the forty week periods ended November 8, 1996 and November 7, 1997, maximum borrowings under the revolving credit agreements were $55,000,000 and $104,000,000, and average borrowings were $34,500,000 and $66,700,000. Borrowings outstanding under the Revolving Credit Agreement were $47,000,000 at November 7, 1997.

Outstanding letters of credit issued to facilitate international merchandise purchases at November 7, 1997 amounted to $37,400,000 million.

4. LONG TERM DEBT

The $70.0 million term loan is subject to the same interest rates and security terms as the revolving credit facility. The term loan is repayable in quarterly installments of $4.0 million from February 2001 through November 2001 and $6.75 million from February 2002 through November 2003. See Note 3, "Lines of Credit."

The $150.0 million Senior Subordinated Notes are unsecured general obligations of J. Crew Operating Corp. and are subordinated in right of payment to all senior debt. Interest on the notes will accrue at the rate of 10-3/8% per annum and will be payable semi-annually in arrears on April 15 and October 15. The notes will mature on October 15, 2007 and may be redeemed at the option of the issuer subsequent to October 15, 2002 at prices ranging from 105.188% in 2002 to 100% in 2005 and thereafter.

The Senior Discount Debentures were issued in aggregate principal amount of $142.0 million at maturity and will mature on October 15, 2008. These debentures are senior unsecured obligations of Holdings. Cash interest will not accrue prior to October 15, 2002 and the principal amount of the debentures will accrete at a rate of 13- 1/8% per annum and will be payable in arrears on April 15 and October 15 of each year. The Senior Discount Debentures may be redeemed at the option of Holdings on or after October 15, 2002 at prices ranging from 106.563% to 100% in 2005 and thereafter.

5. SECURITIZATION

In connection with the Recapitalization, a facility was entered into to securitize certain consumer loan installment receivables of Popular Club Plan, Inc. on a revolving basis. This securitization involved the transfer of receivables with limited recourse through a special purpose bankruptcy remote subsidiary to a trust in exchange for cash and subordinated certificates representing undivided interests in the pool of receivables and the subsequent sale by the trust of certificates of beneficial interest to third party investors. The Company has no obligation to reimburse the trust or the purchasers of beneficial interests for credit losses. This transaction has been accounted for as a sale in accordance with the provisions of Statement of Financial Accounting Standards No. 125 and accordingly the accounts receivable and the corresponding obligations are not reflected in the consolidated financial statements as of November 7, 1997. At November 7, 1997, $42.0 million of proceeds were received from the sale of accounts receivable and a loss on sale of $400,000 has been recognized in the statement of operations.

6. CAPITAL STOCK

Holdings' restated certificate of incorporation authorizes Holdings to issue capital stock consisting of:

(a) 100,000,000 shares of common stock; par value $.01 per share;

(b) 1,000,000 shares of Series A cumulative preferred stock; par value $.01 per share; and

(c) 1,000,000 shares of Series B cumulative preferred stock; par value $.01 per share.

In connection with the Recapitalization, Holdings issued 55,000 shares of Common Stock, 92,500 shares of Series A Preferred Stock and 32,500 shares of Series B Preferred Stock.

The preferred stock will have an initial liquidation value of $1,000 per share. The preferred stock will accumulate dividends at the rate of 14.5% per annum payable quarterly for periods ending on or prior to October 17, 2009. Shares of the preferred stock may be redeemed at the option of Holdings at redemption prices ranging from 103% of liquidation value at October 17, 1997 to 100% at October 17, 2000 and thereafter. On October 17, 2009, Holdings is required to redeem the Series B Preferred Stock and to pay all accumulated but unpaid dividends on the Series A Preferred Stock. Thereafter, the Series A Preferred Stock will accumulate dividends at the rate of 16.5% per annum.

* * * * * *

No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus and the accompanying Letter of Transmittal and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Exchange Agent. Neither this Prospectus nor the accompanying Letter of Transmittal, or both together, constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus, nor the accompanying Letter of Transmittal, or both together, nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof or thereof or that the information contained herein is correct at any time subsequent to the date hereof or thereof.

Until , 1998 (90 days after the date of this Prospectus), all dealers effecting transactions in the New Debentures, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of the dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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J. Crew Group, Inc.

Offer to Exchange

Series B 13-1/8% Senior Discount Debentures due 2008,

which have been registered under the Securities Act of 1933, as amended,

for any and all outstanding 13-1/8% Senior Discount Debentures due 2008

PROSPECTUS

_____ __, 1998

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

The Issuer's Articles of Incorporation provide that a person who is or was a director of the Issuer shall not have any personal liability to the corporation or its shareholders for damages for any breach of duty in such capacity, provided that the foregoing shall not eliminate or limit liability where such liability is imposed under the New York Business Corporation Law (the "NYBCL"). The By-Laws of the Issuer provide that except to the extent expressly prohibited by the NYBCL, the Issuer shall indemnify each person made or threatened to be made a party to or called as a witness in or asked to provide information in connection with any pending or threatened action, proceeding, hearing or investigation, whether civil or criminal, and whether judicial, quasi-judicial, administrative, or legislative, and whether or not for or in the right of the Issuer or any other enterprise, by reason of the fact that such person or such persons testator or intestate is or was a director or officer of the Issuer, or is or was a director or officer of the Issuer who also serves or served at the request of the Issuer any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be made if a judgment or other final adjudication adverse to such person establishes that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled, and provided further that no such indemnification shall be required with respect to any settlement or other nonadjudicated disposition of any threatened or pending action or proceeding unless the Issuer has given its prior consent to such settlement or other disposition.

In case any provision in the By-Laws of the Issuer relating to indemnification shall be determined at any time to be unenforceable in any respect, the affected provision shall be given the fullest possible enforcement in the circumstances, it being the intention of the Issuer to afford indemnification and advancement of expenses to its directors and officers, acting in such capacities or in the other capacities mentioned herein, to the fullest extent permitted by law. Section 722 of the NYBCL provides as follows:

Authorization for indemnification of directors and officers

(a) A corporation may indemnify any person made, or threatened to be made, a party to an action or proceeding (other than one by or in the right of the corporation to procure a judgment in its favor), whether civil or criminal, including an action by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the corporation served in any capacity at the request of the corporation, by reason of the fact that he, his testator or intestate, was a director or officer of the corporation, or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, if such director or officer acted, in good faith, for a purpose which he resonably believed to be in, or, in the case of service for any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise, not opposed to, the best interests of the corporation and, in criminal actions or proceedings, in addition, had no reasonable cause to believe that his conduct was unlawful.

(b) The termination of any such civil or criminal action or proceedings by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not in itself create a presumption that any such director or officer did not act, in good faith, for a purpose which he reasonably believed to be in, or, in the case of service for any other corporation or any partnership, joint venture, trust,

employee benefit plan or other enterprise, not opposed to, the best interests of the corporation or that he had reasonable cause to believe that his conduct was unlawful.

(c) A corporation may indemnify any person made, or threatened to be made, a party to an action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he, his testator or intestate, is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of any other corporation of any type or kind, domestic or foreign, of any partnership, joint venture, trust, employee benefit plan or other enterprise, against amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense or settlement of such actions, or in connection with an appeal therein, if such director or officer acted, in good faith, for a purpose which he reasonably believed to be in, or, in the case of service for any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise, not opposed to, the best interests of the corporation, except that no indemnification under this paragraph shall be made in respect of (1) a threatened action, or a pending action which is settled or otherwise disposed of, or (2) any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action was brought, or, if no action was brought, any court of competent jurisdiction, determines upon application that, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnify for such portion of the settlement amount and expenses as the court deems proper.

(d) For the purposes of this section, a corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to applicable law shall be considered fines; and action taken or omitted by a person with respect to an employee benefit plan in the performance of such person's duties for a purpose reasonably believed by such person to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

The Issuer maintains directors' and officers' liability insurance.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits. A list of exhibits included as part of this Registration Statement is set forth in the Exhibit Index which immediately precedes such exhibits and is hereby incorporated by reference herein.

(b) Financial Statement Schedules. Schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information is included in the financial statements or notes thereto.

Item 22. Undertakings.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plans annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or

paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf, thereunto duly authorized, in the City of New York, State of New York, on December 15, 1997.

J. CREW GROUP, INC.

By: /s/ Emily Woods

Name: Emily Woods
Title: Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below on this Registration Statement hereby constitutes and appoints Emily Woods and Michael P. McHugh, and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities (unless revoked in writing) to sign any and all amendments (including post-effective amendments thereto) to this Registration Statement to which this power of attorney is attached, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated, on December 15, 1997.

Signature	Title
/s/ Emily Woods Emily Woods	Director and Chief Executive Officer
/s/ David Bonderman David Bonderman	Director
/s/ James G. Coulter James G. Coulter	Director
/s/ Richard W. Boyce Richard W. Boyce	Director

Signature	Title
/s/ Michael P. McHugh Michael P. McHugh	Vice President Finance and Chief Financial Officer
/s/ Nicholas Lamberti Nicholas Lamberti	Vice President

EXHIBIT INDEX

Exhibit No.	Description
2.1	Recapitalization Agreement, dated as of July 22, 1997 between TPG Partners II, L.P. and J. Crew Group, Inc. (the "Recapitalization Agreement") NOTE: Pursuant to the provisions of paragraph (b)(2) of Item 601 of Regulation S-K, the Registrant hereby undertakes to furnish to the Commission upon request copies of any schedule to the Recapitalization Agreement.
2.2	Amendment to Recapitalization Agreement, dated as of October 17, 1997 between TPG Partners II, L.P. and J. Crew Group, Inc. (the "Amendment") NOTE: Pursuant to the provisions of paragraph (b)(2) of Item 601 of Regulation S-K, the Registrant hereby undertakes to furnish to the Commission upon request copies of any schedule to the Amendment.
3.1	Restated Certificate of Incorporation of J. Crew Group, Inc.
3.2	By-laws of J. Crew Group, Inc.
4.1	Stockholders' Agreement, dated as of October 17, 1997, among J. Crew Group, Inc. and the Stockholder signatories thereto
4.2	Stockholders' Agreement, dated as of October 17, 1997, among J. Crew Group, Inc., TPG Partners II, L.P. and Emily Woods (included as Exhibit B to the Woods Employment Agreement filed as Exhibit 10.1)
4.3	Indenture, dated as of October 17, 1997, between J. Crew Group, Inc. as issuer, and State Street Bank and Trust Company, as trustee, relating to the Debentures (the "Indenture")
4.4	Form of Series B 13-1/8% Senior Discount Debenture due 2008 of J. Crew Group, Inc. (the "New Debentures") (included as Exhibit B of the Indenture filed as Exhibit 4.2)
4.5	Credit Agreement, dated as of October 17, 1997, among J. Crew Group, Inc., J. Crew Operating Corp., the Lenders Party thereto, the Chase Manhattan Bank, as Administrative Agent, and Donaldson, Lufkin & Jenrette Securities Corporation, as Syndication Agent*
4.6	Guarantee Agreement dated as of October 17, among J. Crew Group, Inc., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank

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to be filed by amendment

Exhibit No.	Description
4.7	Indemnity, Subrogation and Contribution Agreement dated as of October 17, 1997, amonhg J. Crew Operating Corp., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank
4.8	Pledge Agreement, dated as of October 17, among J. Crew Operating Corp., J. Crew Group, Inc., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank
4.9	Security Agreement, dated as of October 17, among J. Crew Operating Corp., J. Crew Group, Inc., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank
4.10	Registration Rights Agreement, dated as of October 17, 1997 by and among J. Crew Group, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc. NOTE: Pursuant to the provisions of paragraph (b)(4)(iii) of Item 601 of Regulation S-K, the Registrant hereby undertakes to furnish to the Commission upon request copies of the instruments pursuant to which various entities hold long-term debt of the Company or its subsidiaries, none of which instruments govern indebtedness exceeding 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis.
5.1	Opinion of Cleary, Gottlieb, Steen & Hamilton regarding legality of the New Debentures
10.1	Employment Agreement, dated October 17, 1997, among J. Crew Group, Inc., J. Crew Operating Corp., TPG Partners II, L.P. (only with respect to Section 2(c) therein) and Emily Woods (the "Woods Employment Agreement")
10.2	J. Crew Operating Corp. Senior Executive Bonus Plan (included as Exhibit A to the Woods Employment Agreement filed as Exhibit 10.1)
10.3	Stock Option Grant Agreement, made as of October 17, 1997 between J. Crew Group Inc. and Emily Woods (time based)
10.4	Stock Option Grant Agreement, made as of October 17, 1997 between J. Crew Group Inc. and Emily Woods (performance based)
10.5	Letter Agreement between Matthew Rubel and J. Crew Group, Inc.*

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* to be filed by amendment

Exhibit No.	Description
10.6	Contract Carrier Agreement, between J. Crew Group, Inc. and United Parcel Service, Inc.
10.7	Custom Pricing Agreement, made November 15, 1996 between Federal Express Corporation and J Crew Group, Inc.
10.8	Lease dated as of October 21, 1981 between Vornado, Inc. and Popular Services, Inc.
10.9	Agreement of Sublease dated November 4, 1993 between Revlon Holdings Inc., as Sublessor, and Popular Club Plan, Inc., as Sublessee
10.10	Letter Agreement, dated July 29, 1996, between World Color and Clifford & Wills, Inc.
10.11	Agreement dated August 14, 1997 between R.R. Donnelley & Sons Company and J. Crew Inc.
10.12	Letter Agreement between David DeMattei and J. Crew Group, Inc.*
10.13	J. Crew Group, Inc. 1997 Stock Option Plan
16.1	Letter re Change in Certifying Accountant
21.1	Subsidiaries of J. Crew Group, Inc.
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Cleary, Gottlieb, Steen & Hamilton (included in its opinion filed as Exhibit 5.1)
25.1	Form T-1 with respect to the eligibility of State Street Bank and Trust Company with respect to the Indenture
27.1	Financial Data Schedule
99.1	Form of Letter of Transmittal
99.2	Form of Notice of Guaranteed Delivery
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99.4	Form of Letter to Clients

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* to be filed by amendment

EXECUTION COPY

RECAPITALIZATION AGREEMENT

by and among

THE SHAREHOLDERS LISTED ON SCHEDULE A HERETO,

as Sellers

J. CREW GROUP, INC.

and

TPG PARTNERS II, L.P.

as Buyer

July 22, 1997

TABLE OF CONTENTS

RECAPITALIZATION AGREEMENT

THIS AGREEMENT dated as of this 22nd day of July, 1997, by and among J. Crew Group, Inc., a New York corporation (the "Company"), the holders of shares of Common Stock listed on Schedule A hereto (each a "Seller," and collectively, the "Sellers"), and TPG Partners II, L.P., a Delaware limited partnership ("Buyer").

The parties hereto desire to effect a series of transactions pursuant to which, among other things, the Buyer will acquire from the Company equity securities of the Company, which securities will represent all of the economic value and voting power of the Company other than the Retained Shares (as defined below), and Sellers will sell to the Company all of their current equity ownership of the Company other than the Retained Shares.

Accordingly, in consideration of the premises and of the respective covenants and agreements contained herein, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

In this Agreement (including the recitals), except as expressly provided or as the context otherwise requires:

"Affiliate" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person will be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this agreement including all recitals, exhibits and the Disclosure Schedule relating hereto.

"Amended Charter" shall have the meaning given such term in Section 5.4 hereof.

"Business Day" means any day which is not a Saturday, Sunday or any other day on which banks in the State of New York are authorized or required by law to close.

"Closing" means the closing of the purchase and sale of the Recapitalization Shares and the Redeemed Shares pursuant to this Agreement.

"Closing Date" means the date on which the Closing occurs as determined by Section 2.2 of this Agreement.

"Closing Deadline" shall have the meaning given such term in Section 2.2 hereof.

"Closing Deliveries" means the deliveries specified by Section 2.3 of this Agreement.

"Closing Payments" means (a) the aggregate principal amount of indebtedness outstanding under the Senior Notes, the IRB Debt and the Revolving Facility on the Closing Date, (b) the aggregate amount of accrued and unpaid interest and any premium due on such indebtedness as of the Closing, (c) any unpaid fees or expenses due on such indebtedness as of the Closing, (d) the redemption price for all of the Preferred Shares as specified in the Company's Certificate of Incorporation as in effect on the date hereof, and, without duplication, (e) the aggregate amount of fees, costs and expenses set forth on Exhibit A hereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Shares" means all shares of Common Stock issued and outstanding on the date hereof.

"Common Stock" means the common stock, par value $1.00 per share, of the Company.

"Company Agreement" means any mortgage, indenture, note, agreement, contract, lease, license, franchise, obligation, instrument or other commitment, arrangement or understanding of any kind, to which the Company or a Subsidiary is a party or by which the Company or a Subsidiary or any of their respective property may be bound or affected.

"Confidentiality Agreement" means the Confidentiality Agreement between Buyer and the Company dated April 26, 1996.

"Debt" shall mean any liability in respect of (i) borrowed money, (ii) capitalized lease obligations, (iii) obligations under interest rate agreements and currency

agreements and (iv) guarantees of any of the foregoing, provided that Debt shall not include any New Financing.

"Disclosure Schedule" means the disclosure schedule relating to this Agreement.

"8% Preferred Shares" means all issued and outstanding shares of 8% Cumulative Preferred Stock, par value $100 per share, of the Company.

"Employee Benefit Plan" shall have the meaning given such term in Section 3.11 hereof.

"Employment/Consulting Agreement" shall have the meaning given such term in Section 7.6 hereof.

"Environmental Law" means any and all federal, state or local laws, ordinances or regulations relating to pollution, the protection of the environment and the discharge or release of materials into the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Financial Statements" means the audited consolidated balance sheets of the Company for the years ended February 3, 1995, February 2, 1996 and January 31, 1997, and the related statements of income, stockholders equity and cash flow for the periods then ended and the notes thereto accompanied by the report thereon of Deloitte & Touche LLP.

"GAAP" shall mean United States generally accepted accounting principles.

"Hazardous Material" shall mean any substance, chemical, compound, product, solid, gas, liquid, waste or byproduct which is classified or regulated as "hazardous" or "toxic" pursuant to any Environmental Law and includes, without limitation, asbestos, PCBs and petroleum (including crude oil or any fraction thereof).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnitee" shall mean the Buyer, Sellers or Company upon receipt by the Buyer, Sellers or Company of a Third Party Claim.

"Indemnitor" shall mean any of the Buyer, Sellers or Company upon receipt by the Buyer, Sellers or Company of a claim for indemnification from the Indemnitee pursuant to a Third Party Claim.

"Insider" shall have the meaning given such term in Section 3.15 hereof.

"Intellectual Property" means all of the following: (i) trademarks and service marks (registered or unregistered) and trade names, and all goodwill associated therewith; (ii) patents, patentable inventions, discoveries, improvements, ideas, know-how and processes; (iii) trade secrets and the right to limit the use or disclosure thereof; (iv) copyrights in all works; and (v) domain names.

"IRB Debt" means the aggregate principal amount outstanding under the Deed of Assumption, dated as of December 1, 1985, between the Industrial Development Authority of the City of Lynchburg, Virginia and the Company.

"Knowledge of Sellers", or words of similar import, means the actual knowledge of Arthur Cinader, Emily Woods and/or Michael McHugh.

"Leased Property" shall have the meaning given such term in Section 3.9 hereof.

"Legal Requirements" means all statutes, ordinances, codes, rules, regulations, standards, judgments, decrees, writs, rulings, injunctions, orders and other requirements of governmental, administrative or judicial entities that are material and applicable to the Company and any of its property.

"Lien" means any encumbrance, mortgage, charge, right or other security interest.

"Losses" means, in respect of Buyer or Sellers, any and all losses, liabilities, claims and reasonable expenses of defense thereof (including, without limitation, fees and disbursements of counsel, but excluding compensation paid to employees of Buyer or Sellers or their respective Affiliates, as

the case may be, in connection with such defense), Liens or other obligations of any nature whatsoever.

"Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition, properties or results of operations of the Company and its Subsidiaries, taken as a whole.

"Material Agreement" means each Company Agreement that is material to the business, operations, assets, financial condition or properties of the Company and its Subsidiaries, taken as a whole, including, without regard to materiality, each of the following Company Agreements:

(a) any mortgage, indenture, note, installment obligation or other instrument, agreement or arrangement for or relating to borrowing of money by the Company or a Subsidiary in excess of $100,000;

(b) any guaranty, direct or indirect, by the Company or a Subsidiary of any obligation for borrowed money, excluding endorsements made for collection in the ordinary course of business in excess of $100,000;

(c) any obligation to sell or to register the sale of any of the Common Shares or Preferred Shares or other securities of the Company or a Subsidiary;

(d) any obligation to make payments, contingent or otherwise, arising out of the prior acquisition of the business of other persons;

(e) any collective bargaining agreement with any labor union;

(f) any lease or similar arrangement for the use of personal property involving payments by the Company or a Subsidiary in excess of $100,000 per annum;

(g) any Company Agreement to which any Insider is a party;

(h) any Company Agreement providing for aggregate payments in excess of $100,000 per annum after the Closing that is not terminable by the Company or a Subsidiary on less than 180 days' notice without penalty;

(i) any Company Agreement containing non-competition covenants binding on the Company or a Subsidiary;

(j) any partnership, joint venture or similar agreement to which the Company or a Subsidiary is a party; and

(k) any employment contracts, arrangements, commitments or understandings of any kind with any officer, director, employee or consultant of the Company or a Subsidiary which may not be terminated by the Company or a Subsidiary without penalty upon not more than 90 days' notice, pursuant to which payments may be required to be made following the Closing.

"New Financing" shall have the meaning given such term in Section 5.3 hereof.

"Owned Property" shall have the meaning given such term in Section 3.9 hereof.

"Person" means and includes an individual, corporation, partnership (limited or general), joint venture, association, trust, limited liability company, any other unincorporated organization or entity and a governmental entity or any department or agency thereto.

"Preferred Shares" means the 6% Preferred Shares and the 8% Preferred Shares.

"Property Leases" shall have the meaning given such term in Section 3.9 hereof.

"Real Property" shall mean the Owned Property and the Leased Property.

"Recapitalization Purchase Price" shall have the meaning given such term in Section 2.1 hereof.

"Recapitalization Shares" shall have the meaning given such term in Section 2.1 hereof.

"Redeemed Shares" shall mean all of the Common Shares except the Retained Shares.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the outdoor environment.

"Retained Shares" shall mean the Common Shares retained by the Sellers pursuant to Section 5.16 hereof.

"Revolving Facility" means the $200,000,000 Credit Agreement, dated as of April 18, 1997, among the Company, as borrower, the Banks listed therein, the Issuing Banks listed therein, and Morgan Guaranty Trust Company of New York, as agent.

"Sellers Redemption Price" shall mean $347,770,000 less the sum of (i) the value of the Retained Shares as set forth in Section 5.16 of this Agreement and (ii) $1,184,400, representing the amount necessary to redeem the Preferred Shares pursuant to Section 2.3(a).

"Senior Notes" means the Company's 8.10% Senior Notes due 2004.

"6% Preferred Shares" means all issued and outstanding shares of 6% Noncumulative Preferred Stock, par value $100 per share, of the Company.

"Subsidiaries" or "Subsidiary" shall mean any corporation of which the Company, directly or indirectly, owns a majority of the common stock or has the power to vote or direct the voting of sufficient securities to elect a majority of the board of directors of such corporation, including, but not limited to, those corporations listed in Section 3.2 of the Disclosure Schedule.

"Tax" or "Taxes" means all taxes, charges, fees, levies or other assessments, and all estimated payments thereof, including but not limited to income, excise, property, sales, use, value added, environmental, franchise, payroll, transfer, gross receipts, withholding, social security, and unemployment taxes, imposed by any federal, state, county or local government, or any subdivision or agency thereof, and any interest, penalties and expenses relating to such taxes, charges, fees, levies or other assessments.

"Tax Returns" means all federal, state and local Tax returns, reports and declarations which are due and required to be filed by any applicable Tax law.

"Third Party Claim" shall have the meaning given such term in Section 9.4.

SECTION 2. PURCHASE AND REDEMPTION OF SHARES

2.1. Purchase and Redemption of Shares. Upon and subject to the terms and conditions of this Agreement, Buyer agrees to purchase from the Company, and the Company agrees to sell to the Buyer 48,400 shares of Common Stock, which immediately following the Closing will constitute eighty-eight percent (88%) of all of the outstanding common equity securities of the Company and all of the then outstanding common equity securities of the Company other than the Retained Shares (the "Recapitalization Shares"). The aggregate purchase price payable for the Recapitalization Shares by the Buyer (the "Recapitalization Purchase Price") shall be the amount equal to $549,600,000, less (i) the amount of proceeds from the New Financing which the Company actually receives and (ii) the value of the Retained Shares as set forth in Section 5.16 of this Agreement. Buyer shall provide, or shall cause one or more other Persons to provide, to the Company the New Financing. Under no circumstances shall the failure of the Company or the Buyer to obtain the New Financing relieve the Buyer of its obligation to purchase the Recapitalization Shares for the Recapitalization Purchase Price at the Closing. The Buyer shall pay the Recapitalization Purchase Price in cash, by wire transfer of immediately available funds to the account of the Company as designated by the Company. Simultaneously with the purchase of the Recapitalization Shares by the Buyer, the Company shall redeem from the Sellers all of the Redeemed Shares for the Sellers Redemption Price. The Sellers Redemption Price shall be allocated among the Redeemed Shares in the manner set forth on Schedule A hereto.

2.2. Closing.

(a) Subject to the satisfaction or waiver of the conditions set forth in Sections 6 and 7 of this Agreement (other than those requiring Closing Deliveries), the Closing will take place at the offices of Willkie Farr & Gallagher, at 10:00 A.M. on a date to be mutually agreed upon by the Sellers and Buyer (the "Closing Date"), which date shall not be more than 90 days from and after the date hereof (the "Closing Deadline"), or at such other time and place as the parties may agree. Buyer shall

use its best efforts to cause the Closing Date to occur not more than 60 days from and after of the date hereof.

(b) If the Closing occurs at or before 12:00 noon New York time on the Closing Date, the Closing will be effective as of the start of business on the Closing Date; otherwise, the Closing will be effective as of the start of business on the day following the Closing Date.

(c) Two business days prior to the Closing Date, the Company shall deliver to Buyer a certificate of the Chief Financial Officer of the Company, reflecting the best available estimates of the Company of the amounts, as of the date thereof, of the fees, costs and expenses set forth on Exhibit A of this Agreement. To the extent that the amounts set forth in such certificate, in the aggregate, exceed the aggregate of the corresponding amounts set forth on Exhibit A of this Agreement by at least $100,000, the Sellers Redemption Price payable to the Sellers at the Closing shall be reduced by the amount by which such excess exceeds $100,000 (which reduction shall be allocated to the Sellers in proportion to the amounts set forth opposite their names on Schedule A hereto).

2.3. Deliveries and Actions at the Closing. Subject to the satisfaction or waiver of the conditions set forth in Sections 6 and 7 hereof, at and in connection with the Closing:

(a) the Company shall redeem the Preferred Shares at the per share redemption price set forth in the Company's Certificate of Incorporation as in effect on the date hereof;

(b) the Company shall file the Amended Charter as provided in Section 5.4 hereof;

(c) the Company shall borrow funds under the New Financing;

(d) the Company shall deliver to the Buyer:

(i) certificates representing the Recapitalization Shares; and

(ii) all opinions, certificates and other instruments or documents contemplated under

Section 6 to be delivered by the Company at or prior to the Closing;

(e) the Sellers shall deliver to the Company or the Buyer, as the case may be, all opinions, certificates and other instruments or documents contemplated under Section 6 to be delivered by the Sellers at or prior to the Closing;

(f) the Sellers shall deliver to the Company certificates representing the Redeemed Shares duly endorsed for transfer;

(g) the Buyer shall deliver to the Company the Recapitalization Purchase Price in immediately available federal funds by wire transfer to the bank account or accounts designated by the Company prior to the Closing;

(h) the Company shall (i) deliver to the Sellers the Sellers Redemption Price in immediately available federal funds by wire transfer to the bank account or accounts designated by the Sellers prior to the Closing and (ii) pay, or make arrangements to pay, the Closing Payments; and

(i) the Buyer shall deliver to the Company and the Sellers all opinions, certificates and other instruments and documents contemplated under Section 7 to be delivered by the Buyer at or prior to the Closing.

SECTION 3.1. REPRESENTATIONS AND WARRANTIES REGARDING SELLERS AND THE COMPANY

Except as disclosed in this Agreement, Sellers hereby represent and warrant to Buyer as follows:

3.1. Organization and Good Standing of the Company. The Company is duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New York, and has the corporate power and authority to own, lease and operate the property used in its business and to carry on its business as now being conducted. The Company is registered to do business and is in good standing in all jurisdictions in which the character of the properties owned or held under lease by it makes qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse

Effect. Sellers have made available to Buyer true and complete copies of the Certificate of Incorporation and all amendments thereto of the Company and each Subsidiary to the date hereof and the By-Laws of the Company and each Subsidiary as in effect on the date hereof. The minute and stock transfer books of the Company have been made available to Buyer and the originals thereof will be delivered to Buyer at Closing.

3.2. Subsidiaries. Except as set forth in Section 3.2 of the Disclosure Schedule, the Company does not own, directly or indirectly, any debt, shares or other equity interest or securities in any corporation, partnership, joint venture or other Person, and has no agreement or commitment to purchase any such interest. Except as set forth in Section 3.2 of the Disclosure Schedule, each Subsidiary is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate the property used in its business and to carry on its business as now being conducted, except where the failure to be in good standing would not have a Material Adverse Effect. Except as set forth in Section 3.2 of the Disclosure Schedule, each Subsidiary is registered to do business and is in good standing in all jurisdictions in which the character of the properties owned or held under lease by such Subsidiary makes qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Except as set forth in Section 3.2 of the Disclosure Schedule, all of the outstanding shares of capital stock of each Subsidiary of the Company are validly issued, fully paid and non-assessable and none of the Subsidiaries owns or controls, directly or indirectly, any other equity interest in any corporation, partnership, joint venture, limited liability company, trust, firm or other entity. Except as set forth in Section 3.2 of the Disclosure Schedule, the Company owns, directly or through a Subsidiary, 100% of the outstanding capital stock of each Subsidiary and there is no security, option, warrant, right, call, subscription agreement, commitment or understanding of any nature whatsoever to which the Company or the Sellers is a party, that directly or indirectly (i) calls for the issuance, sale, pledge or other disposition of any shares of capital stock of the Subsidiaries or any securities convertible into, or other rights to acquire, any shares of capital stock of the Subsidiaries, (ii) obligates the Company or the Sellers to grant, offer or enter

into any of the foregoing or (iii) relates to the voting or control of such capital stock, securities or rights.

3.3. Capitalization; Title to Shares. The authorized capital stock of the Company consists of (i) 1,000,000 shares of Common Stock of which 227,988 shares are issued and outstanding, (ii) 20,000 shares of 6% Preferred Shares of which 9,339 shares are issued and outstanding and (iii) 10,000 shares of 8% Preferred Shares of which 2,505 shares are issued and outstanding. All of the Common Shares have been validly authorized and issued, and are fully paid and nonassessable. Section 3.3 of the Disclosure Schedule sets forth the record and beneficial owners of all of the Common Shares and Preferred Shares. Except as contemplated by this Agreement, or as set forth in Section 3.3 of the Disclosure Schedule, there is no security, option, warrant, right, call, subscription agreement, commitment or understanding of any nature whatsoever to which any of the Sellers or the Company is a party, that directly or indirectly (i) calls for the issuance, sale, pledge or other disposition of any shares of capital stock of the Company or any securities convertible into, or other rights to acquire, any shares of capital stock of the Company, (ii) obligates Sellers or the Company to grant, offer or enter into any of the foregoing or (iii) relates to the voting or control of such capital stock, securities or rights. Except as set forth in Section 3.3 of the Disclosure Schedule, Sellers have good and marketable title to the Common Shares, free and clear of any Liens.

3.4. Authority, Approvals and Consents. The Company has the corporate power and authority to execute, deliver and perform this Agreement and, subject to the requisite approval of the filing of the Amended Charter by the shareholders of the Company, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized and approved by the board of directors of the Company and, except for the requisite approval of the filing of the Amended Charter by the shareholders of the Company, no other proceedings on the part of the Company are necessary to authorize and approve this Agreement or any of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding bligation of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization,

moratorium, or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies. This Agreement has been duly executed and delivered by the Sellers and constitutes a valid and binding obligation of each Seller, enforceable against such Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies. Except as otherwise set forth in Section 3.4 of the Disclosure Schedule, the execution, delivery and performance of this Agreement by the Company and the Sellers and the consummation of the transactions contemplated hereby do not and will not:

(a) contravene any provisions of the Certificate of Incorporation or By-Laws of the Company;

(b) (after notice or lapse of time or both) conflict with, result in a breach of any provision of, constitute a default under, result in the modification or cancellation of, or give rise to any right of prepayment under or termination in respect of, any contract, agreement, commitment, understanding or arrangement of any kind to which Sellers or the Company is a party or to which Sellers or any of Company's or any Subsidiary's property is subject which is likely to have a Material Adverse Effect;

(c) violate or conflict with any Legal Requirements applicable to Sellers, the Company or any Subsidiary, except where such violation or conflict would not have a Material Adverse Effect; or

(d) except for filings under the HSR Act, require any authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualification with, any governmental, administrative or judicial authority which if not obtained or made is likely to have a Material Adverse Effect.

3.5. Financial Statements. The Financial Statements attached hereto as Section 3.5 of the Disclosure Schedule have been prepared in accordance with the books and records of the Company and its Subsidiaries and fairly present in all material respects the financial position of the Company and its Subsidiaries as of the dates indicated and the results of

operations of the business of the Company and its Subsidiaries for the periods indicated, in conformity with GAAP applied on a consistent basis.

3.6. Absence of Material Adverse Change; Conduct of Business. Except as set forth in Section 3.6 of the Disclosure Schedule or reflected in the most recent Financial Statements of the Company, since the date of the most recent Financial Statements, the business of the Company and its Subsidiaries has been conducted in the ordinary course of business and the Company and its Subsidiaries have not: (i) experienced or suffered any change, occurrence or event that has had a Material Adverse Effect; (ii) sold or otherwise disposed of any assets or properties material to the Company and its Subsidiaries, taken as a whole, other than sales of inventory in the ordinary course of business; (iii) waived, released or canceled any rights or indebtedness owing to the Company or any Subsidiary that are material to the Company and its Subsidiaries, taken as a whole, or prepaid any interest on any Debt; (iv) made any material changes in its accounting systems, policies, principles or practices; (v) acquired or leased any assets material to the Company and its Subsidiaries, taken as a whole, other than in the ordinary course of business; or (vi) taken any of the actions addressed by Section 5.12(h) of this Agreement.

3.7. Taxes. Except as set forth in Section 3.7 of the Disclosure Schedule, each of the Company and its Subsidiaries has filed all Tax Returns required to be filed by any of them, and has paid (or the Company has paid on its behalf), or has set up an adequate reserve for the payment of, all material Taxes required to be paid in respect of the periods covered by such Tax Returns. The information contained in such Tax Returns is true, complete and accurate, except where a failure to be so would not have a Material Adverse Effect. Except as set forth in Section 3.7 of the Disclosure Schedule: (A) the income Tax Returns have been examined by the Internal Revenue Service or the appropriate state, local or foreign taxing authority or the period of assessment of the Taxes in respect of which such returns were required to be filed has expired; (B) neither the Company nor any Subsidiary of the Company is delinquent in the payment of any material Tax, assessment or governmental charge; (C) no material deficiencies for any Tax have been proposed, asserted or assessed against the Company or any of its Subsidiaries that have not been finally settled or paid in full, or for which adequate reserves have not been set aside for the payment thereof; and (D) no

requests for waivers of the time to assess any such Tax are pending.

3.8. Legal Matters. Except as set forth in Section 3.8 of the Disclosure Schedule, (i) there is no claim, action, suit, litigation, formal investigation or proceeding pending against, or, to the Knowledge of Sellers, threatened in writing against, the Company or any Subsidiary before or by any court, arbitrator, panel, agency or other governmental, administrative or judicial entity which is likely to have a Material Adverse Effect and (ii) neither the Company nor any Subsidiary is subject to any judgment, decree, writ, injunction or order of any governmental, administrative or judicial authority which is likely to have a Material Adverse Effect. The business of the Company is being conducted in compliance with all Legal Requirements, except where the failure to comply would not have a Material Adverse Effect. Except as set forth in Section 3.8 of the Disclosure Schedule, as of the date of this Agreement, the Company has not received any written notice asserting any noncompliance with any Legal Requirement, except for such failures as would not have a Material Adverse Effect.

3.9. Real Property.

(a) Set forth in Section 3.9 of the Disclosure Schedule are (i) a complete list of all real property (the "Owned Property") owned by the Company or a Subsidiary of the Company that is material to the Company and its Subsidiaries considered as a whole; (ii) a complete list of all real property (the "Leased Property") with respect to which the Company or any Subsidiaries are parties to a lease, sublease, license or other occupancy agreement, together with a list of each lease, sublease, license or other agreement or understanding pursuant to which any party other than the Company or a Subsidiary occupies such Leased Property; and (iii) a complete list of each lease, sublease, license or other agreement or understanding, oral or written, pursuant to which any party other than the Company or a Subsidiary occupies all or any part of the Owned Property or the Leased Property. (The Owned Property and the Leased Property are sometimes collectively referred to as the "Real Property.") True and complete copies of all leases, subleases, licenses and other documents, instruments, agreements and understandings to which the Company or a Subsidiary is a party, whether as lessee,

lessor, sublessee, sublessor, licensee or licensor, pertaining to the current or future occupancy of any Real Property or any current or future right to occupy any Real Property, together with all material amendments, modifications and supplements thereto (collectively, the "Property Leases") have been made available to the Buyer.

(b) With respect to the Property Leases, no breach or event of default on the part of any party thereto and no event that, with the giving of notice or lapse of time or both, would constitute such breach or event of default, has occurred and is continuing, except where such breach or event of default would not have a Material Adverse Effect. All of the Property Leases are in full force and effect and are valid and enforceable against the parties thereto in accordance with their terms. All rental and other payments due under each of the Property Leases have been duly paid in accordance with the terms of such Property Lease, except where a failure to make such payments would not have a Material Adverse Effect. Except as set forth in Section 3.9 of the Disclosure Schedule, the transactions contemplated by this Agreement do not require the consent of any party to, and will not constitute an event of default under or permit any party to terminate or change the existing terms of, any Property Lease except where the failure to obtain such consent or where such default, termination or change would not have a Material Adverse Effect.

(c) The Company and, as applicable, each Subsidiary, has good and marketable title in fee simple to the Owned Property, good and marketable leasehold title to the Leased Property, and good and marketable title to all plants, buildings, fixtures and improvements located on the Real Property, in each case free and clear of any mortgages, deeds of trust, liens, security interests, judgments, options, rights, claims, charges, encroachments, easements, rights-of-way, squatters' rights, encumbrances, covenants, conditions, restrictions and other imperfections of title (collectively, "Impairments"), except for those Impairment that are set forth in Section 3.9 of the Disclosure Schedule, or except where such Impairments would not have a Material Adverse Effect.

(d) To the Knowledge of the Sellers, there is no Impairment encumbering the title of the lessor to any Leased

Property or the plants, buildings, fixtures and improvements thereon, except for those Impairments that are set forth in Section 3.9 of the Disclosure Schedule, or except where such Impairments would not have a Material Adverse Effect.

3.10. Contracts. Sellers have made available to Buyer for inspection true and complete copies of all Material Agreements. Except as set forth in Section 3.10 of the Disclosure Schedule, neither the Company nor, to the Knowledge of Sellers, any other party to any of the Material Agreements, is in breach of or default under any Material Agreement, except for breaches or defaults which are not likely to have a Material Adverse Effect.

3.11. Employee Benefit Plans. Section 3.11 of the Disclosure Schedule sets forth all pension plans, profit-sharing plans or other employee pension benefit plans and all bonus, severance, incentive, savings, insurance, welfare or other employee benefit plans (including without limitation any such plan within the meaning of Section 3(2) or 3(3) of ERISA) maintained by the Company or a Subsidiary, in which any employee of the Company or a Subsidiary participates ("Employee Benefit Plans"). Except as set forth in Section 3.11 of the Disclosure Schedule:

(a) Neither the Company nor any Subsidiary is required to make contributions to any multi-employer plan (within the meaning of Section 3(37) of ERISA), and no employee of the Company or a Subsidiary participates in any multi-employer plan;

(b) With respect to each Employee Benefit Plan and any other similar arrangement or plan either currently or previously terminated, maintained, or contributed to by any entity which either is currently or was previously under common control with the Company as determined under Code Section 414, no event has occurred during the period when such entity was under common control with the Company and no condition exists that after the Closing could reasonably be expected to subject the Company or any Subsidiary, directly or indirectly, to any liability including liability under any indemnification agreement) under Section 412, 413, 4971, 4975, or 4980B of the Code or Section 302, 502, 515, 601, 606, or Title IV of ERISA that is likely to have a Material Adverse Effect;

(c) All benefits due under each Employee Benefit Plan have been paid and there is no lawsuit or claim that is likely to have a Material Adverse Effect, other than routine claims for benefits, pending, or to the Knowledge of Sellers threatened, against any Employee Benefit Plan or the fiduciaries of any such plan or otherwise involving or pertaining to any such plan;

(d) No audit or investigation by any governmental authority is pending, or to the Knowledge of Sellers threatened, regarding any Employee Benefit Plan, and, to the Knowledge of Sellers, no party dealing with any Employee Benefit Plan has engaged in any prohibited transactions (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or any breach of fiduciary duty that is likely to have a Material Adverse Effect; and

(e) The Company is not obligated to make any payments in connection with the transactions contemplated by this Agreement pursuant to any severance, change of control or "golden parachute" arrangements with any Insider or employee of the Company.

3.12. Intellectual Property. Except as set forth in Section 3.12 of the Disclosure Schedule:

(a) The Company either owns, or has by license or otherwise the right to use, all Intellectual Property owned by the Company or used in the business of the Company; and

(b) To the Knowledge of Sellers, the conduct by the Company or any Subsidiary of its business does not infringe in any material respect on any valid Intellectual Property rights of any other Person.

3.13. Brokers. Except for fees and expenses payable by the Company to Goldman, Sachs & Co. listed on Exhibit A hereto, which is acting for the Company, none of the Sellers nor the Company has incurred or will incur any broker's, finder's or similar fee, commission or expense, in each case in connection with the transactions contemplated by this Agreement.

3.14. Environmental Matters. Except as set forth in Section 3.14 to the Disclosure Schedule or otherwise disclosed in environmental reports provided to or prepared by or on behalf of Buyer, to the Knowledge of Sellers:

(a) the Company's and its Subsidiaries' real property complies with applicable Environmental Laws, except for failures to comply that in the aggregate have not had and would not be expected to have a Material Adverse Effect;

(b) the Company and the Subsidiaries have obtained all environmental consents, approvals, licenses and permits required for its operations by any applicable Environmental Law except for failures to obtain that in the aggregate have not had and would not be expected to have a Material Adverse Effect; and

(c) except as is not likely to have a Material Adverse Effect, neither Sellers nor any other Person (including the Company or any Subsidiary) has caused any Release, threatened Release or disposal of any Hazardous Material at or from the Company's or any Subsidiary's real property and none of such real property is adversely affected by any Release, threatened Release or disposal of a Hazardous Material originating or emanating from any adjoining property.

3.15. Transactions with Insiders. Set forth in Section 3.15 to the Disclosure Schedule is a true and complete list of the following agreements and transactions: (i) all Company Agreements to which any Insider or, to the Knowledge of Sellers, any Affiliate of the Company is a party and (ii) a true and complete description of all transactions between the Company, a Subsidiary or any Employee Benefit Plan, on the one hand, and any Insider or, to the Knowledge of Sellers, any Affiliate of the Company, on the other hand, other than benefits provided under any Employee Benefit Plan in the ordinary course of business. For purposes of this Agreement the term "Insider" means any shareholder, director or officer of the Company or a Subsidiary.

3.16. Set forth in Section 3.16 of the Disclosure Schedule is a complete and correct schedule of all currently effective material insurance policies or binders of insurance or programs of self-insurance which relate to the business of the Company and its Subsidiaries. The coverage under each such policy and binder is in full force and effect, and no notice of cancellation or nonrenewal with respect to, or disallowance of any claim under, or material increase of premium for, any such policy or binder has been received by the Company

or any Subsidiary, except such notices, disallowances or increases which are not likely to have a Material Adverse Effect.

3.17. Certain Additional Items . The aggregate principal amount outstanding under the Senior Notes is $85,000,000 and the aggregate amount of accrued but unpaid interest and prepayment premium on the Senior Notes is $5,490,500, in each case as of the date hereof. The aggregate principal amount outstanding under the IRB Debt is $1,974,000 and the aggregate amount of accrued but unpaid interest on the IRB Debt is $6,000, in each case as of the date hereof. The aggregate principal amount outstanding under the Revolving Facility is $81,500,000 and the aggregate amount of accrued but unpaid interest on the Revolving Facility is $342,000, in each case as of the date hereof. As of the date hereof, there are no unpaid fees or expenses due in respect of the Senior Notes, the IRB Debt or the Revolving Facility. Neither the Company nor any Subsidiary has any capitalized lease obligations on the date hereof. The number of Preferred Shares is as set forth in Section 3.3, the redemption price per Preferred Share is $100.00 and no dividends on the Preferred Shares have been paid since January 31, 1997 nor declared which have not been paid as of the date hereof. Exhibit A hereto sets forth all fees, costs, expenses and payments to be incurred by the Company specifically in connection with this Agreement and the consummation of the transactions contemplated hereby (except for the other Closing Payments, any fees, costs, expenses and payments incurred or accrued in connection with Section 5.14 and obtaining any consents under the leases or other agreements relating to Leased Properties identified in Section 3.4 of the Disclosure Schedule, and any fees, costs, expenses and payments to be incurred by Buyer in connection with its obligations hereunder, in each case other than the fees and expenses of legal counsel to the Company). It is understood and agreed that, notwithstanding anything contained in this Agreement to the contrary, (i) all fees, costs, expenses and payments referred to in the preceding sentence, (ii) any prepayment premium payable on the Senior Notes in excess of $4,000,000, and (iii) solely for purposes of this Agreement, any amounts payable to Matt Rubel pursuant to the letter agreement, dated January 29, 1997, by and between the Company and Mr. Rubel in excess of $300,000, shall not be the responsibility and obligation of the Sellers.

3.18. No Other Representations or Warranties. Except for the representations and warranties contained in this Section

3, Sellers make no representation or warranty, express or implied, written or oral, and Sellers hereby disclaim any such representation or warranty (including without limitation any warranty of merchantability or of fitness for a particular purpose), whether by Sellers or the Company or any of their officers, directors, employees, agents or representatives or any other Person, with respect to the Company or the execution and delivery of this Agreement or the transactions contemplated hereby, notwithstanding the delivery or disclosure to Buyer, any Affiliate of Buyer or any of its officers, directors, employees, agents or representatives or any other Person of any documentation or other information by Sellers or the Company or any of their Affiliates, officers, directors, employees, agents or representatives or any other Person with respect to any one or more of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES REGARDING BUYER

Except as disclosed in this Agreement, Buyer represents and warrants to the Sellers as follows:

4.1. Organization of Buyer. Buyer is duly organized and is validly existing as a limited partnership in good standing under the laws of Delaware, and has the requisite power and authority to own, lease and operate the property used in its business and to carry on its business as now being conducted. Buyer is registered to do business in all jurisdictions where it is required to be qualified as a foreign entity except where the failure to be so qualified would not impair Buyer's ability to execute, deliver and perform this Agreement and consummate the transactions contemplated hereby or have a Material Adverse Effect.

4.2. Power; Authorization; Consents. Buyer has the requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by the general partner of the Buyer, and no other proceedings on the part of Buyer are necessary to authorize and approve this Agreement or any of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer and constitutes and will constitute a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms,

except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally or by the principles governing the availability of equitable remedies. Except as disclosed in Section 4.2 of the Disclosure Schedule, the execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby do not and will not:

(a) contravene any provisions of the Certificate of Limited Partnership or the Agreement of Limited Partnership of Buyer;

(b) (after notice or lapse of time or both) conflict with, result in a breach of any provision of, constitute a default under, result in the modification or cancellation of, or give rise to any right of termination in respect of, any material contract, agreement, commitment, understanding or arrangement of any kind to which Buyer is a party;

(c) violate or conflict with any material Legal Requirement applicable to Buyer or any of its business or property; or

(d) except for filings under the HSR Act, require any material authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualification with, any governmental, administrative or judicial authority.

4.3. Brokers. Except as disclosed in Section 4.3 of the Disclosure Schedule, Buyer has not employed any broker or finder or has incurred or will incur any broker's, finder's or similar fees, commissions or expenses, in each case in connection with the transactions contemplated by this Agreement except for such fees, commissions or expenses which will be borne by the Buyer.

4.4. Investment Intent of Buyer. Buyer is receiving the Recapitalization Shares delivered pursuant to this Agreement for investment purposes for its own account, and not with the view to or in connection with any distribution thereof. Buyer understands that the Recapitalization Shares may not be sold, assigned, offered for sale, pledged or otherwise transferred unless such transaction is registered under the Securities Act of 1933, as amended, and applicable state securities laws, or

exemptions from such registration requirements are available or such requirements are not applicable.

4.5. Financial Matters. Buyer has sufficient funds available to it to meet its obligations to pay the Recapitalization Purchase Price on Closing and all of the fees, costs and expenses related thereto.

4.6. No Reliance. Buyer has conducted its own investigation and examination of the Company and its assets, liabilities (actual, accrued and contingent), condition (financial and otherwise), businesses, operations, affairs and prospects based primarily upon its own knowledge and experience and upon information and data provided by management of the Company, and Buyer has such knowledge and experience, and has consulted with such legal, financial and other professional advisers to review such information and data, in order to enable Buyer, based upon such information and data and upon Buyer's own knowledge and experience and such professional advice, as has been necessary to evaluate the merits and risks associated with the purchase of the Recapitalization Shares and the completion of the transactions contemplated hereby. Buyer and its respective officers, employees and representatives have been given such access to the offices, properties, personnel, businesses, contracts, books and records of the Company, and have been furnished with all such information and data, as they have considered sufficient to enable Buyer pursuant to this Agreement, to purchase the Recapitalization Shares pursuant to this Agreement and to complete the transactions contemplated hereby without relying in any respect upon any representation or warranty, whether written or oral, express or implied, of the Sellers, the Company or any Affiliate thereof or any of their respective directors, officers, employees, representatives and controlling persons (except only for the representations and warranties of the Sellers contained in Section 3 of this Agreement).

SECTION 5. COVENANTS

5.1. Access; Confidentiality. Between the date hereof and the Closing, Sellers will cause the Company and its Subsidiaries, during normal business hours and upon reasonable notice to the Company, to (i) provide to Buyer and its representatives full access to the premises, property, files, books, records, documents, and other information of or concerning

the Company and its Subsidiaries; (ii) furnish to Buyer and its representatives financial, technical and operating data and other information pertaining to the business and property of the Company and its Subsidiaries; (iii) make available for inspection and copying by Buyer and its representatives copies of any documents relating to the foregoing; (iv) permit Buyer and its representatives to conduct reasonable interviews of the employees, sales representatives and auditors of the Company and its Subsidiaries; and (v) make the officers of the Company and the Subsidiaries reasonably available to cooperate with the Buyer in obtaining financing for the transactions contemplated hereby; provided, however, that (x) any such investigation will be conducted in such a manner so (A) as to preserve the confidentiality of the transactions contemplated hereby and (B) as not to interfere unreasonably with the operation of the business of the Company and its Subsidiaries and (y) Sellers may limit such access described in clauses (i) through (v) above to the extent such access could in the opinion of Sellers' counsel, violate or give rise to liability under applicable law. During the period from the date hereof to the Closing, all information provided to Buyer or its representatives by or on behalf of Sellers or the Company, or their representatives (whether pursuant to this Section 5.1 or otherwise) will be governed and protected by the Confidentiality Agreement.

5.2. Announcements. Prior to the Closing, no party hereto will issue any press release or otherwise directly or indirectly make any public statement or furnish any statement or make any announcement to its customers with respect to the transactions contemplated hereby without the prior consent of the other, except as may be required by law.

5.3. New Financing. Buyer shall provide, or shall cause one or more Persons to provide, to the Company financing arrangements (the "New Financing") in an amount not less than $474,600,000, the proceeds of which shall be used, inter alia, to discharge Debt, to redeem the Preferred Shares, to pay costs and expenses incurred by Buyer and the Company in connection with the transactions contemplated hereby and the other Closing Payments, to provide working capital to the Company and the Subsidiaries, and to fund a portion of the Sellers Redemption Price. To the extent Buyer is unable to obtain from third parties the full amount of the New Financing, Buyer shall provide the balance of the New Financing. Any amounts provided by Buyer pursuant to the preceding sentence shall constitute New Financing for purposes of

this Agreement. The failure of the Company to obtain the New Financing shall not relieve Buyer of its obligations to purchase the Recapitalization Shares for the Recapitalization Purchase Price at the Closing. Neither the Company nor the Sellers shall be required to pay any fees or other costs with respect to the New Financing under any circumstances and any agreements or understandings which the Company may make prior to the Closing relating to the New Financing shall be conditioned upon the occurrence of the Closing; provided, that the Company may pay any fees or other costs with respect to the New Financing following the Closing. The Company shall use all reasonable efforts to assist Buyer in obtaining the New Financing, including without limitation, by making available its senior officers to participate in investor presentations and similar functions.

5.4. Recapitalization. The Recapitalization Shares to be acquired by Buyer at the Closing shall consist of 48,400 shares of Common Stock, which immediately following the Closing will constitute eighty-eight percent (88%) of all of the outstanding equity securities of the Company and all of the then outstanding equity securities of the Company other than the Retained Shares. The Company and the Sellers agree to take or cause to be taken all action necessary to effect the filing of an Amended and Restated Certificate of Incorporation, in form and substance reasonably satisfactory to Buyer and the Sellers (the "Amended Charter"), immediately prior to the Closing as herein contemplated.

5.5. Consents; Cooperation. Subject to the terms and conditions hereof, Sellers, the Company and Buyer will use their reasonable efforts:

(a) to obtain prior to the earlier of the date required (if so required) or the Closing Date, all authorizations, consents, orders, permits or approvals of, or notices to, or filings, registrations or qualifications with, any governmental, administrative or judicial authority or any other Person that are required on their respective parts, for the consummation of the transactions contemplated by this Agreement;

(b) to defend, consistent with applicable principles and requirements of law, any lawsuit or other legal proceeding, whether judicial or administrative, whether brought derivatively or on behalf of third persons

(including governmental authorities) challenging this Agreement or the transactions contemplated hereby;

(c) to furnish to each other such information and assistance as may reasonably be requested in connection with the foregoing; and

(d) to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

5.6. Additional Agreement. Notwithstanding the provisions of Section 5.5(a) hereof, Buyer will use reasonable efforts to eliminate any concern on the part of any court or government authority regarding the legality of the proposed transactions contemplated hereby and take or cause to be taken all such action as may reasonably be required in order to consummate the transactions contemplated hereby under applicable antitrust and other laws and regulations regarding competition, including, without limitation, promptly (i) taking all steps reasonably necessary to secure government antitrust clearance, (ii) taking all reasonable steps to make arrangements for or to effect the sale or other disposition of assets, voting securities or business of Buyer, any of its subsidiaries or the Company, the ownership of which causes any governmental authority to withhold such clearance, and (iii) entering into a hold-separate agreement with government authorities pending such sale or other disposition of assets, voting securities or business of Buyer, any of its subsidiaries, the Company, including without limitation pursuant to a trust or other arrangement that restricts, limits or prohibits access by Buyer to any business or subsidiary of Buyer to the Company or to the voting shares or capital stock thereof.

5.7. Notification of Certain Matters. Between the date hereof and the Closing, Sellers, the Company and Buyer will give prompt notice in writing to the other of: (i) any information known to Sellers, the Company or Buyer that indicates that any representation or warranty of the Sellers, the Company or Buyer, as the case may be, contained herein will not be true and correct in any material respect as of the Closing and (ii) the occurrence of any event known to Sellers, the Company or Buyer which will result, or has a reasonable prospect of

resulting, in the failure to satisfy a condition specified in Section 6 or 7 hereof.

5.8. Hart-Scott-Rodino. As soon as practicable (but in no event later than 10 days) after the date hereof, Buyer and the Company will prepare and file all documents with the Federal Trade Commission and the United States Department of Justice that are required to comply with the HSR Act. The Company and Buyer will promptly respond to any "second request" made in connection with such filings and will promptly furnish all materials requested by any of the regulatory agencies having jurisdiction over such filings.

5.9. Further Assurances. Any time after the Closing, Sellers and Buyer will, and Buyer will cause the Company to, promptly execute, acknowledge and deliver any other assurances or documents reasonably requested by Buyer or Sellers, as the case may be, to satisfy or in connection with its obligations hereunder.

5.10. Retention of Books and Records. For a period of six years after the Closing Date (or in the case of books, records and other documents relating to Taxes until the expiration of the applicable statute of limitations), Buyer will cause the Company to retain all books, records and other documents pertaining to the Company in existence on the Closing Date and to make the same available after the Closing Date for examination and copying by Sellers or their representatives, at such Sellers' expense, upon reasonable notice. No such books, records or documents will be destroyed by Buyer or the Company without first advising Sellers in writing and providing Sellers a reasonable opportunity to obtain possession or make copies thereof at such Seller's expense.

5.11. Personnel. For one year after the Closing, Buyer shall cause the Company to continue in effect its Employee Benefit Plans as are in effect on the date hereof; provided, however, that the Company may replace or amend any such Employee Benefit Plan if the benefits thereafter provided are at least comparable to those provided prior to the Closing and the costs to the employees therefor are not appreciably increased.

5.12. Conduct of Business Prior to the Closing. From the date hereof to the Closing, Sellers shall cause the business of the Company and each of its Subsidiaries to be conducted in

the ordinary course and shall cause the Company and each of its Subsidiaries to use their commercially reasonable efforts to preserve the current business organization and existing business relationships. In addition, Sellers shall not cause or permit the Company or any of its Subsidiaries to do any of the following without the prior written consent of Buyer:

(a) except as contemplated by this Agreement, amend its Certificate of Incorporation or By-Laws;

(b) except as set forth in Section 5.12 of the Disclosure Schedule, make or grant any increase in compensation or employee benefits or in severance or termination pay to, any officer, executive officer, employee, director, agent or consultant, or enter into any employment agreement with any executive officer or other individual, except as may be required under employment, collective bargaining or termination agreements in effect on the date hereof or, solely with respect to employees other than officers, executive officers and directors, in the ordinary course of business;

(c) except as set forth in Section 5.12 of the Disclosure Schedule, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire, other than in the ordinary course of business, any assets which are material, individually or in the aggregate, to the Company;

(d) except as set forth in Section 5.12 of the Disclosure Schedule, sell, pledge, mortgage, assign, lease, give a security interest in or otherwise encumber or dispose of, or agree to do any of the foregoing with respect to, any of its assets, except in the ordinary course of business;

(e) except in the ordinary course of business, enter into or amend any other commitment, contractual obligation or transaction which calls for aggregate payments in excess of $100,000 and which does not expire or is not terminable without cost or penalty at the Company's option within a 180 day period;

(f) except in the ordinary course of business, accelerate the receipt of amounts due with respect to the Company's trade accounts receivable or any other accounts receivable;

(g) except in the ordinary course of business, lengthen the period for payment of the Company's accounts payable;

(h) (i) declare, set aside, pay or make any dividend or other distribution or payment (whether in cash, stock or property) with respect to, or, except as contemplated by this Agreement, purchase or redeem, any shares of capital stock, or (ii) make any other payments or benefits to Insiders, other than payments contemplated by this Agreement or under any employment arrangement in existence on the date hereof;

(i) except as set forth in Section 5.12 of the Disclosure Schedule, (i) incur any Debt (excluding for this purpose any interest, fees or premiums accruing on Debt outstanding on the date hereof and borrowings in the ordinary course of business for seasonal working capital needs under the Revolving Facility and any interest, fees and premiums thereon), (ii) prepay any interest on any Debt, (iii) except in the ordinary course of business, make any loans, advances or capital contributions to, or investments in, any other person, other than the Company or any direct or indirect wholly owned Subsidiary of the Company or (iv) issue any shares of capital stock of the Company;

(j) except as set forth in Section 5.12 of the Disclosure Schedule, make or agree to make any new capital expenditure or capital expenditures in excess of $100,000 in the aggregate, except in the ordinary course of business; or

(k) except as set forth in Section 5.12 of the Disclosure Schedule, except in the ordinary course of business or except as is not likely to have a Material Adverse Effect, modify, amend or terminate any Material Agreement.

5.13. Sellers' Rights with Respect to Resales. In the event that a Transfer (as defined below) occurs at any time during the period commencing on the Closing Date and ending on the date which is eighteen months from the Closing Date (the

"Resale Period"), the Buyer agrees to pay or cause to be paid to the Sellers an aggregate amount equal to (i) if such Transfer occurs on or prior to the first anniversary of the Closing Date (the "First Period"), 75% of the Resale Profit (as defined below) on such Transfer, or (ii) in all other cases, 50% of the Resale Profit on such Transfer, such amount to be paid in the same form as the Transfer Consideration upon consummation of any such Transfer such that the Sellers shall receive such percentage of the Resale Profit in the kind and amount of cash, securities and other property that they would have been entitled to receive had they been holders of shares of capital stock of the Company immediately prior to consummation of such Transfer. Buyer will not, by amendment of the Company's charter or through a reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Section 5.13, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Sellers to receive any Resale Profit. A Transfer consummated after the expiration of the Resale Period or the First Period shall be deemed to have occurred during the Resale Period or the First Period, as the case may be, and Resale Profit shall be payable to the Sellers in respect of such a Transfer, if such Transfer was effected pursuant to an agreement, arrangement or understanding entered into prior to the expiration of the Resale Period or the First Period, as the case may be.

For purposes of this Section 5.13, the following terms have the meanings set forth below:

"Resale Profit" means, with respect to any Transfer, an amount equal to the excess, if any, of (I) the sum of (a) the aggregate value of the Transfer Consideration received by, payable to or inuring to the benefit of, the Buyer and its Affiliates, directly or indirectly, as a result of such Transfer, plus (b) the value of any dividends or distributions of any kind paid, at any time following the Closing, in respect of the Recapitalization Shares or any other equity interests in the Company held by the Buyer or its Affiliates or upon any redemption or repurchase of such shares or equity interests, over (II) the sum of (x) $75,000,000 less the value of the Retained Shares, plus (y) the fees and expenses incurred by Buyer in connection with such Transfer, plus (z) any additional equity

capital contributed to the Company or its Subsidiaries by the Buyer or its Affiliates following the Closing.

"Transfer" means any sale, conveyance, assignment, disposition or other transfer, other than to an Affiliate of any of the Buyer who agrees in writing to be bound by the provisions of this Section 5.13, in one or a series of related transactions, of (i) all or substantially all of the assets or stock of the Company and its Subsidiaries, taken as a whole (whether by sale of stock or assets, merger, consolidation or otherwise), (ii) the consummation of any transaction (other than the sale of shares of capital stock of the Company or any Affiliate of the Company in an underwritten public offering but including, without limitation, any merger or consolidation) the result of which is that the Buyer ceases to be the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 12d-5 under the Securities Exchange Act of 1934) of a majority of the voting capital stock of the Company. Notwithstanding the foregoing, a pledge or assignment of interests or assets of Buyer or the Company to a lender in the ordinary course of business (and the subsequent exercise of remedies by such lender) shall not constitute a Transfer for purposes of this Section 5.13.

"Transfer Consideration" means the value of all cash, securities and other property paid, or to be paid, directly or indirectly, by an acquiror to the Buyer, its Affiliates or the Company in connection with the Transfer. The value of any non-cash consideration shall be the fair market value of such consideration, as determined in good faith by the Board of Directors of the Company. Transfer Consideration shall also include the aggregate amount of any liabilities assumed or paid, directly or indirectly, by the acquiror.

5.14. Transfer Taxes. The Company shall properly prepare and file on a timely basis any transfer Tax Returns required in connection with the transactions described in this Agreement, including, without limitation, any real property, personal property or gains Tax Returns, and shall pay any Taxes shown as due thereon.

5.15. Landlord Consents. Sellers shall use commercially reasonable efforts to obtain the landlord lease consents set forth on Section 5.15 of the Disclosure Schedule, in a form reasonably acceptable to Buyer; provided, however, that

the receipt of any or all of such landlord lease consents shall not be a condition to the Closing under this Agreement.

5.16. Retention of Shares. At the Closing, the Sellers shall retain such number of Common Shares as is set forth opposite their respective names on Exhibit B hereto, which immediately following the Closing will constitute twelve percent (12%) of all of the outstanding common equity securities of the Company and all of the outstanding common equity securities of the Company other than the Recapitalization Shares. In the aggregate, the Retained Shares shall represent 12% of the voting power in the Company upon the Closing. For purposes of this Agreement, the value of Retained Shares shall be $9,000,000.

5.17. Termination of Existing Shareholder Agreement. Each of the Sellers and the Company hereby agree to terminate the Agreement, dated as of April 18, 1997, by and among the Company and the stockholders of the Company listed on the signature pages thereof, and if requested by Buyer, any agreement between any Seller or any entity controlled by a Seller, on the one hand, and the Company or any Subsidiary, on the other hand, effective as of, and conditioned upon, the Closing.

5.18. Indemnification. From and after the Closing Date, the Company shall indemnify each present and former director and officer of the Company and its Subsidiaries from any and all claims arising out of or in connection with activities in such capacity to the fullest extent provided under New York law, and in addition, to the fullest extend provided in their respective articles of incorporation, charters or by-laws, as applicable, which obligations shall survive the Closing and shall continue in full force and effect for a period of not less than six years from the Closing Date; provided, however, that if any claim or claims are asserted or made within such six-year period, all rights to indemnification in respect of any such claim or claims shall continue until disposition of any and all such claims. Without limiting the foregoing, after the Closing Date, the Company shall advance expenses (including reasonable attorneys' fees and expenses) incurred with respect to the foregoing, as they are incurred, to the fullest extent permitted under applicable law, provided that the person on whose behalf the expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to indemnification.

SECTION 6. CONDITIONS TO THE OBLIGATIONS OF BUYER

The obligations of Buyer required to be performed by it at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions, each of which may be waived by Buyer:

6.1. Representations and Warranties; Covenants. The representations and warranties of the Sellers contained in Section 3 of this Agreement will be true and correct as of the Closing (except for those that are made as of a certain time, which shall be true and correct as of such time and provided that, for this purpose only, no effect shall be given to any materiality qualifiers contained in such representations and warranties), except for changes contemplated by this Agreement and failures to be true and correct that do not, in the aggregate, result in a Material Adverse Effect. Each obligation of Sellers required by this Agreement to be performed by them at or prior to the Closing will have been duly performed and complied with in all material respects at the Closing provided that the covenants contained in Section 2.3(d)(i) will have been complied with in all respects. At the Closing, Buyer will have received certificates, dated the Closing Date and duly executed by or on behalf of each of the Sellers, to the effect that the conditions set forth in the preceding sentences have been satisfied.

6.2. Hart-Scott-Rodino. Any applicable waiting period under the HSR Act and the rules and regulations promulgated thereunder will have expired or been terminated.

6.3. Opinion of Sellers' Counsel. Buyer will have been furnished with the opinion of Willkie Farr & Gallagher, dated the Closing Date, addressed to Buyer, in form and substance reasonably satisfactory to Buyer with respect to (i) the first sentence of Section 3.1, (ii) the first two sentences of Section 3.3 and (iii) the first four sentences of Section 3.4. In rendering such opinion, such counsel may rely as to factual matters upon certificates or other documents furnished by Sellers and officers of the Company and by government officials and upon such other documents and data, including opinions of local counsel, as such counsel deem appropriate as a basis for such opinion.

6.4. Absence of Injunction. No order, stay, judgment or decree will have been issued by any court and be in effect restraining or prohibiting the consummation of the transactions contemplated hereby.

6.5. Directors. Buyer will have received the written resignation of any director of the Company or any Subsidiary of the Company (or such directors will have otherwise been removed) whose resignation it has requested.

6.6. Certificates. Sellers and the Company will have furnished Buyer with such certificates of their respective officers and others as Buyer may reasonably request to evidence satisfaction of the conditions set forth in this Section 6, such certificates to be made without personal liability of such officer or other person signing such certificate.

6.7. Shareholder Approval. The shareholders of the Company shall have approved in form and substance reasonably satisfactory to Buyer and to the Company, in order to take advantage of the exemption provided in Section 280G(b)(5) of the Code, all payments and benefits that may be deemed to constitute parachute payments under Section 280G of the Code, in connection with the transactions contemplated hereby.

SECTION 7. CONDITIONS TO THE OBLIGATIONS OF SELLERS

The obligations of the Sellers to be performed by them at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions, each of which may be waived by the Sellers:

7.1. Representations and Warranties; Covenants. The representations and warranties of Buyer contained in this Agreement will be true and correct as of the Closing (except for those made as of a certain date, which shall be true and correct as of such date), except for changes contemplated by this Agreement and failures to be true and correct that do not result in a material adverse effect on Buyer. Each obligation of Buyer required by this Agreement to be performed by it at or prior to the Closing will have been duly performed in all material respects at or prior to the Closing except that the obligations of Buyer pursuant to Section 2.3(g) shall be performed in all respects. At the Closing, Sellers will have received a certificate, dated the Closing Date and duly executed by an executive officer of Buyer (without personal liability to such

officer) to the effect that the conditions set forth in the preceding sentences have been satisfied.

7.2. Hart-Scott-Rodino. Any applicable waiting period under the HSR Act and the rules and regulations promulgated thereunder will have expired or been terminated.

7.3. Opinion of Buyer's Counsel. Sellers will have been furnished with the opinion of Cleary, Gottlieb, Steen & Hamilton, counsel to Buyer, dated the Closing Date, addressed to Sellers, in form and substance reasonably satisfactory to Sellers with respect to (i) the first sentence of Section 4.1 and (ii) the first three sentences of Section 4.2. In rendering their opinion, such counsel may rely as to factual matters upon certificates or other documents furnished by officers and directors of Buyer and by government officials, and upon such other documents and data, including opinions of local counsel, as such counsel deem appropriate as a basis for their opinion.

7.4. Absence of Injunction. No order, stay, judgment or decree will have been issued by any court and be in effect restraining or prohibiting the consummation of the transactions contemplated hereby.

7.5. Certificates. Buyer will have furnished Sellers with such certificates of its officers and others as Sellers may reasonably request to evidence satisfaction of the conditions set forth in this Section 7, such certificates to be made without personal liability of such officer or other person signing such certificate.

7.6. Employment/Consulting Agreement. The Company shall have executed and delivered the Employment/Consulting and Non-Compete Agreement with Arthur Cinader in substantially the form of Exhibit C hereto (the "Employment/Consulting Agreement").

SECTION 8. TERMINATION

8.1. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual consent of Buyer and Sellers;

(b) by Buyer, on or after the date 100 days from the date hereof, if any condition contained in Section 6 (other than those requiring a Closing Delivery), has not been

satisfied or waived; by Sellers, on or after the date 100 days from the date hereof, if any condition contained in Section 7 (other than those requiring a Closing Delivery), has not been satisfied or waived; or

(c) by Buyer or Sellers, if any court of competent jurisdiction or other governmental body has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action has become final and non-appealable.

If Buyer or Sellers terminate this Agreement pursuant to the provisions hereof, such termination will be effected by written notice to the other party specifying the provision hereof pursuant to which such termination is made.

8.2. Effect of Termination.

(a) Upon termination of this Agreement pursuant to Section 8.1 hereof, except as provided in clause (b) below:

(i) this Agreement will forthwith become null and void;

(ii) such termination will be the sole remedy with respect to any breach of any representation or warranty contained in or made pursuant to this Agreement, and

(iii) no party hereto or any of their respective officers, directors, employees, agents, consultants, stockholders or principals will have any liability or obligation hereunder or with respect hereto.

(b) The provisions of clause (a) above notwithstanding, no party will be relieved of liability for any willful breach of this Agreement.

SECTION 9. SURVIVAL AND INDEMNIFICATION

9.1. Survival. Notwithstanding any otherwise applicable statute of limitations, no claim, lawsuit, or other proceeding arising out of or related to the breach of any

representation or warranty of the parties contained herein may be made more than one year after the Closing Date.

9.2. Sellers' Indemnification.

(a) Sellers, severally but not jointly, subject to the limitations set forth in this Section 9, will indemnify Buyer against and in respect of any and all Losses, other than Losses to the extent recoverable by Buyer or the Company under any applicable insurance policy and net of the present value of any tax benefit to Buyer or the Company as a result of such Losses, which are incurred by Buyer by reason of (i) the breach of any representation or warranty made by Sellers in Section 3 of this Agreement or (ii) of any breach of a covenant made by Sellers in this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement (but subject to the last sentence of this Section 9.2(b)), (i) the aggregate liability of Sellers pursuant to Section 9.2(a) will not exceed ten percent of the Sellers Redemption Price; (ii) Sellers will have no liability or obligation to Buyer pursuant to this Section 9.2 or otherwise for any Losses arising out of any breach of any representation or warranty made in this Agreement if (x) disclosed in this Agreement or the Disclosure Schedule hereto or (y) Buyer had knowledge of such breach as a result of the disclosures made in this Agreement or in the Disclosure Schedule hereto and (iii) Buyer will not be entitled to recover consequential damages pursuant to this Section 9.2. Notwithstanding the above, the limitations of this Section 9.2(b) shall not apply to a breach of Sellers' representations and warranties contained in the last sentence of Section 3.3, clause (vi) of Section 3.6 or in Section 3.17, in which event, the aggregate liability of Sellers under this Section 9.2 shall in no event exceed the Sellers Redemption Price.

(c) Buyer may make no claim for indemnification pursuant to Section 9.2(a), (i) unless notice of such claim (describing the basic facts or events, the existence or occurrence of which constitute or have resulted in the alleged breach of a representation or warranty made in this Agreement) has been given to Sellers during the survival period set forth in Section 9.1; and (ii) until such claims for which Losses are otherwise recoverable hereunder by

Buyer are in excess of (x) in the case of Losses incurred by reason of a breach of Section 3.17 hereof, the excess, if any, of (i) $100,000 over (ii) the amount by which the aggregate of the amounts set forth on the officer's certificate delivered pursuant to Section 2.2(c) exceeds the aggregate of the amounts set forth on Exhibit A or (y) in all other cases, the aggregate of 2% of the Sellers Redemption Price (other than Losses to the extent recoverable by Buyer or the Company under any applicable insurance policy and net of the present value of any tax benefit to Buyer or the Company as a result of such Losses) and all reserves and accruals reflected on the Financial Statements, after which Buyer will be entitled to make any such claim for amounts in excess of such threshold, and (iii) unless the amount of such claim as finally determined exceeds $10,000; provided, however, that the limitations set forth in this clause (c) shall not apply to Losses incurred by reason of a breach of the representations and warranties contained in the last sentence of Section 3.3, clause (vi) of Section 3.6 or in Section 3.17 (except that in the case of a breach of Section 3.17 the limitations set forth in clauses (c)(i) and (c)(ii)(x) shall apply). Nothing in this clause (c) shall affect the adjustment provision relating to the Sellers Redemption Price under clause (c) of Section 2.2 hereof.

(d) Any payment pursuant to this Section 9, made by Sellers to Buyer, will be deemed an adjustment to the Sellers Redemption Price.

(e) The rights of the Buyer under Section 8.1 and this Section 9.2 shall be the exclusive remedy of Buyer with respect to breaches by Sellers of the representations and warranties or covenants contained in this Agreement. Buyer, on behalf of itself and its Affiliates (and its partners, officers, directors and employees), hereby (i) waives and releases each of the Sellers and their respective Affiliates (and their shareholders, officers, directors and employees) from any statutory or other rights of contribution or indemnity (except as set forth in this Section 9.2) with respect to Sellers' ownership of the Common Shares and the Preferred Shares or operation of, or otherwise relating to, the Company and (ii) waives and releases all rights of subrogation with respect to claims relating thereto.

(f) In the event that any of the Sellers is obligated to indemnify Buyer pursuant to this Section 9, such Seller will, upon payment of such indemnity, be subrogated to all rights of Buyer with respect to claims to which such indemnification relates.

9.3. Buyer's Indemnification.

(a) Buyer, subject to the limitations set forth in this Section, will indemnify the Sellers against and in respect of any and all Losses, other than Losses to the extent recoverable by Sellers under any applicable insurance policy and net of the present value of any tax benefit to Sellers as a result of such Losses, which may be incurred by reason of (i) the breach of any representation or warranty made by Buyer in Section 4 hereof or (ii) any breach of any covenant made by Buyer in this Agreement. Buyer will so indemnify the Sellers as a result of Losses which may be incurred by such Sellers arising out of the operations of the Company after the Closing Date.

(b) Notwithstanding anything to the contrary in this Agreement (but subject to the last sentence of this Section 9.3(b)), (i) the aggregate liability of Buyer pursuant to Section 9.3(a) will not exceed ten percent of the Sellers Redemption Price; (ii) Buyer will have no liability or obligation to Sellers pursuant to Section 9.3(a) or otherwise for any Losses arising out of any breach by Buyer of any representation or warranty made in this Agreement if (x) disclosed in this Agreement or the Disclosure Schedule hereto or (y) Sellers had Knowledge of such breach as a result of the disclosures made in this Agreement or in the Disclosure Schedule hereto and (iii) Sellers will be entitled to recover no consequential damages pursuant to this Section 9.3. Notwithstanding the above, the limitations of this Section 9.3(b) shall not apply to a breach of Buyer covenants contained in Section 2.1 or 2.3(g).

(c) No claim for indemnification may be made by Sellers pursuant to Section 9.3(a)(i), (i) unless notice of such claim (describing the basic facts or events, the existence or occurrence of which constitute or have resulted in the alleged breach of a representation or warranty made in this Agreement) has been given to Buyer during the

survival period set forth in Section 9.1, and (ii) until such claims for which Losses are otherwise recoverable hereunder by Sellers are in excess of the aggregate of 2% of the Sellers Redemption Price (other than Losses to the extent recoverable by Sellers under any applicable insurance policy and net of the present value of any tax benefit to Sellers as a result of such Losses) after which such Sellers will be entitled to make any such claim for amounts in excess of such threshold, and (iii) unless the amount of such claim as finally determined exceeds $10,000.

(d) Any payment pursuant to this Section 9, made by Buyer to Sellers will be deemed an adjustment to the Sellers Redemption Price.

(e) The rights of Sellers under this Section 9.3 will be the exclusive remedy of such Sellers with respect to breaches by Buyer of representations and warranties or covenants contained in or made pursuant to this Agreement.

(f) In the event that Buyer is obligated to indemnify Sellers pursuant to this Section 9, Buyer will, upon payment of such indemnity, be subrogated to all rights of Sellers with respect to claims to which such indemnification relates.

9.4. Claims by Third Parties. Other than in the case of any Tax Claim, which shall be governed by Section 9.5 of this Agreement, if a party to this Agreement seeks indemnity hereunder with respect to a claim by a third party:

(a) For the purposes of this Section 9.4, "Third Party Claim" means any demand which has been made on, or communicated to Buyer, Sellers or the Company by or on behalf of any Person other than the entities aforementioned in this Subsection 9.4(a) and which, if maintained or enforced, might result in a claim for indemnification in the nature described in Section 9.2 or 9.3 of this Agreement being made.

(b) Promptly upon receipt by Indemnitee of notice of any Third Party Claim in respect of which the Indemnitee proposes to demand indemnification from the Indemnitor, the Indemnitee shall forthwith give notice to that effect to the Indemnitor.

(c) The Indemnitor shall have the right, exercisable by giving notice to the Indemnitee not later than 30 days after receipt of the notice described in Subsection 9.2 (c) or 9.3(c), as the case may be, to assume the control of the defense, compromise or settlement of the Third Party Claim.

(d) Upon the assumption of control by the Indemnitor as aforesaid, the Indemnitor shall, at its expense, diligently proceed with the defense, compromise or settlement of the Third Party Claim at the Indemnitor's sole expense, including employment of counsel reasonably satisfactory to the Indemnitee, and in connection therewith, the Indemnitee shall cooperate fully, but at the expense of the Indemnitor, to make available to the Indemnitor all pertinent information and witnesses under Indemnitee's control and to make such assignments and take such other steps as in the opinion of counsel for the Indemnitor are necessary to enable the Indemnitor to conduct such defense, provided always that the Indemnitee shall be entitled to reasonable security from the Indemnitor for any expense, costs or other liabilities to which it may be or may become exposed by reason of such cooperation.

(e) The final determination of any such Third Party Claim, including all related costs and expenses, will be binding and conclusive upon the parties hereto as to the validity or invalidity, as the case may be, of such Third Party Claim against the Indemnitor hereunder.

(f) Should the Indemnitor fail to give notice to the Indemnitee as provided in clause (c) hereof or in the event the Indemnitor declines to undertake the defense of any Third Party Claim, action or proceeding when first notified thereof, the Indemnitee shall keep the Indemnitor advised as to the current status and progress thereof. The Indemnitee agrees not to make any offer of settlement without first having provided five (5) days advance written notice thereof to the Indemnitor.

(g) In the event the Indemnitor undertakes the defense of any such claim, action or proceeding, the Indemnitee shall nevertheless be entitled to participate in (but not direct) the defense thereof with counsel of its own choice and at its own expense, and the parties agree to cooperate fully with one another in connection with the defense and/or

settlement thereof; provided, however, that any decision to settle any such claim, action or proceeding shall be at the Indemnitor's sole discretion. From and after delivery of the notice referred to in Section 9.4(c) above, the Indemnitor shall be relieved of the obligation to reimburse the Indemnitee for any other legal, accounting or other out-of-pocket costs and expenses thereafter incurred by the Indemnitee with respect to the defense of such claim, action or proceeding notwithstanding any participation by the Indemnitee therein.

(h) If the Indemnitee subsequently recovers all or part of the Third Party Claim from any other person legally obligated to pay the claim, the Indemnitee shall forthwith repay to the Indemnitor the amounts recovered up to an amount not exceeding the payment made by the Indemnitor to the Indemnitee by way of indemnity.

9.5. Tax Claims of the Buyer. If a claim is made by any Tax authority which, if successful, would result in a breach of a representation or warranty contained in Section 3.7 hereof and is likely to result in an indemnity payment to Buyer pursuant to Section 9.2 of this Agreement, Buyer shall notify Sellers of such claim (a "Tax Claim"), stating the nature and basis of such claim and the amount thereof, to the extent known. Sellers will have the right, at their option, upon timely notice to Buyer, to assume control of any defense of any Tax Claim (other than a Tax Claim relating solely to Taxes of the Company for a taxable period that begins before but ends after the Closing Date (a "Straddle Period")) with its own counsel, provided, however, such counsel is reasonably satisfactory to Buyer. Sellers' right to control a Tax Claim will be limited to amounts in dispute for which Sellers would be liable pursuant to Section 9.2 of this Agreement. Costs of such Tax Claims are to be borne by Sellers unless the Tax Claim relates to taxable periods ending after the Closing Date, in which event such costs will be fairly apportioned. Buyer and the Company shall cooperate with Sellers in contesting any Tax Claim, which cooperation shall include the retention and, upon Sellers' request, the provision of records and information which are reasonably relevant to such Tax Claim and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder. Notwithstanding the foregoing, Sellers shall neither consent nor agree (nor cause the Company to consent or agree) to the settlement of any Tax Claim with respect to any liability for

Taxes that is likely to affect the liability for any state or federal income tax of the Company or any affiliated group (as defined in Section 1504(a) of the Code) of which the Company is a member for any taxable period ending subsequent to the Closing Date without the prior written consent of Buyer, which consent shall not be unreasonably withheld. Buyer and Seller shall jointly control all proceedings taken in connection with any claims for Taxes relating solely to a Straddle Period of the Company.

SECTION 10. MISCELLANEOUS

10.1 Headings. The section headings herein are for convenience of reference only, do not constitute part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof. References to Sections, unless otherwise indicated, are references to Sections of this Agreement.

10.2. Notices. All notices to be given pursuant to this Agreement to any party must be in writing and will be deemed to have been validly given:

(a) if delivered by hand to an officer or agent of such party at its address given below; or

(b) if delivered by facsimile transmission, to such party at its address given below.

The address of each party for the purposes of this Agreement is as follows:

If to Sellers, to the addresses specified on Schedule B hereto;

With a copy to:

Willkie Farr and Gallagher
153 East 53rd Street
New York, New York 10022
Fax No. (212) 821-8111

Attention: Jack H. Nusbaum, Esq.
Daniel D. Rubino, Esq.

If to Buyer:

TPG Partners II, L.P.
201 Main Street
Suite 2420
Fort Worth, Texas 76102
Fax No. (817) 871-4010

Attention: Richard Ekleberry, Esq.

With a copy to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006
Fax No. (212) 225-3999

Attention: Paul J. Shim, Esq.

Either party may by notice to the other change its address for notice and will so change its address for notice whenever its existing address for notice ceases to be adequate for delivery both by hand and by facsimile.

Notices so given will be deemed to be given and received:

(c) on the date of delivery, if delivered by hand; and

(d) 24 hours from the time of the transmission if sent by facsimile.

10.3. Assignment. This Agreement and all provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that neither this Agreement nor any right, interest, or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party; and, provided further, that no party hereto or successor or assignee has the ability to subrogate any other person to any right or obligation under this Agreement.

10.4. Entire Agreement. This Agreement (including the Disclosure Schedule, Schedules and Exhibits hereto and thereto)

embody the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and thereby and supersede all prior written or oral commitments, arrangements or understandings with respect thereto (other than the Confidentiality Agreement, which will terminate at the Closing). There is no restriction, agreement, promise, warranty, covenant or undertaking with respect to the transactions contemplated hereby and thereby other than those expressly set forth herein or therein.

10.5. Amendment; Waiver.

(a) This Agreement may only be amended or modified in writing signed on behalf of each of the parties hereto.

(b) Any party hereto may, by an instrument in writing, waive compliance with any term or provision of this Agreement on the part of such other party or parties hereto. The waiver by any party hereto of a breach of any term or provision of this Agreement will not be construed as a waiver of any subsequent breach.

10.6. Counterparts. This Agreement may be executed in two or more counterparts, all of which will be considered one and the same agreement and each of which will be deemed an original.

10.7. Governing Law. This agreement will be governed by the laws of the State of New York (regardless of the laws that might be applicable under principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect and performance.

10.8. Severability. If any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions of this Agreement will not be affected thereby, and Sellers and Buyer will use their reasonable efforts to substitute one or more valid, legal and enforceable provisions which insofar as practicable implement the purposes and intent hereof. To the extent permitted by applicable law, each party waives any provision of law which renders any provision of this Agreement invalid, illegal or unenforceable in any respect.

10.9. Consent to Jurisdiction. Buyer and Sellers hereby submit to the exclusive jurisdiction of the courts of the State of New York or the courts of the United States located in

the State of New York in respect of the interpretation and enforcement of the provisions of this Agreement and any related agreement and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Agreement and any related agreement, that they are not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in such courts or that this Agreement may not be enforced in or by such courts or that their property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, or that the venue of the suit, action or proceeding is improper. Service of process with respect thereto may be made upon Buyer or Sellers by mailing a copy thereof by registered or certified mail, postage prepaid, to such party at its address as provided in Section 10.2 hereof.

10.10. Third Person Beneficiaries. This Agreement is not intended to confer upon any other Person other than the parties hereto, any rights or remedies hereunder.

10.11. Representations and Warranties; Disclosure Schedule. Neither the specification of any dollar amount in the representations and warranties set forth in Section 3 nor the indemnification provisions of Section 9 nor the inclusion of any items in the Disclosure Schedule to this Agreement will be deemed to constitute an admission by Sellers or Buyer, or otherwise imply, that any such amounts or the items so included are material for the purposes of this Agreement. All documents or information disclosed in any section of the Disclosure Schedule to this Agreement are intended to be disclosed for all purposes under this Agreement and will also be deemed to be incorporated by reference in each of the other sections of the Disclosure Schedule to this Agreement to which they may be relevant. For purposes of this Agreement, the determination as to whether any item, event, circumstance or amount is "material" shall be made with reference to the Company and its Subsidiaries, taken as a whole, and references to "Material Adverse Effect" shall be deemed to be qualified by "individually or in the aggregate."

10.12. United States Dollars. All dollar amounts referred to herein will be in lawful currency of the United States of America.

10.13. Expenses. Except as otherwise provided herein, each of the parties hereto shall bear its own costs and expenses

(including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

10.14. Liquidated Damages. Notwithstanding anything to the contrary contained in this Agreement, in the event that the Buyer shall fail to consummate the transactions contemplated by this Agreement on or before the Closing Deadline for any reason whatsoever, other than the Sellers' failure to deliver the Redeemed Shares, the Buyer shall pay to the Company $10,000,000 in cash. Such amount is in the nature of liquidated damages and does not constitute a penalty. The parties agree that the amount provided for in this Section 10.14 is reasonably intended to compensate the Company for its expenses incurred in connection with the negotiation of this Agreement and any lost opportunity resulting from the Buyer's failure to consummate the transactions contemplated hereby and, upon payment of such amount by the Buyer, the Company and the Sellers waive any and all rights to any payments, damages, amounts, costs, fees or other expenses, and agree that they shall not bring any action, suit or proceeding of any kind to recover any amounts in connection with any breach by Buyer of this Agreement, other than such $10,000,000.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

J. CREW GROUP, INC.

By:_____
Name:
Title:

_____
Arthur Cinader

- ----------
Emily Woods

- ----------
Abigail Cinader

- ----------
Arthur Cinader, Jr.

- ----------
Maud Bryt

- ----------
Saul Charles

- ----------
Edna Charles

- ----------
Linda Charles Fishman

- ----------
Amy Charles

_____
Robert Charles

TRUST U/A DATED DECEMBER 29, 1992,
F/B/O ARTHUR CINADER FAMILY,
BETWEEN ARTHUR CINADER, AS GRANTOR
AND MICHAEL S. INSEL, AS TRUSTEE

By:_____
Michael S. Insel, Trustee

TRUST U/A DATED DECEMBER 30, 1959
F/B/O JOHN MITCHELL CINADER,
BETWEEN ARTHUR CINADER, AS GRANTOR
AND ALICE OYER, CALVIN OYER AND
SADIE CINADER, AS TRUSTEES

By:_____
Alice Oyer, Trustee

By:_____
Calvin Oyer, Trustee

TRUST U/A DATED JUNE 14, 1955,
F/B/O OYER FAMILY, BETWEEN MITCHELL
CINADER, AS GRANTOR AND ALICE OYER,
ARTHUR CINADER AND SADIE
CINADER, AS TRUSTEES

By:_____
Arthur Cinader, Trustee

By:_____
Alice Oyer, Trustee

ARTHUR CINADER CHARITABLE REMAINDER
UNITRUST U/A DATED APRIL 25, 1997,
BETWEEN ARTHUR CINADER, AS GRANTOR
AND JOHANNA CINADER AND JOSH S.
WESTON, AS TRUSTEES

By:_____
Johanna Cinader, Trustee

By:_____
Josh S. Weston, Trustee

TPG PARTNERS II, L.P.

By: TPG Genpar II, L.P.

By: TPG Advisors II, Inc.

By:_____
Name:
Title:

AMENDMENT TO RECAPITALIZATION AGREEMENT

Amendment, dated as of October 17, 1997 (this "Amendment"), to that certain Recapitalization Agreement, dated as of July 22, 1997 (the "Recapitalization Agreement"), by and among J. Crew Group, Inc., a New York corporation (the "Company"), the holders of shares of Common Stock of the Company listed on the signature pages hereto (each a "Seller," and collectively the "Sellers"), and TPG Partners II, L.P., a Delaware limited partnership (the "Buyer").

W I T N E S S E T H:

WHEREAS, the Recapitalization Agreement contemplates a recapitalization of the Company which provides for, among other things, the purchase by the Buyer from the Company of certain shares of Common Stock;

WHEREAS, the parties desire to amend the Recapitalization Agreement to, among other things, allow TPG Investors II, L.P., a Delaware limited partnership ("TPG Investors"), TPG Parallel II, L.P., a Delaware limited partnership ("TPG Parallel" and, together with TPG Investors, the "TPG Affiliates"), and certain other designees of the Buyer (collectively with the TPG Affiliates, the "TPG Designees") as set forth herein to purchase Recapitalization Shares directly from the Company upon the terms and subject to the conditions set forth herein and in the Recapitalization Agreement;

NOW, THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration, the parties hereby agree as follows:

SECTION 1. AMENDMENTS TO THE RECAPITALIZATION AGREEMENT

1.1. Addition of TPG Designees. Upon the terms and subject to the conditions set forth herein, in the Recapitalization Agreement and in the Participation Agreements to be entered into on the date hereof by and between the Buyer and each TPG Designee other than the TPG Affiliates, on the Closing Date, the Buyer and the TPG Designees shall purchase from the Company, and the Company shall sell to the Buyer and the TPG Designees, the number of Recapitalization Shares set forth opposite the Buyer's and such TPG Designees' names on Schedule I hereto, and each such TPG Designee shall be entitled to receive all of the benefits and to exercise all of the rights of the Buyer under the Recapitalization Agreement with respect to those Recapitalization Shares purchased by such TPG Designee; provided, however, that nothing contained herein shall in any way amend or modify the Buyer's obligations under the Recapitalization Agreement, including without limitation the Buyer's obligation to deliver the Recapitalization Purchase Price pursuant to Section 2.1 of the Recapitalization Agreement, to the extent they are not satisfied by the TPG Designees.

1.2. Adjustment of Retained Shares. The Recapitalization Agreement is hereby amended by (i) deleting Exhibit B to the Recapitalization Agreement in its entirety and inserting in its place Exhibit B to this Amendment and (ii) amending Section 5.16 of the Recapitalization Agreement by (A) deleting each of the references to "twelve percent (12%)" contained therein and replacing them with "14.8127%" and (B) deleting the number "$9,000,000" and replacing it with "$11,109,514".

1.3. Adjustment of Sellers Redemption Price; Allocation of Payment Thereof. The Recapitalization Agreement is hereby amended as follows:

(a) by amending the definition of Sellers Redemption Price by deleting the number "$347,770,000" and replacing it with "$327,797,224"; and

(b) by modifying the allocation of the Sellers Redemption Price among the Redeemed Shares by deleting Schedule A to the Recapitalization Agreement in its entirety and inserting in its place Schedule A to this Amendment.

1.4. Adjustment of Recapitalization Shares; Adjustment of Recapitalization Purchase Price. Section 2.1 of the Recapitalization Agreement is hereby amended by (i) deleting the number "48,400" and replacing such number with the number "46,853.023", (ii) deleting the reference therein to "eighty-eight percent (88%)" therein and replacing such reference with "85.1873%" and (iii) deleting the number "549,600,000" and replacing such number with the number "$554,463,863".

SECTION 2. MISCELLANEOUS

2.1. Governing Law. This Amendment will be governed by the laws of the State of New York (regardless of the laws that might be applicable under principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect and performance.

2.2. Defined Terms; Effect of Amendment

(a) Capitalized terms used but not defined in this Amendment shall have the respective meanings ascribed to them in the Recapitalization Agreement.

(b) Except as expressly amended by this Amendment, the Recapitalization Agreement shall remain in full force and effect as the same was in effect immediately prior to the effectiveness of this Amendment. All references in the Recapitalization Agreement to "this Agreement" shall be deemed to refer to the Recapitalization Agreement as amended by this Amendment.

2.3. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

J. CREW GROUP, INC.

By: /s/ Michael McHugh
Name: Michael McHugh
Title: V.P. Finance CFO

/s/ A. Cinader
Arthur Cinader

/s/ Emily Woods
Emily Woods

/s/ A. Cinader
Abigail Cinader*

/s/ A. Cinader
Arthur Cinader, Jr.*

/s/ A. Cinader
Maud Bryt*

/s/ Saul Charles
Saul Charles

/s/ Saul Charles
Edna Charles**

/s/ Saul Charles
Linda Charles Fishman**

/s/ Saul Charles
Amy Charles**

/s/ Saul Charles
Robert Charles**

TRUST U/A DATED DECEMBER 29, 1992, F/B/O ARTHUR CINADER FAMILY, BETWEEN ARTHUR CINADER, AS GRANTOR AND MICHAEL S. INSEL, AS TRUSTEE

By: /s/ Michael S. Insel
Michael S. Insel, Trustee*

* - By Arthur Cinader, as attorney-in-fact
** - By Saul Charles, as attorney-in-fact

* - By Arthur Cinader, as attorney-in-fact
** - By Saul Charles, as attorney-in-fact

TRUST U/A DATED DECEMBER 30, 1959
F/B/O JOHN MITCHELL CINADER,
BETWEEN ARTHUR CINADER, AS GRANTOR
AND ALICE OYER, CALVIN OYER AND
SADIE CINADER, AS TRUSTEES

By: /s/ A. Cinader

Alice Oyer, Trustee*

By: /s/ A. Cinader

Calvin Oyer, Trustee*

TRUST U/A DATED JUNE 14, 1955,
F/B/O OYER FAMILY, BETWEEN MITCHELL
CINADER, AS GRANTOR AND ALICE OYER,
ARTHUR CINADER AND CALVIN OYER, AS
TRUSTEES

By: /s/ Saul Charles

Arthur Cinader, Trustee**

By: /s/ Saul Charles

Alice Oyer, Trustee**

By: /s/ Saul Charles

Calvin Oyer, Trustee**

ARTHUR CINADER CHARITABLE REMAINDER
UNITRUST U/A DATED APRIL 25, 1997,
BETWEEN ARTHUR CINADER, AS GRANTOR
AND JOHANNA CINADER AND JOSH S.
WESTON, AS TRUSTEES

By: /s/ Saul Charles

Johanna Cinader, Trustee**

By: /s/ Saul Charles

Josh S. Weston, Trustee**

TPG INVESTORS II, L.P.

By: TPG GenPar II, L.P.

By: TPG Advisors II, Inc.

By: /s/ Jonathan J. Coslet

Name: Jonathan J. Coslet
Title: Principal

TPG PARTNERS II, L.P.

By: TPG GenPar II, L.P.

By: TPG Advisors II, Inc.

By: /s/ Jonathan J. Coslet

Name: Jonathan J. Coslet
Title: Principal

* - By Arthur Cinader, as attorney-in-fact
** - By Saul Charles, as attorney-in-fact

TPG PARALLEL II, L.P.

By: TPG GenPar II, L.P.

By: TPG Advisors II, Inc.

By: /s/ Jonathan J. Coslet

   Name: Jonathan J. Coslet
   Title: Principal

* - By Arthur Cinader, as attorney-in-fact
** - By Saul Charles, as attorney-in-fact

SCHEDULE I

Stockholder	Recapitalization Shares
TPG Parallel II, L.P.	2,154.198
TPG Investors II, L.P.	3,292.740
BancBoston Investments, Inc.	2,062.500
General Electric Capital Corporation	1,948.090
TCW/Crescent Mezzanine Partners, L.P.	2,323.141
TCW/Crescent Mezzanine Trust	707.128
TCW/Crescent Mezzanine Investment Partners, L.P.	63.481
Crescent/Mach I Partners, L.P.	171.875
TCW Shared Opportunity Fund II, L.P.	171.875
DLJ Fund Investment Partners II, L.P.	527.745
Ken Moelis	25.943
Mark Lanigan	25.943
Pauline Boghosian	25.943
Stephen Paul	13.342
Scott Honour	4.447
Bennett Goodman	20.013
Steve Rattner	20.013
Doug Ostrover	20.013
Rob Grien	19.272
Christine Fasano	13.342
Eric Swanson	10.377
Kevin Smith	2.965
Steve Hickey	10.377
DLJ Capital Corporation	1.482
Farallon Capital Partners, L.P.	742.500
Farallon Capital Institutional Partners, L.P.	577.500
Farallon Capital Institutional Partners II, L.P.	198.000
Farallon Capital Institutional Partners III, L.P.	66.000
RR Capital Partners, L.P.	66.000

SCHEDULE A TO AMENDMENT TO RECAPITALIZATION AGREEMENT

Seller	Number of Common Shares Owned of Record	Allocation of Sellers Redemption Price
Arthur Cinader	104,836	$168,369,548 1
Emily Woods	18,110 2	$12,336,837 2
Arthur Cinader Charitable Remainder Unitrust, dated April 25, 1997	11,399	$14,647,063
Trust u/a dated December 29, 1992, f/b/o Arthur Cinader Family	5,217	$6,703,547
Abigail Cinader	137	$176,037
Arthur Cinader, Jr.	137	$176,037
Maud Bryt	137 2	$0 2
Trust u/a dated December 30, 1959, f/b/o John Mitchell Cinader	10,000	$12,849,428
Trust u/a dated June 14, 1955, f/b/o Oyer Family	24,164	$31,049,358
Edna Charles	20,000	$25,698,856
Saul Charles	19,861	$25,520,249
Linda Charles Fishman	3,330	$4,278,860

- --------

1 Amount includes an additional approximately $321 per share as consideration for the sale of Mr. Cinader's controlling interest in the Company.

2 Ms. Woods will retain a portion of her existing shares of Common Stock (having an aggregate value of $10,933,477) representing approximately 14.58% of the common equity of the post-Closing Company. The value of such shares owned by Ms. Woods, together with the cash to be received by her as her pro rata share of the Sellers Redemption Price, equal, in the aggregate, $23,270,314. Ms. Bryt will retain 129.094 of her existing shares of Common Stock (having an aggregate value of $176,037) representing approximately .002347% of the common equity of the post-Closing Company and will surrender her remaining shares of Common Stock to the Company for no additional consideration.

Amy Charles		5,330	$6,848,745
Robert Charles		5,330	$6,848,745
	TOTAL	227,988	$315,503,310 2

EXHIBIT B TO AMENDMENT TO RECAPITALIZATION AGREEMENT

Emily Woods	8,017.883 Retained Shares
Maud Bryt	129.094 Retained Shares 1

- --------

1 Ms. Bryt will retain 129.094 of her existing shares of Common Stock (having an aggregate value of $176,037) representing approximately .002347% of the common equity of the post-Closing Company and will surrender her remaining shares of Common Stock to the Company for no additional consideration.

RESTATED

CERTIFICATE OF INCORPORATION

OF

J. CREW GROUP, INC.

Under Section 807 of the

Business Corporation Law

RESTATED

CERTIFICATE OF INCORPORATION

OF

J. CREW GROUP, INC.

Under Section 807 of the

Business Corporation Law

The undersigned, being Vice President and Assistant Secretary of J. Crew Group, Inc., pursuant to Section 807 of the Business Corporation Law of the State of New York, do hereby restate, certify and set forth:

1. The name of the corporation is J. CREW GROUP, INC., hereinafter sometimes called "the corporation."

2. The Certificate of Incorporation of the corporation was filed by the Department of State, Albany, New York, on the 19th day of May, 1988.

3. The Certificate of Incorporation, as amended heretofore, is hereby further amended as authorized by Section 801 of the Business Corporation Law (i) to change the purpose of the corporation, (ii) to change the post office address to which the secretary of state shall mail a copy of any process against the corporation served upon him, (iii) to increase the aggregate number of shares of Common Stock which the corporation shall have authority to issue from 1,000,000 shares to 100,000,000 shares and to reduce the par value of such shares from $1.00 per share to $.01 per share, (iv) to change the existing 227,988 issued and outstanding shares of Common Stock of the corporation, par value $1.00 per share, to 55,000 issued and

outstanding shares of Common Stock of the corporation, par value $.01 per share, and to change the existing 772,012 unissued shares of Common Stock of the corporation, par value $1.00 per share, to 99,945,000 unissued shares of Common Stock of the corporation, par value $.01 per share, representing a rate of change of 0.24 and 129.46 for issued and outstanding shares and unissued shares, respectively, (v) to cancel twenty thousand (20,000) shares of Preferred Stock with a par value of $100 per share, (vi) to cancel ten thousand (10,000) shares of Prior Preferred Stock with a par value of $100 per share, (vii) to add ten million (10,000,000) shares of preferred stock with a par value of $.01 per share, (viii) to grant authority to the Board of Directors, as to the shares of preferred stock added hereby, to establish or change the number of shares constituting each series of such preferred stock, and to fix the designation and relative rights, preferences and limitations of the shares of each such series, (ix) to strike out certain provisions addressing the number of directors of the corporation, the duration of the corporation, and the participation in meetings of the Board of Directors or any committee thereof by means of a conference telephone, and (x) to add certain provisions addressing the rights of the holders of shares of capital stock of the corporation. This restated Certificate of Incorporation reduces the stated capital from four million ($4,000,000) dollars to one million one hundred thousand ($1,100,000) dollars, a reduction of two million nine hundred thousand ($2,900,000) dollars. The text of the Certificate of Incorporation is hereby restated as amended to read as herein set forth in full:

FIRST: The name of the corporation is J. CREW GROUP, INC., hereinafter sometimes called "the corporation."

SECOND: The purposes for which the corporation is formed are as follows:

The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the Business Corporation Law, provided, however, that the corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without first obtaining such consent or approval.

THIRD: The office of the corporation within the State of New York is to be located in the County of New York.

FOURTH: The aggregate number of shares of all classes which the corporation shall have authority to issue is 110,000,000 shares, consisting of one hundred million (100,000,000) shares of Common Stock with a par value of $.01 per share and ten million (10,000,000) shares of preferred stock with a par value of $.01 per share.

FIFTH: The Board of Directors is authorized, subject to the limitations prescribed by law and the terms of this Certificate of Incorporation, to provide for the issuance of shares of preferred stock in series, and, by filing a certificate of amendment pursuant to the Business Corporation Law, to establish or change the number of shares constituting each such series and to fix the designation and relative rights, preferences and limitations of the shares of each such series. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(1) the number of shares constituting such series and the distinctive designation of such series;

(2) the times at which and the conditions under which dividends shall be payable on shares of such series, the dividend rate on the shares of such series, whether dividends

shall be cumulative and, if so, from which date or dates, and the status of such dividends as participating or non-participating;

(3) whether such series shall have voting rights in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(4) whether such series shall have conversion or exchange privileges and, if so, the terms and conditions of such conversion or exchange, including the price or conversion or exchange rate and provision for adjustment thereof in such events as the Board of Directors shall determine;

(5) whether or not the shares of such series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(6) the obligation, if any, of the corporation to retire shares of such series pursuant to a sinking fund or redemption or purchase account;

(7) the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation; and

(8) any other relative rights, preferences and limitations of such series.

SIXTH: No present or future holder of any shares of any class or series, whether heretofore or hereafter issued, shall have any preemptive or preferential right to purchase or subscribe for any part of the stock of the corporation, now or hereafter authorized, or to any bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for or carrying options or rights to purchase stock of the corporation other than as the Board of Directors may determine.

SEVENTH: Subject to the rights of the preferred stock, if any, dividends may be paid upon the Common Stock as and when declared by the Board of Directors out of any funds legally available therefor.

EIGHTH: Upon any liquidation, dissolution or winding up of the affairs of the corporation (which shall not be deemed to include a consolidation or merger of the corporation, or the sale of all or substantially all of the corporation's assets, into, with or to any other corporation or corporations), whether voluntary or involuntary, and after the holders of the preferred stock, if any, shall have been paid in full the amounts, if any, to which they respectively shall be entitled or provision for such payment shall have been made, the remaining net assets of the corporation shall be distributed pro rata to the holders of the Common Stock.

NINTH: Every holder of shares of Common Stock of record shall be entitled at every meeting of shareholders to one vote for each share of Common Stock standing in his name on the record of shareholders. Holders of shares of each series of preferred stock, if any, shall be entitled to vote in accordance with the provisions of this Certificate of Incorporation, as amended, relating to such series.

TENTH: The secretary of state is designated as the agent of the corporation upon whom process against the corporation may be served. The post office address within the State of New York to which the secretary of state shall mail a copy of any process against the corporation served upon him is: J. Crew Group, Inc., 770 Broadway, New York, New York 10003.

ELEVENTH: The corporation reserves the right to amend, alter, change or repeal any provision herein contained in the manner now or hereafter prescribed by applicable law, and all rights conferred hereunder upon shareholders of the corporation are granted subject to this reservation.

TWELFTH: (1) A person who is or was a director of the corporation shall not have any personal liability to the corporation or its shareholders for damages for any breach of duty in such capacity, provided that the foregoing shall not eliminate or limit liability where such liability is imposed under the Business Corporation Law.

(2) Any repeal or modification of this Article Twelfth shall be prospective only, and shall not affect any limitation on the personal liability of a director of the corporation existing at the time of such repeal or modification.

4. This restatement of the Certificate of Incorporation was authorized, pursuant to Sections 803(a) and 615(a) of the Business Corporation Law, by vote of the Board of Directors, followed by unanimous written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon.

IN WITNESS WHEREOF, the undersigned have executed, signed and verified this Certificate of Incorporation this 17th day of October, 1997.

/s/ Nicholas Lamberti

Nicholas Lamberti,
Vice President
Address:

/s/ Michael P. McHugh

Michael P. McHugh,
Assistant Secretary
Address:

J. CREW GROUP, INC.

BY-LAWS

ARTICLE I

The Corporation

Section 1.01. Name. The legal name of this corporation (hereinafter called the "Corporation") is J. Crew Group, Inc.

Section 1.02. Offices. The Corporation shall have its principal office in the City of New York, County of New York, State of New York. The Corporation may also have offices at such other places within and without the State of New York as the Board of Directors may from time to time appoint or as the business of the Corporation may require.

Section 1.03. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, New York." One or more duplicate dies for impressing such seal may be kept and used.

ARTICLE II

Meetings of Shareholders

Section 2.01. Place of Meetings. All meetings of the shareholders shall be held at the principal office of the Corporation in the State of New York, or at such other place, within or without the State of New York, as may be fixed in the notice of the meeting.

Section 2.02. Annual Meeting. An annual meeting of the shareholders of the Corporation for the election of directors and the transaction of such other business as may properly come before the meeting shall be held on the second Tuesday in May in each year if not a legal holiday, and if a legal holiday, then on the next business day following, at such time as may be fixed in the notice of the meeting. If for any reason any annual meeting shall not be held at the time herein specified, the same may be held at any time thereafter upon notice, as herein provided, or the business thereof may be transacted at any special meeting called for the purpose.

Section 2.03. Special Meetings. Special meetings of shareholders may be called by the Chairman of the Board or the President whenever he deems it necessary or advisable, and shall be called by the Chairman of the Board or the President or the Secretary upon the written request of a majority of the entire Board of Directors or of the holders of one-third of the number of shares of the Corporation entitled to vote at such meeting.

Section 2.04. Notice of Meetings. Written notice of all meetings stating the place, date and hour of the meeting shall be given to each shareholder entitled to vote at such meeting personally or by first class mail, not fewer than ten nor more than fifty days before the date of the meeting. Notice of each special meeting shall state the purpose or purposes for which the meeting is called and shall indicate that it is being called by or at the direction of the person or persons calling the meeting. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of Section 623 of the New York Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, a notice of meeting shall be deemed given when deposited in the United States mail, with postage prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or at such other address for mailing of notices as any shareholder may in writing file with the Secretary of the Corporation. Notice of a meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of a shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

Section 2.05. Record Date for Shareholders. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of

any rights or for the purpose of any other action, the Board of Directors may fix, in advance, a record date, which shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. If no record date is fixed, the record

date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held; the record date for determining shareholders entitled to express consent to or dissent from any proposal without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent or dissent, as the case may be, is expressed; and the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 2.06. Proxy Representation. Every shareholder may authorize another person or persons to act for him by proxy in all matters in which a shareholder is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the shareholder or by his attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date thereof unless such proxy provides for a longer period. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as may be otherwise provided by law.

Section 2.07. Voting at Shareholders' Meetings. Except as otherwise provided by statute or by the Certificate of Incorporation, each outstanding share of stock having voting power shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. Directors shall be elected by the vote of the holders of a plurality of the shares present at a meeting and entitled to vote in the election. Unless otherwise provided by statute, any other corporate action shall be authorized by the vote of the holders of a majority of the shares present at a meeting of shareholders and entitled to vote thereon. Voting need not be by ballot.

Section 2.08. Quorum and Adjournment. Except as otherwise provided by statute or by the Certificate of Incorporation, the holders of a majority of the shares of the Corporation shall constitute a quorum for the transaction of any business. When a quorum is once present to organize a

meeting, it shall not be broken by the subsequent withdrawal of any shareholders. If a quorum is not present or represented at any meeting of the shareholders, the shareholders present in person or represented by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.09. List of Shareholders. The officer who has charge of the record of shareholders of the Corporation shall prepare, make and certify, at least ten days before every meeting of shareholders, a complete list of the shareholders, as of the record date fixed for such meeting, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in each shareholder's name. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, at the principal office of the Corporation or at a place within the city, municipality or community where the meeting is to be held, and shall be available for the examination of any shareholder at the place and during the time of the meeting. If the right of any shareholder to vote at any meeting is challenged, the inspectors of election, if any, or the person presiding, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 2.10. Action of the Shareholders Without a Meeting. Whenever shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all of the outstanding shares entitled to vote thereon.

ARTICLE III
Directors

Section 3.01. Number of Directors. The number of directors which shall constitute the entire Board of Directors shall not be less than five nor more than nine. Subject to the foregoing limitation, the number of directors may be fixed from

time to time by action of a majority of the entire Board of Directors or of the shareholders at an annual or special meeting, or, if the number of directors is not so fixed, the number shall be five.

Section 3.02. Election and Term. The initial Board of Directors shall be elected by the incorporator and the initial directors so elected shall hold office until the first annual meeting of shareholders and until their successors have been elected and qualified. Thereafter, each director who is elected at an annual meeting of shareholders, and each director who is elected in the interim to fill a vacancy or a newly created directorship, shall hold office until the next annual meeting of shareholders and until his successor has been elected and qualified.

Section 3.03. Filling Vacancies, Resignation and Removal. Any director may be removed, with or without cause, by vote of the shareholders. In the interim between annual meetings of shareholders or special meetings of shareholders called for the election or removal of one or more directors, newly created directorships and any vacancies in the Board of Directors, including vacancies resulting from the resignation or removal of directors, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director.

Section 3.04. Qualifications and Powers. Each director shall be at least eighteen years of age. A director need not be a shareholder, a citizen of the United States or a resident of the State of New York. The business of the Corporation shall be managed by the Board of Directors, subject to the provisions of the certificate of incorporation. In addition to the powers and authorities expressly conferred upon it by these bylaws, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done exclusively by the shareholders.

Section 3.05. Regular and Special Meetings of the Board. The Board of Directors may hold its meetings, regular or special, within or without the State of New York. The annual meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of shareholders. No notice shall be required for regular meetings of the Board of Directors for which the time and place

have been fixed. Special meetings of the Board may be called by or at the direction of the Chairman of the Board, the President, any Vice President, the Secretary or a majority of the directors in office, upon three days notice to each director, delivered personally, sent by telegraph or mailed to each director at his residence or usual place of business. Meetings of the Board, regular or special, may be held at any time and place, and for any purpose, without notice, when all the directors are present or when all directors not present, before or after such meeting, in writing waive notice of the holding of such meeting. Any requirement of furnishing a notice shall be waived by any director who attends any meeting of the Board without protesting, prior thereto or at its commencement, the lack of notice to him.

Section 3.06. Chairman. At the Annual Meeting of Directors, the Board shall elect from its members a Chairman of the Board who shall hold office until the Annual Meeting of Directors next succeeding his election. At all other meetings of the Board of Directors, the Chairman of the Board, or in his absence the President, shall preside. At all meetings of the stockholders the Chairman of the Board, or in his absence the President, shall preside.

Section 3.07. Quorum and Action. A majority of the directors shall constitute a quorum of the Board of Directors. Except as otherwise provided by the New York Business Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. A majority of the directors present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time without further notice, until a quorum shall be present.

Section 3.08. Telephonic Meetings. Any member or members of the Board of Directors, or of any committee designated by the Board, may participate in a meeting of the Board, or any such committee, as the case may be, by means of conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time, and participation in a meeting by such means shall constitute presence in person at such meeting.

Section 3.09. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors, or any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent

in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board or committee shall be filed with the minutes of proceedings of the Board or committee.

Section 3.10. Compensation of Directors. By resolution of the Board of Directors, the directors may be paid their expenses, if any, for attendance at each regular or special meeting of the Board or of any committee designated by the Board and may be paid a fixed sum for attendance at such meeting, or a stated salary as director, or both. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor; provided, however, that directors who are also salaried officers shall not receive fees or salaries as directors.

ARTICLE IV
Committees

Section 4.01. In General. The Board of Directors may, by resolution or resolutions passed by the affirmative vote of a majority of the entire Board, designate an Executive Committee and such other committees as the Board may from time to time determine, each to consist of one or more directors, and each of which, to the extent provided in the resolution or in the certificate of incorporation or in the bylaws, shall have all the powers of the Board, except that no such committee shall have power to fill vacancies in the Board, or to change the membership of or to fill vacancies in any committee, or to make, amend, repeal or adopt By-laws of the Corporation, or to submit to the shareholders any action that needs shareholder approval under these By-laws or the New York Business Corporation Law, or to fix the compensation of the directors for serving on the Board or any committee thereof, or to amend or repeal any resolution of the Board which by its terms shall not be so amendable or repealable. Each committee shall serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

ARTICLE V
Officers

Section 5.01. Designation, Term and Vacancies. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents (one or more of whom may be designated as Executive Vice President), a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time deem necessary. Such officers may have and perform the powers and duties usually pertaining to their respective offices, the powers and duties respectively prescribed by law and by these bylaws, and such additional powers and duties as may from time to time be prescribed by the Board. The same person may hold any two or more offices, except that the offices of President and Secretary may not be held by the same person unless all the issued and outstanding stock of the Corporation is owned by one person, in which instance such person may hold all or any combination of offices.

The initial officers of the Corporation shall be appointed by the initial Board of Directors. Thereafter, the officers of the Corporation shall be appointed by the Board as soon as practicable after the election of the Board at the annual meeting of shareholders, and shall hold office until the regular annual meeting of the Board of Directors following their appointment and until their successors have been appointed and qualified; provided, however, that the Board of Directors may remove any officer at any time, with or without cause. Vacancies occurring among the officers of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 5.02. Chairman. The Chairman of the Board shall direct the policy and management of the Company on behalf of the Board and shall have general charge of the business, affairs and property of the Corporation, and general supervision over its officers and agents.

Section 5.03. President. The President of the Corporation shall be the administrative officer of the Corporation and, as such, shall manage its operations, perform all the duties incident to his office, and shall see that all orders and resolutions of the Board of Directors are carried into effect. In the event of the absence or the disability of the Chairman of the Board, he shall act in his place and assume his duties.

Section 5.04. Vice-Presidents. During the absence or disability of the President, the Vice-President or, if there be more than one, a Vice-President or Executive Vice-President designated by the Board of Directors, shall exercise all the functions of the President and, when so acting, shall have all the powers of and be subject to all restrictions upon the President. Each Vice-President shall have such powers and discharge such duties as may be assigned to him from time to time by the Board of Directors.

Section 5.05. Secretary. The Secretary shall have custody of the seal of the Corporation and when required by the Board of Directors, or when any instrument shall have been signed by the President or by any other officer duly authorized to sign the same, or when necessary to attest any proceedings of the shareholders or directors, shall affix it to any instrument requiring the same and shall attest the same with his signature, provided that the seal may be affixed by the President or any Vice President or other officer of the Corporation to any document executed by either of them respectively on behalf of the Corporation which does not require the attestation of the Secretary. He shall attend to the giving and serving of notices of meetings. He shall have charge of such books and papers as properly belong to his office or as may be committed to his care by the Board of Directors. He shall perform such other duties as appertain to his office or as may be required by the Board of Directors.

Section 5.06. Assistant Secretaries. Whenever requested by or in the absence or disability of the Secretary, the Assistant Secretary designated by the Secretary (or in the absence of such designation, the Assistant-Secretary designated by the Board of Directors) shall perform all the duties of the Secretary and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Secretary.

Section 5.07. Treasurer. The Treasurer shall render to the President or the Board of Directors whenever requested a statement of the financial condition of the Corporation and of all his transactions as Treasurer, and render a full financial report at the annual meeting of the stockholders if called upon to do so and perform such duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors or the President.

Section 5.08. Assistant Treasurer. Whenever requested by or in the absence or disability of the Treasurer,

the Assistant Treasurer designated by the Treasurer (or in the absence of such designation, the Assistant-Treasurer designated by the Board of Directors) shall perform all the duties of the treasurer, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Treasurer.

Section 5.09. Subordinate Officers and Agents. The Board of Directors may from to time appoint such other officers and agents as it may deem necessary or advisable, to hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or agent the power to appoint any such subordinate officers or agents and to prescribe their respective terms of office, authorities and duties.

Section 5.10. Delegation. In case of the absence of any officer of the Corporation, or for any other reason that the Board of Directors may deem sufficient, the Board may temporarily delegate the powers or duties, or any of them, of such officer to any other officer or to any director.

Section 5.11. Compensation. The salaries or other compensation of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary or any compensation by reason of the fact that he is also a director of the Corporation. The Board of Directors, in accordance with the provisions of Section 5.11 of this Article V, may delegate to any officer or agent the power to fix from time to time the salaries or other compensation of officers or agents.

ARTICLE VI
Shares

Section 6.01. Certificates Representing Shares. All certificates representing shares of the Corporation shall be signed by the Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, shall bear the seal of the Corporation and shall not be valid unless so signed and sealed. Certificates countersigned by a duly appointed transfer agent or registered by a duly appointed registrar shall be deemed to be so signed and sealed whether the signatures be manual or facsimile signatures and whether the seal be a facsimile seal or any other form of seal. All certificates shall be consecutively numbered and the name of the person owning the

shares represented thereby, his residence, with the number of such shares and the date of issue, shall be entered on the Corporation's books. All certificates surrendered shall be cancelled and no new certificates issued until the former certificates for the same number of shares shall have been surrendered and cancelled, except as provided for herein.

In case any officer who signed or whose facsimile signature was affixed to any certificate shall have ceased to be such officer before such certificate is issued, it nevertheless may be issued by the Corporation as if he were such officer at the date of its issuance.

When the Corporation is authorized to issue shares of more than one class there shall be set forth upon the face or back of the certificate, or the certificate shall have a statement that the Corporation will furnish to any shareholder upon request and without charge, a full statement of the designation, relative rights, preferences, and limitations of the shares of each class authorized to be issued and, if the Corporation is authorized to issue any class of preferred shares in series, the designation, relative rights, preferences and limitations of each such series so far as the same have been fixed and the authority of the Board of Directors to designate and fix the relative rights, preferences and limitations of other series.

Any restrictions on the transfer or registration of transfer of any shares of any class or series shall be noted conspicuously on the certificate representing such shares.

Section 6.02. Addresses of Shareholders. Every shareholder shall furnish the Corporation with an address to which notices of meetings and all other notices may be served upon or mailed to him, and in default thereof notices may be addressed to him at his last known post office address.

Section 6.03. Stolen, Lost or Destroyed Certificates. The Board of Directors may in its sole discretion direct that a new certificate for shares be issued in place of any certificate for shares issued by the Corporation alleged to have been stolen, lost or destroyed. When authorizing such issuance of a new certificate, the Board of Directors may, in its discretion, and as a condition precedent thereto, require the owner of such stolen, lost or destroyed certificate or his legal representatives to give the Corporation a bond in such sum as the Corporation may direct

not exceeding double the value of the shares represented by the certificate alleged to have been stolen, lost or destroyed.

Section 6.04. Transfers of Shares. Upon compliance with all provisions restricting the transferability of shares, if any, transfers of shares shall be made only upon the books of the Corporation by the holder in person or by his attorney thereunto authorized by power of attorney duly filed with the Secretary of the Corporation or with a transfer agent or registrar, if any, and upon the surrender and cancellation of the certificate or certificates for such shares properly endorsed and the payment of all taxes due thereon. The Board of Directors may appoint one or more suitable banks or trust companies as transfer agents or registrars of transfers, for facilitating transfers of any class or series of shares of the Corporation by the holders thereof under such regulations as the Board of Directors may from time to time prescribe. Upon such appointment being made, all certificates of shares of such class or series thereafter issued shall be countersigned by one of such transfer agents or one of such registrars of transfers, and shall not be valid unless so countersigned.

ARTICLE VII
Dividends and Finance

Section 7.01. Dividends. Subject to the conditions and limitations set forth in the Certificate of Incorporation, the Board of Directors shall have power to fix and determine and to vary, from time to time, the amount of the working capital of the Corporation before declaring any dividends among its shareholders, to determine the date or dates for the declaration and payment of dividends and the amount of any dividend, and the amount of any reserves necessary in their judgment before declaring any dividends among its shareholders, and to determine the amount of surplus of the Corporation from time to time available for dividends.

Section 7.02. Fiscal Year. The fiscal year of the Corporation shall end on the last Friday of January in each year and shall begin on the next succeeding day, or shall be for such other period as the Board of Directors may from time to time designate.

ARTICLE VIII
Indemnification

Section 8.01. Except to the extent expressly prohibited by the New York Business Corporation Law, the Corporation shall indemnify each person made or threatened to be made a party to or called as a witness in or asked to provide information in connection with any pending or threatened action, proceeding, hearing or investigation, whether civil or criminal, and whether judicial, quasi-judicial, administrative, or legislative, and whether or not for or in the right of the Corporation or any other enterprise, by reason of the fact that such person or such person's testator or intestate is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation who also serves or served at the request of the Corporation any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be made if a judgment or other final adjudication adverse to such person establishes that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled, and provided further that no such indemnification shall be required with respect to any settlement or other nonadjudicated disposition of any threatened or pending action or proceeding unless the Corporation has given its prior consent to such settlement or other disposition.

The Corporation shall advance or promptly reimburse, upon request of any person entitled to indemnification hereunder, all expenses, including attorneys' fees, reasonably incurred in defending any action or proceeding in advance of the final disposition thereof upon receipt of a written undertaking by or on behalf of such person to repay such amount if such person is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent the expenses so advanced or reimbursed exceed the amount to which such person is entitled; provided, however, that such person shall cooperate in good faith with any request by the Corporation that common counsel be utilized by the parties to

an action or proceeding who are similarly situated unless to do so would be inappropriate due to actual or potential differing interests between or among such parties.

Nothing herein shall limit or affect any right of any person otherwise than hereunder to indemnification or expenses, including attorneys' fees, under any statute, rule, regulation, certificate of incorporation, by-law, insurance policy, contract or otherwise.

No elimination of this by-law, and no amendment of this by-law adversely affecting the right of any person to indemnification or advancement of expenses hereunder shall be effective until the 60th day following notice to such person of such action, and no elimination of or amendment to this by-law shall deprive any person of his or her rights hereunder arising out of alleged or actual occurrences, acts or failures to act prior to such 60th day. The provisions of this paragraph shall supersede anything to the contrary in these by-laws.

The Corporation shall not, except by elimination or amendment of this by-law in a manner consistent with the preceding paragraph, take any corporate action or enter into any agreement which prohibits, or otherwise limits the rights of any person to, indemnification in accordance with the provisions of this by-law. The indemnification of any person provided by this by-law shall continue after such person has ceased to be a director or officer of the Corporation and shall inure to the benefit of such person's heirs, executors, administrators and legal representatives.

The Corporation is authorized to enter into agreements with any of its directors, officers or employees extending rights to indemnification and advancement of expenses to such person to the fullest extent permitted by applicable law, but the failure to enter into any such agreement shall not affect or limit the rights of such person pursuant to this by-law. It is hereby expressly recognized that all directors and officers of the Corporation, by serving as such after the adoption hereof, are acting in reliance hereon and that the Corporation is estopped to contend otherwise. Additionally, it is hereby expressly recognized that all persons who serve or served as directors, officers or employees of corporations which are subsidiaries or affiliates of the Corporation (or other entities controlled by the Corporation) and are directors or officers of the Corporation are conclusively presumed to serve or have served as such at the request of the Corporation

and, to the extent permitted by law, are entitled to indemnification hereunder, but that no such person shall have any rights hereunder or in connection herewith, except to the extent that indemnification hereunder is permitted by law.

In case any provision in this by-law shall be determined at any time to be unenforceable in any respect, the other provisions shall not in any way be affected or impaired thereby, and the affected provision shall be given the fullest possible enforcement in the circumstances, it being the intention of the Corporation to afford indemnification and advancement of expenses to its directors and officers, acting in such capacities or in the other capacities mentioned herein, to the fullest extent permitted by law.

For purposes of this by-law, the Corporation shall be deemed to have requested a director or officer of the Corporation to serve an employee benefit plan where the performance by such person of his or her duties to the Corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan, and excise taxes assessed on a person with respect to an employee benefit plan pursuant to applicable law shall be considered indemnifiable expenses. For purposes of this by-law, the term "Corporation" shall include any legal successor to the Corporation, including any corporation which acquires all or substantially all of the assets of the Corporation in one or more transactions.

A person who has been successful, on the merits or otherwise, in the defense of a civil or criminal action or proceeding of the character described in the first paragraph of this by-law shall be entitled to indemnification as authorized in such paragraph. Except as provided in the preceding sentence and unless ordered by a court, any indemnification under this by-law shall be made by the Corporation if, and only if, authorized in the specific case:

(1) By the Board of Directors acting by a quorum consisting of directors who are not parties to such action or proceeding upon a finding that the director or officer has met the standard of conduct set forth in the first paragraph of this by-law, or,

(2) If such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs:

(a) By the Board of Directors upon the opinion in writing of independent legal counsel that indemnification is proper in the circumstances because the standard of conduct set forth in the first paragraph of this by-law has been met by such director or officer, or

(b) By the shareholders upon a finding that the director or officer has met the applicable standard of conduct set forth in such paragraph.

If any action with respect to indemnification of directors and officers is taken by way of amendment of these by-laws, resolution of directors, or by agreement, the Corporation shall, not later than the next annual meeting of shareholders, unless such meeting is held within three months from the date of such action and, in any event, within fifteen months from the date of such action, mail to its shareholders of record at the time entitled to vote for the election of directors a statement specifying the action taken.

ARTICLE IX
Miscellaneous Provisions

Section 9.01. Books and Records. Subject to the New York Business Corporation Law, the Corporation may keep its books and accounts outside the State of New York.

Section 9.02. Notices. Whenever any notice is required by these by-laws to be given, personal notice is required only if it is expressly so stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed post-paid wrapper, addressed to the person entitled thereto at his last known post office address, and such notice shall be deemed to have been given on the day of such mailing.

Any person may waive the right to receive any notice by signing a written waiver thereof.

Section 9.03. Amendments. Except as otherwise provided herein, these by-laws may be altered, amended, or repealed and by-laws may be adopted by the shareholders or by the Board of Directors.

STOCKHOLDERS' AGREEMENT

This AGREEMENT is made as of this 17th day of October, 1997, by and among J. Crew Group, Inc., a New York corporation (the "Company"), and each of the following (hereinafter severally referred to as a "Stockholder" and collectively referred to as the "Stockholders"): TPG Partners II, L.P. ("TPG II"), TPG Parallel II, L.P. ("TPG Parallel II"), TPG Investors II, L.P. ("TPG Investors II," and, together with TPG II and TPG Parallel II, the "TPG Holders"), each of the other signatories hereto, and each of the parties who become parties to this Agreement pursuant to Article V hereof as stockholders of the Company.

WHEREAS, TPG II, the Company and certain shareholders of the Company have heretofore entered into a Recapitalization Agreement dated as of July 22, 1997, as amended (the "Recapitalization Agreement"), which provides for, among other things, the recapitalization of the Company on the terms and subject to the conditions set forth in the Recapitalization Agreement (the "Recapitalization") and the related acquisition of shares of common stock of the Company by certain parties as described therein;

WHEREAS, the Company, each of the TPG Holders and certain other Stockholders are on the date hereof entering into a Preferred Stock Subscription Agreement (the "Subscription Agreement") which provides for, among other things, the subscription for shares of Series A Cumulative Preferred Stock, $.01 par value, of the Company ("Series A Preferred Stock") and Series B Cumulative Redeemable Preferred Stock, $.01 par value, of the Company ("Series B Preferred Stock" and, together with the Series A Preferred Stock, the "Preferred Shares") by the other parties thereto on the terms and subject to the conditions set forth in the Subscription Agreement;

WHEREAS, the Stockholders, together with Emily Woods, will acquire or hold all of the issued and outstanding shares of common stock, $.01 par value, of the Company (such shares, together with any additional shares of common stock issued by the Company, being hereinafter severally referred to as a "Common Share" and collectively referred to as the "Common Shares," and, together with the Preferred Shares, being hereinafter severally referred to as a "Share" and collectively referred to as the "Shares"); and

WHEREAS, in consideration of the Recapitalization Agreement and the Subscription Agreement and the transactions contemplated thereby, the parties hereto desire to enter into an agreement regarding certain matters described herein, including the imposition of certain restrictions on the transferability of Common Shares.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties mutually agree as follows:

ARTICLE I

Representations and Warranties

Each of the parties hereby severally represents and warrants to each of the other parties as follows:

1.1 Authority; Enforceability. Such party has the legal capacity or corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. Such party, if not an individual, is duly organized and validly existing under the laws of its jurisdiction of organization, and the execution of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary action. No other act or proceeding, corporate or otherwise, on its part is necessary to authorize the execution of this Agreement or the consummation of any of the transactions contemplated hereby. This Agreement has been duly executed by such party and constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms of this Agreement, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and to the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or of equity).

1.2 No Breach. Neither the execution of this Agreement nor the performance by such party of its obligations hereunder nor the consummation of the transactions contemplated hereby does

or will:

(a) conflict with or violate its articles of incorporation, bylaws or other organizational documents;

(b) violate, conflict with or result in the breach or termination of, or otherwise give any other person the right to accelerate, re-negotiate or terminate or receive any payment, or constitute a default or an event of default (or an event which with notice, lapse of time, or both, would constitute a default or event of default) under the terms of, any contract or agreement to which it is a party or by which it or any of its assets or operations are bound or affected; or

(c) constitute a violation by such party of any laws, rules or regulations of any governmental, administrative or regulatory authority or any judgments, orders, rulings or awards of any court, arbitrator or other judicial authority or any governmental, administrative or regulatory authority.

1.3 Consents. No consent, waiver, approval, authorization, exemption, registration, license or declaration is required to be made or obtained by such party, other than those which have been made or obtained, in connection with (i) the execution or enforceability of this Agreement or (ii) the consummation of any of the transactions contemplated hereby.

1.4 Share Ownership. Such party will own, immediately following the consummation of the transactions contemplated by the Recapitalization Agreement, the number of Shares of each class set forth opposite such party's name in Schedule 1.4 attached hereto, free

and clear of any and all liens, claims and encumbrances, other than those created by this Agreement.

ARTICLE II

Transfer of Shares

2.1 Restrictions on Transfers.

(a) No Stockholder may transfer by way of sale, exchange, assignment, pledge, gift or other disposition (all of which acts shall be deemed included in the term "transfer" as used in this Agreement) any or all of the Shares (whether held in its, his or her own right or by a representative of the Stockholder, such Stockholder hereinafter being referred to as a "Transferor") unless (i) such transfer of Shares is made on the books of the Company and in accordance with the provisions of Article II of this Agreement and (ii) the transferee of such Shares (if other than (A) the Company or another Stockholder, (B) a transferee in a sale of Shares made under Rule 144 (or any successor provision) under the Securities Act of 1933, as amended (the "Securities Act") or (C) a transferee of Shares registered under the Securities Act, that is otherwise permitted by this Agreement) agrees to become a party to this Agreement pursuant to Article V hereof and executes such further documents as may be necessary, in the opinion of the Company, to make him, her or it a party hereto.

(b) Any purported transfer of Shares other than in accordance with this Agreement by any Transferor shall be null and void, and the Company shall refuse to recognize any such transfer for any purpose and shall not reflect in its records any change in record ownership of Shares pursuant to any such transfer.

(c) The Company shall not, without the written consent of the holders of a majority, by voting power, of the outstanding Shares, issue any Shares upon original issue or reissue or otherwise dispose of any Shares unless the recipient or transferee of such Shares (if other than a Stockholder) shall agree to become a party to this Agreement pursuant to Article V hereof and executes such further documents as may be necessary, in the opinion of the Company, to make him, her or it a party hereto; provided that if the recipient or transferee of such Shares is an affiliate of any of the TPG Holders that is not a Stockholder and the TPG Holders shall hold a majority of the outstanding Shares, the aforementioned consent must be obtained from holders of a majority, by voting power, of the outstanding Shares other than Shares held by the TPG Holders.

2.2 Right of First Offer.

(a) Prior to any underwritten initial public offering by the Company of any Shares, in the event that a Transferor desires to sell or transfer all or part of its Common Shares ("Offered Common Shares"), other than pursuant to Section 2.3, 2.4 or 2.5 of this Agreement or in reliance and in accordance with Rule 144 (or any successor provision) under the Securities Act, the Transferor shall give prompt written notice (a "Transferor's Notice") of its desire to sell the Offered Common Shares to the Company and TPG II, which notice shall identify (i) the

number of Offered Common Shares, (ii) the number of shares, if any, of Series A Preferred Stock and/or Series B Preferred Stock which the Transferor proposes to sell or transfer in conjunction with the sale or transfer of the Offer Common Shares (the "Offered Preferred Shares" and, together with the Offered Common Shares, "Offered Shares") and (iii) any other material items and conditions of the proposed transfer (other than the offering price). The date on which such Transferor's Notice is actually received by the Company and TPG II is referred to hereinafter as the "Notice Date." Following consummation of any underwritten initial public offering by the Company of any Shares, a Transferor shall, subject to compliance with the provisions of Section 2.1(a), have the right to sell or transfer all or part of its Shares without complying with the requirements of this Section 2.2. Unless a Transferor desires to sell or transfer any or all of its Preferred Shares in conjunction with the sale or transfer of any or all of its Common Shares, prior to any underwritten initial public offering by the Company of any Shares, such Transferor may, subject to compliance with the provisions of Section 2.1(a), sell any or all of its Preferred Shares without complying with the provisions of this Section 2.2.

(b) The TPG Holders shall have fifteen (15) days following the Notice Date to notify the Transferor and the Company in writing of an offer to purchase in cash (the "Offer to Purchase") all (but not less than all) of the Offered Shares by one or more of the TPG Holders (the "Electing Holders"), the proposed cash purchase price thereof, the proposed closing date for the purchase and any other material term or condition of the proposed purchase. If the Transferor does not receive a written notice from any of the TPG Holders containing a cash offer to purchase the Offered Shares within the fifteen (15) day period, the TPG Holders shall be deemed to have declined to purchase such Offered Shares and the Transferor may, subject to compliance with the provisions of Section 2.1(a) and Section 2.2(e), thereafter transfer to any purchaser at any time within one hundred twenty (120) days following the Notice Date all (but not less than all) of the Offered Shares upon the terms and conditions set forth in the Transferor's Notice; provided that if TPG II notifies the Transferor in writing, within fifteen (15) days following receipt of the notice required by Section 2.2(e), of an objection to the purchaser because the purchaser or one or more of its affiliates competes with one or more of the businesses of the Company and its subsidiaries, the Transferor shall not have the right to transfer any of the Offered Common Shares to such purchaser (but shall be permitted to transfer the Offered Preferred Shares); and provided further that if the Offered Common Shares are not transferred to a purchaser for any reason within one hundred twenty (120) days following the Notice Date, then such Offered Common Shares may be transferred only by again complying with all of the terms and procedures set forth in this Article II.

(c) The Transferor shall have fifteen (15) days following receipt of the Offer to Purchase to accept the offer made by the Electing Holders to purchase all (but not less than all) of the Offered Shares on the terms and subject to the conditions set forth in the Offer to Purchase. If, in accordance with the terms of the preceding sentence, the Transferor accepts the offer made by the Electing Holders to purchase all (but not less than all) of the Offered Shares on the terms and subject to the conditions set forth in the Offer to Purchase, the closing for such transaction shall take place at a time and place reasonably acceptable to the Transferor and the Electing Holders; provided that such closing shall not occur more than thirty (30) days after the date on which the Electing Holders actually receive notice that their Offer to Purchase has been

accepted by the Transferor. At such closing, the Electing Holders shall deliver to the Transferor the consideration to be exchanged for such Offered Shares, in immediately available funds, and the Transferor shall deliver to the Electing Holders all documents required to effect the sale of such Offered Shares, duly endorsed and free of any liens, including appropriate documentation providing indemnities to the Electing Holders regarding its title to such Offered Shares and such other matters as are customary for such transactions.

(d) If, within fifteen (15) days following receipt of the Offer to Purchase, the Transferor rejects or does not accept the Offer to Purchase made by the Electing Holders, such Transferor may, subject to compliance with the provisions of Section 2.1(a) and Section 2.2(e), thereafter sell all (but not less than all) of the Offered Shares to any purchaser at any time within one hundred twenty (120) days following the Notice Date; provided that (i) the purchase price for such Offered Shares in any such transaction is in cash and is greater than the proposed cash purchase price offered by the Electing Holders for such Offered Shares and (ii) if TPG II notifies the Transferor in writing, within ten (10) days following receipt of the notice required by Section 2.2(e), of an objection to the purchaser because the purchaser or one or more of its affiliates competes with one or more of the businesses of the Company and its subsidiaries, the Transferor shall not have the right to transfer any of the Offered Common Shares to such purchaser (but shall be permitted to transfer the Offered Preferred Shares); and provided further that if the Offered Common Shares are not transferred to a purchaser for any reason within one hundred twenty (120) days following the Notice Date, then such Offered Common Shares may be transferred only by again complying with all of the terms and procedures set forth in this Article II.

(e) As soon as practicable, but in any event no less than fifteen (15) days prior to the consummation of a proposed sale of Offered Shares to a purchaser pursuant to Section 2.2(d), the Transferor shall give written notice to the Company and TPG II, which notice shall specify with respect to each such proposed sale (i) the identity of the purchaser, (ii) the cash purchase price to be paid by such purchaser for the Offered Shares, (iii) the date of the proposed transfer and (iv) any other material items and conditions of the proposed sale.

2.3 Transfers to Permitted Transferees. A Stockholder may transfer any or all of the Shares held by such Stockholder to a Permitted Transferee (as hereinafter defined) of such Stockholder without complying with any other provision of this Article II other than Section 2.1. For purposes of this Agreement, a "Permitted Transferee" means (a) in the case of any Stockholder that is not a corporation, any general or limited partner, member, managing director, officer, employee or affiliate (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of such Stockholder, (b) in the case of any Stockholder that is a corporation, any other entity that owns, directly or indirectly, at least 51% of the equity securities of such Stockholder ("majority ownership") or that is under common majority ownership with such Stockholder, (c) in the case of any Stockholder that is an individual, any successor by death or divorce or (d) in the case of any Stockholder that is a trust whose sole beneficiaries are individuals, such individuals or their spouses or lineal descendants.

2.4 Bankruptcy of a Stockholder.

(a) Upon the bankruptcy (as hereinafter defined in Section 2.4(d) below) of a Stockholder (a "Bankrupt Stockholder"), the TPG Holders may, by written notice given to the Bankrupt Stockholder, the other Stockholders and the Company within 30 days following the occurrence of the event specified in Section 2.4(d) which gives rise to such bankruptcy, elect to purchase for cash part or all of such Bankrupt Stockholder's shares (the "Bankrupt Shares") at a price equal to the fair market value of such shares at the time of purchase, as determined by an independent appraiser to be selected by the Company. Fees and expenses of any independent appraiser selected pursuant to this subsection shall be shared equally by the Bankrupt Stockholder and the TPG Holders.

(b) If the TPG Holders elect to acquire fewer than all of the Bankrupt Shares within 30 days after the event giving rise to such bankruptcy, the Company shall thereupon have the option, exercisable by written notice given to the Bankrupt Stockholder and the other Stockholders within 45 days after the event giving rise to such bankruptcy, to purchase for cash all or part of the remaining Bankrupt Shares at the price determined in accordance with Section 2.4(a) above.

(c) Upon the giving of the notices provided in Sections 2.4(a) and (b) above, the TPG Holders and/or the Company, as the case may be, shall be obligated severally, but not jointly, to purchase, and the Bankrupt Stockholder shall be obligated to sell to each of them, the respective numbers of such Bankrupt Shares specified in such notices (or determined in accordance with Section 2.4(a) above, as the case may be) for cash at the price determined in accordance with Section 2.4(a) above.

(d) The bankruptcy of a Stockholder shall be deemed to occur upon the occurrence of any of the following events:

(i) The filing of a voluntary petition in bankruptcy by such Stockholder;

(ii) The filing of an involuntary petition in bankruptcy with respect to such Stockholder which remains undismissed for a period of 90 days;

(iii) The appointment of a receiver with respect to such Stockholder or with respect to all or substantially all of his, her or its assets or affairs which remains undismissed for a period of 60 days; or

(iv) The admission in writing by the Stockholder of his, her or its inability to pay his, her or its debts generally as they become due.

2.5 Certain Rights.

(a) Drag Along Rights. If the TPG Holders desire to sell all or substantially all of their Common Shares to a purchaser (other than pursuant to Section 2.3) and said purchaser desires to acquire all or substantially all of the issued and outstanding Common Shares (or all or

substantially all of the assets of the Company) upon such terms and conditions as agreed to with the TPG Holders, each other Stockholder agrees to sell all of its Common Shares to said purchaser (or to vote such Common Shares in favor of any merger or other transaction which would effect a sale of such Common Shares (or all or substantially all of the assets of the Company) provided that nothing herein shall in any way constrain, limit or affect the ability, if any, of any Stockholder to vote its Preferred Shares in such Stockholder's discretion in accordance with the terms thereof in connection with any such merger or other transaction) at the same price per Common Share and pursuant to the same terms and conditions with respect to payment for the Common Shares as agreed to by the TPG Holders. For purposes of this Section 2.5(a), but only with respect to a sale of Common Shares, "substantially all" shall mean at least 80% of the Common Shares then owned by the TPG Holders. In all other circumstances, "substantially all" shall be interpreted within the meaning of the New York Business Corporation Law. In such case, the TPG Holders shall give written notice of such sale to the other Stockholders at least 30 days prior to the consummation of such sale, setting forth (i) the consideration to be received by the Stockholders, (ii) the identity of the purchaser, (iii) any other material items and conditions of the proposed transfer and (iv) the date of the proposed transfer and shall cause the terms of any such transaction not to expose such other Stockholders to joint and several liability as a selling stockholder in such transaction.

(b) Tag Along Rights. (i) Subject to paragraph (v) of this Section 2.5(b), if a TPG Holder proposes to transfer any Common Shares, Series A Preferred Stock or Series B Preferred Stock to a purchaser (including the Company or any of its subsidiaries) other than a Permitted Transferee (which for purposes of this Section 2.5(b) only, in the case of the TPG Holders, shall not include the Company or any of its subsidiaries) of such TPG Holder, such TPG Holder (hereinafter referred to as a "Selling TPG Stockholder") shall give written notice (a "Transfer Notice") of such proposed transfer to the Stockholders other than the TPG Holders (the "Other Stockholders") at least 30 days prior to the consummation of such proposed transfer, setting forth for each class of Shares (A) the number of Shares offered, if any, (B) the consideration to be received for such Shares by such Selling TPG Stockholder, (C) the identity of the purchaser, (D) any other material items and conditions of the proposed transfer (including a representation that if one or more Other Stockholders elect to sell Shares pursuant to this Section 2.5, such Selling TPG Stockholder shall use reasonable efforts to cause any transaction to be on terms which do not expose such Other Stockholders to joint and several liability as a selling stockholder in such transaction), (E) the date of the proposed transfer and (F) that each such Other Stockholder shall have the right to elect to sell up to the sum of its Pro Rata Portion plus its Excess Pro Rata Portion (as defined in Section 2.5(b)(iii) below) of such Shares.

(ii) Subject to paragraph (iv) of this Section 2.5(b), upon delivery of a Transfer Notice, each Other Stockholder may elect to sell up to the sum of (A) the Pro Rata Portion (as defined in paragraph (iii) of this Section 2.5(b)) and (B) the Excess Pro Rata Portion of its Shares of the same class and series proposed to be sold by the Selling TPG Stockholder, at the same price per Share of the same class and series and pursuant to the same terms and conditions with respect to payment for the Shares of the same class and series as agreed to by the Selling TPG Stockholder, by sending written notice to the Selling TPG Stockholder within 15 days of the date of the Transfer Notice, indicating its election to sell up to the sum of the Pro Rata Portion plus

the Excess Pro Rata Portion of its Shares of the same class and series in the same transaction. Following such 15 day period, the Selling TPG Stockholder and each Other Stockholder, concurrently with the Selling TPG Stockholder, shall be permitted to sell to the purchaser on the terms and conditions set forth in the Transfer Notice the sum of (x) the Pro Rata Portion and (y) the Excess Pro Rata Portion of its Shares.

(iii) For purposes of this Agreement, "Pro Rata Portion" shall mean, with respect to Common Shares or Preferred Shares, as the case may be, held by a Stockholder, a number equal to the product of (A) the total number of such shares then owned by such Stockholder and (B) a fraction, the numerator of which shall be the total number of such shares proposed to be sold to a purchaser as set forth in a Transfer Notice or initially proposed to be registered by the Selling TPG Stockholder, as the case may be, and the denominator of which shall be the total number of such shares then outstanding (including such shares proposed to be sold or registered by the Selling TPG Stockholder). For purposes of this Agreement, "Excess Pro Rata Portion" shall mean, with respect to Common Shares or Preferred Shares, as the case may be, held by a Stockholder, a number equal to the product of (x) the number of Non-Elected Shares (as defined below) and (y) a fraction, the numerator of which shall be such Stockholder's Pro Rata Portion with respect to such shares, and the denominator of which shall be the sum of (1) the aggregate Pro Rata Portions with respect to the Common Shares (when calculating "Excess Pro Rata Portion" with respect to the Common Shares of a Stockholder) or the Preferred Shares (when calculating "Excess Pro Rata Portion" with respect to the Preferred Shares of a Stockholder), as the case may be, of all of the Other Stockholders that have elected to exercise in full their rights to sell their Pro Rata Portion of Common Shares or Preferred Shares, as the case may be, and (2) the Selling TPG Stockholder's Pro Rata Portion of Common Shares (when calculating "Excess Pro Rata Portion" with respect to the Common Shares of a Stockholder) or the Preferred Shares (when calculating "Excess Pro Rata Portion" with respect to the Preferred Shares of a Stockholder) (the aggregate amount of such denominator is hereinafter referred to as the "Elected Shares"). For purposes of this Agreement, "Non-Elected Shares" shall mean the excess, if any, of the total number of Common Shares (when calculating "Excess Pro Rata Portion" with respect to the Common Shares of a Stockholder) or the Preferred Shares (when calculating "Excess Pro Rata Portion" with respect to the Preferred Shares of a Stockholder), as the case may be, proposed to be sold to a purchaser as set forth in a Transfer Notice or initially proposed to be registered by the Selling TPG Stockholder, as the case may be, less the amount of Elected Shares.

(iv) Notwithstanding anything to the contrary contained herein but subject to the last sentence of Section 2.5(b)(ii), if a Selling TPG Stockholder proposes to transfer both Common Shares and Preferred Shares in the same transaction or in related transactions, each Other Stockholder electing to sell Shares pursuant to this Section 2.5(b) shall be required to sell both Common Shares and Preferred Shares (of the same series) proposed to be sold by the Selling TPG Stockholder. In such event, the number of Preferred Shares which each Other Stockholder may sell or transfer pursuant to this Section 2.5(b) shall be up to its applicable Pro Rata Portion plus its Excess Pro Rata Portion of such shares, and the number of Common Shares which such Other Stockholder shall be required to sell or transfer in such transaction or transactions shall be exactly the product (rounded to the nearest whole number) of (A) the total

number of Preferred Shares to be sold or transferred by such Other Stockholder determined in accordance with this Section 2.5(b)(iv) and (B) a fraction, of which the numerator shall be the number of Common Shares proposed to be sold by the Selling TPG Stockholder and the denominator shall be the number of Preferred Shares proposed to be sold by the Selling TPG Stockholder; provided that if the Selling TPG Stockholder proposes to sell shares of both Series A Preferred Stock and Series B Preferred Stock in the same transaction or in related transactions, the ratio of the number of shares of Series A Preferred Stock to the number of shares of Series B Preferred Stock subject to election by each Other Stockholder must be equivalent to the ratio of the number of shares of Series A Preferred Stock to the number of shares of Series B Preferred Stock proposed to be sold by such Selling TPG Stockholder in such transaction or transactions.

(v) Notwithstanding anything to the contrary contained herein, the provisions of this Section 2.5(b) shall not apply to (A) any sale or transfer by the TPG Holders of Common Shares unless and until the TPG Holders, after giving effect to the proposed sale or transfer, shall have sold or transferred in the aggregate, other than to Permitted Transferees, shares of Common Shares representing 7.5% of the Common Shares owned by the TPG Holders on the date hereof or (B) any sale or transfer by the TPG Holders of Preferred Shares unless and until the TPG Holders, after giving effect to the proposed sale or transfer, shall have sold or transferred in the aggregate, other than to Permitted Transferees, shares of Preferred Shares representing 7.5% of the Preferred Shares owned by the TPG Holders on the date hereof.

(c) Piggyback Registration Rights.

(i) Notice to Stockholders. If the Company determines that it will file a registration statement under the Securities Act, other than a Form S-4, Form S-8 or any similar form under the Securities Act, for an offering which includes Common Shares held by a TPG Holder on the date hereof (a "Registering Stockholder"), then the Company shall give prompt written notice to each of the Other Stockholders that such filing is expected to be made (but in no event less than 30 days nor more than 60 days in advance of filing such registration statement), the jurisdiction or jurisdictions in which such offering is expected to be made, and the underwriter or underwriters (if any) that the Company (or the person requesting such registration) intends to designate for such offering. If the Company, within 15 days after giving such notice, receives a written request for registration of any Common Shares from any of the Other Stockholders, then the Company shall include in the same registration statement the number of additional Common Shares to be sold by each Other Stockholder as shall have been specified in its request; provided, however, that each Other Stockholder shall not be permitted to register more than a Pro Rata Portion (as defined in Section 2.5(b)(iii), substituting "Registering Stockholder" for "Selling TPG Stockholder") of its Common Shares; and provided further, that the Company shall not be required to register any Common Shares which can be sold or transferred without registration pursuant to Rule 144(k) under the Securities Act. The Company shall bear all costs of preparing and filing the registration statement (but shall not be responsible for underwriting discounts or fees or similar costs or expenses, or fees or expenses of counsel to any selling stockholder), and shall indemnify and hold harmless, pursuant to customary and reasonable indemnification and contribution provisions to be entered into by the Company at the

time of filing of the registration statement, the seller of any Common Shares covered by such registration statement.

Notwithstanding anything herein to the contrary, the Company, on prior notice to the participating Stockholder, may abandon its intention to file a registration statement under this Section 2.5(c) at any time prior to such filing.

(ii) Allocation. If the managing underwriter shall inform the Company (or the person requesting such registration) in writing that the number of Common Shares requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering within a price range acceptable to the Company (or, if the offering is not for the Company's account, such person), then the Company shall include in such registration such number of Common Shares which the Company (or such person) is so advised can be sold in (or during the time of) such offering. All Stockholders proposing to sell Common Shares shall share pro rata in the number of Common Shares to be excluded from such offering, such sharing to be based on the respective numbers of Common Shares as to which registration has been requested by such Stockholders.

(iii) Permitted Transfer. Notwithstanding anything to the contrary contained herein, sales of Common Shares pursuant to a registration statement filed by the Company may be made without compliance with any other provision of this Article II other than this Section 2.5(c).

ARTICLE III

Legends on Share Certificates

3.1 The certificates representing the Shares shall include an endorsement typed conspicuously thereon of the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH ACT DOES NOT APPLY.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN A STOCKHOLDERS' AGREEMENT DATED AS OF OCTOBER 17, 1997 AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

In the event that any Shares shall cease to be Restricted Shares (as hereinafter defined), the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate representing such Shares without the first paragraph of the legend required by this Section 3.1. In the event that any Shares shall cease to be subject to the restrictions on transfer set forth in this Agreement, the Company shall, upon the request of the holder thereof, issue to such holder a new certificate representing such Shares without the second paragraph of the legend required by Section 3.1.

"Restricted Shares" shall mean all Shares other than (a) Shares that have been registered under a registration statement pursuant to the Securities Act and sold thereunder, (b) Shares with respect to which a sale or other disposition has been made in reliance on and in accordance with Rule 144 (or any successor provision) under the Securities Act, or (c) Shares with respect to which the holder thereof shall have delivered to the Company either (i) an opinion, in form and substance satisfactory to the Company, of counsel, who shall be satisfactory to the Company, or (ii) a "no action" letter from the Securities and Exchange Commission, to the effect that subsequent transfers of such Shares may be effected without registration under the Securities Act.

3.2 All certificates for Shares representing Restricted Shares hereafter issued, whether upon transfer or original issue, shall be endorsed with a like legend.

3.3 Upon the exercise of any option to purchase described herein, the certificates representing the Shares purchased shall be delivered to the Secretary of the Company and properly endorsed for transfer on the stock books of the Company.

ARTICLE IV

Covenants

4.1 Financial Information. During the term of this Agreement, the Company shall, at its expense, provide to each Stockholder signatory hereto at the date hereof, promptly following the final preparation thereof, copies of consolidated annual, quarterly and monthly financial statements of the Company and its subsidiaries, such statements to include such type of information as is required to be provided to the bank lenders pursuant to the Credit Agreement, dated as of October 17, 1997, by and among such lenders, the Company and J. Crew Operating Corp., a wholly owned subsidiary of the Company, as in effect on the date hereof. The rights provided by this Section 4.1 may not be transferred or assigned to any other person without the consent of the Company and TPG II, and shall be subject as to each Stockholder to the provision by such Stockholder of customary confidentiality undertakings.

4.2 Affiliate Transactions. The Company shall not, and shall not permit any of its subsidiaries to, enter into any transaction with any affiliate of the Company (other than a majority owned subsidiary of the Company; provided that neither the TPG Holders nor any affiliate of the TPG Holders (other than the Company and its subsidiaries) has any equity interest in such subsidiary other than through their ownership of Shares), except upon fair and reasonable terms no less favorable to the Company or such subsidiaries than would be obtainable in a

comparable arm's length transaction, unless the Company shall obtain the written consent of a majority of the independent directors of the Company or of the holders of a majority, by voting power, of the outstanding Shares (excluding such affiliate and its Shares and the Shares of its affiliates) entitled to vote at a meeting of Stockholders; provided, that agreements in effect on the date hereof (but excluding subsequent modifications) shall be deemed not to violate this provision.

4.3 Restrictive Covenants. In addition to any requirements imposed by the governing instruments of the Preferred Shares, the Company shall not take any action requiring the consent of holders of Preferred Shares pursuant to Section 3(a) of each of the designations of the Series A Preferred Stock and the Series B Preferred Stock contained in Article Fifth of the Company's Restated Certificate of Incorporation without also obtaining the consent, in writing, of each Stockholder that (i) owns Preferred Shares on the date hereof and (ii) has not sold, transferred or otherwise disposed of any of such Preferred Shares, except to Permitted Transferees which have not sold, transferred or otherwise disposed of any of such Preferred Shares.

4.4 Exchange of Shares. The Stockholders will use all reasonable efforts to cause the Board of Directors of the Company to authorize the exchange of (a) Shares held by any Stockholder subject to the Bank Holding Company Act of 1956, as amended (the "BHCA"), to the extent necessary, for substantially equivalent shares with diminished voting rights, to permit the ownership of such Shares by such Stockholder to comply with the requirements of Section 4(c)(6) or 4(c)(7) of the BHCA and (b) shares of Series A Preferred Stock held by any Stockholder for shares of Series B Preferred Stock, or shares of Series B Preferred Stock held by any Stockholder for shares of Series A Preferred Stock, to the extent necessary to permit such Stockholder to sell on a timely basis the applicable series of shares of its Preferred Stock pursuant to Section 2.5(b).

ARTICLE V

Additional Parties

Notwithstanding the provisions of Section 6.3, additional Stockholders may be added to and be bound by this Agreement upon the signing and delivery of a counterpart of this Agreement by the Company and the acceptance thereof by such additional Stockholders, provided that any Permitted Transferee of a TPG Holder that is an affiliate of such TPG Holder shall, by signing and delivering such a counterpart of this Agreement, become a TPG Holder under this Agreement. Promptly after signing and delivering such a counterpart of this Agreement, the Company will deliver a conformed copy thereof to the Stockholders.

ARTICLE VI

Miscellaneous Provisions

6.1 Specific Performance. The parties hereby declare and acknowledge that it is impossible to measure in money the damages which will accrue to any party hereto or to a

representative of a Stockholder by reason of a failure to perform any of the obligations under this Agreement. Therefore, if any party hereto or the representative of a Stockholder shall institute any action or proceeding to enforce the provisions hereof, the person against whom such action or proceeding is brought hereby waives the claim or defense that such party or such representative has an adequate remedy at law, and such person shall not urge in any such action or proceeding the claim or defense that such party or such representative has an adequate remedy at law. The parties hereto agree that this Agreement shall be specifically enforceable.

6.2 Notices. Any and all notices, designations, offers, acceptances or other communications provided for herein shall be given in writing by registered or certified mail, which shall be addressed, in the case of the Company, to its principal office, and, in the case of any Stockholder, to such Stockholder's address appearing on the stock books of the Company or to such other address as may be designated by such Stockholder in writing to the Company.

6.3 Entire Agreement. This Agreement constitutes the only agreement between the parties hereto respecting restrictions on the transferability of the Shares and supersedes all prior agreements, expressed or implied, between the parties.

6.4 Governing Law. The validity, construction and performance of this Agreement shall be governed by the laws of the State of New York without giving effect to principles of conflicts of laws except Section 5-1401 of the General Obligations Law of the State of New York.

6.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their successors and assigns.

6.6 Severability. If any portion of this Agreement shall be declared void or unenforceable by any court or administrative body of competent jurisdiction, such portion shall be deemed severable from the remainder of this Agreement, which shall continue in all respects valid and enforceable.

6.7 Amendment and Waiver. Any amendment of this Agreement or any waiver of any provision hereof to be effective shall be in writing and signed by all of the parties hereto. The addition of a Transferee of Shares or a recipient of any Shares as a party hereto pursuant to Article V hereof shall not constitute an amendment hereto and need be signed only by the Company and such Transferee or recipient. Any failure by any party at any time to enforce any of the provisions of this Agreement shall not be construed a waiver of such provision or any other provisions hereof.

6.8 Termination. This Agreement shall terminate on the earliest of (a) the date on which more than 50% of the issued and outstanding Shares at such date shall have been registered and sold pursuant to one or more registration statements filed under the Securities Act, (b) the date on which the shares of capital stock of the Company held by the TPG Holders represent, in the aggregate, less than thirty-five percent (35%) of the total voting power of the Company's capital stock, (c) in connection with the underwritten initial public offering by the Company of any Shares, the date on or after the consummation of such offering on which the

holders of a majority of the outstanding Common Shares shall have agreed, by 30 days' prior written notice to each of the parties to this Agreement and to each party who becomes a party to this Agreement, to terminate this Agreement, and (d) the tenth anniversary of the date hereof; provided, however, that (i) the rights, if any, of any Stockholder set forth in Section 2.5(b) (with respect to Common Shares held by such Stockholder) of this Agreement shall survive any such termination as to such Stockholder until the Common Shares held by such Stockholder can be sold pursuant to Rule 144(k) under the Securities Act (or any successor provision) and (ii) the rights, if any, of Stockholders set forth in Section 2.5(b) (with respect to Preferred Shares), 2.5(c) and 4.3 of this Agreement shall survive any such termination.

6.9 Counterparts. This Agreement may be signed by each party hereto upon a separate copy of this Agreement in which event all of said copies shall constitute a single counterpart of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

Each Stockholder in agreement with the foregoing should sign the form of acceptance in the space provided for such Stockholder's signature on this copy of this Agreement delivered to such Stockholder. This Agreement will become a binding agreement among such Stockholders and the Company when signed by the Company and so accepted by such Stockholders.

The foregoing Stockholders' Agreement is hereby accepted as of the day and year first above written.

J. CREW GROUP, INC.

By: /s/ Michael P. McHugh

Name: Michael P. McHugh
Title: Vice President - Finance

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Stockholders:

TPG PARTNERS II, L.P.

By: TPG GenPar II, L.P.
By: TPG Advisors II, Inc.

By: /s/ Jonathan J. Coslet

Name:
Title:

TPG PARALLEL II, L.P.

By: TPG GenPar II, L.P.
By: TPG Advisors II, Inc.

By: /s/ Jonathan J. Coslet

Name:
Title:

TPG INVESTORS II, L.P.

By: TPG GenPar II, L.P.
By: TPG Advisors II, Inc.

By: /s/ Jonathan J. Coslet

Name:
Title:

BANCBOSTON INVESTMENTS, INC.

By: /s/ Mark H. DeBlois

Name: Mark H. DeBlois
Title: Managing Director

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GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ George L. Hashbarger, Jr.

Name: George L. Hashbarger, Jr.
Title: Senior Vice President and
Department Operations Manager

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TCW/CRESCENT MEZZANINE PARTNERS, L.P.

By: TCW Asset Management Company

By: /s/

Name: John C. Rocchio
Title: Senior Vice President

By: /s/

Name: Jean-Marc Chapus
Title: Managing Director

TCW/CRESCENT MEZZANINE TRUST

By: TCW Asset Management Company

By: /s/

Name: John C. Rocchio
Title: Senior Vice President

By: /s/

Name: Jean-Marc Chapus
Title: Managing Director

TCW/CRESCENT MEZZANINE INVESTMENT PARTNERS, L.P.

By: TCW Asset Management Company

By: /s/

Name: John C. Rocchio
Title: Senior Vice President

By: /s/

Name: Jean-Marc Chapus
Title: Managing Director

CRESCENT/MACH I PARTNERS, L.P.

By: TCW Asset Management Company

By: /s/

Name: John C. Rocchio
Title: Senior Vice President

By: /s/

Name: Jean-Marc Chapus
Title: Managing Director

TCW SHARED OPPORTUNITY FUND II, L.P.

By: TCW Asset Management Company

By: /s/

Name: John C. Rocchio
Title: Senior Vice President

By: /s/

Name: Jean-Marc Chapus
Title: Managing Director

DLJ FUND INVESTMENT PARTNERS II, L.P.

By: DLJ LBO Plans Management Corporation

By: /s/

Name: Ivy Dodes
Title: Vice President

KEN MOELIS

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

MARK LANIGAN

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

PAULINE BOGHOSIAN

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

STEPHEN PAUL

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

DLJ CAPITAL CORPORATION

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

BENNETT GOODMAN

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

STEVE RATTNER

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

DOUG OSTROVER

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

ROB GRIEN

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

SCOTT HONOUR

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

CHRISTINE FASANO

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

ERIC SWANSON

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

KEVIN SMITH

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

STEVE HICKEY

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

SCOTT HONOUR

By: DLJ LBO Plans Management Corporation
as Attorney-in Fact

By: /s/

Name: Ivy Dodes
Title: Vice President

FARALLON CAPITAL PARTNERS, L.P.

By: Farallon Partners, L.L.C.
its General Partner

By: /s/ Andrew B. Fremder

Name: Andrew B. Fremder
Title: Managing Member

FARALLON CAPITAL INSTITUTIONAL PARTNERS, L.P.

By: Farallon Partners, L.L.C.
its General Partner

By: /s/ Andrew B. Fremder

Name:
Title:

FARALLON CAPITAL INSTITUTIONAL PARTNERS II, L.P.

By: Farallon Partners, L.L.C.
its General Partner

By: /s/ Andrew B. Fremder

Name:
Title:

MAUD BRYT

By: /s/ Maud Bryt

Name: Maud Bryt
Title:

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FARALLON CAPITAL INSTITUTIONAL PARTNERS III, L.P.

By: Farallon Partners, L.L.C.
its General Partner

By: /s/ Andrew B. Fremder

Name:
Title:

RR CAPITAL PARTNERS, L.P.

By: Farallon Partners, L.L.C.
its General Partner

By: /s/ Andrew B. Fremder

Name:
Title:

Schedule 1.4

Stockholder	Common Shares Owned
TPG Partners II, L.P.	31,566.779
TPG Parallel II, L.P.	2,154.198
TPG Investors II, L.P.	3,292.740
BancBoston Investments, Inc.	2,062.500
General Electric Capital Corporation	1,948.090
TCW/Crescent Mezzanine Partners, L.P.	2,323.141
TCW/Crescent Mezzanine Trust	707.128
TCW/Crescent Mezzanine Investment Partners, L.P.	63.481
Crescent/Mach I Partners, L.P.	171.875
TCW Shared Opportunity Fund II, L.P.	171.875
DLJ Fund Investment Partners II, L.P.	527.745
Ken Moelis	25.943
Mark Lanigan	25.943
Pauline Boghosian	25.943
Stephen Paul	13.342
Scott Honour	4.447
Bennett Goodman	20.013
Steve Rattner	20.013
Doug Ostrover	20.013
Rob Grien	19.272
Christine Fasano	13.342
Eric Swanson	10.377
Kevin Smith	2.965
Steve Hickey	10.377
DLJ Capital Corporation	1.482
Farallon Capital Partners, L.P.	742.500
Farallon Capital Institutional Partners, L.P.	577.500
Farallon Capital Institutional Partners II, L.P.	198.000
Farallon Capital Institutional Partners III, L.P.	66.000
RR Capital Partners, L.P.	66.000
Maud Bryt	129.094
Emily Woods	8,017.883

Stockholder	Preferred Shares Owned
TPG Partners II, L.P.	63,424.117
TPG Parallel II, L.P.	4,328.225
TPG Investors II, L.P.	6,615.789
BancBoston Investments, Inc.	12,187.500
General Electric Capital Corporation	3,914.112
TCW/Crescent Mezzanine Partners, L.P.	13,727.651
TCW/Crescent Mezzanine Trust	4,178.481
TCW/Crescent Mezzanine Investment Partners, L.P.	375.118
Crescent/Mach I Partners, L.P.	1,015.625
TCW Shared Opportunity Fund II, L.P.	1,015.625
DLJ Fund Investment Partners II, L.P.	1,060.347
Ken Moelis	52.124
Mark Lanigan	52.124
Pauline Boghosian	52.124
Stephen Paul	26.807
DLJ Capital Corporation	2.979
Scott Honour	8.936
Bennett Goodman	40.210
Steve Rattner	40.210
Doug Ostrover	40.210
Rob Grien	38.721
Christine Fasano	26.807
Eric Swanson	20.850
Kevin Smith	5.957
Steve Hickey	20.850
Farallon Capital Partners, L.P.	4,387.500
Farallon Capital Institutional Partners, L.P.	3,412.500
Farallon Capital Institutional Partners II, L.P.	1,170.000
Farallon Capital Institutional Partners III, L.P.	390.000
RR Capital Partners, L.P.	390.000
Emily Woods	2,978.505

J. Crew Group, Inc.

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13 1/8% SENIOR DISCOUNT DEBENTURES DUE 2008

INDENTURE

DATED AS OF OCTOBER 17, 1997

STATE STREET BANK AND TRUST COMPANY

TRUSTEE

Indenture, dated as of October 17, 1997 between J. Crew Group, Inc., a New York corporation (the "Company") and State Street Bank and Trust Company, as trustee (the "Trustee").

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the holders of the Company's 13 1/8% Senior Discount Debentures due 2008 (the "Senior Discount Notes") and the exchange 13 1/8% Senior Discount Debentures due 2008 (the "Exchange Senior Discount Notes" and, together with the Senior Discount Notes, the "Notes"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"Accreted Value" means, as of any date of determination prior to October 15, 2002, with respect to any Note, the sum of (a) the initial offering price (which shall be calculated by discounting the aggregate principal amount at maturity of such Note at a rate of 13 1/8% per annum, compounded semi-annually on each April 15 and October 15 from October 15, 2002 to the date of issuance) of such Note and (b) the portion of the excess of the principal amount of such Note over such initial offering price which shall have been accreted thereon through such date, such amount to be so accreted on a daily basis at a rate of 13 1/8% per annum of the initial offering price of such Note, compounded semi-annually on each April 15 and October 15 from the date of issuance of the Notes through the date of determination, computed on the basis of a 360-day year of twelve 30-day months.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person or assumed in connection with the acquisition of any asset used or

useful in a Permitted Business acquired by such specified Person; provided that such Indebtedness was not incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, or such acquisition, as the case may be.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Applicable Procedures" means, with respect to any transfer or exchange of beneficial interests in a Global Note, the rules and procedures of the Depositary that apply to such transfer and exchange.

"Asset Sale" means (i) the sale, lease (other than an operating lease), conveyance or other disposition of any assets or rights (including, without limitation, by way of a sale and leaseback) other than in the ordinary course of business consistent with past practices (provided that the sale, lease (other than an operating lease), conveyance or other disposition of all or substantially all of the assets of the

Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of this Indenture described in Sections 4.13 and 5.01 and not by the provisions of Section 4.10 hereof, and (ii) the sale by the Company and the issue or sale by any of the Restricted Subsidiaries of the Company of Equity Interests of any of the Company's Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions that have a fair market value (as determined in good faith by the Board of Directors) in excess of $1.0 million or for net cash proceeds in excess of $1.0 million. Notwithstanding the foregoing: (i) a transfer of assets by the Company to a Wholly Owned Restricted Subsidiary of the Company (other than a Receivables Subsidiary) or by a Wholly Owned Restricted Subsidiary of the Company to a Wholly-Owned Restricted Subsidiary of the Company (other than a Receivables Subsidiary), (ii) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Wholly Owned Restricted Subsidiary of the Company (other than a Receivables Subsidiary), (iii) a Restricted Payment that is permitted by Section 4.07 hereof, (iv) the sale and leaseback of any assets within 90 days of the acquisition of such assets, (v) foreclosures on assets, (vi) the clearance of inventory and (vii) the sale, conveyance or other disposition of accounts receivables and related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Subsidiary or by a Receivables Subsidiary, in connection with a Qualified Receivables Transaction, in each case, will not be deemed to be Asset Sales.

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Board of Directors" means the board of directors of the Company or any authorized committee of such board of directors.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participation, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (i) securities issued or unconditionally and fully guaranteed or insured by the full faith and credit of the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (ii) obligations issued or fully guaranteed by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's

Ratings Group ("S&P") or Moody's Investors Service, Inc. ("Moody's"), (iii) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any lender party to the New Credit Facility or with any domestic commercial bank having capital and surplus in excess of $250.0 million, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (iii), above entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having one of the two of the highest ratings obtainable from either Moody's or S&P and in each case maturing within one year after the date of acquisition and (vi) investments in funds investing exclusively in investments of the types described in clauses (i) through (v) above.

"Cedel" means Cedel Bank, societe anonyme.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than the Principals and their Related Parties, (ii) the adoption of a plan relating to the liquidation or dissolution of the Company, (iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that (A) any "person" (as defined above), other than the Principal and their Related Parties, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly, of 40% or more of the Voting Stock of the Company (measured by voting power rather than number of shares) and (B) the Principals and their Related Parties beneficially own, directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Company than such other "person", (iv) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors or (v) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities or other property, other than any such transaction where (A) the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person and (B) the "beneficial owners" (as defined above) of the Voting Stock of the Company immediately prior to such transaction own, directly or indirectly through one or more subsidiaries, not less than a majority of the total Voting Stock of the surviving or transferee corporation immediately after such transaction.

"Chase" means Chase Securities Inc.

"Commission" means the Securities and Exchange Commission.

"Company" means J. Crew Group, Inc., a New York corporation, and its permitted successors.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income of such Person and its Restricted Subsidiaries), plus (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, plus (iii) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether

paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash charge that was paid in a prior period) of such Person and its Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income, plus (v) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or any of its Restricted Subsidiaries or secured by a Lien on assets of such Person or any of its Restricted Subsidiaries, in each case, to the extent that such interest expense is deducted in computing such Consolidated Net Income, minus (vi) non-cash items increasing such Consolidated Net Income for such period, in each case, on a consolidated basis and determined in accordance with GAAP. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash charges of, a Restricted Subsidiary of a Person shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, provided that (i) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary thereof, (ii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, and (iii) the cumulative effect of a change in accounting principles shall be excluded.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of such Board of Directors on the date hereof immediately after consummation of the Recapitalization or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were either members of such Board at the time of such nomination or election or are successor Continuing Directors appointed by such Continuing Directors (or their successors).

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 10.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Credit Agent" means The Chase Manhattan Bank in its capacity as Administrative Agent for the lenders party to the New Credit Facility or any successor thereto or any person otherwise appointed.

"Credit Facilities" means, with respect to the Company, one or more debt facilities (including, without limitation, the New Credit Facility) or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified,

renewed, refunded, replaced or refinanced in whole or in part from time to time. Indebtedness under Credit Facilities outstanding on the Issue Date shall be deemed to have been incurred on such date in reliance on the exceptions provided by clause (i) of the definition of Permitted Debt.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Definitive Notes" means Notes that are in the form of EXHIBIT A-1 attached hereto (but without including the text referred to in footnotes 1 and 3 thereto).

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, until a successor shall have been appointed and become such pursuant to Section 2.06 of this Indenture, and, thereafter, "Depositary" shall mean or include such successor.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to the date on which the Notes mature; provided, however, that a class of Capital Stock shall not be Disqualified Stock hereunder solely as the result of any maturity or redemption that is conditioned upon, and subject to, compliance with Section 4.07 hereof; and provided, further, that Capital Stock issued to any plan for the benefit of employees of the Company or its subsidiaries or by any such plan to such employees shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company in order to satisfy applicable statutory or regulatory obligations.

"DLJ" means Donaldson, Lufkin & Jenrette Securities Corporation.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means an offering of common stock (other than Disqualified Stock) of the Company, pursuant to an effective registration statement filed with the Commission in accordance with the Securities Act, other than an offering pursuant to Form S-8 (or any successor thereto).

"Euroclear" means Morgan Guaranty Trust Company of New York, the Brussels office, as operator of the Euroclear system.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Offer" means the offer by the Company to Holders to exchange Senior Discount Notes for Exchange Senior Discount Notes.

"Exchange Offer Registration Statement" has the meaning set forth in the Registration Rights Agreement.

"Exchange Senior Discount Notes" means the Company's 13 1/8% Senior Discount Debentures due 2008, which will be issued in exchange for the Company's Senior Discount Notes.

"Existing Indebtedness" means Indebtedness of the Company and its Subsidiaries (other than Indebtedness under the New Credit Facility) in existence on the date of this Indenture, until such amounts are repaid.

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations; provided, however, that in no event shall any amortization of deferred financing costs incurred in connection with the Recapitalization be included in Fixed Charges), and (ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon), and (iv) the product of (a) (without duplication) (1) all dividends paid or accrued in respect of Disqualified Stock which are not included in the interest expense of such Person for tax purposes for such period and (2) all cash dividend payments on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividend payments on Equity Interests payable solely in Equity Interests (other than Disqualified Stock) of the Company, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the Company or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays or redeems any Indebtedness (other than revolving credit borrowings) or issues or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period. In addition, for purposes of making the computation referred to above, (i) acquisitions that have been made by the Company or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow and Fixed Charges for such reference period shall be calculated without giving effect to clause (ii) of the proviso set forth in the definition of Consolidated Net Income and shall reflect any pro forma expense and cost reductions attributable to such acquisitions (to the extent such expense and cost reduction would be permitted by the Commission to be reflected in pro forma financial statements included in a registration statement filed with the Commission), and (ii) the Consolidated Cash Flow and Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded and Consolidated Cash Flow shall reflect any pro forma expense or cost reductions relating to such discontinuance or disposition (to the extent such expense or cost reductions would be permitted by the Commission to be

reflected in pro forma financial statements included in a registration statement filed with the Commission), and (iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the referent Person or any of its Subsidiaries following the Calculation Date.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date hereof; provided, however, that all reports and other financial information provided by the Company to the Holders, the Trustee and/or the Commission shall be prepared in accordance with GAAP, as in effect on the date of such report or other financial information.

"Global Notes" means the Rule 144A Global Notes, the Regulation S Temporary Global Notes and the Regulation S Permanent Global Notes and any Notes exchanged for any of the foregoing in the Exchange Offer.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or the value of foreign currencies.

"Holder" means a Person in whose name a Note is registered.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of others secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any indebtedness of any other Person. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (ii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07 hereof.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Indirect Participant" means a Person who holds an interest through a Participant.

"Initial Purchasers" means DLJ and Chase.

"Insolvency or Liquidation Proceedings" means (i) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding, relative to the Company or to the creditors of the Company, as such, or to the assets of the Company or (ii) any liquidation, dissolution, reorganization or winding up of the Company, whether voluntary or involuntary and involving insolvency or bankruptcy, or (iii) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Company.

"Institutional Accredited Investor" means an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Issue Date" means the date on which notes are first issued and authenticated under this Indenture.

"J. Crew Corp." means J. Crew Operating Corp., a Delaware corporation.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the City of New York, the city in which the principal Corporate Trust Office of the Trustee is located or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment shall be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any option or other agreement to sell or give a security interest therein).

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the extinguishment of any Indebtedness of such Person or any of its Subsidiaries and (ii) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of Indebtedness (other than Indebtedness under the Credit Facilities) secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"New Credit Facility" means that certain credit facility, dated as of October 17, 1997, by and among the Company, J. Crew Corp. and Chase and DLJ, as agents and lenders, providing for up to $70.0 million of term borrowings and $200.0 million of revolving credit borrowings, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, extended, modified, renewed, refunded, replaced or refinanced from time to time.

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), or (b) is directly or indirectly liable (as a guarantor or otherwise), and (ii) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries, including the stock of such Unrestricted Subsidiary.

"Note Custodian" means the Trustee when serving as custodian for the Depositary with respect to the Notes in global form, or any successor entity thereto.

"Obligations" means, with respect to any Indebtedness, any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering" means the offer and sale of the Notes of the Company as contemplated by the Offering Memorandum.

"Offerings" means the Offering and the concurrent offering of the 10 3/8% Senior Subordinated Notes due 2007 by J. Crew Corp. pursuant to an offering memorandum dated as of October 14, 1997.

"Offering Memorandum" means the Offering Memorandum, dated October 14, 1997, relating to the Company's offering and placement of the Senior Discount Notes.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice-President of such Person.

"Officers' Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, that meets the requirements of Section 10.05 hereof.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 10.05 hereof. The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Participant" means, with respect to DTC, Euroclear or Cedel, a Person who has an account with DTC, Euroclear or Cedel, respectively (and, with respect to DTC, shall include Euroclear and Cedel).

"Permitted Business" means the design, manufacture, importing, exporting, distribution, marketing, licensing and wholesale and retail sale of apparel, housewares, home furnishings and related items, and businesses reasonably related thereto.

"Permitted Investments" means (a) any Investment in the Company or in a Restricted Subsidiary of the Company (other than a Receivables Subsidiary); (b) any Investment in Cash and Cash Equivalents; (c) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment (i) such Person becomes a Restricted Subsidiary of the Company (other than a Receivables Subsidiary) or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company (other than a Receivables Subsidiary); (d) any Restricted Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof or any transaction not constituting an Asset Sale by reason of the $1.0 million threshold contained in the definition thereof; (e) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company; (f) Hedging Obligations entered into in the ordinary course of the Company's or its Restricted Subsidiaries' businesses and otherwise in compliance with this Indenture; (g) loans and advances to employees and officers of the Company and its Restricted Subsidiaries in the ordinary course of business for bona fide business purposes not in excess of $5 million at any one time outstanding; (h) additional Investments not to exceed $25 million at any one time outstanding; (i) Investments in securities of trade creditors or customers received in settlement of obligations or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers; and (j) Investments by the Company or a Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Transaction, provided, that any Investment in any such Person is in the form of a Purchase Money Note, any equity interest or interests in accounts receivable and related assets generated by the Company or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such accounts receivable.

"Permitted Liens" means (i) Liens existing as of the Issue Date to the extent and in the manner such Liens are in effect on the Issue Date; (ii) Liens on assets of Restricted Subsidiaries securing Indebtedness of Restricted Subsidiaries permitted to be incurred under this Indenture; (iii) Liens securing the Notes; (iv) Liens securing the Company's obligations under the New Credit Facility; (v) Liens of the

Company or a Wholly Owned Restricted Subsidiary on assets of any Restricted Subsidiary of the Company; (vi) Liens securing Permitted Refinancing Indebtedness which is incurred to refinance any Indebtedness which has been secured by a Lien permitted under this Indenture and which has been incurred in accordance with the provisions hereof; provided, however, that such Liens (A) are not materially less favorable to the Holders and are not materially more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced and (B) do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced; (vii) Liens for taxes, assessments or governmental charges or claims either (A) not delinquent or (B) contested in good faith by appropriate proceedings and as to which the Company or its Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP; (viii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, supplies, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent for a period of more than 60 days or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof; (ix) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or similar obligations, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money); (x) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgement shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired; (xi) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not interfering in any material respect with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries; (xii) any interest or title of a lessor under any lease, whether or not characterized as capital or operating; provided that such Liens do not extend to any property or assets which is not leased property subject to such lease; (xiii) Liens securing Capital Lease Obligations and purchase money Indebtedness incurred in accordance with Section 4.09 hereof; provided, however, that (A) the Indebtedness shall not exceed the cost of such property or assets being acquired or constructed and shall not be secured by any property or assets of the Company or any Restricted Subsidiary of the Company other than the property or assets of the Company or any Restricted Subsidiary of the Company other than the property and assets being acquired or constructed and (B) the Lien securing such Indebtedness shall be created within 90 days of such acquisition or construction; (xiv) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods; (xv) Liens securing reimbursement obligations with respect to letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof; (xvi) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or any of its Restricted Subsidiaries, including rights of offset and set-off; (xvii) Liens securing Hedging Obligations which Hedging Obligations relate to Indebtedness that is otherwise permitted under this Indenture; (xviii) Liens securing Acquired Debt incurred in accordance with Section 4.09 hereof; provided that (A) such Liens secured such Acquired Debt at the time of and prior to the incurrence of such Acquired Debt by the Company or a Restricted Subsidiary of the Company and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Debt by the Company or a Restricted Subsidiary of the Company and (B) such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries other than the property or assets that secured the Acquired Debt prior to the time such Indebtedness

became Acquired Debt of the Company or a Restricted Subsidiary of the Company and are not more favorable to the lienholders than those securing the Acquired Debt prior to the incurrence of such Acquired Debt by the Company or a Restricted Subsidiary of the Company; (xix) leases or subleases granted to others not interfering in any material respect with the business of the Company or its Restricted Subsidiaries; (xx) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business; and (xxi) Liens or assets of a Receivables Subsidiary arising in connection with a Qualified Receivables Transaction.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, prepay, retire, renew, replace, defease or refund Indebtedness of the Company or any of its Subsidiaries (other than such Indebtedness described in clauses (i), (vi), (vii), (viii), (ix), (x), (xi), (xiii) and (xiv) of Section 4.09 hereof); provided that: (i) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued interest on, the Indebtedness so extended, refinanced, renewed, prepaid, retired, replaced, defeased or refunded (plus the amount of reasonable expenses incurred in connection therewith including premiums paid, if any, to the holders thereof); (ii) such Permitted Refinancing Indebtedness has a final maturity date at or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, prepaid, retired, replaced, defeased or refunded; (iii) if the Indebtedness being extended, refinanced, renewed, prepaid, retired, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (iv) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Principals" means TPG Partners II, L.P., a Delaware limited partnership.

"Private Placement Legend" means the legend initially set forth on the Senior Discount Notes in the form set forth in Section 2.06(g) hereof.

"Purchase Money Note" means a promissory note evidencing a line of credit, or evidencing other Indebtedness owed to the Company or any Restricted Subsidiary in connection with a Qualified Receivables Transaction, which note shall be repaid from cash available to the maker of such note, other than amounts required to be established as reserves pursuant to agreement, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated receivables.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

"Qualified Proceeds" means any of the following or any combination of the following: (i) cash, (ii) Cash Equivalents, (iii) long-term assets that are used or useful in a Permitted Business and (iv) the Capital Stock of any Person engaged primarily in a Permitted Business if, in connection with the receipt by the Company or any Restricted Subsidiary of the Company of such Capital Stock, (a) such Person

becomes a Wholly Owned Restricted Subsidiary or (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Wholly-Owned Restricted Subsidiary of the Company that is a Guarantor.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any Restricted Subsidiary) and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any Restricted Subsidiary and any asset related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving accounts receivable.

"Receivables" means, with respect to any Person or entity, all of the following property and interests in property of such Person or entity, whether now existing or existing in the future or hereafter acquired or arising: (i) accounts, (ii) accounts receivable incurred in the ordinary course of business, including without limitation, all rights to payment created by or arising from sales of goods, leases of goods or the rendition of services no matter how evidenced, whether or not earned by performance, (iii) all rights to any goods or merchandise represented by any of the foregoing after creation of the foregoing, including, without limitation, returned or repossessed goods, (iv) all reserves and credit balances with respect to any such accounts receivable or account debtors, (v) all letters of credit, security, or guarantees for any of the foregoing, (vi) all insurance policies or reports relating to any of the foregoing, (vii) all collection or deposit accounts relating to any of the foregoing, (viii) all proceeds of the foregoing and (ix) all books and records relating to any of the foregoing.

"Receivables Subsidiary" means a Wholly Owned Restricted Subsidiary which engages in no activities other than in connection with the financing of accounts receivables and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary (a) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset of the Company or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Company nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Company or such other Restricted Subsidiary than those that might be obtained at the time from persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable, and (c) to which neither the Company nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of the Company shall be evidenced by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying, to the best of such officer's knowledge and belief after consulting with counsel, that such designation complied with the foregoing conditions.

"Receivables Transaction" means (i) the sale or other disposition to a third party of Receivables or an interest therein, or (ii) the sale or other disposition of Receivables or an interest therein to a Receivables Subsidiary followed by a financing transaction in connection with such sale or disposition of such Receivables (whether such financing transaction is effected by such Receivables Subsidiary or by a third party to whom such Receivables Subsidiary sells such Receivables or interests therein); provided that in each of the foregoing, the Company or its Subsidiaries receive at least 80% of the aggregate principal amount of any Receivables financed in such transaction.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, among the Company and the Initial Purchasers.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Notes" means the Regulation S Temporary Global Notes or the Regulation S Permanent Global Notes as applicable.

"Regulation S Permanent Global Notes" means the permanent global notes that do not contain the paragraphs referred to in footnote 1 to the form of Note attached hereto as EXHIBIT A-2 and that are deposited with and registered in the name of the Depositary or its nominee, representing a series of Notes sold in reliance on Regulation S.

"Regulation S Temporary Global Notes" means the temporary global notes that contain the paragraphs referred to in footnote 1 to the form of Note attached hereto as EXHIBIT A-2 and that are deposited with and registered in the name of the Depositary or its nominee, representing a series of Notes sold in reliance on Regulation S.

"Related Party" with respect to any Principal means (A) any controlling stockholder or a majority of (or more) owned Subsidiary of such Principal or, in the case of an individual, any spouse or immediate family member of such Principal, or (B) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority (or more) controlling interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (A).

"Responsible Officer" when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Beneficial Interest" means any beneficial interest of a Participant or Indirect Participant in the Rule 144A Global Note or the Regulation S Global Note.

"Restricted Broker Dealer" has the meaning set forth in the Registration Rights Agreement.

"Restricted Global Notes" means the Rule 144A Global Notes and the Regulation S Global Notes, all of which shall bear the Private Placement Legend.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 144A Global Notes" means the permanent global notes that contain the paragraph referred to in footnote 1 and the additional schedule referred to in footnote 3 to the form of the Note attached hereto as EXHIBIT A-1, and that is deposited with and registered in the name of the Depositary or its nominee, representing a series of Notes sold in reliance on Rule 144A.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Subordinated Notes" means J. Crew Corp.'s 10 3/8% Senior Subordinated Notes due 2007.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the date hereof.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary which are reasonably customary in an accounts receivable transaction.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total Voting Stock thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb), as amended, as in effect on the date hereof.

"Transfer Restricted Securities" means Notes or beneficial interests therein that bear or are required to bear the Private Placement Legend.

"Trustee" means State Street Bank and Trust Company until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter means the successor.

"Unrestricted Global Notes" means one or more Global Notes that do not and are not required to bear the Private Placement Legend.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution; but only to the extent that such Subsidiary: (a) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; (b) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (c) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with a Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness and issuance of preferred stock by a Restricted Subsidiary of the Company of any outstanding Indebtedness or outstanding issue of preferred stock of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness and preferred stock is permitted to be incurred under Section 4.09 hereof, and (ii) no Default or Event of Default would exist following such designation.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Subsidiary" of any Person means a Restricted Subsidiary of such person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale Offer"	4.10
"Change of Control Offer"	4.13
"Change of Control Payment"	4.13

SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in, and made a part of, this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;

"obligor" on the Notes means the Company and any successor obligor upon the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by the Commission rule under the TIA have the meanings so assigned to them therein.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it herein;

(2) an accounting term not otherwise defined herein has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the Commission from time to time.

ARTICLE 2
THE NOTES

SECTION 2.01. FORM AND DATING.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of EXHIBIT A-1 or EXHIBIT A-2 attached hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes initially shall be issued in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

(a) Global Notes. Notes offered and sold to QIBs in reliance on Rule 144A shall be issued initially in the form of Rule 144A Global Notes, which shall be deposited on behalf of the purchasers of the Notes represented thereby with a custodian of the Depositary, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Rule 144A Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

Notes offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, as custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Cedel, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The "40-day restricted period" (as defined in Regulation S) shall be terminated upon the receipt by the Trustee of (i) a written certificate from the Depositary, together with copies of certificates from Euroclear and Cedel certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the Regulation S Temporary Global Notes (except to the extent of any beneficial owners thereof who acquired an interest therein pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a Rule 144A Global Note, all as contemplated by Section 2.06(a)(ii) hereof), and (ii) an Officers' Certificate from the Company certifying as to the same matters covered in clause (i) above.

Following the termination of the 40-day restricted period, beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in Regulation S Permanent Global Notes pursuant to the Applicable Procedures. Simultaneously with the authentication of Regulation S Permanent Global Notes, the Trustee shall cancel the Regulation S Temporary Global Notes. The aggregate principal amount of the Regulation S Temporary Global Notes and the Regulation S Permanent Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Notes from time to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions and transfers of interests. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "Management Regulations" and "Instructions to Participants" of Cedel shall be applicable to interests in the Regulation S Temporary Global Notes and the Regulation S Permanent Global Notes that are held by Participants through Euroclear or Cedel. The Trustee shall have no obligation to notify Holders of any such procedures or to monitor or enforce compliance with the same.

Except as set forth in Section 2.06 hereof, the Global Notes may be transferred, in whole and not in part, only to another nominee of the Depositary or to a successor of the Depositary or its nominee.

(b) Book-Entry Provisions. This Section 2.01(b) shall apply to Rule 144A Global Notes and Regulation S Permanent Global Notes deposited with or on behalf of the Depositary.

The Company shall execute and the Trustee shall, in accordance with this Section 2.01(b) and Section 2.02, authenticate and deliver the Global Notes that (i) shall be registered in the name of the Depositary or the nominee of the Depositary and (ii) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instructions or held by the Trustee as custodian for the Depositary.

Participants shall have no rights either under this Indenture with respect to any Global Note held on their behalf by the Depositary or by the Note Custodian as custodian for the Depositary or under such Global Note, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Participants, the operation of customary practices of such Depositary governing the exercise of the rights of an owner of a beneficial interest in any Global Note.

(c) Definitive Notes. Notes issued in certificated form shall be substantially in the form of EXHIBIT A-1 attached hereto (but without including the text referred to in footnotes 1 and 3 thereto).

SECTION 2.02. EXECUTION AND AUTHENTICATION.

One Officer of the Company shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

If an Officer of the Company whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Note has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Notes shall be substantially as set forth in EXHIBIT A-1 OR EXHIBIT A-2 hereto.

The Trustee shall, upon a written order of the Company signed by an Officer of the Company, authenticate Notes for original issue up to an aggregate principal amount at maturity of Notes stated in the Notes. The aggregate principal amount at maturity of Notes outstanding at any time shall not exceed such amount except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Company shall maintain (i) an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and (ii) an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Note Custodian with respect to the Global Notes. The Company initially appoints the Trustee to act as the Registrar and Paying Agent with respect to the Definitive Notes.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Notes, and shall notify the Trustee of any default by the Company in making any such payment. While any such

default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon the occurrence of events specified in Section 6.01 (vii) or (viii) hereof, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.05. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven (7) Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.06. TRANSFER AND EXCHANGE.

(a) Transfer and Exchange of Global Notes. The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depositary, in accordance with this Indenture and the procedures of the Depositary therefor, which shall include restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Beneficial interests in a Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions set forth in the legend in subsection (g) of this Section 2.06. Transfers of beneficial interests in the Global Notes to Persons required to take delivery thereof in the form of an interest in another Global Note shall be permitted as follows:

(i) Rule 144A Global Note to Regulation S Global Note. If, at any time, an owner of a beneficial interest in a Rule 144A Global Note deposited with the Depositary (or the Trustee as custodian for the Depositary) wishes to transfer its beneficial interest in such Rule 144A Global Note to a Person who is required or permitted to take delivery thereof in the form of an interest in a Regulation S Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in a Regulation S Global Note as provided in this Section 2.06(a)(i). Upon receipt by the Trustee of (1) instructions given in accordance with the Applicable Procedures from a Participant directing the Trustee to credit or cause to be credited a beneficial interest in the Regulation S Global Note in an amount equal to the beneficial interest in the Rule 144A Global Note to be exchanged, (2) a written order given in accordance with the Applicable Procedures containing information regarding the Participant account of the Depositary and the Euroclear or Cedel account to be credited with such increase, and (3) a certificate in the form of EXHIBIT B-1 hereto given by the owner of such beneficial interest stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S, then the Trustee, as Registrar, shall instruct the Depositary to reduce or cause to be reduced the aggregate principal amount at maturity of the applicable Rule 144A Global Note and to increase or cause to be increased the

aggregate principal amount at maturity of the applicable Regulation S Global Note by the principal amount at maturity of the beneficial interest in the Rule 144A Global Note to be exchanged or transferred, to credit or cause to be credited to the account of the Person specified in such instructions, a beneficial interest in the Regulation S Global Note equal to the reduction in the aggregate principal amount at maturity of the Rule 144A Global Note, and to debit, or cause to be debited, from the account of the Person making such exchange or transfer the beneficial interest in the Rule 144A Global Note that is being exchanged or transferred.

(ii) Regulation S Global Note to Rule 144A Global Note. If, at any time, after the expiration of the 40-day restricted period, an owner of a beneficial interest in a Regulation S Global Note deposited with the Depositary or with the Trustee as custodian for the Depositary wishes to transfer its beneficial interest in such Regulation S Global Note to a Person who is required or permitted to take delivery thereof in the form of an interest in a Rule 144A Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in a Rule 144A Global Note as provided in this Section 2.06(a)(ii). Upon receipt by the Trustee of (1) instructions from Euroclear or Cedel, if applicable, and the Depositary, directing the Trustee, as Registrar, to credit or cause to be credited a beneficial interest in the Rule 144A Global Note equal to the beneficial interest in the Regulation S Global Note to be exchanged, such instructions to contain information regarding the Participant account with the Depositary to be credited with such increase, (2) a written order given in accordance with the Applicable Procedures containing information regarding the participant account of the Depositary and (3) a certificate in the form of EXHIBIT B-2 attached hereto given by the owner of such beneficial interest stating (A) if the transfer is pursuant to Rule 144A, that the Person transferring such interest in a Regulation S Global Note reasonably believes that the Person acquiring such interest in a Rule 144A Global Note is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable blue sky or securities laws of any state of the United States, (B) that the transfer complies with the requirements of Rule 144 under the Securities Act, (C) if the transfer is to an Institutional Accredited Investor that such transfer is in compliance with the Securities Act and a certificate in the form of EXHIBIT C attached hereto and, if such transfer is in respect of an aggregate principal amount of less than $250,000, an Opinion of Counsel acceptable to the Company that such transfer is in compliance with the Securities Act or (D) if the transfer is pursuant to any other exemption from the registration requirements of the Securities Act, that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the requirements of the exemption claimed, such statement to be supported by an Opinion of Counsel from the transferee or the transferor in form reasonably acceptable to the Company and to the Registrar and in each case, in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction, then the Trustee, as Registrar, shall instruct the Depositary to reduce or cause to be reduced the aggregate principal amount at maturity of such Regulation S Global Note and to increase or cause to be

increased the aggregate principal amount at maturity of the applicable Rule 144A Global Note by the principal amount at maturity of the beneficial interest in the Regulation S Global Note to be exchanged or transferred, and the Trustee, as Registrar, shall instruct the Depositary, concurrently with such reduction, to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the applicable Rule 144A Global Note equal to the reduction in the aggregate principal amount at maturity of such Regulation S Global Note and to debit or cause to be debited from the account of the Person making such transfer the beneficial interest in the Regulation S Global Note that is being exchanged or transferred.

(b) Transfer and Exchange of Definitive Notes. When Definitive Notes are presented by a Holder to the Registrar with a request to register the transfer of the Definitive Notes or to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested only if the Definitive Notes are presented or surrendered for registration of transfer or exchange, are endorsed and contain a signature guarantee or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney and contains a signature guarantee, duly authorized in writing and the Registrar received the following documentation (all of which may be submitted by facsimile):

(i) in the case of Definitive Notes that are Transfer Restricted Securities, such request shall be accompanied by the following additional information and documents, as applicable:

(A) if such Transfer Restricted Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, or such Transfer Restricted Security is being transferred to the Company or any of its Subsidiaries, a certification to that effect from such Holder (in substantially the form of EXHIBIT B-3 hereto); or

(B) if such Transfer Restricted Security is being transferred to a QIB in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form of EXHIBIT B-3 hereto); or

(C) if such Transfer Restricted Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 904 under the Securities Act, a certification to that effect from such Holder (in substantially the form of EXHIBIT B-3 hereto);

(D) if such Transfer Restricted Security is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) and (C) above, a certification to that effect from such Holder (in substantially the form of EXHIBIT B-3 hereto), a certification substantially in the form of EXHIBIT C hereto, and, if such transfer is in respect of an aggregate principal amount of Notes of less than $250,000,

an Opinion of Counsel acceptable to the Company that such transfer is in compliance with the Securities Act; or

(E) if such Transfer Restricted Security is being transferred in reliance on any other exemption from the registration requirements of the Securities Act, a certification to that effect from such Holder (in substantially the form of EXHIBIT B-3 hereto) and an Opinion of Counsel from such Holder or the transferee reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act.

(c) Transfer of a Beneficial Interest in a Rule 144A Global Note or Regulation S Permanent Global Note for a Definitive Note.

(i) Any Person having a beneficial interest in a Rule 144A Global Note or Regulation S Permanent Global Note may upon request, subject to the Applicable Procedures, exchange such beneficial interest for a Definitive Note. Upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depositary (or Euroclear or Cedel, if applicable), from the Depositary or its nominee on behalf of any Person having a beneficial interest in a Rule 144A Global Note or Regulation S Permanent Global Note, and, in the case of a Transfer Restricted Security, the following additional information and documents (all of which may be submitted by facsimile):

(A) if such beneficial interest is being transferred to the Person designated by the Depositary as being the beneficial owner, a certification to that effect from such Person (in substantially the form of EXHIBIT B-4 hereto);

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferor (in substantially the form of EXHIBIT B-4 hereto);

(C) if such beneficial interest is being transferred to an Institutional Accredited Investor, pursuant to a private placement exemption from the registration requirements of the Securities Act (and based on an opinion of counsel if the Company so requests), a certification to that effect from such Holder (in substantially the form of EXHIBIT B-4 hereto) and a certificate from the applicable transferee (in substantially the form of EXHIBIT C hereto); or

(D) if such beneficial interest is being transferred in reliance on any other exemption from the registration requirements of the Securities Act, a certification to that effect from the transferor (in substantially the form of EXHIBIT B-4 hereto) and an Opinion of Counsel from the transferee or the transferor reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the

Securities Act, in which case the Trustee or the Note Custodian, at the direction of the Trustee, shall, in accordance with the standing instructions and procedures existing between the Depositary and the Note Custodian, cause the aggregate principal amount of Rule 144A Global Notes or Regulation S Permanent Global Notes, as applicable, to be reduced accordingly and, following such reduction, the Company shall execute and, the Trustee shall authenticate and deliver to the transferee a Definitive Note in the appropriate principal amount.

(ii) Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note or Regulation S Permanent Global Note, as applicable, pursuant to this Section 2.06(c) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or Indirect Participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Following any such issuance of Definitive Notes, the Trustee, as Registrar, shall instruct the Depositary to reduce or cause to be reduced the aggregate principal amount at maturity of the applicable Global Note to reflect the transfer.

(d) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provision of this Indenture (other than the provisions set forth in subsection (g) of this Section 2.06), a Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(e) Transfer and Exchange of a Definitive Note for Beneficial Interests in a Global Note. A Definitive Note may not be transferred or exchanged for a beneficial interest in a Global Note.

(f) Authentication of Definitive Notes in Absence of Depositary. If at any time:

(i) the Depositary for the Notes notifies the Company that the Depositary is unwilling or unable to continue as Depositary for the Global Notes and a successor Depositary for the Global Notes is not appointed by the Company within 90 days after delivery of such notice; or

(ii) the Company, at its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Notes under this Indenture,

then the Company shall execute, and the Trustee shall, upon receipt of an authentication order in accordance with Section 2.02 hereof, authenticate and deliver, Definitive Notes in an aggregate principal amount equal to the principal amount of the Global Notes in exchange for such Global Notes.

(g) Legends.

(i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Note certificate evidencing Global Notes and Definitive Notes (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend (the "Private Placement Legend") in substantially the following form:

"THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (d) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR"), THAT PRIOR TO SUCH TRANSFER, FURNISHED THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF SECURITIES LESS THAN $250,000, AN OPINION OF COUNSEL THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (e) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND, IN THE CASE OF CLAUSE (b), (c), (d) OR (e), BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Note) pursuant to Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act:

(A) in the case of any Transfer Restricted Security that is a Definitive Note, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Note that does not bear the legend set forth in (i) above and rescind any restriction on the transfer of such

Transfer Restricted Security upon receipt of a certification from the transferring holder substantially in the form of EXHIBIT B-4 hereto; and

(B) in the case of any Transfer Restricted Security represented by a Global Note, such Transfer Restricted Security shall not be required to bear the legend set forth in (i) above, but shall continue to be subject to the provisions of Section 2.06(a) and (b) hereof; provided, however, that with respect to any request for an exchange of a Transfer Restricted Security that is represented by a Global Note for a Definitive Note that does not bear the legend set forth in (i) above, which request is made in reliance upon Rule 144, the Holder thereof shall certify in writing to the Registrar that such request is being made pursuant to Rule 144 (such certification to be substantially in the form of EXHIBIT B-4 hereto).

(iii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Note) in reliance on any exemption from the registration requirements of the Securities Act (other than exemptions pursuant to Rule 144A or Rule 144 under the Securities Act) in which the Holder or the transferee provides an Opinion of Counsel to the Company and the Registrar in form and substance reasonably acceptable to the Company and the Registrar (which Opinion of Counsel shall also state that the transfer restrictions contained in the legend are no longer applicable):

(A) in the case of any Transfer Restricted Security that is a Definitive Note, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Note that does not bear the legend set forth in (i) above and rescind any restriction on the transfer of such Transfer Restricted Security; and

(B) in the case of any Transfer Restricted Security represented by a Global Note, such Transfer Restricted Security shall not be required to bear the legend set forth in (i) above, but shall continue to be subject to the provisions of Section 2.06(a) and (b) hereof.

(iv) Notwithstanding the foregoing, upon the consummation of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in aggregate principal amount equal to the principal amount of the Restricted Beneficial Interests tendered for acceptance by persons that are not (x) broker-dealers, (y) Persons participating in the distribution of the Notes or (z) Persons who are affiliates (as defined in Rule 144) of the Company and accepted for exchange in the Exchange Offer and (ii) Definitive Notes that do not bear the Private Placement Legend in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer. The Trustee shall be entitled to rely upon the authentication order when authenticating the Notes without any obligation to verify that the restrictions in the preceding sentence have been complied with. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the

applicable Restricted Global Notes to be reduced accordingly and the Company shall execute and the Trustee shall authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Definitive Notes in the appropriate principal amount.

(v) Original Issue Discount Legend. Each Note shall bear a legend in substantially the following form:

"FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS SECURITY IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT; FOR EACH $1,000 PRINCIPAL AMOUNT OF THIS SECURITY, THE ISSUE PRICE IS $529.98, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS $470.02, THE ISSUE DATE IS OCTOBER 17, 1997 AND THE YIELD TO MATURITY IS 13.125% PER ANNUM."

(h) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in Global Notes have been exchanged for Definitive Notes, redeemed, repurchased or cancelled, all Global Notes shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for Definitive Notes, redeemed, repurchased or cancelled, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement may be made on such Global Note, by the Trustee or the Notes Custodian, at the direction of the Trustee, to reflect such reduction but any failure to make such an endorsement shall not affect the reductions.

(i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Notes and Definitive Notes at the Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any stamp or transfer tax or similar governmental charge payable in connection therewith (other than any such stamp or transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 4.10, 4.13 and 9.05 hereto).

(iii) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(iv) The Registrar shall not be required: (A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of fifteen (15) Business Days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption

in whole or in part, except the unredeemed portion of any Note being redeemed in part, or (C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(v) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

(vi) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

SECTION 2.07. REPLACEMENT NOTES.

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receives evidence to their satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon the written order of the Company signed by an Officer of the Company, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company and the Trustee may charge for their expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.08. OUTSTANDING NOTES.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.09. TREASURY NOTES.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Affiliate of the Company shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes shown on the Trustee's register as being owned shall be so disregarded. Notwithstanding the foregoing, Notes that are to be acquired by the Company or an Affiliate of the Company pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by such entity until legal title to such Notes passes to such entity.

SECTION 2.10. TEMPORARY NOTES.

Until Definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by an Officer of the Company. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall upon receipt of a written order of the Company signed by an Officer authenticate Definitive Notes in exchange for temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder or which the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Trustee. All Notes surrendered for registration of transfer, exchange or payment, if surrendered to any Person other than the Trustee, shall be delivered to the Trustee. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation. Subject to Section 2.07 hereof, the Company may not issue new Notes to replace Notes that it has redeemed or paid or that have been delivered to the Trustee for cancellation. All cancelled Notes held by the Trustee shall be destroyed and certification of their destruction delivered to the Company, unless by a written order, signed by an Officer of the Company, the Company shall direct that cancelled Notes be returned to it.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, which date shall be at the earliest practicable date but in all events at least five (5) Business Days prior to the payment date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall fix or cause to be fixed each such special record date and payment date, and shall promptly thereafter, notify the Trustee of any such date. At least fifteen (15) days before the special record date, the Company (or the Trustee, in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13. RECORD DATE.

The record date for purposes of determining the identity of Holders of the Notes entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture shall be determined as provided for in TIA Section 316 (c).

SECTION 2.14. COMPUTATION OF INTEREST.

Interest on the Notes shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

SECTION 2.15. CUSIP NUMBER.

The Company in issuing the Notes may use a "CUSIP" number, and if it does so, the Trustee shall use the CUSIP number in notices of redemption or exchange as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Notes and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee of any change in the CUSIP number.

ARTICLE 3
REDEMPTION AND PREPAYMENT

SECTION 3.01. NOTICES TO TRUSTEE.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 45 days but not more than 60 days before a redemption date (unless a shorter period is acceptable to the Trustee) an Officers' Certificate setting forth (i) the Section of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

If the Company is required to make an offer to purchase Notes pursuant to Section 4.10 or 4.13 hereof, it shall furnish to the Trustee, at least 45 days before the scheduled purchase date, an Officers' Certificate setting forth (i) the section of this Indenture pursuant to which the offer to purchase shall occur, (ii) the terms of the offer, (iii) the principal amount of Notes to be purchased, (iv) the purchase price, (v) the purchase date and (vi) and further setting forth a statement to the effect that (a) the Company or one its Subsidiaries has affected an Asset Sale and there are Excess Proceeds aggregating more than $10.0 million or (b) a Change of Control has occurred, as applicable.

SECTION 3.02. SELECTION OF NOTES TO BE REDEEMED OR PURCHASED.

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not so listed, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided that no Notes of $1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Note is to be redeemed in part

only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest and Liquidated Damages cease to accrue on Notes or portions of them called for redemption unless the Company defaults in making the redemption payment.

SECTION 3.03. NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed.

The notice shall identify the Notes to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price for the Notes and accrued interest, and Liquidated Damages, if any;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Notes to be redeemed and that, after the redemption date, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon surrender of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment, interest and Liquidated Damages, if any, on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; provided, however, that the Company shall have delivered to the Trustee, at least 45 days prior to the redemption date (or such shorter period as shall be acceptable to the Trustee), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in the notice as provided in the preceding paragraph. The notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Note shall not affect the validity of the proceeding for the redemption of any other Note.

SECTION 3.04. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price plus accrued and unpaid interest and Liquidated Damages, if any, to such date. A notice of redemption may not be conditional.

SECTION 3.05. DEPOSIT OF REDEMPTION OR PURCHASE PRICE.

On or before 10:00 a.m. (New York City time) on each redemption date or the date on which Notes must be accepted for purchase pursuant to Section 4.10 or 4.13, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued and unpaid interest and Liquidated Damages, if any, on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent shall promptly return to the Company upon its written request any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of (including any applicable premium), accrued interest and Liquidated Damages, if any, on all Notes to be redeemed or purchased.

If Notes called for redemption or tendered in an Asset Sale Offer or Change of Control Offer are paid or if the Company has deposited with the Trustee or Paying Agent money sufficient to pay the redemption or purchase price of, unpaid and accrued interest and Liquidated Damages, if any, on all Notes to be redeemed or purchased, on and after the redemption or purchase date interest and Liquidated Damages, if any, shall cease to accrue on the Notes or the portions of Notes called for redemption or tendered and not withdrawn in an Asset Sale Offer or Change of Control Offer (regardless of whether certificates for such securities are actually surrendered). If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest and Liquidated Damages, if any, shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal and Liquidated Damages, if any, from the redemption or purchase date until such principal and Liquidated Dames, if any, is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case, at the rate provided in the Notes and in Section 4.01 hereof.

SECTION 3.06. NOTES REDEEMED IN PART.

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07. OPTIONAL REDEMPTION.

(a) Except as set forth in the next paragraph, the Notes will not be redeemable at the Company's option prior to October 15, 2002. Thereafter, the Notes will be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on October 15 of the years indicated below:

Year	Percentage
2002	106.563%
2003	104.375%
2004	102.188%
2005 and thereafter	100.000%

(b) Notwithstanding the foregoing, at any time on or prior to October 15, 2000, the Company may (but shall not have the obligation to) redeem, on one or more occasions, up to an aggregate of 35% of the principal amount of Notes originally issued at a redemption price equal to 113.125% of the Accreted Value thereof, plus Liquidated Damages thereon, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that at least 65% of the aggregate principal amount at maturity of the Notes originally issued remain outstanding immediately after the occurrence of such redemption; and provided further, that such redemption shall occur within 90 days of the date of the closing of such Equity Offering.

SECTION 3.08. MANDATORY REDEMPTION.

Except as set forth under Sections 3.09, 4.10 and 4.13 hereof, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

SECTION 3.09. REPURCHASE OFFERS.

In the event that the Company shall be required to commence an offer to all Holders to repurchase Notes (a "Repurchase Offer") pursuant to Section 4.10 hereof, an "Asset Sale," or pursuant to Section 4.13 hereof, a "Change of Control Offer," the Company shall follow the procedures specified below.

A Repurchase Offer shall commence no earlier than 30 days and no later than 60 days after a Change of Control (unless the Company is not required to make such offer pursuant to Section 4.13(c) hereof) or an Asset Sale Offer Triggering Event (as defined below), as the case may be, and remain open for a period of twenty (20) Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five (5) Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.10 hereof, in the case of an Asset Sale Offer, or 4.13 hereof, in the case of a Change of Control Offer (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Repurchase Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Liquidated Damages, if any, shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest or Liquidated Damages, if any, shall be payable to Holders who tender Notes pursuant to the Repurchase Offer.

Upon the commencement of a Repurchase Offer, the Company shall send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to such Repurchase

Offer. The Repurchase Offer shall be made to all Holders. The notice, which shall govern the terms of the Repurchase Offer, shall describe the transaction or transactions that constitute the Change of Control or Asset Sale Offer Triggering Event as the case may be and shall state:

(a) that the Repurchase Offer is being made pursuant to this Section 3.09 and Section 4.10 or 4.13 hereof, as the case may be, and the length of time the Repurchase Offer shall remain open;

(b) the Offer Amount, the purchase price and the Purchase Date;

(c) that any Note not tendered or accepted for payment shall continue to accrue interest;

(d) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Repurchase Offer shall cease to accrue interest and Liquidated Damages, if any, after the Purchase Date;

(e) that Holders electing to have a Note purchased pursuant to a Repurchase Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note, duly completed, or transfer by book-entry transfer, to the Company, the Depositary, or the Paying Agent at the address specified in the notice not later than the close of business on the last day of the Offer Period;

(f) that Holders shall be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(g) that, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased); and

(h) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before 10:00 a.m. (New York City time) on each Purchase Date, the Company shall irrevocably deposit with the Trustee or Paying Agent in immediately available funds the aggregate purchase price with respect to a principal amount of Notes equal to the Offer Amount, together with accrued and unpaid interest and Liquidated Damages, if any, thereon, to be held for payment in accordance with the terms of this Section 3.09. On the Purchase Date, the Company shall, to the extent lawful, (i) accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Repurchase Offer, or if less than the Offer Amount has been tendered, all Notes tendered, (ii) deliver or cause the Paying Agent or depository, as the case may be, to deliver to the Trustee Notes so accepted and (iii) deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary or the Paying Agent, as the case may be, shall promptly (but in any case not later than three (3) Business Days after the Purchase Date) mail or deliver

to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, plus any accrued and unpaid interest and Liquidated Damages, if any, thereon to the Purchase Date and the Company shall promptly issue a new Note, and the Trustee, shall authenticate and mail or deliver such new Note, to such Holder, equal in principal amount to any unpurchased portion of such Holder's Notes surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce in a newspaper of general circulation or in a press release provided to a nationally recognized financial wire service the results of the Repurchase Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01, 3.02, 3.05 and 3.06 hereof.

ARTICLE 4
COVENANTS

SECTION 4.01. PAYMENT OF NOTES.

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes. The Company shall pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement. Principal, premium and Liquidated Damages, if any, and interest, shall be considered paid for all purposes hereunder on the date the Paying Agent if other than the Company or a Subsidiary thereof holds, as of 10:00 a.m. (New York City time) money deposited by the Company in immediately available funds and designated for and sufficient to pay all such principal, premium and Liquidated Damages, if any, and interest, then due.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.02. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in the Borough of Manhattan, the City of New York an office or agency (which may be an office of the Trustee or an affiliate of the Trustee or Registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the

City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03 hereof.

SECTION 4.03. COMMISSION REPORTS.

From and after the earlier of the effective date of the Exchange Offer Registration Statement or the effective date of the Shelf Registration Statement, whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company shall furnish to the Holders of Notes (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operation of the Company and its consolidated subsidiaries and, with respect to the annual information only, a report thereon by the Company's certified independent accountants and (ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports in each case within the time periods set forth in the Commission's rules and regulations. In addition, whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all such information and reports with the Commission for public availability (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, at all times that the Commission does not accept the filings provided for in the preceding sentence, the Company has agreed that, for so long as any Notes remain outstanding, it shall furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The financial information to be distributed to Holders of Notes shall be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Notes maintained by the Registrar, within 90 days after the end of the Company's fiscal years and within 45 days after the end of each of the first three quarters of each such fiscal year.

The Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information and, if requested by the Company and at the Company's expense, the Trustee will deliver such reports to the Holders under this Section 4.03.

SECTION 4.04. COMPLIANCE CERTIFICATE.

The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each has kept, observed, performed and fulfilled its obligations under this Indenture (including, with respect to any Restricted Payments made during such year, the basis upon which the calculations required by Section 4.07 hereof were computed, which calculations may be based on the Company's latest available financial statements), and further stating, as to each such Officer signing such certificate, that, to the best of his or her knowledge, each entity has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may

have knowledge and what action the Company is taking or proposes to take with respect thereto) and that, to the best of his or her knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of, premium or Liquidated Damages, if any, or interest on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, in connection with the year-end financial statements delivered pursuant to Section 4.03 hereof, the Company shall use its best efforts to deliver a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article Four or Section 5.01 hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation. In the event that such written statement of the Company's independent public accountants cannot be obtained, the Company shall deliver an Officers' Certificate certifying that it has used its best efforts to obtain such statements and was unable to do so.

The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.05. TAXES.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency all material taxes, assessments and governmental levies, except such as are contested in good faith and by appropriate proceedings and with respect to which appropriate reserves have been taken in accordance with GAAP.

SECTION 4.06. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.07. RESTRICTED PAYMENTS.

From and after the date hereof the Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such dividend, distribution or other payment made as a payment in connection with any merger or consolidation involving the Company), other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or dividends or distributions payable to the Company or any Wholly Owned Subsidiary of the Company; (ii) purchase, redeem or otherwise

acquire or retire for value (including, without limitation, any such purchase, redemption or other acquisition or retirement for value made as a payment in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any Restricted Subsidiary (other than any such Equity Interests owned by the Company or any Restricted Subsidiary of the Company); (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Notes, except a payment of interest or principal at Stated Maturity; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and immediately after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the date hereof (excluding Restricted Payments permitted by clauses (ii), (iii), (iv) and (vi) of the next succeeding paragraph), is less than the sum (without duplication) of (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the date hereof to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (ii) 100% of the aggregate Qualified Proceeds received by the Company from contributions to the Company's capital or the issue or sale subsequent to the date hereof of Equity Interests of the Company (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Company that have been converted into such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible debt securities) sold to a Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into Disqualified Stock), plus (iii) to the extent that any Restricted Investment that was made after the date hereof is sold for Qualified Proceeds or otherwise liquidated or repaid (including, without limitation, by way of a dividend or other distribution, a repayment of a loan or advance or other transfer of assets) for in whole or in part, the lesser of (A) the Qualified Proceeds with respect to such Restricted Investment, (less the cost of disposition, if any) and (B) the initial amount of such Restricted Investment, plus (iv) upon the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the lesser of (x) the fair market value of such Subsidiary or (y) the aggregate amount of all Investments made in such Subsidiary subsequent to the Issue Date by the Company and its Restricted Subsidiaries, plus (v) $15.0 million.

The foregoing provisions will not prohibit (i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions hereof; (ii) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness or Equity Interests of the Company in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance

or other acquisition shall be excluded from clause (c)(ii) of the preceding paragraph; (iii) the defeasance, redemption, repurchase, retirement or other acquisition of subordinated Indebtedness in exchange for, or with the net cash proceeds from, an incurrence of Permitted Refinancing Indebtedness; (iv) the payment of any dividend (or the making of a similar distribution or redemption) by a Restricted Subsidiary of the Company to the holders of its common Equity Interests on a pro rata basis; (v) so long as no Default or Event of Default shall have occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company, or any Restricted Subsidiary of the Company, held by any member of the Company's (or any of its Restricted Subsidiaries') management, employees or consultants pursuant to any management, employee or consultant equity subscription agreement or stock option agreement in effect as of the date hereof; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed the sum of (A) $10.0 million and (B) the aggregate cash proceeds received by the Company from any reissuance of Equity Interests by the Company to members of management of the Company and its Restricted Subsidiaries (provided that the cash proceeds referred to in this clause (B) shall be excluded from clause (c)(ii), of the preceding paragraph); (vi) distributions made by the Company on the date hereof, the proceeds of which are utilized solely to consummate the Recapitalization; and (vii) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company issued after the date hereof in accordance with Section 4.09.

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default or an Event of Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of this covenant. All such outstanding Investments will be deemed to constitute Investments in an amount equal to the greater of (i) the net book value of such Investments at the time of such designation and (ii) the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The amount of (i) all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment and (ii) Qualified Proceeds (other than cash) shall be the fair market value on the date of receipt thereof by the Company of such Qualified Proceeds. The fair market value of any non-cash Restricted Payment and Qualified Proceeds shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if such fair market value exceeds $10.0 million. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by Section 4.07 were computed, together with a copy of any fairness opinion or appraisal required by this Indenture.

SECTION 4.08. DIVIDENDS AND OTHER PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(a) pay dividends or make any other distributions to the

Company or any of its Restricted Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (b) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries, (ii) make loans or advances to the Company or any of its Restricted Subsidiaries or (iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (a) the New Credit Facility and the Senior Subordinated Notes, as in effect as of the date hereof, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive with respect to such dividend and other payment restrictions than those contained in the New Credit Facility or the Senior Subordinated Notes, as the case may be, as in effect on the date hereof, (b) the Indenture and the Notes, (c) applicable law or any applicable rule, regulation or order, (d) any agreement or instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such agreement or instrument was created or entered into in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, (e) by reason of customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business and consistent with past practices, (f) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired, (g) any Purchase Money Note, or other Indebtedness or contractual requirements incurred with respect to a Qualified Receivables Transaction relating to a Receivables Subsidiary, (h) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced and (i) contracts for the sale of assets containing customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

SECTION 4.09. INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and that the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company or any of its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue shares of Disqualified Stock if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 1.75 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The Company shall not incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Company unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms; provided, however, that no Indebtedness of the Company shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company solely by virtue of being unsecured.

The provisions of the first paragraph of this covenant will not apply to the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(i) Indebtedness of the Company and its Restricted Subsidiaries under Credit Facilities; provided that the aggregate principal amount of all Indebtedness (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) outstanding under all Credit Facilities after giving effect to such incurrence, including all Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (i), does not exceed an amount equal to $270.0 million less the aggregate principal of all principal payments thereunder constituting permanent reductions of such Indebtedness pursuant to and in accordance with Section 4.10.

(ii) the incurrence by the Company of Indebtedness represented by the Notes and the incurrence by J. Crew Corp. and its Subsidiaries of Indebtedness represented by the Senior Subordinated Notes and any guarantee thereof;

(iii) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed $25.0 million at any time outstanding;

(iv) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date;

(v) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that is permitted by this Indenture to exist or be incurred;

(vi) the incurrence of intercompany Indebtedness (A) between or among the Company and any Wholly Owned Restricted Subsidiaries of the Company or (B) by a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary to the Company or a Wholly Owned Subsidiary; provided, however, that (i) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes and (ii)(A) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Wholly Owned Restricted Subsidiary of the Company and (B) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Wholly Owned Restricted Subsidiary of the Company shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Subsidiary, as the case may be;

(vii) the incurrence by the Company or any of the Restricted Subsidiaries of Hedging Obligations that are incurred for the purpose of fixing or hedging (i) interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of this Indenture to be outstanding or (ii) the value of foreign currencies purchased or received by the Company in the ordinary course of business;

(viii) Indebtedness incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business;

(ix) Indebtedness arising from guarantees of Indebtedness of the Company or any Subsidiary or the agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, or other guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or Capital Stock of a Restricted Subsidiary for the purpose of financing such acquisition, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(x) Indebtedness of a Receivables Subsidiary that is not recourse to the Company or any other Restricted Subsidiary of the Company (other than Standard Securitization Undertakings) incurred in connection with a Qualified Receivables Transaction;

(xi) the guarantee by any Restricted Subsidiary of the Company of Indebtedness of any Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant;

(xii) the incurrence by the Company or any of its Restricted Subsidiaries of Acquired Debt in an aggregate principal amount at any time outstanding not to exceed $20.0 million;

(xiii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five business days of incurrence; and

(xiv) the incurrence by the Company or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (xiv), not to exceed $30.0 million.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xiv) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company shall, in its sole discretion, classify such item of Indebtedness in any manner that complies with this covenant and such item of Indebtedness will be treated as having been incurred pursuant to only one of such clauses or pursuant to the first paragraph hereof. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

SECTION 4.10. ASSETS SALES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless (i) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of (A) cash or Cash Equivalents or (B) Qualified Proceeds; provided that the aggregate fair market value of Qualified Proceeds (other than cash or Cash Equivalents), which may be received in consideration for asset sales pursuant

to this clause (ii)(B) shall not exceed $7.5 million since the Issue Date; provided, further, that the amount of (x) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet), of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability and (y) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash (to extent of the cash received) within 180 days following the closing of such Asset Sale, shall be deemed to be cash for purposes of this provision.

Within 395 days after the receipt of any Net Proceeds from an Asset Sale, the Company or its Restricted Subsidiaries may apply such Net Proceeds, at its option, (a) to repay Indebtedness of a Restricted Subsidiary of the Company, or (b) to the investment in, or the making of a capital expenditure or the acquisition of other property or assets in each case used or useable in a Permitted Business, or Capital Stock of any Person primarily engaged in a Permitted Business if, as a result of the acquisition by the Company or any Restricted Subsidiary thereof, such Person becomes a Restricted Subsidiary, or (c) as combination of the uses described in clauses (a) and (b). Pending the final application of any such Net Proceeds, the Company or its Restricted Subsidiaries may temporarily reduce Indebtedness of a Restricted Subsidiary of the Company or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture. Any Net Proceeds from Asset Sales other than 20% of the net proceeds from any sale of all or substantially all of the Capital Stock or assets of the Company's Popular Club Plan business or Clifford & Wills business (as each such business is constituted on the Issue Date) which have been utilized to repay, redeem, repurchase or otherwise retire outstanding Notes, that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10.0 million (an "Asset Sale Offer Triggering Event"), the Company will be required to make an offer to all Holders of Notes and, to the extent required by the terms of any Indebtedness ranking pari passu with the Notes ("Pari Passu Indebtedness") to all holders of such Pari Passu Indebtedness (an "Asset Sale Offer"), to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (or, in the case of repurchases of Notes prior to October 15, 2002, at a purchase price equal to 100% of the Accreted Value thereof plus Liquidated Damages, as of the date of repurchase), in accordance with the procedures set forth in Section 3.09 hereof or such Pari Passu Indebtedness, as applicable. To the extent that the aggregate principal amount at maturity of Notes (or Accreted Value, as the case may be) and any such Pari Passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company or its Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount at maturity (or Accreted Value, as the case may be) of Notes and any such Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

SECTION 4.11. TRANSACTIONS WITH AFFILIATES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to or Investment in, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no

less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person and (ii) the Company delivers to the Trustee (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1.0 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to the Holders of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing; provided that (v) transactions with suppliers or other purchasers or sales of goods or services, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture agreements) and otherwise in accordance with the terms of this Indenture which are fair to the Company, in the good faith determination of the Board of Directors of the Company or the senior management of the Company and are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, (w) any employment agreements, stock option or other compensation agreements or plans (and the payment of amounts or the issuance of securities thereunder) and other reasonable fees, compensation, benefits and indemnities paid or entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary to or with the officers, directors or employees of the Company or its Restricted Subsidiaries, (x) transactions between or among the Company and/or its Restricted Subsidiaries, (y) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Subsidiary in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction and (z) Restricted Payments (other than Restricted Investments) that are permitted by Section 4.07 hereof, in each case, shall not be deemed Affiliate Transactions.

SECTION 4.12. LIENS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien securing Indebtedness or trade payables on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom for purposes of security, except Permitted Liens, unless (x) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the Notes, the Notes are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens, (with the same relative priority as such subordinate or junior Indebtedness shall have with respect to the Notes) and (y) in all other cases, the Notes are secured by such Lien on an equal and ratable basis.

SECTION 4.13. OFFER TO PURCHASE UPON CHANGE OF CONTROL.

Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase or, in the case of repurchases of Notes prior to October 15, 2002 at a purchase price equal to 101% of the Accreted Value thereof as of the date of repurchase plus Liquidated Damages, if any, (the "Change of Control Payment"). Within 65 days following any Change of Control, the Company shall mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the

date specified in such notice, which date shall be no earlier than 30 days (or such shorter time period as may be permitted under applicable law, rules and regulations) and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by Section 3.09 hereof and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions hereof relating to such Change of Control Offer, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described hereof by virtue thereof.

On the Change of Control Payment Date, the Company shall, to the extent lawful, (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company. The Paying Agent will promptly mail to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Notes equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date in accordance with Section 3.09 hereof.

The Change of Control provisions described above will be applicable whether or not any other provisions of this Indenture are applicable. Except as described above with respect to a Change of Control, this Indenture does not contain provisions that permit the Holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Prior to complying with the provisions of the preceding paragraphs, but in any event within 90 days following a Change of Control, the Company shall either repay all outstanding Indebtedness of its Subsidiaries or obtain the requisite consents, if any, under the New Credit Facility and the Senior Subordinated Notes to permit the repurchase of the Notes required by this section. The Company will not be required to purchase any Debentures until it has complied with the preceding sentence, but the Company's failure to make a Change of Control Offer when required or to purchase tendered Notes when tendered would constitute an Event of Default under this Indenture.

The Company shall not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth herein applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

SECTION 4.14. CORPORATE EXISTENCE.

Subject to Section 4.13 and Article 5 hereof, as the case may be, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each of its Subsidiaries in accordance with the respective

organizational documents (as the same may be amended from time to time) of the Company or any such Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; provided that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

SECTION 4.15. BUSINESS ACTIVITIES.

The Company shall not, and shall not permit any Restricted Subsidiary to engage in any business other than a Permitted Businesses.

ARTICLE 5
SUCCESSORS

SECTION 5.01. MERGER, CONSOLIDATION OF SALE OF ASSETS.

The Company shall not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person unless (i) the Company is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation or limited liability company organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) except in the case of a merger of the Company with or into a Wholly Owned Restricted Subsidiary of the Company (other than a Receivables Subsidiary), the Company or the entity or Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof.

For purposes of this Section 5.01, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company. Clause (iv) of the foregoing paragraph will not prohibit (a) a merger between the Company and a Wholly Owned Subsidiary of the Company created for the purpose of holding the Capital Stock of the Company, (b) a merger between the Company and a Wholly Owned Restricted Subsidiary of the Company or (c) a merger between the Company and an Affiliate incorporated solely for the purpose of reincorporating the

Company in another State of the United States so long as, in the case of each of clause (a), (b) and (c), the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby.

SECTION 5.02. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and shall exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; provided, that, (i) solely for the purposes of computing Consolidated Net Income for purposes of clause (b) of the first paragraph of Section 4.07 hereof, the Consolidated Net Income of any person other than the Company and its Subsidiaries shall be included only for periods subsequent to the effective time of such merger, consolidation, combination or transfer of assets; and (ii) in the case of any sale, assignment, transfer, lease, conveyance, or other disposition of less than all of the assets of the predecessor Company, the predecessor Company shall not be released or discharged from the obligation to pay the principal of or interest and Liquidated Damages, if any, on the Notes.

ARTICLE 6
DEFAULTS AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT.

Each of the following constitutes an "Event of Default":

(i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes;

(ii) default in payment when due of principal of or premium, if any, on the Notes;

(iii) failure by the Company or any of its Restricted Subsidiaries for 30 days after notice by the Trustee or by the Holders of at least 25% in principal amount of the Notes then outstanding to comply with the provisions described under Sections 4.07, 4.09, 4.10 or 4.13;

(iv) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice from the Trustee or by the Holders of at least 25% in principal amount of the Notes then outstanding to comply with any of its other agreement in this Indenture or the Notes;

(v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default (a) is caused by a failure to pay principal of such Indebtedness after giving effect to any grace period

provided in such Indebtedness on the date of such default (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its stated maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $20.0 million or more;

(vi) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $20.0 million (net of any amounts with respect to which a reputable and credit worthy insurance company has acknowledged liability in writing), which judgments are not paid, discharged or stayed for a period of 60 days;

(vii) the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole would constitute a Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) generally is not paying its debts as they become due; or

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary in an involuntary case;

(b) appoints a Custodian of the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary; or

(c) orders the liquidation of the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days.

The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

SECTION 6.02. ACCELERATION.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default as described in clause (vii) or (viii) of Section 6.01 hereof, all outstanding Notes will become due and payable without further action or notice. Upon such declaration, all principal of and accrued interest and Liquidated Damages, if any, on (if on or after October 15, 2002) or Accreted Value of and Liquidated Damages, if any, on (if prior to October 15, 2002) the Notes shall be due and payable immediately. Holders of the Notes may not enforce this Indenture or the Notes except as provided in this Indenture. In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (v) of Section 6.01 hereof, the declaration of acceleration of the Notes shall be automatically annulled if the holders of any Indebtedness described in clause (v) of Section 6.01 hereof have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such declaration and if (y) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (z) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

SECTION 6.03. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, interest and Liquidated Damages, if any, on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

The Company is required to deliver to the Trustee annually a statement regarding compliance with this Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

SECTION 6.04. WAIVER OF PAST DEFAULTS.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under this Indenture (including any acceleration (other than an automatic acceleration resulting from an Event of Default under clause (vii) or (viii) of Section 6.01 hereof) except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes (other than as a result of an acceleration), which shall require the consent of all of the Holders of the Notes then outstanding.

SECTION 6.05. CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust power conferred on it. However, (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the

rights of other Holders of Notes or that may involve the Trustee in personal liability, and (ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. In case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Notwithstanding any provision to the contrary in this Indenture, the Trustee is under no obligation to exercise any of its rights or powers under this Indenture at the request of any Holder of Notes, unless such Holder shall offer to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

SECTION 6.06. LIMITATION ON SUITS.

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default or the Trustee receives such notice from the Company;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

SECTION 6.07. RIGHTS OF HOLDERS OF NOTES TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium, if any, interest, and Liquidated Damages, if any, on such Note, on or after the respective due dates expressed in such Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(i) or (ii) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other securities or property payable or deliverable upon the conversion or exchange of the Notes or on any such claims and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium, if any, interest, and Liquidated Damages, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, interest, and Liquidated Damages, if any, respectively;

Third: without duplication, to the Holders for any other Obligations owing to the Holders under this Indenture and the Notes; and

Fourth: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the

filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7
TRUSTEE

SECTION 7.01. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee has knowledge, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture or the TIA and the Trustee need perform only those duties that are specifically set forth in this Indenture or the TIA and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02. RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely on the truth of the statements and correctness of the opinions contained in, and shall be protected from acting or refraining from acting upon, any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. Prior to taking, suffering or admitting any action, the Trustee may consult with counsel of the Trustee's own choosing and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

SECTION 7.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee

or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.04. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Note pursuant to Section 6.01(i) or (ii) hereof, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

SECTION 7.06. REPORTS BY TRUSTEE TO HOLDERS OF THE NOTES.

Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the Commission and each stock exchange on which the Company has informed the Trustee in writing the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange and of any delisting thereof.

SECTION 7.07. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. To the extent permitted by law, the Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.07) and defending itself against any claim (whether asserted by the Company or any Holder

or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal, interest and Liquidated Damages, if any, on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01 (vii) or (viii) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA Section 313(b)(2) to the extent applicable.

SECTION 7.08. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10 hereof, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and the duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to the Holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided that all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee or any Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee or any Agent, as applicable.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities. The Trustee and its direct parent shall at all times have a combined capital surplus of at least $50.0 million as set forth in its most recent annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST THE COMPANY.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, elect to have either Section 8.02 or Section 8.03 hereof be applied to all Notes then outstanding upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. LEGAL DEFEASANCE AND DISCHARGE.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their respective obligations with respect to all Notes then outstanding on the date the conditions set forth below are satisfied ("Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the Notes outstanding, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive payments in respect of the principal amount at maturity or Accreted Value (as applicable), premium, if any, and interest and Liquidated Damages on such Notes when such payments are due from the trust referred to in Section 8.04(a); (b) the Company's obligations with respect to such Notes under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.10, 4.02 and 4.03 hereof; (c) the rights, powers, trusts, duties and immunities of the Trustee and the Company's obligations in connection therewith; and (d) the provisions of this Section 8.02.

SECTION 8.03. COVENANT DEFEASANCE.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Article 5 and in Sections 4.03, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13 and 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company or any of its Subsidiaries may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(iii) through (v) hereof shall not constitute Events of Default.

SECTION 8.04. CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

The following shall be the conditions to the application of either Section 8.02 or Section 8.03 hereof to the outstanding Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as shall be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal amount at maturity of or Accreted Value (as applicable) of, premium, if any, and interest and Liquidated Damages, if any, on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date hereof, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, subject to customary assumptions and exclusions, the Holders of the outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, the Holders of the outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the financing of amounts to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an opinion of counsel to the effect that, subject to customary assumptions and exclusions (which assumptions and exclusions shall not relate to the operation of Section 547 of the United States Bankruptcy Code or any

analogous New York State law provision), after the 91st day following the deposit, the trust funds shall not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(h) the Company shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

SECTION 8.05. DEPOSITED MONEY AND U.S. GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the then outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, interest and Liquidated Damages, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time at the Company's written request and be relieved of all liability with respect to any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.06. REPAYMENT TO THE COMPANY.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, interest or Liquidated Damages, if any, on any Note and remaining unclaimed for one year after such principal, and premium, if any, or interest, if any, or Liquidated Damages, if any, have become due and payable shall be paid to the Company on its written request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company

cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining shall be repaid to the Company.

SECTION 8.07. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 hereof or Section 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Company under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 hereof or Section 8.03 hereof, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 hereof or Section 8.03 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, interest or Liquidated Damages, if any, on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. WITHOUT CONSENT OF HOLDERS OF THE NOTES.

Notwithstanding Section 9.02 of this Indenture, without the consent of any Holder of Notes the Company and the Trustee may amend or supplement this Indenture or the Notes:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Company's obligations to the Holders of the Notes in the case of a merger, or consolidation pursuant to Article 5 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of the Notes; or

(e) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA or to allow any Subsidiary to guarantee the Notes.

Upon the written request of the Company accompanied by a resolution of its Board of Directors of the Company authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.06 hereof, the Trustee shall join with the Company in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein

contained, but the Trustee shall not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. WITH CONSENT OF HOLDERS OF NOTES.

Except as provided below in this Section 9.02, this Indenture and the Notes issued hereunder may be amended or supplemented with the consent of the Holders of at least a majority in principal amount at maturity of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or a tender offer or exchange offer for Notes), and any existing default or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of or a tender offer or exchange offer for the Notes).

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel, the Trustee shall join with the Company in the execution of such amended or supplemental indenture unless such amended or supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may, but shall not be obligated to, enter into such amended or supplemental indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof. After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of each Note affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver.

Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding may amend or waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent of each Holder affected, an amendment, or waiver may not (with respect to any Note held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Notes or alter the provisions with respect to the redemption of the Notes (other than provisions relating to Sections 3.09, 4.10 and 4.13 hereof) or amend or modify the calculation of the Accreted Value so as to reduce the amount of Accreted Value of the Notes;

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount at maturity of the Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in Section 6.04 or 6.07 hereof;

(g) waive a redemption or repurchase payment with respect to any Note (other than a payment required by Section 4.10 or 4.13 hereof); or

(h) make any change in the amendment and waiver provisions of this Article 9.

SECTION 9.03. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental indenture that complies with the TIA as then in effect.

SECTION 9.04. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. When an amendment, supplement or waiver becomes effective in accordance with its terms, it thereafter binds every Holder.

SECTION 9.05. NOTATION ON OR EXCHANGE OF NOTES.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental indenture until its Board of Directors approves it. In signing or refusing to sign any amended or supplemental indenture the Trustee shall be entitled to receive and (subject to Section 7.01 hereof) shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE 10
MISCELLANEOUS

SECTION 10.01. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

SECTION 10.02. NOTICES.

Any notice or communication by the Company, the Subsidiary Guarantors or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company:

J. Crew Group, Inc.
770 Broadway
New York, New York 10003
Telecopier No.: (212) 209-2666
Attention: Chief Financial Officer

With a copy to:

Cleary Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006
Telecopier No.: (212) 225-3999
Attention: Paul J. Shim

If to the Trustee:

State Street Bank and Trust Company
777 Main Street
Hartford, Connecticut 06115
Telecopier No.: (860) 986-7920
Attention: Corporate Trust Department

The Company or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier promising next Business Day delivery.

Any notice or communication to a Holder shall be mailed by first class mail or by overnight air courier promising next Business Day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 10.03. COMMUNICATION BY HOLDERS OF NOTES WITH OTHER HOLDERS OF NOTES.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 10.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture (other than the initial issuance of the Notes), the Company shall furnish to the Trustee upon request:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 10.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

SECTION 10.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 10.07. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS.

No director, officer, employee, incorporator or stockholder of the Company, as such, shall have any liability for any obligations of the Company or any Subsidiary Guarantor under the Notes, this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 10.08. GOVERNING LAW.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES.

SECTION 10.09. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 10.10. SUCCESSORS.

All agreements of the Company in this Indenture and the Notes shall bind their respective successors and assigns. All agreements of the Trustee in this Indenture shall bind its successors and assigns.

SECTION 10.11. SEVERABILITY.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.12. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 10.13. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of October 17, 1997

J. CREW GROUP, INC.

By: /s/ Michael P. McHugh

Name:
Title:

STATE STREET BANK AND TRUST COMPANY
as Trustee

By: /s/ Philip Kane Jr.

Name: Philip G. Kane, Jr.
Title: Vice President

EXHIBIT A-1
(Face of Note)

13 1/8% Senior Discount Debentures due 2008

No. ___ $_____
CUSIP NO.

J. CREW GROUP, INC.

promises to pay to _____ or registered assigns, the principal sum of _____ Dollars ($_____) on October 15, 2008.

Interest Payment Dates: April 15 and October 15

Record Dates: April 1 and October 1

J. CREW GROUP, INC.

By:_____
Name:
Title:

This is one of the 13 1/8%
Senior Discount Debentures referred to in the
within-mentioned Indenture:

Dated: _____

STATE STREET BANK AND TRUST COMPANY,
as Trustee

By:_____

(Back of Note)
13 1/8% Senior Discount
Debentures due 2008

[Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.]1

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (d) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR"), THAT PRIOR TO SUCH TRANSFER, FURNISHED THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF SECURITIES LESS THAN $250,000, AN OPINION OF COUNSEL THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (e) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND, IN THE CASE OF CLAUSE (b), (c), (d) OR (e), BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE

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1. This paragraph should be included only if the Note is issued in global form.

SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]2

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS SECURITY IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT; FOR EACH $1,000 PRINCIPAL AMOUNT OF THIS SECURITY, THE ISSUE PRICE IS $529.98, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS $470.02, THE ISSUE DATE IS OCTOBER 17, 1997 AND THE YIELD TO MATURITY IS 13.125% PER ANNUM.

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2 This paragraph should be removed upon the exchange of Senior Discount Notes for Exchange Senior Discount Notes in the Exchange Offer or upon the registration of the Senior Discount Notes pursuant to the terms of the Registration Rights Agreement.

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. J. Crew Group, Inc., a New York corporation, or its successor (the "Company"), promises to pay interest on the principal amount of this Note at the rate of 13 1/8% per annum and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, in United States dollars (except as otherwise provided herein) semi-annually in arrears on April 15 and October 15, commencing on April 15, 2003, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from October 15, 2002; provided that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date (but after October 15, 2002), interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from October 15, 2002. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, on the applicable Interest Payment Date to the Persons who are registered Holders of Notes at the close of business on the April 1 or October 1 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds shall be required with respect to principal of, premium and Liquidated Damages, if any, and interest on, all Global Notes. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. PAYING AGENT AND REGISTRAR. Initially, State Street Bank and Trust Company, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of October __, 1997 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made a part of the Indenture by reference

to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb) (the "TIA"). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Notes are general unsecured Obligations of the Company limited to $142.0 million in aggregate principal amount at maturity, plus amounts, if any, sufficient to pay premium or Liquidated Damages, if any, and interest on outstanding Notes as set forth in Paragraph 2 hereof.

5. OPTIONAL REDEMPTION.

Except as set forth in the next paragraph, the Notes shall not be redeemable at the Company's option prior to October 15, 2002. Thereafter, the Notes shall be subject to redemption at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below together with accrued and unpaid interest and any Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on October 15 of the years indicated below:

Year	Percentage
2002	106.563%
2003	104.375%
2004	102.188%
2005 and thereafter	100.000%

Notwithstanding the foregoing, at any time prior to October 15, 2000, the Company may (but shall not have the obligation to) redeem, on one or more occasions, up to an aggregate of 35% of the principal amount of the Notes originally issued at a redemption price of 113.125% of the Accreted Value thereof, plus Liquidated Damages thereon, if any, to the redemption date, with the net proceeds of one or more Equity Offerings; provided that at least 65% of the aggregate principal amount at maturity of the Notes originally issued remain outstanding immediately after the occurrence of such redemption; and provided, further, that such redemption shall occur within 90 days of the date of the closing of such Equity Offering.

6. MANDATORY REDEMPTION.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. REPURCHASE AT OPTION OF HOLDER.

(a) Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the Accreted Value thereof on the date of purchase and Liquidated Damages, if any (if such date of purchase is prior to October 15, 2002) or 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon, to the date of purchase plus Liquidated Damages (if such date of purchase is on or after October 15,

2002). Within 65 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control setting forth the procedures governing the Change of Control Offer required by the Indenture.

(b) When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company will be required to make an offer to all Holders of Notes and, to the extent required by the terms of any Pari Passu Indebtedness to all holders of such Pari Passu Indebtedness (an "Asset Sale Offer") to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the Accreted Value thereof on the date of purchase (if such date of purchase is prior to October 15, 2002) or 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (if such date of purchase is on or after October 15, 2002), in each case in accordance with the procedures set forth in the Indenture or such Pari Passu Indebtedness. To the extent that the aggregate principal amount at maturity of (or Accreted Value, as the case may be) and any such Pari Passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount at maturity (or Accreted Value, as the case may be) of Notes and any Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

(c) Holders of the Notes that are the subject of an offer to purchase will receive a Change of Control Offer or Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form titled "Option of Holder to Elect Purchase" appearing below.

8. NOTICE OF REDEMPTION. Notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date, interest and Liquidated Damages, if any, ceases to accrue on the Notes or portions thereof called for redemption unless the Company defaults in making the redemption payment.

9. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in initial denominations of $1,000 and integral multiples of $1,000. The transfer of the Notes may be registered and the Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

11. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to the following paragraphs and to the provisions of the Indenture, the Indenture and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of or, tender offer or exchange offer for Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for Notes).

Without the consent of any Holder of Notes, the Company and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of Notes in the case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act or to allow any Subsidiary to guarantee the Notes.

12. DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest on or Liquidated Damages, if any, with respect to the Notes; (ii) default in payment when due of the principal of or premium, if any, on the Notes; (iii) failure by the Company or any Restricted Subsidiary for 30 days after notice from the Trustee or at least 25% in principal amount of the Notes to comply with the provisions described in Sections 4.07, 4.09, 4.10 and 4.13 of the Indenture; (iv) failure by the Company or any Subsidiary for 60 days after notice from the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding to comply with its other agreements in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (A)(i) is caused by a failure to pay principal of such Indebtedness after giving effect to any grace period provided in such Indebtedness on the date of such default (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its stated maturity and, (B) in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $20.0 million or more; (vi) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; and (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, all outstanding Notes will become due and payable without further action or notice. Upon any acceleration of maturity of the Notes, all principal of and accrued interest and Liquidated Damages, if any, on (if on or after October 15, 2002) or Accreted Value of and Liquidated Damages, if any, on (if prior to October 15, 2002) the Notes shall be due and payable immediately. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (v) of the preceding paragraph, the declaration of acceleration of the Notes shall be automatically annulled if the holders of any Indebtedness described in clause (v) of the preceding paragraph have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such declaration and if (a) the annulment of the acceleration of Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (b) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

13. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder, of the Company, as such, shall have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

15. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. ADDITIONAL RIGHTS OF HOLDERS OF TRANSFER RESTRICTED SECURITIES. In addition to the rights provided to Holders of the Notes under the Indenture, Holders of Transfer Restricted Securities (as defined in the Registration Rights Agreement) shall have all the

rights set forth in the Registration Rights Agreement, dated as of the date hereof, among the Company, and the Initial Purchasers (the "Registration Rights Agreement").

18. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to the Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

J. Crew Group, Inc.
770 Broadway
New York, New York 10003
Telecopy: (212) 209-2666
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

- ---

(Insert assignee's soc. sec. or tax I.D. no.)

- ---

- ---

- ---

- ---

(Print or type assignee's name, address and zip code)

and irrevocably appoint_____
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.13 of the Indenture, check the box below:

|_| Section 4.10 |_| Section 4.13

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.13 of the Indenture, state the amount you elect to have purchased: $_____

Date:_____ Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.:_____

Signature Guarantee.

SCHEDULE OF EXCHANGES OF NOTES3

The following exchanges of a part of this Global Note for other Notes have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

3. This should be included only if the Note is issued in global form.

EXHIBIT A-2
(Face of Regulation S Temporary Global Note)

13 1/8% Senior Discount Debentures due 2008

No. ___ $_____
CUSIP NO.

J. CREW GROUP, INC.

promises to pay to _____ or registered assigns, the principal sum of _____ Dollars ($_____) on October 15, 2008.

Interest Payment Dates: April 15 and October 15

Record Dates: April 1 and October 1

J. CREW GROUP, INC.

By:_____
Name:
Title:

This is one of the 13 1/8%
Senior Discount Debentures referred to in the
within-mentioned Indenture:

Dated: _____

STATE STREET BANK AND TRUST COMPANY
as Trustee

By:_____

(Back of Regulation S Temporary Global Note)
13 1/8% Senior Discount Debentures due 2008

[Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.]4

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (d) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR"), THAT PRIOR TO SUCH TRANSFER, FURNISHED THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF SECURITIES LESS THAN $250,000, AN OPINION OF COUNSEL THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (e) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND, IN THE CASE OF CLAUSE (b), (c), (d) OR (e), BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]5

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4. This paragraph should be included only if the Note is issued in global form.

5. This paragraph should be removed upon the exchange of Notes for Exchange Senior Discount Notes in the Exchange Offer or upon the registration of the Notes pursuant to the terms of the Registration Rights Agreement.

[THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR DEFINITIVE NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN).

NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON PRIOR TO THE EXCHANGE OF THIS NOTE FOR A REGULATION S PERMANENT GLOBAL NOTE AS CONTEMPLATED BY THE INDENTURE.]

Until this Regulation S Temporary Global Note is exchanged for Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest or Liquidated Damages, if any, hereon although interest and Liquidated Damages, if any, will continue to accrue; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Notes under the Indenture.

This Regulation S Temporary Global Note is exchangeable in whole or in part for one or more Regulation S Permanent Global Notes or Rule 144A Global Notes only (i) on or after the termination of the 40-day restricted period (as defined in Regulation S) and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article 2 of the Indenture. Upon exchange of this Regulation S Temporary Global Note for one or more Regulation S Permanent Global Notes or Rule 144A Global Notes, the Trustee shall cancel this Regulation S Temporary Global Note.

This Regulation S Temporary Global Note shall not become valid or obligatory until the certificate of authentication hereon shall have been duly manually signed by the Trustee in accordance with the Indenture. This Regulation S Temporary Global Note shall be governed by and construed in accordance with the laws of the State of the New York. All references to "$," "Dollars," "dollars" or "U.S. $" are to such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts therein.1

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. J. Crew Group, Inc., a New York corporation, or its successor (the "Company"), promises to pay interest on the principal amount of this Note at the rate of 13 1/8% per annum and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, in United States dollars (except as otherwise provided herein) semi-annually in arrears on April 15 and October 15, commencing on April 15, 2003, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from October 15, 2002; provided that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date (but after October 15, 2002), interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from

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1. These paragraphs should be removed upon the exchange of Regulation S Temporary Global Notes for Regulation S Permanent Global Notes pursuant to the terms of the Indenture.

October 15, 2002. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, on the applicable Interest Payment Date to the Persons who are registered Holders of Notes at the close of business on the April 1 or October 1 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds shall be required with respect to principal of, premium and Liquidated Damages, if any, and interest on, all Global Notes. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. PAYING AGENT AND REGISTRAR. Initially, State Street Bank and Trust Company, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of October 17, 1997 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made a part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb) (the "TIA"). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Notes are general unsecured Obligations of the Company limited to $142.0 million in aggregate principal amount at maturity, plus amounts, if any, sufficient to pay premium or Liquidated Damages, if any, and interest on outstanding Notes as set forth in Paragraph 2 hereof.

5. OPTIONAL REDEMPTION.

Except as set forth in the next paragraph, the Notes shall not be redeemable at the Company's option prior to October 15, 2002. Thereafter, the Notes shall be subject to redemption at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below together with accrued and unpaid interest and any Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on October 15 of the years indicated below:

Year	Percentage
2002	106.563%
2003	104.375%
2004	102.188%
2005 and thereafter	100.000%

Notwithstanding the foregoing, at any time prior to October 15, 2000, the Company may (but shall not have the obligation to) redeem, on one or more occasions, up to an aggregate of 35% of the principal amount of the Notes originally issued at a redemption price of 113.125% of the Accreted Value thereof, plus Liquidated Damages thereon, if any, to the redemption date, with the net proceeds of one or more Equity Offerings; provided that at least 65% of the aggregate principal amount at maturity of the Notes originally issued remain outstanding immediately after the occurrence of such redemption; and provided, further, that such redemption shall occur within 90 days of the date of the closing of such Equity Offering.

6. MANDATORY REDEMPTION.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. REPURCHASE AT OPTION OF HOLDER.

(a) Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the Accreted Value thereof on the date of purchase and Liquidated Damages, if any (if such date of purchase is prior to October 15, 2002) or 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon, to the date of purchase plus Liquidated Damages (if such date of purchase is on or after October 15, 2002). Within 65 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control setting forth the procedures governing the Change of Control Offer required by the Indenture.

(b) When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company will be required to make an offer to all Holders of Notes and, to the extent required by the terms of any Pari Passu Indebtedness to all holders of such Pari Passu Indebtedness (an "Asset Sale Offer") to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the Accreted Value thereof on the date of purchase (if such date of purchase is prior to October 15, 2002) or 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (if such date of purchase is on or after October 15, 2002), in each case in accordance with the procedures set forth in the Indenture or such Pari Passu Indebtedness. To the extent that the aggregate principal amount at maturity of (or Accreted Value, as the case may be) and any such Pari Passu

Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount at maturity (or Accreted Value, as the case may be) of Notes and any Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

(c) Holders of the Notes that are the subject of an offer to purchase will receive a Change of Control Offer or Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form titled "Option of Holder to Elect Purchase" appearing below.

8. NOTICE OF REDEMPTION. Notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date, interest and Liquidated Damages, if any, ceases to accrue on the Notes or portions thereof called for redemption unless the Company defaults in making the redemption payment.

9. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in initial denominations of $1,000 and integral multiples of $1,000. The transfer of the Notes may be registered and the Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

11. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to the following paragraphs and to the provisions of the Indenture, the Indenture and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of or, tender offer or exchange offer for Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for Notes).

Without the consent of any Holder of Notes, the Company and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to

provide for the assumption of the Company's obligations to Holders of Notes in the case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act or to allow any Subsidiary to guarantee the Notes.

12. DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest on or Liquidated Damages, if any, with respect to the Notes; (ii) default in payment when due of the principal of or premium, if any, on the Notes; (iii) failure by the Company or any Restricted Subsidiary for 30 days after notice from the Trustee or at least 25% in principal amount of the Notes to comply with the provisions described in Sections 4.07, 4.09, 4.10 and 4.13 of the Indenture; (iv) failure by the Company or any Subsidiary for 60 days after notice from the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding to comply with its other agreements in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (A)(i) is caused by a failure to pay principal of such Indebtedness after giving effect to any grace period provided in such Indebtedness on the date of such default (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its stated maturity and, (B) in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $20.0 million or more; (vi) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; and (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, all outstanding Notes will become due and payable without further action or notice. Upon any acceleration of maturity of the Notes, all principal of and accrued interest and Liquidated Damages, if any, on (if on or after October 15, 2002) or Accreted Value of and Liquidated Damages, if any, on (if prior to October 15, 2002) the Notes shall be due and payable immediately. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (v) of the preceding paragraph, the

declaration of acceleration of the Notes shall be automatically annulled if the holders of any Indebtedness described in clause (v) of the preceding paragraph have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such declaration and if (a) the annulment of the acceleration of Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (b) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

13. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder, of the Company, as such, shall have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

15. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. ADDITIONAL RIGHTS OF HOLDERS OF TRANSFER RESTRICTED SECURITIES. In addition to the rights provided to Holders of the Notes under the Indenture, Holders of Transfer Restricted Securities (as defined in the Registration Rights Agreement) shall have all the rights set forth in the Registration Rights Agreement, dated as of the date hereof, among the Company, and the Initial Purchasers (the "Registration Rights Agreement").

18. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to the Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

J. Crew Group, Inc.
770 Broadway
New York, New York 10003
Telecopy: (212) 209-2666
Attention: Chief Financial Officer

Exhibit B-1

FORM OF CERTIFICATE FOR EXCHANGE OR REGISTRATION OF TRANSFER
FROM RULE 144A GLOBAL NOTE TO REGULATION S GLOBAL NOTE
(Pursuant to Section 2.06(a)(1) of the Indenture)

State Street Bank and Trust Company
777 Main Street
Hartford, Connecticut 06115

Re: 13 1/8% Senior Discount Debentures due 2008 of J. Crew Group, Inc.

Reference is hereby made to the Indenture, dated as of October 17, 1997 (the "Indenture"), between J. Crew Group, Inc., a New York corporation (the "Company") and State Street Bank and Trust Company, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $ _____ principal amount of Notes which are evidenced by one or more Rule 144A Global Notes and held with the Depositary in the name of _____ (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Notes to a Person who will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Regulation S Global Notes, which amount, immediately after such transfer, is to be held with the Depositary through Euroclear or Cedel or both.

In connection with such request and in respect of such Notes, the Transferor hereby certifies that such transfer has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with Rule 903 or Rule 904 under the United States Securities Act of 1933, as amended (the "Securities Act"), and accordingly the Transferor hereby further certifies that:

(1) The offer of the Notes was not made to a person in the United States;

(2) either:

(a) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed and believes that the transferee was outside the United States;

(b) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(3) no directed selling efforts have been made in contravention of the requirements of Rule 904(b) of Regulation S;

(4) the transaction is not part of a plan or scheme to evade the registration provisions of the Securities Act; and

(5) upon completion of the transaction, the beneficial interest being transferred as described above is to be held with the Depositary through Euroclear or Cedel or both.

Upon giving effect to this request to exchange a beneficial interest in a Rule 144A Global Note for a beneficial interest in a Regulation S Global Note, the resulting beneficial interest shall be subject to the restrictions on transfer applicable to Regulation S Global Notes pursuant to the Indenture and the Securities Act and, if such transfer occurs prior to the end of the 40-day restricted period associated with the initial offering of Notes, the additional restrictions applicable to transfers of interest in the Regulation S Temporary Global Note.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc., the initial purchasers of such Notes being transferred. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S under the Securities Act.

[Insert Name of Transferor]

By:_____
Name:
Title:

Dated:

cc: J. Crew Group, Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Chase Securities Inc.

EXHIBIT B-2

FORM OF CERTIFICATE FOR EXCHANGE OR REGISTRATION OF TRANSFER
FROM REGULATION S GLOBAL NOTE TO RULE 144A GLOBAL NOTE
(Pursuant to Section 2.06(a)(ii) of the Indenture)

State Street Bank and Trust Company
777 Main Street
Hartford, Connecticut 06115

Re: 13 1/8% Senior Discount Debentures due 2008 of J. Crew Group, Inc.

Reference is hereby made to the Indenture, dated as of October 17, 1997 (the "Indenture"), between J. Crew Group, Inc., a New York corporation (the "Company") and State Street Bank and Trust Company, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount at maturity of Notes which are evidenced by one or more Regulation S Global Notes and held with the Depositary through Euroclear or Cedel in the name of _____ (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Notes to a Person who will take delivery thereof in the form of an equal principal amount of the Notes evidenced by one or more Rule 144A Global Notes, to be held with the Depositary.

In connection with such request and in respect of the Notes surrendered to the Trustee herewith for exchange (the "Surrendered Notes"), the Holder of such Surrendered Notes hereby certifies that:

[CHECK ONE]

|_| such transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the Notes are being transferred to a Person that the Transferor reasonably believes is purchasing the Notes for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A;

or

|_| such transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

|_| such transfer is being effected pursuant to an exemption under the Securities Act other than Rule 144A, Rule 144 or Rule 904 and the Transferor further certifies that the Transfer complies with the transfer restrictions applicable to beneficial interests in Global Notes and Definitive Notes bearing the Private Placement Legend and the requirements of the exemption claimed, which certification is supported by (x) if such transfer is in respect of a principal amount of Notes at

the time of Transfer of $250,000 or more, a certificate executed by the Transferee in the form of EXHIBIT C to the Indenture, or (y) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than $250,000, (1) a certificate executed in the form of EXHIBIT C to the Indenture and (2) an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that (1) such Transfer is in compliance with the Securities Act and (2) such Transfer complies with any applicable blue sky securities laws of any state of the United States;

or

|_| such transfer is being effected pursuant to an effective registration statement under the Securities Act;

or

|_| such transfer is being effected pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A or Rule 144, and the Transferor hereby further certifies that the Notes are being transferred in compliance with the transfer restrictions applicable to the Global Notes and in accordance with the requirements of the exemption claimed, which certification is supported by an Opinion of Counsel, provided by the transferor or the transferee (a copy of which the Transferor has attached to this certification) in form reasonably acceptable to the Company and to the Registrar, to the effect that such transfer is in compliance with the Securities Act;

and such Notes are being transferred in compliance with any applicable blue sky securities laws of any state of the United States.

Upon giving effect to this request to exchange a beneficial interest in Regulation S Global Notes for a beneficial interest in 144A Global Notes, the resulting beneficial interest shall be subject to the restrictions on transfer applicable to Rule 144A Global Notes pursuant to the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc., collectively the initial purchasers of such Notes being transferred. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S under the Securities Act.

[Insert Name of Transferor]

By:_____
Name:
Title:

Dated:

cc: J. Crew Group, Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Chase Securities Inc.

EXHIBIT B-3

FORM OF CERTIFICATE FOR EXCHANGE OR REGISTRATION OF TRANSFER
OF DEFINITIVE SENIOR DISCOUNT DEBENTURES
(Pursuant to Section 2.06(b) of the Indenture)

State Street Bank and Trust Company
777 Main Street
Hartford, Connecticut 06115

Re: 13 1/8% Senior Discount Debentures due 2008 J. Crew Group, Inc.

Reference is hereby made to the Indenture, dated as of October 17 , 1997 (the "Indenture"), between J. Crew Group, Inc., a Delaware corporation (the "Company") and State Street Bank and Trust Company, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This relates to $_____ principal amount of Notes which are evidenced by one or more Definitive Notes in the name of _____ (the "Transferor"). The Transferor has requested an exchange or transfer of such Definitive Note(s) in the form of an equal principal amount of Notes evidenced by one or more Definitive Notes, to be delivered to the Transferor or, in the case of a transfer of such Notes, to such Person as the Transferor instructs the Trustee.

In connection with such request and in respect of the Senior Discount Notes surrendered to the Trustee herewith for exchange (the "Surrendered Notes"), the Holder of such Surrendered Notes hereby certifies that:

[CHECK ONE]

|_| the Surrendered Notes are being acquired for the Transferor's own account, without transfer;

or

|_| the Surrendered Notes are being transferred to the Company;

or

|_| the Surrendered Notes are being transferred pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the Surrendered Notes are being transferred to a Person that the Transferor reasonably believes is purchasing the Surrendered Notes for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A;

or

|_| the Surrendered Notes are being transferred in a transaction permitted by Rule 144 under the Securities Act;

or

|_| the Surrendered Notes are being transferred pursuant to an exemption under the Securities Act other than Rule 144A, Rule 144 or Rule 904 and the Transferor further certifies that the Transfer complies with the transfer restrictions applicable to beneficial interests in Global Notes and Definitive Notes bearing the Private Placement Legend and the requirements of the exemption claimed, which certification is supported by (x) if such transfer is in respect of a principal amount of Notes at the time of Transfer of $250,000 or more, a certificate executed by the Transferee in the form of EXHIBIT C to the Indenture, or (y) if such Transfer is in respect of a principal amount of Senior Discount Notes at the time of transfer of less than $250,000, (1) a certificate executed in the form of EXHIBIT C to the Indenture and (2) an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that (1) such Transfer is in compliance with the Securities Act and (2) such Transfer complies with any applicable blue sky securities laws of any state of the United States;

or

|_| the Surrendered Notes are being transferred pursuant to an effective registration statement under the Securities Act;

or

|_| such transfer is being effected pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A or Rule 144, and the Transferor hereby further certifies that the Senior Discount Notes are being transferred in compliance with the transfer restrictions applicable to the Global Notes and in accordance with the requirements of the exemption claimed, which certification is supported by an Opinion of Counsel, provided by the transferor or the transferee (a copy of which the Transferor has attached to this certification) in form reasonably acceptable to the Company and to the Registrar, to the effect that such transfer is in compliance with the Securities Act;

and the Surrendered Notes are being transferred in compliance with any applicable blue sky securities laws of any state of the United States.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc., the initial purchasers of such Senior Discount Notes being transferred. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S under the Securities Act.

[Insert Name of Transferor]

By:_____
Name:
Title:

Dated:

cc: J. Crew Group, Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Chase Securities Inc.

EXHIBIT B-4

FORM OF CERTIFICATE FOR EXCHANGE OR REGISTRATION OF TRANSFER
FROM RULE 144A GLOBAL NOTE OR REGULATION S
PERMANENT GLOBAL NOTE
TO DEFINITIVE SENIOR DISCOUNT NOTE
(Pursuant to Section 2.06(c) of the Indenture)

State Street Bank and Trust Company
777 Main Street
Hartford, Connecticut 06115

Re: 13 1/8% Senior Discount Debentures due 2008 J. Crew Group, Inc.

Reference is hereby made to the Indenture, dated as of October 17, 1997 (the "Indenture"), between J. Crew Group, Inc., a New York corporation (the "Company") and State Street Bank and Trust Company, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Notes which are evidenced by a beneficial interest in one or more Rule 144A Global Notes or Regulation S Permanent Global Notes in the name of _____ (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest in the form of an equal principal amount of Notes evidenced by one or more Definitive Notes, to be delivered to the Transferor or, in the case of a transfer of such Notes, to such Person as the Transferor instructs the Trustee.

In connection with such request and in respect of the Notes surrendered to the Trustee herewith for exchange (the "Surrendered Notes"), the Holder of such Surrendered Notes hereby certifies that:

[CHECK ONE]

|_| the Surrendered Notes are being transferred to the beneficial owner of such Notes;

or

|_| the Surrendered Notes are being transferred pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the Surrendered Notes are being transferred to a Person that the Transferor reasonably believes is purchasing the Surrendered Notes for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting they requirements of Rule 144A;

or

|_| the Surrendered Notes are being transferred in a transaction permitted by Rule 144 under the Securities Act;

or

|_| the Surrendered Notes are being transferred pursuant to an effective registration statement under the Securities Act;

or

|_| the Surrendered Notes are being transferred pursuant to an exemption under the Securities Act other than Rule 144A, Rule 144 or Rule 904 and the Transferor further certifies that the Transfer complies with the transfer restrictions applicable to beneficial interests in Global Notes and Definitive Senior Discount Notes bearing the Private Placement Legend and the requirements of the exemption claimed, which certification is supported by (x) if such transfer is in respect of a principal amount of Senior Discount Notes at the time of Transfer of $250,000 or more, a certificate executed by the Transferee in the form of EXHIBIT C to the Indenture, or (y) if such Transfer is in respect of a principal amount of Senior Discount Notes at the time of transfer of less than $250,000, (1) a certificate executed in the form of EXHIBIT C to the Indenture and (2) an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that (1) such Transfer is in compliance with the Securities Act and (2) such Transfer complies with any applicable blue sky securities laws of any state of the United States;

or

|_| such transfer is being effected pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A or Rule 144, and the Transferor hereby further certifies that the Senior Discount Notes are being transferred in compliance with the transfer restrictions applicable to the Global Notes and in accordance with the requirements of the exemption claimed, which certification is supported by an Opinion of Counsel, provided by the transferor or the transferee (a copy of which the Transferor has attached to this certification) in form reasonably acceptable to the Company and to the Registrar, to the effect that such transfer is in compliance with the Securities Act;

and the Surrendered Notes are being transferred in compliance with any applicable blue sky securities laws of any state of the United States.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc., the initial purchasers of such Senior Discount Notes being transferred. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S under the Securities Act.

[Insert Name of Transferor]

By:_____
Name:
Title:

Dated:

cc: J. Crew Group, Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Chase Securities Inc.

EXHIBIT C

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

State Street Bank and Trust Company
777 Main Street
Hartford, Connecticut 06115

Re: 13 1/8% Senior Discount Debentures due 2008 of J. Crew Group, Inc.

Reference is hereby made to the Indenture, dated as of October 17, 1997 (the "Indenture"), between J. Crew Group, Inc., a Delaware corporation (the "Company") and _____, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) |_| Beneficial interests, or

(b) |_| Definitive Notes,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, (A) we will do so only (1)(a) to a person who we reasonably believe is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) in a transaction meeting the requirements of 144A, (b) in a transaction meeting the requirements of Rule 144 under the Securities Act, (c) outside the United States to a foreign person in a transaction meeting the requirements of Rule 904 of the Securities Act, or (d) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel), (2) to the Company or any of its subsidiaries or (3) pursuant to an effective registration statement and, in each case, in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) we will, and each subsequent holder will

be required to, notify any purchaser from it of the security evidenced hereby of the resale restrictions set forth in (A) above."

3. We understand that, on any proposed resale of the Notes or beneficial interests, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interests therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

6. We are not acquiring the Notes with a view to any distribution thereof that would violate the Securities Act or the securities laws of any State of the United States.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

_____
[Insert Name of Accredited Investor]

By:_____
Name:
Title:

Dated: _____, ____

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310 (a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.03; 7.10
(c)	N.A.
311 (a)	7.11
(b)	7.11
(c)	N.A.
312 (a)	2.05
(b)	10.03
(c)	10.03
313 (a)	7.06
(b)(1)	7.06
(b)(2)	7.06; 7.07
(c)	7.06;10.02
(d)	7.06
314 (a)	4.03;10.05
(b)	N.A.
(c)(1)	10.04
(c)(2)	10.04
(c)(3)	N.A.
(d)	N.A.
(e)	10.05
(f)	N.A.
315 (a)	7.01
(b)	7.05,10.02
(c)	7.01
(d)	7.01
(e)	6.11
316 (a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	2.13
(b)	6.07
(c)	N.A.
317 (a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318 (a)	10.01
(b)	N.A.
(c)	10.01

N.A. means not applicable.

*This Cross-Reference Table is not part of the Indenture.

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EXHIBITS

GUARANTEE AGREEMENT dated as of October 17, among each of the subsidiaries listed on Schedule I hereto (each such subsidiary individually, a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors") of J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC., a New York corporation ("Holdings" and, together with the Subsidiary Guarantors, the "Guarantors"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement, Exhibit G to the Credit Agreement referred to below).

Reference is made to the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Holdings, the Borrower, the lenders from time to time party thereto (the "Lenders"), Donaldson, Lufkin & Jenrette Securities Corporation as syndication agent, and Chase, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders, Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit and Acceptances for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. In connection therewith, each Guarantor has agreed to guarantee the Obligations (as defined below) by entering into this Agreement. Each of the Subsidiary Guarantors is a directly or indirectly wholly owned Subsidiary of the Borrower, and each of the Subsidiary Guarantors and Holdings acknowledges that it will derive substantial benefit from the making of the Loans by the Lenders, and the issuance of the Letters of Credit and Acceptances by the Issuing Bank. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit and Acceptances are conditioned on, among other things, the execution and delivery by the Guarantors of a Guarantee Agreement in the form hereof. As consideration therefor and in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit and Acceptances, the Guarantors are willing to execute this Agreement.

Accordingly, the parties hereto agree as follows:

SECTION 1. Guarantee. Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit or any Acceptance, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide, under certain circumstances, cash collateral in connection therewith and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties under or pursuant to the Credit Agreement, this Agreement and the other Loan Documents and (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the due and punctual payment and performance of all obligations of the Borrower under each Hedging Agreement entered into with any counterparty that was a Lender at the time such Hedging Agreement was entered into (all the monetary and other obligations described in the preceding clauses (a) through (c) being collectively called the "Obligations"). Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it.

SECTION 2. Obligations Not Waived. To the fullest extent permitted by applicable law, each Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of each Guarantor hereunder shall not be affected by (a) the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce or exercise any right or remedy against the Borrower or any other Guarantor under the provisions of the Credit Agreement, any other Loan Document or otherwise, (b) any rescission, waiver (except the effect of any waiver obtained pursuant to Section 12(b)), amendment or modification of, or any release from any of the terms or provisions of this Agreement, any other Loan Document, any Guarantee or any other agreement, including with respect to any other Guarantor under this Agreement or (c) the failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Collateral Agent or any other Secured Party.

SECTION 3. Security. Each of the Guarantors authorizes the Collateral Agent and each of the other Secured Parties, to (a) take and hold security for the payment of this Guarantee and the Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine and (c) release or substitute any one or more endorsees, other Guarantors of other obligors.

SECTION 4. Guarantee of Payment. Each Guarantor further agrees that its guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Collateral Agent or any other Secured Party to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Collateral Agent or any other Secured Party in favor of the Borrower or any other person.

SECTION 5. No Discharge or Diminishment of Guarantee. The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of each Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

SECTION 6. Defenses of Borrower Waived. To the fullest extent permitted by applicable law, each of the Guarantors waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower, other than the final and indefeasible payment in full in cash of the Obligations. The Collateral Agent and the other Secured Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any other guarantor or exercise any other right or remedy available to them against the Borrower or any other guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each of the Guarantors waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any other Guarantor or guarantor, as the case may be, or any security.

SECTION 7. Agreement to Pay; Subordination. In furtherance of the foregoing and not in limitation of any other right that the Collateral Agent or any other Secured Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Collateral Agent or such other Secured Party as designated thereby in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Collateral Agent or any Secured Party as provided above, all rights of such Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations. If any amount shall erroneously be paid to any Guarantor on account of such

subrogation, contribution, reimbursement, indemnity or similar right, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Collateral Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

SECTION 8. Information. Each of the Guarantors assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Collateral Agent or the other Secured Parties will have any duty to advise any of the Guarantors of information known to it or any of them regarding such circumstances or risks.

SECTION 9. Representations and Warranties. Each of the Subsidiary Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in the Credit Agreement are true and correct in all material respects.

SECTION 10. Termination. The Guarantees made hereunder (a) shall terminate when all the Obligations have been indefeasibly paid in full and the Lenders have no further commitment to lend under the Credit Agreement, the LC and Acceptance Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit or Acceptances under the Credit Agreement and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Secured Party or any Guarantor upon the bankruptcy or reorganization of the Borrower, any Guarantor or otherwise.

SECTION 11. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Guarantors that are contained in this Agreement shall bind and inure to the benefit of the Secured Parties and their respective successors and assigns. This Agreement shall become effective as to any Guarantor when a counterpart hereof executed on behalf of such Guarantor shall have been delivered to the Collateral Agent, and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Guarantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Guarantor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Loan Documents. If all of the capital stock of a Subsidiary Guarantor is sold, transferred or otherwise disposed of pursuant to a transaction permitted by Section 6.05 of the Credit Agreement, such Subsidiary Guarantor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

SECTION 12. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Guarantors with respect to which such waiver, amendment or modification relates and the Collateral Agent, with the prior written consent of the Required Lenders (except as otherwise provided in the Credit Agreement).

SECTION 13. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 14. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to each Subsidiary Guarantor shall be given to it at its address set forth in Schedule I.

SECTION 15. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by the Guarantors herein shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit and Acceptances by the Issuing Bank regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any other fee or amount payable under this Agreement or any other Loan Document is outstanding and unpaid or the LC and Acceptance Exposure does not equal zero and as long as the Commitments and the Revolving Commitment have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal

or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 16. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 11. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 17. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 18. Jurisdiction; Consent to Service of Process. (a) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Guarantor or its properties in the courts of any jurisdiction.

(b) Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 14. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 19. Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK

TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 19.

SECTION 20. Additional Subsidiary Guarantors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary of the Borrower which is also a Subsidiary Loan Party that was not in existence on the date of the Credit Agreement or was an Inactive Subsidiary is required to enter into this Agreement as a Subsidiary Guarantor (or upon ceasing to be an Inactive Subsidiary) upon becoming such a Subsidiary. Upon execution and delivery after the date hereof by the Collateral Agent and such a Subsidiary of an instrument in the form of Annex 1 hereto, such Subsidiary shall become a Subsidiary Guarantor hereunder with effect from and after the date of such execution and delivery. The execution and delivery of any such instrument shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Guarantor as a party to this Agreement.

SECTION 21. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Secured Party is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Secured Party to or for the credit or the account of any Guarantor against any or all the obligations of such Guarantor now or hereafter existing under this Agreement and the other Loan Documents held by such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under this Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Secured Party under this Section 21 are in addition to other rights and remedies (including other rights of setoff) which such Secured Party may have.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

EACH OF THE SUBSIDIARIES
LISTED ON SCHEDULE I HERETO,

by /s/ Michael P. McHugh

Name:
Title: Authorized Officer

J. CREW GROUP, INC.,
as a Guarantor

by /s/ Michael P. McHugh

Name:
Title:

THE CHASE MANHATTAN BANK, as
Collateral Agent,

by /s/ Bruce S. Borden

Name:
Title:

SCHEDULE I TO THE
GUARANTEE AGREEMENT

Guarantor	[Address]

Annex 1 to the
Guarantee Agreement

SUPPLEMENT NO. dated as of , to the Guarantee Agreement dated as of October 17, 1997, among each of the subsidiaries listed on Schedule I thereto (each such subsidiary individually, a "Subsidiar Guarantor" and collectively, the "Subsidiary Guarantors") of J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC. a New York corporation ("Holdings" and, together with the Subsidiary Guarantors, the "Guarantors"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement, Exhibit G to the Credit Agreement referred to below).

A. Reference is made to the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Holdings, the Borrower, the lenders from time to time party thereto (the "Lenders"), Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and Chase, as administrative agent (in such capacity the "Administrative Agent") and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement as issuing bank (in such capacity, the "Issuing Bank"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

B. The Guarantors have entered into the Guarantee Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit and Acceptances. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary of the Borrower who is also a Subsidiary Loan Party that was not in existence or not such a Subsidiary on the date of the Credit Agreement or was an Inactive Subsidiary is required to enter into the Guarantee Agreement as a Subsidiary Guarantor upon becoming such a Subsidiary (or upon ceasing to be an Inactive Subsidiary). Section 20 of the Guarantee Agreement provides that such additional Subsidiaries of the Borrower may become Subsidiary Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (the "New Subsidiary Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Guarantor under the Guarantee Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and Acceptances and as consideration for Loans previously made and Letters of Credit and Acceptances previously issued.

Accordingly, the Collateral Agent and the New Subsidiary Guarantor agree as follows:

SECTION 1. In accordance with Section 20 of the Guarantee Agreement, the New Subsidiary Guarantor by its signature below becomes a Subsidiary Guarantor under the Guarantee Agreement with effect from and after the date of execution and delivery of this

Agreement in accordance with Section 3 hereof and the New Subsidiary Guarantor hereby (a) agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Subsidiary Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Subsidiary Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Subsidiary Guarantor" in the Guarantee Agreement shall be deemed to include the New Subsidiary Guarantor. The Guarantee Agreement is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary Guarantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Subsidiary Guarantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 14 of the Guarantee Agreement. All communications and notices hereunder to the New Subsidiary Guarantor shall be given to it at the address set forth under its signature below, with a copy to the Borrower.

SECTION 8. The New Subsidiary Guarantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the fees, disbursements and other charges of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary Guarantor and the Collateral Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[Name of New Subsidiary Guarantor],

by

Name:
Title:
Address:

THE CHASE MANHATTAN BANK,
as Collateral Agent,

by

Name:
Title:

INDEMNITY, SUBROGATION and CONTRIBUTION AGREEMENT dated as of October 17, 1997, among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower") and a wholly-owned subsidiary of J. CREW GROUP, INC., a New York corporation ("Holdings"), each subsidiary of the Borrower listed on Schedule I hereto (the "Guarantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

Reference is made to (a) the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank"), and (b) the Guarantee Agreement dated as of October 17, 1997, among the Guarantors, Holdings and the Collateral Agent (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit and Acceptances for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Guarantors have agreed to guarantee such Loans and the other Obligations (as defined in the Guarantee Agreement) of the Borrower under the Credit Agreement pursuant to the Guarantee Agreement; certain Guarantors have also granted Liens on and security interests in certain of their assets to secure such guarantees pursuant to (a) the Pledge Agreement dated as of October 17, 1997, among Holdings, the Borrower, the Guarantors and the Collateral Agent and (b) the Security Agreement dated as of October 17, 1997, among Holdings, the Borrower, the Guarantors and the Collateral Agent. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit and Acceptances are conditioned on, among other things, the execution and delivery by the Borrower and the Guarantors of an agreement in the form hereof.

Accordingly, the Borrower, each Guarantor and the Collateral Agent agree as follows:

SECTION 1. Indemnity and Subrogation. In addition to all such rights of indemnity and subrogation as the Guarantors may have under applicable law (but subject to Section 3), the Borrower agrees that (a) in the event a payment shall be made by any Guarantor under the Guarantee Agreement, the Borrower shall indemnify such Guarantor for the full amount of such payment and such Guarantor shall be subrogated to the rights of the person to

whom such payment shall have been made to the extent of such payment and (b) in the event any assets of any Guarantor shall be sold pursuant to any Security Document to satisfy a claim of any Secured Party, the Borrower shall emnify such Guarantor in an amount equal to the greater of the book value or the fair market value of the assets so sold.

SECTION 2. Contribution and Subrogation. Each Guarantor (a "Contributing Guarantor") agrees (subject to Section 3) that, in the event a payment shall be made by any other Guarantor under the Guarantee Agreement or assets of any other Guarantor shall be sold pursuant to any Security Document to satisfy a claim of any Secured Party and such other Guarantor (the "Claiming Guarantor") shall not have been fully indemnified by the Borrower as provided in Section 1, the Contributing Guarantor shall indemnify the Claiming Guarantor in an amount equal to the amount of such payment or the greater of the book value or the fair market value of such assets, as the case may be, in each case multiplied by a fraction of which the numerator shall be the net worth of the Contributing Guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 12, the date of the Supplement hereto executed and delivered by such Guarantor). Any Contributing Guarantor making any payment to a

Claiming Guarantor pursuant to this Section 2 shall be subrogated to the rights of such Claiming Guarantor under Section 1 to the extent of such payment.

SECTION 3. Subordination. Notwithstanding any provision of this Agreement to the contrary, all rights of the Guarantors under Sections 1 and 2 and all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full in cash of the Obligations. No failure on the part of the Borrower or any Guarantor to make the payments required by Sections 1 and 2 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations hereunder, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor hereunder.

SECTION 4. Termination. This Agreement shall survive and be in full force and effect so long as any Obligation is outstanding and has not been indefeasible paid in full in cash, and so long as the LC and Acceptance Exposure has not been reduced to zero or any of the Commitments under the Credit Agreement have not been terminated, and shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Guaranteed Obligation is rescinded or must otherwise be restored by any Secured Creditor or any Guarantor upon the bankruptcy or reorganization of the Borrower, any Guarantor or otherwise.

SECTION 5. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. No Waiver; Amendment. (a) No failure on the part of the Collateral Agent or any Guarantor to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Collateral Agent or any Guarantor preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. None of the Collateral

Agent and the Guarantors shall be deemed to have waived any rights hereunder unless such waiver shall be in writing and signed by such parties.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Borrower, the Guarantors and the Collateral Agent, with the prior written consent of the Required Lenders (except as otherwise provided in the Credit Agreement).

SECTION 7. Notices. All communications and notices hereunder shall be in writing and given as provided in the Guarantee Agreement and addressed as specified therein.

SECTION 8. Binding Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the parties that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns. Neither the Borrower nor any Guarantor may assign or transfer any of its rights or obligations hereunder (and any such attempted assignment or transfer shall be void) without the prior written consent of the Required Lenders. Notwithstanding the foregoing, at the time any Guarantor is released from its obligations under the Guarantee Agreement in accordance with such Guarantee Agreement and the Credit Agreement, such Guarantor will cease to have any rights or obligations under this Agreement.

SECTION 9. Survival of Agreement; Severability. (a) All covenants and agreements made by the Borrower and each Guarantor herein shall be considered to have been relied upon by the Collateral Agent, the other Secured Parties and each Guarantor and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit and Acceptance by the Issuing Bank, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loans or any other fee or amount payable under the Credit Agreement or this Agreement or under any of the other Loan Documents is outstanding and unpaid or the LC and Acceptance Exposure does not equal zero and as long as the Commitments have not been terminated.

(b) In case any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall be effective with respect to any Guarantor when a counterpart bearing the signature of such Guarantor shall have been delivered to the Collateral Agent. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 11. Additional Guarantors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary of the Borrower which is also a Subsidiary Loan Party that was not in existence or not such a Subsidiary on the date of the Credit Agreement or was an Inactive Subsidiary is required to enter into the Guarantee Agreement as a Guarantor upon becoming such a Subsidiary (or upon ceasing to be an Inactive Subsidiary). Upon execution and delivery after the date hereof by the Collateral Agent and such Subsidiary of an instrument in the form of Annex 1 hereto, such Subsidiary shall become a Guarantor hereunder with effect from and after the date of such execution and delivery. The execution and delivery of any such instrument shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first appearing above.

J. CREW OPERATING CORP.,

by

Name:
Title:

EACH OF THE SUBSIDIARIES
LISTED ON SCHEDULE I HERETO,
as a Guarantor,

by

Name:
Title: Authorized Officer

THE CHASE MANHATTAN BANK, as
Collateral Agent,

by

Name:
Title:

SCHEDULE I
to the Indemnity Subrogation
and Contribution Agreement

Guarantors

Name
Address

Annex 1 to
the Indemnity, Subrogation and
Contribution Agreement

SUPPLEMENT NO. dated as of [ ], to the Indemnity, Subrogation and Contribution Agreement dated as of October 17, 1997, (as the same may be amended, supplemented or otherwise modified from time to time, the "Indemnity, Subrogation and Contribution Agreement"), among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower") and wholly-owned subsidiary of J. CREW GROUP, INC., a New York corporation ("Holdings"), each subsidiary of the Borrower listed on Schedule I thereto (the "Guarantors"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (the "Collateral Agent"), for the Secured Parties (as defined in the Credit Agreement referred to below).

A. Reference is made to (a) the Credit Agreement dated as of October 17, 1997, (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank"), and (b) the Guarantee Agreement dated as of October 17, 1997, among the Guarantors, Holdings and the Collateral Agent (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indemnity, Subrogation and Contribution Agreement and the Credit Agreement.

C. The Borrower and the Guarantors have entered into the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit and Acceptances. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary of the Borrower which is also a Subsidiary Loan Party that was not in existence or not such a Subsidiary on the date of the Credit Agreement or was an Inactive Subsidiary is required to enter into the Guarantee Agreement as a Guarantor upon becoming such a Subsidiary (or upon ceasing to be an Inactive Subsidiary). Section 11 of the Indemnity, Subrogation and Contribution Agreement provides that such additional Subsidiaries of the Borrower may become Guarantors under the Indemnity, Subrogation and Contribution Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (the "New Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and Acceptances and

as consideration for Loans previously made and Letters of Credit and Acceptances previously issued.

Accordingly, the Collateral Agent and the New Guarantor agree as follows:

SECTION 1. In accordance with Section 11 of the Indemnity, Subrogation and Contribution Agreement, the New Guarantor by its signature below becomes a Guarantor under the Indemnity, Subrogation and Contribution Agreement with effect from and after the date of execution and delivery of this Agreement in accordance with Section 3 hereof and the New Guarantor hereby agrees to all the terms and provisions of the Indemnity, Subrogation and Contribution Agreement applicable to it as a Guarantor thereunder. Each reference to a "Guarantor" in the Indemnity, Subrogation and Contribution Agreement shall be deemed to include the New Guarantor. The Indemnity, Subrogation and Contribution Agreement is hereby incorporated herein by reference.

SECTION 2. The New Guarantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Indemnity, Subrogation and Contribution Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Indemnity, Subrogation and Contribution Agreement shall not in any way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 7 of the Indemnity, Subrogation and Contribution Agreement. All communications and notices hereunder to the New Guarantor shall be given to it at the address set forth under its signature.

SECTION 8. The New Guarantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Guarantor and the Collateral Agent have duly executed this Supplement to the Indemnity, Subrogation and Contribution Agreement as of the day and year first above written.

[Name Of New Guarantor],

by

Name:
Title:
Address:

THE CHASE MANHATTAN BANK,
as Collateral
Agent,

by

Name:
Title:

PLEDGE AGREEMENT dated as of October 17, 1997, among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC., a New York corporation ("Holdings"), each subsidiary of the Borrower listed on Schedule I hereto (each such subsidiary individually a "Subsidiary Pledgor" and, collectively, the "Subsidiary Pledgors"; the Borrower, Holdings and the Subsidiary Pledgors are referred to collectively herein as the "Pledgors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent"), for the Secured Parties (as defined in the Credit Agreement referred to below).

Reference is made to (a) the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders, Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank"), and Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and (b) the Guarantee Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Subsidiary Pledgors, Holdings and the Collateral Agent.

The Lenders have agreed to make Loans to the Borrower and the Issuing Bank has agreed to issue Letters of Credit and Acceptances for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Holdings and the Subsidiary Pledgors have agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit and Acceptances are conditioned upon, among other things, the execution and delivery by the Pledgors of a Pledge Agreement in the form hereof to secure (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit or any Acceptance, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide, under certain circumstances, cash collateral in connection therewith and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations

and liabilities of the Loan Parties under or pursuant to the Credit Agreement, this Agreement and the other Loan Documents and (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the due and punctual payment and performance of all obligations of the Borrower under each Hedging Agreement entered into with any counterparty that was a Lender at the time such Hedging Agreement was entered into (all the monetary and other obligations described in the preceding clauses (a) through (c) being collectively called the "Obligations"). Capitalized terms used herein and not defined herein shall have meanings assigned to such terms in the Credit Agreement.

Accordingly, the Pledgors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

SECTION 1. Pledge. As security for the payment and performance, as the case may be, in full of the Obligations, each Pledgor hereby pledges and grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured

Parties, a security interest in all of such Pledgor's right, title and interest in, to and under (a) the shares of capital stock owned by it and listed on Schedule II hereto and any shares of capital stock of the Borrower or any Subsidiary obtained in the future by such Pledgor and the certificates representing all such shares (the "Pledged Stock"); provided that the Pledged Stock shall not include (i) more than 65% of the issued and outstanding shares of stock of any Foreign Subsidiary or (ii) to the extent that applicable law requires that a Subsidiary of such Pledgor issue directors' qualifying shares, such qualifying shares; (b)(i) the debt securities listed opposite the name of such Pledgor on Schedule II hereto, (ii) any debt securities in the future issued to such Pledgor and (iii) the promissory notes and any other instruments evidencing such debt securities (the "Pledged Debt Securities"); (c) all other property that may be delivered to and held by the Collateral Agent pursuant to the terms hereof; (d) subject to Section 5, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, in respect of, in exchange for or upon the conversion of the securities referred to in clauses (a) and (b) above; (e) subject to Section 5, all rights and privileges of the Pledgor with respect to the securities and other property referred to in clauses (a), (b), (c) and (d) above; and (f) all proceeds of any of the foregoing (the items referred to in clauses (a) through (f) above being collectively referred to as the "Collateral"). Upon delivery to the Collateral Agent, (a) any Pledged Stock, Pledged Debt Securities or other securities now or hereafter included in the Collateral (the "Pledged Securities") shall be accompanied by stock powers duly executed in blank or other instruments of transfer satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request and (b) all other property comprising part of the Collateral shall be accompanied by proper instruments of assignment duly executed by the applicable Pledgor and such other instruments or documents as the Collateral Agent may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing the securities theretofore and then being pledged hereunder, which schedule shall be attached hereto as Schedule II and made a part hereof. Each schedule so delivered shall supersede any prior schedules so delivered.

TO HAVE AND TO HOLD the Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

SECTION 2. Delivery of the Collateral. (a) Each Pledgor agrees promptly to deliver or cause to be delivered to the Collateral Agent any and all Pledged Securities, and any and all certificates or other instruments or documents representing the Collateral.

(b) Each Pledgor will cause any indebtedness for borrowed money (other than indebtedness evidenced by a Purchase Money Note) owed to such Pledgor by any Person to be evidenced by a duly executed promissory note that is pledged and delivered to the Collateral Agent pursuant to the terms hereof.

SECTION 3. Representations, Warranties and Covenants. Each Pledgor hereby represents, warrants and covenants, as to itself and the Collateral pledged by it hereunder, to and with the Collateral Agent that:

(a) the Pledged Stock represents that percentage as set forth on Schedule II of the issued and outstanding shares of each class of the capital stock of the issuer with respect thereto;

(b) except for the security interest granted hereunder, the Pledgor (i) is and will at all times continue to be the direct owner, beneficially and of record, of the Pledged Securities indicated on Schedule II, (ii) holds the same free and clear of all Liens, (iii) will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Collateral, other than pursuant hereto, and (iv) subject to Section 5, will cause any and all Collateral, whether for value paid by the Pledgor or otherwise, to be forthwith deposited with the Collateral Agent and pledged or assigned hereunder;

(c) the Pledgor (i) has the power and authority to pledge the Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement), however arising, of all persons whomsoever;

(d) no consent of any other person (including stockholders or creditors of any Pledgor) and no consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledge effected hereby;

(e) by virtue of the execution and delivery by the Pledgors of this Agreement, when the Pledged Securities, certificates or other documents representing or evidencing the Collateral are delivered to the Collateral Agent in accordance with this Agreement, the Collateral Agent will obtain a valid and perfected first lien upon and security interest in such Pledged Securities as security for the payment and performance of the Obligations;

(f) the pledge effected hereby is effective to vest in the Collateral Agent, on behalf of the Secured Parties, the rights of the Collateral Agent in the Collateral as set forth herein;

(g) all of the Pledged Stock has been duly authorized and validly issued and is fully paid and nonassessable;

(h) all information set forth herein relating to the Pledged Stock is accurate and complete in all material respects as of the date hereof; and

(i) the pledge of the Pledged Stock pursuant to this Agreement does not violate Regulation G, T, U or X of the Federal Reserve Board or any successor thereto as of the date hereof.

SECTION 4. Registration in Nominee Name; Denominations. The Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold the Pledged Securities in its own name as pledgee, the name of its nominee (as pledgee or as sub-agent) or the name of the Pledgors, endorsed or assigned in blank or in favor of the Collateral Agent. Each Pledgor will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Securities registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement.

SECTION 5. Voting Rights; Dividends and Interest, etc. (a) Unless and until an Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Credit Agreement and the other Loan Documents; provided, however, that such Pledgor will not be entitled to exercise any such right if the result thereof could reasonably be expected to materially and adversely affect the rights inuring to a holder of the Pledged Securities or the rights and remedies of any of the Secured Parties under this Agreement or the Credit Agreement or any other Loan Document or the ability of the Secured Parties to exercise the same.

(ii) The Collateral Agent shall execute and deliver to each Pledgor, or cause to be executed and delivered to each Pledgor, all such proxies, powers of attorney and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to subparagraph (i) above and to receive the cash dividends it is entitled to receive pursuant to subparagraph (iii) below.

(iii) Each Pledgor shall be entitled to receive and retain any and all cash dividends, interest and principal paid on the Pledged Securities to the extent and only to the extent that such cash dividends, interest and principal are permitted by, and otherwise paid in accordance with, the terms and conditions of the Credit Agreement, the other Loan Documents and applicable laws. All noncash dividends, interest and principal, and all dividends, interest and principal paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid-in surplus, and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Pledged Securities, whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any

merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by any Pledgor, shall not be commingled by such Pledgor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement).

(b) Upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to dividends, interest or principal that such Pledgor is authorized to receive pursuant to paragraph (a)(iii) above shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall subject to the provisions of this paragraph (b) have the sole and exclusive right and authority to receive and retain such dividends, interest or principal. All dividends, interest or principal received by the Pledgor contrary to the provisions of this Section 5 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Pledgor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 7. After all Events of Default have been cured or waived, the Collateral Agent shall promptly repay to each Pledgor all cash dividends, interest or principal (without interest), that such Pledgor would otherwise be permitted to retain pursuant to the terms of paragraph (a)(iii) above and which remain in such account.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 5, and the obligations of the Collateral Agent under paragraph (a)(ii) of this Section 5, shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers, provided that, unless otherwise directed by the Required Lenders, the Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Pledgors to exercise such rights. After all Events of Default have been cured or waived, such Pledgor will have the right to exercise the voting and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of paragraph (a)(i) above.

SECTION 6. Remedies upon Default. Upon the occurrence and during the continuance of an Event of Default, subject to applicable regulatory and legal requirements, the Collateral Agent may sell the Collateral, or any part thereof, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and, to the extent permitted by applicable law, the Pledgors hereby waive all rights of redemption, stay,

valuation and appraisal any Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give a Pledgor 10 days' prior written notice (which each Pledgor agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of such Pledgor's Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid in full by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section 6, any Secured Party may bid for or purchase, free from any right of redemption, stay or appraisal on the part of any Pledgor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to it from such Pledgor as a credit against the purchase price, and it may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Pledgor therefor. For purposes hereof, (a) a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof, (b) the Collateral Agent shall be free to carry out such sale pursuant to such agreement and (c) such Pledgor shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose upon the Collateral and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 7. Application of Proceeds of Sale. The proceeds of any sale of Collateral pursuant to Section 6, as well as any Collateral consisting of cash, shall be applied by the Collateral Agent as follows:

FIRST, to the payment of all costs and expenses incurred by the Collateral Agent in connection with such sale or otherwise in connection with this Agreement, any

other Loan Document or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Pledgor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Pledgors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 8. Reimbursement of Collateral Agent. (a) Each Pledgor agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, other charges and disbursements of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral in accordance with the terms hereof, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or (iv) the failure by such Pledgor to perform or observe any of the provisions hereof applicable to it.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Pledgor agrees to indemnify the Indemnitees (as defined in Section 9.03 of the Credit Agreement) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 8 shall remain operative and in full force and effect regardless of the termination of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations,

the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 8 shall be payable on written demand therefor and shall bear interest at the rate specified in Section 2.13(a) of the Credit Agreement.

SECTION 9. Collateral Agent Appointed Attorney-in-Fact. Each Pledgor hereby appoints the Collateral Agent the attorney-in-fact of such Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may in its reasonable judgment deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in the Collateral Agent's name or in the name of such Pledgor, to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due under and by virtue of any Collateral, to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any interest or dividend or other distribution payable in respect of the Collateral or any part thereof or on account thereof and to give full discharge for the same, to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and to sell, assign, endorse, pledge, transfer and to make any agreement respecting, or otherwise deal with, the same; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Pledgor for any act or failure to act hereunder, except for their own gross negligence or wilful misconduct.

SECTION 10. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or consent to any departure by any Pledgor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Pledgor in any case shall entitle such Pledgor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Collateral Agent and the respective Pledgor or Pledgors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 11. Securities Act, etc. In view of the position of the Pledgors in relation to the Pledged Securities, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act") with respect to any disposition of the Pledged Securities permitted hereunder. Each Pledgor understands that compliance with the Securities Act might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Securities, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Securities could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Securities under applicable Blue Sky or other state securities laws. Each Pledgor recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Securities, limit the purchasers to those who will agree, among other things, to acquire such Pledged Securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under the Securities Act and (b) may approach and negotiate with a single potential purchaser to effect such sale, in either case in accordance with a valid exemption from registration under the Securities Act. Each Pledgor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price that the Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section 11 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

SECTION 12. Registration, etc. Each Pledgor agrees that, upon the occurrence and during the continuance of an Event of Default hereunder, if for any reason the Collateral Agent desires to sell any of the Pledged Securities of the Borrower at a public sale, it will, at any time and from time to time, upon the written request of the Collateral Agent, use its reasonable best efforts to take or to cause the issuer of such Pledged Securities to take such action and prepare, distribute and/or file such documents, as are required or advisable in the reasonable opinion of counsel for the Collateral Agent to permit the public sale of such Pledged Securities. Each Pledgor further agrees to indemnify, defend and hold harmless the Collateral Agent, each other Secured Party, any underwriter and their respective officers, directors, affiliates and controlling persons from and against all loss, liability, expenses, costs of counsel (including, without limitation, reasonable fees and expenses to the Collateral Agent of legal counsel), and claims (including the costs of investigation) that they may incur insofar as such loss, liability, expense or claim arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based

upon information furnished in writing to such Pledgor or the issuer of such Pledged Securities by the Collateral Agent or any other Secured Party expressly for use therein. Each Pledgor further agrees, upon such written request referred to above, to use its reasonable best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities under the Blue Sky or other securities laws of such states as may be requested by the Collateral Agent and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each Pledgor will bear all costs and expenses of carrying out its obligations under this Section 12. Each Pledgor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 12 and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section 12 may be specifically enforced.

SECTION 13. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Pledgor in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

SECTION 14. Termination or Release. (a) This Agreement and the security interests granted hereby shall terminate when all the Obligations have been indefeasibly paid in full and the Lenders have no further commitment to lend under the Credit Agreement, the LC and Acceptance Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit or Acceptances under the Credit Agreement.

(b) Upon any sale or other transfer by any Pledgor of any Collateral that is permitted under the Credit Agreement to any person that is not a Pledgor, or, upon the effectiveness of any written consent to the release of the security interest granted hereby in any Collateral pursuant to Section 9.02(b) of the Credit Agreement, the security interest in such Collateral shall be automatically released.

(c) In connection with any termination or release pursuant to paragraph (a) or (b), the Collateral Agent shall execute and deliver to any Pledgor, at such Pledgor's expense, all documents that such Pledgor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 14 shall be without recourse to or warranty by the Collateral Agent.

SECTION 15. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Subsidiary Pledgor shall be given to it at the address for notices set forth on Schedule I.

SECTION 16. Further Assurances. Each Pledgor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as the Collateral Agent may at any time reasonably request in connection with the administration and enforcement of this Agreement or with respect to the Collateral or any part thereof or in order better to assure and confirm unto the Collateral Agent its rights and remedies hereunder.

SECTION 17. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Pledgor that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns. This Agreement shall become effective as to any Pledgor when a counterpart hereof executed on behalf of such Pledgor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Pledgor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Pledgor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Pledgor shall have the right to assign its rights or obligations hereunder or any interest herein or in the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Loan Documents. If all of the capital stock of a Pledgor is sold, transferred or otherwise disposed of to a person that is not an Affiliate of the Borrower pursuant to a transaction permitted by Section 6.05 of the Credit Agreement, such Pledgor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Pledgor and may be amended, modified, supplemented, waived or released with respect to any Pledgor without the approval of any other Pledgor and without affecting the obligations of any other Pledgor hereunder

SECTION 18. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by each Pledgor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit and Acceptances by the Issuing Bank, regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any other fee or amount payable under this Agreement or any other Loan Document is outstanding and unpaid or the LC and Acceptance Exposure does not equal zero and as long as the Commitments and the Revolving Commitments have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 19. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract, and shall become effective as provided in Section 17. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 21. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement. Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting this Agreement.

SECTION 22. Jurisdiction; Consent to Service of Process. (a) Each Pledgor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Pledgor or its properties in the courts of any jurisdiction.

(b) Each Pledgor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 15. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 23. Waiver Of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE

FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 24. Additional Pledgors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary of the Borrower that was not in existence or not a Subsidiary on the date of the Credit Agreement or was an Inactive Subsidiary is required to enter in this Agreement as a Subsidiary Pledgor upon becoming a Subsidiary (or upon ceasing to be an Inactive Subsidiary) if such Subsidiary is a Subsidiary Loan Party and owns or possesses property of a type that would be considered Collateral hereunder. Upon execution and delivery by the Collateral Agent and any such Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Subsidiary Pledgor hereunder with effect from and after the date of such execution and delivery. The execution and delivery of such instrument shall not require the consent of any other Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Pledgor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

J CREW OPERATING CORP.,

by /s/ Michael P. McHugh

Name:
Title:

J CREW GROUP, INC.,

by /s/ Michael P. McHugh

Name:
Title:

THE SUBSIDIARY PLEDGORS LISTED ON SCHEDULE I HERETO,

by /s/ Michael P. McHugh

Name:
Title: Authorized Officer

THE CHASE MANHATTAN BANK, as Collateral Agent,

by /s/ Bruce S. Borden

Name:
Title:

Schedule I to the
Pledge Agreement

SUBSIDIARY PLEDGORS

Name	Address

Schedule II to the
Pledge Agreement

CAPITAL STOCK

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares	Percentage of Shares

DEBT SECURITIES

Issuer	Principal Amount	Date of Note	Maturity Date

Annex 1 to the
Pledge Agreement

SUPPLEMENT NO. dated as of , to the PLEDGE AGREEMENT dated as of October 17, 1997, among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC., a New York corporation ("Holdings"), and each subsidiary of the Borrower listed on Schedule I thereto (each such subsidiary individually a "Subsidiary Pledgor" and, collectively, the "Subsidiary Pledgors"; the Borrower, Holdings and Subsidiary Pledgors are referred to collectively herein as the "Pledgors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent, (in such capacity, the "Collateral Agent"), for the Secured Parties (as defined in the Credit Agreement referred to below)

A. Reference is made to (a) the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders, Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement as issuing bank (in such capacity, the "Issuing Bank"), Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and (b) the Guarantee Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Subsidiary Pledgors, Holdings and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

C. The Pledgors have entered into the Pledge Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit and Acceptances. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary of the Borrower that was not in existence or not a Subsidiary on the date of the Credit Agreement or was an Inactive Subsidiary is required to enter into the Pledge Agreement as a Subsidiary Pledgor upon becoming a Subsidiary (or upon ceasing to be an Inactive Subsidiary) if such Subsidiary is also a Subsidiary Loan Party and owns or possesses property of a type that would be considered Collateral under the Pledge Agreement. Section 24 of the Pledge Agreement provides that such Subsidiaries may become Subsidiary Pledgors under the Pledge Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Pledgor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Pledgor under the Pledge Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and Acceptances and as consideration for Loans previously made and Letters of Credit and Acceptances previously issued.

Accordingly, the Collateral Agent and the New Pledgor agree as follows:

SECTION 1. In accordance with Section 24 of the Pledge Agreement, the New Pledgor by its signature below becomes a Pledgor under the Pledge Agreement with effect from and after the date of execution and delivery of this Agreement in accordance with Section 3 hereof and the New Pledgor hereby agrees (a) to all the terms and provisions of the Pledge Agreement applicable to it as a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct on and as of the date hereof. In furtherance of the foregoing, the New Pledgor, as security for the payment and performance in full of the Obligations (as defined in the Pledge Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Pledgor's right, title and interest in and to the Collateral (as defined in the Pledge Agreement) of the New Pledgor. Each reference to a "Subsidiary Pledgor" or a "Pledgor" in the Pledge Agreement shall be deemed to include the New Pledgor. The Pledge Agreement is hereby incorporated herein by reference.

SECTION 2. The New Pledgor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Pledgor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Pledgor hereby represents and warrants that set forth on Schedule I attached hereto is a true and correct schedule of all its Pledged Securities.

SECTION 5. Except as expressly supplemented hereby, the Pledge Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Pledge Agreement shall not in any

way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 15 of the Pledge Agreement. All communications and notices hereunder to the New Pledgor shall be given to it at the address set forth under its signature hereto.

SECTION 9. The New Pledgor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Pledgor and the Collateral Agent have duly executed this Supplement to the Pledge Agreement as of the day and year first above written.

[Name of New Pledgor],

by _____
Name:
Title:
Address:

THE CHASE MANHATTAN BANK, as
Collateral Agent,

by _____
Name:
Title:

Schedule I to
Supplement No.
to the Pledge Agreement

Pledged Securities of the New Pledgor

CAPITAL STOCK

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares	Percentage of Shares

DEBT SECURITIES

Issuer	Principal Amount	Date of Note	Maturity Date

SECURITY AGREEMENT dated as of October 17, 1997, among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC., a New York corporation ("Holdings"), each subsidiary of the Borrower listed on Schedule I hereto (each such subsidiary individually a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors"; the Subsidiary Guarantors, Holdings and the Borrower are referred to collectively herein as the "Grantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined herein).

Reference is made to (a) the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank"), and Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent and (b) the Guarantee Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Subsidiary Guarantors, Holdings and the Collateral Agent.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit and Acceptances for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of Holdings and the Subsidiary Guarantors has agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Grantors of a Security Agreement in the form hereof to secure (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit or any acceptance, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide, under certain circumstances, cash collateral in connection therewith and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties under or pursuant to the Credit Agreement, this Agreement and the other Loan Documents and (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the due and punctual payment and performance of all obligations of the Borrower under each Hedging Agreement entered into with any counterparty that was a Lender at the time such Hedging Agreement was entered into (all the monetary and other obligations described in the preceding clauses (a) through (c) being collectively called the "Obligations").

Accordingly, the Grantors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Definition of Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Credit Agreement.

SECTION 1.02. Definition of Certain Terms Used Herein. As used herein, the following terms shall have the following meanings:

"Account Debtor" shall mean any person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

"Accounts" shall mean all "accounts" (as defined in the Uniform Commercial Code as in effect in the state of New York ("UCC")) of any Grantor and shall include, without limitation, any and all right, title and interest of any Grantor to payment for goods sold or leased or services rendered, including any such right evidenced by chattel paper, whether due or to become due, whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future, including accounts receivable from Affiliates of the Grantors.

"Accounts Receivable" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"Collateral" shall mean all (a) Accounts Receivable, (b) Documents, (c) Equipment, (d) General Intangibles, (e) Inventory, (f) cash and cash accounts and (g) Proceeds.

"Copyright License" shall mean any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor

under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

"Copyrights" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule II.

"Credit Agreement" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

"Documents" shall mean all instruments, files, records, ledger sheets and other documents covering or relating to any of the Collateral.

"Equipment" shall mean all "equipment" (as defined in the UCC) of any Grantor and shall include, without limitation, equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor. The term Equipment shall include Fixtures.

"Fixtures" shall mean all items of Equipment, whether now owned or hereafter acquired, of any Grantor that become so related to particular real estate that an interest in them arises under any real estate law applicable thereto.

"General Intangibles" shall mean all "general intangibles" (as defined in the UCC) of any Grantor and shall include, without limitation, choses in action and causes of action and all other assignable intangible personal property of any Grantor of every kind and nature (other than Accounts Receivable) now owned or hereafter acquired by any Grantor, including corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Hedging Agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, tax refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable.

"Intellectual Property" shall mean all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

"Inventory" shall mean all "inventory" (as defined in the UCC) of any Grantor and shall include, without limitation, goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor's business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

"License" shall mean any Patent License, Trademark License, Copyright License or other license or sublicense to which any Grantor is a party, including those listed on Schedule III (other than those license agreements in existence on the date hereof and listed on Schedule III and those license agreements entered into after the date hereof, which by their terms prohibit assignment or a grant of a security interest by such Grantor as licensee thereunder).

"Obligations" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

"Patent License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

"Patents" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule IV, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

"Perfection Certificate" shall mean a certificate substantially in the form of Annex 1 hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by a Financial Officer.

"Proceeds" shall mean "proceeds" (as defined in the UCC) of any Grantor and shall include, without limitation, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, and shall include (a) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by any Grantor, or

licensed under a Patent License, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by any Grantor or licensed under a Trademark License or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by any Grantor, (iii) past, present or future breach of any License and (iv) past, present or future infringement of any Copyright now or hereafter owned by any Grantor or licensed under a Copyright License and (b) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Receivables Transaction Assets" means all assets described in the Receivables Transaction Documents as being sold, contributed, assigned, transferred or conveyed to the Receivables Subsidiary by Popular Club, or described in the Receivables Transaction Documents as being sold, contributed, assigned, transferred or conveyed by the Receivables Subsidiary to any other Person; provided, however, that any amendment or modification to the description of such assets in such documents made after the date hereof shall not be effective for purposes of this Agreement unless the Collateral Agent shall have consented in writing to such amendment.

"Secured Parties" shall mean (a) the Lenders, (b) the Administrative Agent, (c) the Collateral Agent, (d) the Issuing Bank, (e) each counterparty to a Hedging Agreement entered into with the Borrower if such counterparty was a Lender at the time the Hedging Agreement was entered into, (f) the beneficiaries of each indemnification obligation undertaken by any Grantor under any Loan Document and (g) the successors and assigns of each of the foregoing.

"Security Interest" shall have the meaning assigned to such term in Section 2.01.

"Trademark License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule V, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

SECTION 1.03. Rules of Interpretation. The rules of interpretation specified in Section 1.02 of the Credit Agreement shall be applicable to this Agreement.

ARTICLE II

Security Interest

SECTION 2.01. Security Interest. As security for the payment or performance, as the case may be, in full of the Obligations, each Grantor hereby assigns and grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in, all of such Grantor's right, title and interest in, to and under the Collateral (the "Security Interest"). Without limiting the foregoing, the Collateral Agent is hereby authorized to file one or more financing statements (including fixture filings), continuation statements, filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party.

SECTION 2.02. No Assumption of Liability. The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

SECTION 2.03 Release of Receivable Transaction Assets. Notwithstanding anything herein to the contrary, the Collateral shall not include any Receivable Transaction Assets, and the Collateral Agent hereby releases, without recourse or warranty, any security or other interest which it may have in the Receivable Transaction Assets. The parties to the Receivables Transaction Documents shall be entitled to rely on this Section 2.03, and this Section 2.03 shall not be amended without the prior written consent of the trustee appointed under the terms of the Receivables Transaction Documents. To further evidence such release and to give effect to certain other agreements between the Collateral Agent and such trustee, the Collateral Agent shall (and is hereby authorized to) enter into intercreditor agreements with such trustee in such form as the Collateral Agent deems appropriate. By accepting the benefits of this Agreement, each holder of an Obligation authorizes the Collateral Agent to enter into such intercreditor agreements, and agrees to be bound by the terms thereof. The failure of the Collateral Agent to execute any such intercreditor agreement shall not, however, impair or otherwise affect the release provided for in this Section 2.03 or any other provision of this Section.

ARTICLE III

Representations and Warranties

The Grantors jointly and severally represent and warrant to the Collateral Agent and the Secured Parties that:

SECTION 3.01. Title and Authority. Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest

hereunder and has full power and authority to grant to the Collateral Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained.

SECTION 3.02. Filings. (a) The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein is correct and complete in all material respects. Fully executed Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations containing a description of the Collateral have been delivered to the Collateral Agent for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate, which are all the filings, recordings and registrations (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Collateral consisting of United States Patents, Trademarks and Copyrights) that are necessary to publish notice of and protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(b) Each Grantor shall ensure that fully executed security agreements in the form hereof (or short-form supplements to this Agreement in form and substance satisfactory to the Collateral Agent) and containing a description of all Collateral consisting of Intellectual Property shall have been received and recorded within three months after the execution of this Agreement with respect to United States Patents and United States registered Trademarks (and Trademarks for which United States registration applications are pending) and within one month after the execution of this Agreement with respect to United Sates registered Copyrights have been delivered to the Collateral Agent for recording by the United States Patent and Trademark Office and the United States Copyright Office pursuant to 35 U.S.C. ss. 261, 15 U.S.C. ss. 1060 or 17 U.S.C. ss. 205 and the regulations thereunder, as applicable, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction in the United States (or any political subdivision thereof) and its territories and possessions, to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary (other than such actions as are necessary to perfect the Security Interest with respect to any Collateral consisting of Patents, Trademarks and Copyrights (or registration or application for registration thereof) acquired or developed after the date hereof).

SECTION 3.03. Validity of Security Interest. The Security Interest constitutes (a) a legal and valid security interest in all the Collateral securing the payment and performance

of the Obligations, (b) subject to the filings described in Section 3.02 above, a perfected security interest in all Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC or other analogous applicable law in such jurisdictions and (c) a security interest that shall be perfected in all Collateral in which a security interest may be perfected upon the receipt and recording of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three month period (commencing as of the date hereof) pursuant to 35 U.S.C. ss. 261 or 15 U.S.C. ss. 1060 or the one month period (commencing as of the date hereof) pursuant to 17 U.S.C. ss. 205 and otherwise as may be required pursuant to the laws of any other necessary jurisdiction in the United States (or any political subdivision thereof) and its territories and possessions. The Security Interest is and shall be prior to any other Lien on any of the Collateral, other than Liens expressly permitted to be prior to the Security Interest pursuant to Section 6.02 of the Credit Agreement.

SECTION 3.04. Absence of Other Liens. The Collateral is owned by the Grantors free and clear of any Lien, except for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement. The Grantor has not filed or consented to the filing of (a) any financing statement or analogous document under the UCC or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (c) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement.

ARTICLE IV

Covenants

SECTION 4.01. Records. Each Grantor agrees to maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned by it as is consistent with its current practices but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of the Collateral, and, at such time or times as the Collateral Agent may reasonably request, promptly to prepare and deliver to the Collateral Agent an updated Perfection Certificate, noting all material changes, if any, since the date of the most recent Perfection Certificate.

SECTION 4.02. [Intentionally Omitted]

SECTION 4.03. Protection of Security. Each Grantor shall, at its own cost and expense, take any and all reasonable actions necessary to defend title to the Collateral against all persons and to defend the Security Interest of the Collateral Agent in the Collateral and the

priority thereof against any Lien not expressly permitted pursuant to Section 6.02 of the Credit Agreement.

SECTION 4.04. Further Assurances. Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agent may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or similar instrument, such note or instrument shall be immediately pledged and delivered to the Collateral Agent, duly endorsed in a manner satisfactory to the Collateral Agent.

SECTION 4.05. Inspection and Verification. The Collateral Agent and such persons as the Collateral Agent may reasonably designate shall have the right to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, at reasonable times and intervals during normal business hours upon reasonable advance notice to the respective Grantor, to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of the Collateral. The Collateral Agent shall have the right to share any information it gains from such inspection or verification with any Secured Party in accordance with and subject to the provisions set forth in Section 9.12 of the Credit Agreement; provided that any information shared with a Secured Party pursuant to this Section 4.05 shall be deemed "Information" which has been "clearly identified at the time of delivery as confidential" under Section 9.12 of the Credit Agreemnent.

SECTION 4.06. Taxes; Encumbrances. At its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral and not permitted pursuant to Section 6.02 of the Credit Agreement, and may pay for the maintenance and preservation of the Collateral to the extent any Grantor fails to do so as required by the Credit Agreement or this Agreement, and each Grantor jointly and severally agrees to reimburse the Collateral Agent on demand for any payment made or any expense incurred by the Collateral Agent pursuant to the foregoing authorization; provided, however, that nothing in this Section 4.06 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

SECTION 4.07. Assignment of Security Interest. If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other person to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent to the extent permitted by any contracts or arrangements to which such property is subject. Such assignment need not be filed of public record unless necessary to

continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other person granting the security interest.

SECTION 4.08. Continuing Obligations of the Grantors. Each Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

SECTION 4.09. Use and Disposition of Collateral. None of the Grantors shall make or permit to be made an assignment, pledge or hypothecation of the Collateral or shall grant any other Lien in respect of the Collateral, except as expressly permitted by Section 6.02 of the Credit Agreement. None of the Grantors shall make or permit to be made any transfer of the Collateral and each Grantor shall remain at all times in possession of the Collateral owned by it, except that (a) Inventory may be sold and Accounts Receivable may be collected in the ordinary course of business and (b) unless and until the Collateral Agent shall notify the Grantors that an Event of Default shall have occurred and be continuing and that during the continuance thereof the Grantors shall not sell, convey, lease, assign, transfer or otherwise dispose of any Collateral (which notice may be given by telephone if promptly confirmed in writing), the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Credit Agreement or any other Loan Document. Without limiting the generality of the foregoing, each Grantor agrees that it shall not permit any material Inventory to be in the possession or control of any warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold the Inventory subject to the Security Interest and the instructions of the Collateral Agent and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

SECTION 4.10. Limitation on Modification of Accounts. None of the Grantors will, without the Collateral Agent's prior written consent, grant any extension of the time of payment of any of the Accounts Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices.

SECTION 4.11. Insurance. The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment in accordance with Section 5.07 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that

any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent deems advisable. All sums disbursed by the Collateral Agent in connection with this Section 4.11, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Collateral Agent and shall be additional Obligations secured hereby.

SECTION 4.12. [Intentionally Omitted]

SECTION 4.13. Covenants Regarding Patent, Trademark and Copyright Collateral. (a) Each Grantor agrees that it will not, nor will it permit any of its licensees to, do any act, or omit to do any act, whereby any Patent which is material to the conduct of such Grantor's business may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its rights under the laws pursuant to which each such Patent is issued.

(b) Each Grantor (either itself or through its licensees or its sublicensees) will, for each Trademark material to the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any circumstance that would lead to a finding of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark sufficient to preclude any findings of abandonment, (iii) display such Trademark with notice of Federal or foreign registration to the extent necessary and sufficient to establish and preserve its rights under the laws pursuant to which each such Trademark is issued and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights.

(c) Each Grantor (either itself or through licensees) will, for each work covered by a material Copyright, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its rights under the laws pursuant to which each such copyright is issued.

(d) Each Grantor shall notify the Collateral Agent immediately if it knows or has reason to know that any Patent, Trademark or Copyright material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(e) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United

States or in any other country or any political subdivision thereof, unless it promptly informs the Collateral Agent, and, upon request of the Collateral Agent, executes and delivers any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's security interest in such Patent, Trademark or Copyright. Each Grantor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings evidencing the Collateral Agent's security interest in such Patent, Trademark or Copyright, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(f) Each Grantor will take all reasonably necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any similar office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is material to the conduct of any Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties.

(g) In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright material to the conduct of any Grantor's business has been or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the Collateral Agent and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral.

(h) Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts to obtain all requisite consents or approvals by the third party licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

ARTICLE V

Collections

SECTION 5.01. Power of Attorney. Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent and attorney-in-fact, and in such capacity the Collateral Agent shall have the right, with power of substitution for each Grantor and in each Grantor's name or otherwise, for the use and benefit of the Collateral Agent and the Secured Parties, upon the occurrence and during the continuance of an Event of Default (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the

Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts Receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things reasonably necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of any Grantor or to any claim or action against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of the Grantors for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section shall in no event relieve any Grantor of any of its obligations hereunder or under any other Loan Document with respect to the Collateral or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder, under any other Loan Document, by law or otherwise.

ARTICLE VI

Remedies

SECTION 6.01. Remedies upon Default. Upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral to the Collateral Agent on demand, and it is agreed that the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Collateral Agent (except to the extent assignment, transfer or conveyance thereof would result in a loss of said Intellectual Property), or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for

trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give the Grantors 10 days' prior written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit

against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 6.02. Application of Proceeds. The Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by the Administrative Agent or the Collateral Agent (in its capacity as such hereunder or under any other Loan Document) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all court costs and the fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 6.03. Grant of License to Use Intellectual Property. For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Article at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of

the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Collateral Agent shall be exercised, at the option of the Collateral Agent, upon the occurrence and during the continuation of an Event of Default; provided that any license, sub-license or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

ARTICLE VII

Miscellaneous

SECTION 7.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Subsidiary Guarantor shall be given to it at its address or telecopy number set forth on Schedule I, with a copy to the Borrower.

SECTION 7.02. Security Interest Absolute. All rights of the Collateral Agent hereunder, the Security Interest and all obligations of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non- perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or this Agreement (other than the indefeasible payment in full of all the Obligations).

SECTION 7.03. Survival of Agreement. All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Secured Parties and shall survive the making by the Lenders of the Loans, and the execution and delivery to the Lenders of any notes evidencing such Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect until this Agreement shall terminate as provided in Section 7.14.

SECTION 7.04. Binding Effect; Several Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of

such Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the Credit Agreement. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 7.05. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 7.06. Collateral Agent's Fees and Expenses; Indemnification. (a) Each Grantor jointly and severally agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, which the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral in accordance with the terms hereof, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of any Grantor to perform or observe any of the provisions hereof applicable to it.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Grantor jointly and severally agrees to indemnify the Collateral Agent and the other Indemnitees against, and hold each of them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Collateral, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 7.06 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any Lender. All amounts due under this Section 7.06 shall be payable on written demand therefor.

SECTION 7.07. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent, the Issuing Bank, the Administrative Agent and the Lenders under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Grantor in any case shall entitle such Grantor or any other Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the respective Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement. In addition, any waiver, amendment or modification of Section 2.03 shall be subject to the prior written consent of the trustee acting for the benefit of investors under the Receivables Transaction Documents.

SECTION 7.09. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.

SECTION 7.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 7.04), and shall become effective as provided in Section 7.04. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.12. Headings. Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 7.13. Jurisdiction; Consent to Service of Process. (a) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent, the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Grantor or its properties in the courts of any jurisdiction.

(b) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.01. Nothing in this Agreement will affected the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 7.14. Termination. This Agreement and the Security Interest shall terminate when all the Obligations have been indefeasibly paid in full, the Lenders have no further commitment to lend under the Credit Agreement, the LC and Acceptance Exposure has been reduced to zero and the Issuing Bank has no further commitment to issue Letters of Credit and Acceptances under the Credit Agreement, at which time the Collateral Agent shall execute and deliver to the Grantors, at the Grantors' expense, all Uniform Commercial Code termination statements and similar documents which the Grantors shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 7.14 shall be without recourse to or warranty by the Collateral Agent. A Subsidiary Guarantor shall automatically be released from its obligations hereunder and the Security Interest

in the Collateral of such Subsidiary Guarantor shall be automatically released in the event that all the capital stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of to a person that is not an Affiliate of the Borrower in accordance with the terms of the Credit Agreement; provided that the Required Lenders shall have consented to such sale, transfer or other disposition (to the extent required by the Credit Agreement) and the terms of such consent did not provide otherwise.

SECTION 7.15. Additional Grantors. Upon execution and delivery by the Collateral Agent and a Subsidiary Loan Party that was not in existence on the date of the Credit Agreement or was an Inactive Subsidiary that ceased to be an Inactive Subsidiary of an instrument in the form of Annex 2 hereto, such Subsidiary shall become a Grantor hereunder with effect from and after the date of such execution and delivery. The execution and delivery of any such instrument shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

J. CREW OPERATING CORP.,

by /s/ Michael P. McHugh

Name:
Title:

J. CREW GROUP, INC.,

by /s/ Michael P. McHugh

Name:
Title:

EACH OF THE SUBSIDIARY GUARANTORS LISTED ON SCHEDULE I HERETO,

by /s/ Michael P. McHugh

Name:
Title: Authorized Officer

THE CHASE MANHATTAN BANK,
as Collateral Agent,

by /s/ Bruce S. Borden

Name:
Title: Authorized Officer

SCHEDULE I

SUBSIDIARY GUARANTORS

SCHEDULE II

COPYRIGHTS

SCHEDULE III

LICENSES

SCHEDULE IV

PATENTS

SCHEDULE V

TRADEMARKS

Annex 1 to the
Security Agreement

[Form Of]
PERFECTION' CERTIFICATE

Reference is made to (a) the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank") and Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and (b) the Guarantee Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Subsidiary Guarantors, Holdings and the Collateral Agent. Capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the Guarantee Agreement and the Credit Agreement.

The undersigned, a Financial Officer, hereby certifies to the Collateral Agent and each other Secured Party as follows:

1. Names. (a) The exact corporate name of each Grantor, as such name appears in its respective certificate of incorporation, is as follows:

(b) Set forth below is each other corporate name each Grantor has had in the past five years, together with the date of the relevant change:

(c) Except as set forth in Schedule 1 hereto, no Grantor has changed its identity or corporate structure in any way within the past five years. Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization. If any such change has occurred, include in Schedule 1 the information required by Sections 1 and 2 of this certificate as to each acquiree or constituent party to a merger or consolidation.

(d) The following is a list of all other names (including trade names or similar appellations) used by each Grantor or any of its divisions or other business units in connection with the conduct of its business or the ownership of its properties at any time during the past five years:

(e) Set forth below is the Federal Taxpayer Identification Number of each Grantor:

2. Current Locations. (a) The chief executive office of each Grantor is located at the address set forth opposite its name below:

Grantor	Mailing Address	County	State

(b) Set forth below opposite the name of each Grantor are the locations where such Grantor maintains any books or records relating to any Accounts Receivable (with each location at which chattel paper, if any, is kept being indicated by an "*"):

Grantor	Mailing Address	County	State

(c) Set forth below opposite the name of each Grantor are all the places of business of such Grantor not identified in paragraph (a) or (b) above:

Grantor	Mailing Address	County	State

(d) Set forth below opposite the name of each Grantor are all the locations where such Grantor maintains any Collateral not identified above:

Grantor	Mailing Address	County	State

(e) Set forth below opposite the name of each Grantor are the names and addresses of all persons other than such Grantor that have possession of any of the Collateral of such Grantor:

Grantor	Mailing Address	County	State

3. Unusual Transactions. All Accounts Receivable have been originated by the Grantors and all Inventory has been acquired by the Grantors in the ordinary course of business.

4. UCC Filings. Duly signed financing statements on Form UCC-1 in substantially the form of Schedule 5 hereto have been prepared for filing in the Uniform Commercial Code filing office in each jurisdiction where a Grantor has Collateral as identified in Section 2 hereof.

5. Schedule of Filings. Attached hereto as Schedule 5 is a schedule setting forth, with respect to the filings described in Section 5 above, each filing and the filing office in which such filing is to be made.

6. Stock Ownership. Attached hereto as Schedule 6 is a true and correct list of all the duly authorized, issued and outstanding stock of each Subsidiary and the record and beneficial owners of such stock.

7. Notes. Attached hereto as Schedule 7 is a true and correct list of all notes held by Holdings and each Subsidiary and all intercompany notes (other than a Purchase Money Note) between Holdings and each Subsidiary of Holdings and between each Subsidiary of Holdings and each other such Subsidiary.

8. Advances. Attached hereto as Schedule 8 is (a) a true and correct list of all advances made by (i) Holdings to the Borrower or any Subsidiary Loan Party, (ii) the Borrower to Holdings or any Subsidiary Loan Party and (iii) any Subsidiary Loan Party to Holdings, the Borrower or any other Subsidiary Loan Party, which advances will be on and after the date hereof evidenced by one or more intercompany notes pledged to the Collateral Agent under the Pledge Agreement, and (b) a true and correct list of all unpaid intercompany transfers of goods sold and delivered by or to Holdings or any Subsidiary of Holdings.

9. Mortgage Filings. Attached hereto as Schedule 9 is a schedule setting forth, with respect to each Mortgaged Property, (i) the exact corporate name of the corporation that owns such property as such name appears in its certificate of incorporation, (ii) if different from the name identified pursuant to clause (i), the exact name of the current record owner of such property reflected in the records of the filing office for such property identified pursuant to the following clause and (iii) the filing office in which a Mortgage with

respect to such property must be filed or recorded in order for the Collateral Agent to obtain a perfected security interest therein.

IN WITNESS WHEREOF, the undersigned have duly executed this certificate on this [ ] day of [ ].

J. CREW OPERATING CORP.

by_____
Name:
Title: [Financial Officer]

by_____
Name:
Title: [Legal Officer]

Annex 2 to the
Security Agreement

SUPPLEMENT NO. __ dated as of , to the Security Agreement dated as of October 17, 1997, among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC., a New York corporation ("Holdings"), each subsidiary of the Borrower listed on Schedule I thereto (each such subsidiary individually a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors"; the Subsidiary Guarantors, Holdings and the Borrower are referred to collectively herein as the "Grantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined herein).

A. Reference is made to (a) the Credit Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), Collateral Agent and, with respect to Letters of Credit and Acceptances issued under the Credit Agreement, as issuing bank (in such capacity, the "Issuing Bank"), and Donaldson, Lufkin & Jenrette Securities Corporation, as syndication agent, and (b) the Guarantee Agreement dated as of October 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Subsidiary Guarantors, Holdings and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement and the Credit Agreement.

C. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit and Acceptances. Section 7.15 of Security Agreement provides that additional Subsidiary Loan Party that was not in existence on the date of the Credit Agreement or was an Inactive Subsidiary that ceased to be an Inactive Subsidiary may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and Acceptances and as consideration for Loans previously made and Letters of Credit and Acceptances previously issued.

Accordingly, the Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 7.15 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with effect from and after the date of execution and delivery of this Supplement in accordance with Section 3 hereof and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and

as of the date hereof. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations (as defined in the Security Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Grantor. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Grantor and (b) set forth under its signature hereto, is the true and correct location of the chief executive office of the New Grantor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement. All communications and notices

hereunder to the New Grantor shall be given to it at the address set forth under its signature below.

SECTION 9. The New Grantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Grantor and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[Name Of New Grantor],

by_____
Name:
Title:
Address:

THE CHASE MANHATTAN BANK,
as Collateral Agent,

by_____
Name:
Title:

SCHEDULE I
to Supplement No.___ to the
Security Agreement

LOCATION OF COLLATERAL

Description	Location

EXECUTION COPY

REGISTRATION RIGHTS AGREEMENT

Dated as of October 17, 1997

by and among

J. Crew Group, Inc.

and

Donaldson, Lufkin & Jenrette Securities Corporation

Chase Securities Inc.

This Registration Rights Agreement (this "Agreement") is made and entered into as of October 17, 1997 by and among J. Crew Group, Inc., a New York corporation (the "Company") and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc. (each an "Initial Purchaser" and, collectively, the "Initial Purchasers"), each of whom has agreed to purchase the Company's 13 1/8% Series A Senior Discount Debentures due 2008 (the "Series A Debentures") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated October 14, 1997 (the "Purchase Agreement"), by and between the Company and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A Debentures, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 3 of the Purchase Agreement.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended.

Business Day: Any day except a Saturday, Sunday or other day in the City of New York, or in the city of the corporate trust office of the Trustee, on which banks are authorized to close.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Broker-Dealer Transfer Restricted Securities: Series B Debentures that are acquired by a Broker-Dealer in the Exchange Offer in exchange for Series A Debentures that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Series A Debentures acquired directly from the Company or any of its affiliates).

Certificated Securities: As defined in the Indenture.

Closing Date: The date hereof.

Commission: The Securities and Exchange Commission.

Consummate: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Debentures to be issued in the Exchange Offer, (b) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Registrar under the Indenture of Series B Debentures in the same aggregate principal amount as the aggregate principal amount of Series A Debentures tendered by Holders thereof pursuant to the Exchange Offer.

Damages Payment Date: With respect to the Series A Debentures, each Interest Payment Date.

Debentures: The Series A Debentures and the Series B Debentures.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The registration by the Company under the Act of the Series B Debentures pursuant to the Exchange Offer Registration Statement pursuant to which the Company shall offer the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities for Series B Debentures in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Series A Debentures to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act, and outside the United States pursuant to Regulation S under the Act.

Global Noteholder: As defined in the Indenture.

Holders: As defined in Section 2 hereof.

Indemnified Holder: As defined in Section 8(a) hereof.

Indenture: The Indenture, dated the Closing Date, between the Company and State Street Bank and Trust Company, as trustee (the "Trustee"), pursuant to which the Debentures are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Interest Payment Date: As defined in the Indenture and the Debentures.

NASD: National Association of Securities Dealers, Inc.

Person: An individual, partnership, corporation, trust, unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Record Holder: With respect to any Damages Payment Date, each Person who is a Holder of Debentures on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company relating to (a) an offering of Series B Debentures pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) which is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Restricted Broker-Dealer: Any Broker-Dealer which holds Broker-Dealer Transfer Restricted Securities.

Series B Debentures: The Company's 13 1/8% Series B Senior Discount Debentures due 2008 to be issued pursuant to the Indenture (i) in the Exchange Offer or (ii) upon the request of any Holder of Series A Debentures covered by a Shelf Registration Statement, in exchange for such Series A Debentures.

Shelf Registration Statement: As defined in Section 4 hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each Debenture, until the earliest to occur of (a) the date on which such Debenture is exchanged in the Exchange Offer and entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, the date on which such Debenture has been disposed of in accordance with a Shelf Registration Statement, (c) the date on which such Debenture is disposed of by a Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including delivery of the Prospectus contained therein) or (d) the date on which such Debenture is distributed to the public pursuant to Rule 144 under the Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company shall (i) cause to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 60 days after the Closing Date, the Exchange Offer Registration Statement, (ii) use its best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 135 days after the Closing Date, (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause such Exchange Offer Registration Statement to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Series B Debentures to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and Consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Series B Debentures to be offered in exchange for the Series A Debentures that are Transfer Restricted Securities and to permit sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers as contemplated by Section 3(c) below.

(b) The Company shall use its best efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 Business Days. The Company shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Debentures shall be included in the Exchange Offer Registration Statement. The Company shall use its best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 Business Days thereafter.

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Restricted Broker-Dealer who holds Series A Debentures that are Transfer Restricted Securities and that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities, may exchange such Series A Debentures (other than Transfer Restricted Securities acquired directly from the Company or any Affiliate of the Company) pursuant to the Exchange Offer; however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of each Series B Debenture received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Debentures held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy after the date of this Agreement.

The Company shall use its best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary to ensure that it is available for sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers, and to ensure that such Registration Statement conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of one year from the date on which the Exchange Offer is Consummated.

The Company shall promptly provide sufficient copies of the latest version of such Prospectus to such Restricted Broker-Dealers promptly upon request, and in no event later than one day after such request, at any time during such one-year period in order to facilitate such sales.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Company is not required to file an Exchange Offer Registration Statement with respect to the Series B Debentures because the Exchange Offer is not permitted by applicable law (after the procedures set forth in Section 6(a)(i) below have been complied with) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation of the Exchange Offer that (A) such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the Series B Debentures acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available

for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Series A Debentures acquired directly from the Company or one of its affiliates, then the Company shall (x) cause to be filed on or prior to 30 days after the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement pursuant to clause (i) above or 60 days after the date on which the Company receives the notice specified in clause (ii) above a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement"), relating to all Transfer Restricted Securities the Holders of which shall have provided the information required pursuant to Section 4(B) hereof, and shall (y) use its best efforts to cause such Shelf Registration Statement to become effective on or prior to 135 days after the date on which the Company becomes obligated to file such Shelf Registration Statement. If, after the Company has filed an Exchange Offer Registration Statement which satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer shall not be permitted under applicable federal law, then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above. Such an event shall have no effect on the requirements of clause (y) above. The Company shall use its best efforts to keep the Shelf Registration Statement discussed in this Section 4(a) continuously effective, supplemented and amended as required by and subject to the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a), and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(c)(i)) following the date on which such Shelf Registration Statement first becomes effective under the Act.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, such information specified in item 507 of Regulation S-K under the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have used its best efforts to provide all such information. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the date specified for such effectiveness in this Agreement, (iii) the Exchange Offer has not been Consummated within 180 days after the Closing Date or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective immediately (each such event referred to in clauses (i) through (iv), a "Registration Default"), then the Company hereby agrees to pay liquidated damages to each Holder of Transfer Restricted Securities with respect to the first 90-day period immediately following the occurrence of such Registration Default, in an amount equal to $.05 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration

Default continues. The amount of the liquidated damages shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of $.25 per week per $1,000 principal amount of Transfer Restricted Securities. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued liquidated damages shall be paid to the Global Note Holder by wire transfer of immediately available funds or by federal funds check and to Holders of Certificated Securities by mailing checks to their registered addresses on each Damages Payment Date. All obligations of the Company set forth in the preceding paragraph that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company shall comply with all applicable provisions of Section 6(c) below, shall use its best efforts to effect such exchange and to permit the sale of Broker-Dealer Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) If, following the date hereof there has been published a change in Commission policy with respect to exchange offers such as the Exchange Offer, such that in the reasonable opinion of counsel to the Company there is a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company hereby agrees to seek a no-action letter or other favorable decision from the Commission allowing the Company to Consummate an Exchange Offer for such Series A Debentures. The Company hereby agrees to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company hereby agrees to take all such other actions as are requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any

person to participate in, a distribution of the Series B Debentures to be issued in the Exchange Offer and (C) it is acquiring the Series B Debentures in its ordinary course of business. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Series B Debentures obtained by such Holder in exchange for Series A Debentures acquired by such Holder directly from the Company or an affiliate thereof.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company shall provide a supplemental letter to the Commission (A) stating that the Company is registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the Series B Debentures to be received in the Exchange Offer and that, to the best of the Company's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Debentures in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Debentures received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company shall comply with all the provisions of Section 6(c) below and shall use its best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Exchange Offer Registration Statement and the related Prospectus, to the extent that the same are required to be available to permit sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers), the Company shall:

(i) use its best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly an appropriate amendment to such Registration

Statement, (1) in the case of clause (A), correcting any such misstatement or omission, and (2) in the case of clauses (A) and (B), use its best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter. Notwithstanding anything to the contrary set forth in this Agreement, the Company's obligation to use its best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended shall be suspended in the event continued effectiveness of the Shelf Registration Statement would, in the opinion of counsel to the Company, require the Company to disclose a material financing, acquisition or other corporate transaction, and the Board of Directors shall have determined in good faith that such disclosure is not in the best interests of the Company, but in no event will any such suspension, individually or in the aggregate, exceed ninety (90) days since the Closing Date.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, or such shorter period as will terminate upon the earlier of the following (A) when all Transfer Restricted Securities covered by such Registration Statement have been sold and (B) when, in the written opinion of counsel to the Company, all outstanding Transfer Restricted Securities held by persons that are not affiliates of the Company may be resold without registration under the Act pursuant to Rule 144(k) under the Act or any successor provision thereto; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise the underwriter(s), if any, and selling Holders promptly and, if requested by such Persons, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company shall use its best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) furnish to the Initial Purchaser(s), each selling Holder named in any Registration Statement or Prospectus and each of the underwriter(s) in connection with such sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders and underwriter(s) in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which the selling Holders of the Transfer Restricted Securities covered by such Registration Statement or the underwriter(s) in connection with such sale, if any, shall reasonably object within five Business Days after the receipt thereof. A selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission or fails to comply with the applicable requirements of the Act;

(v) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s) in connection with such sale, if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) make available at reasonable times for inspection by the selling Holders, any managing underwriter participating in any disposition pursuant to such Registration Statement and any attorney or accountant retained by such selling Holders or any of such underwriter(s), all financial and other records, pertinent corporate documents and properties of the Company and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness;

(vii) if requested by any selling Holders or the underwriter(s) in connection with such sale, if any, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(viii) furnish to each selling Holder and each of the underwriter(s) in connection with such sale, if any, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company hereby consents to the

use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(x) enter into such agreements (including an underwriting agreement) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement as may be reasonably requested by any Holder of Transfer Restricted Securities or underwriter in connection with any sale or resale pursuant to any Registration Statement contemplated by this Agreement, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Registration, the Company shall:

(A) furnish (or in the case of paragraphs (2) and (3), use its best efforts to furnish) to each selling Holder and each underwriter, if any, upon the effectiveness of the Shelf Registration Statement and to each Restricted Broker-Dealer upon Consummation of the Exchange Offer:

(1) a certificate, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, signed on behalf of the Company by (x) the President or any Vice President and (y) a principal financial or accounting officer of the Company, confirming, as of the date thereof, the matters set forth in paragraphs (a) through (d) of Section 9 of the Purchase Agreement and such other similar matters as the Holders, underwriter(s) and/or Restricted Broker Dealers may reasonably request;

(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company covering matters similar to those set forth in paragraph (e) of Section 9 of the Purchase Agreement and such other matter as the Holders, underwriters and/or Restricted Broker Dealers may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to a large extent upon facts provided to such counsel by officers and other representatives of the Company and without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation of the Exchange Offer, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for,

and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial and statistical data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated as of the date of effectiveness of the Shelf Registration Statement or the date of Consummation of the Exchange Offer, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with primary underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 9 of the Purchase Agreement, without exception;

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, in connection with any sale or resale pursuant to any Shelf Registration Statement the indemnification provisions and procedures of Section 8 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by the selling Holders, the underwriter(s), if any, and Restricted Broker Dealers, if any, to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this clause (x).

The above shall be done at each closing under such underwriting or similar agreement, as and to the extent required thereunder, and if at any time the representations and warranties of the Company contemplated in (A)(1) above cease to be true and correct, the Company shall so advise the underwriter(s), if any, the selling Holders and each Restricted Broker-Dealer promptly and if requested by such Persons, shall confirm such advice in writing;

(xi) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s), if any, may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xii) issue, upon the request of any Holder of Series A Debentures covered by any Shelf Registration Statement contemplated by this Agreement, Series B Debentures having an aggregate principal amount equal to the aggregate principal amount of Series A Debentures surrendered to the Company by such Holder in exchange therefor or being sold by such Holder; such Series B Debentures to be registered in the name of such Holder or in the name of the purchaser(s) of such Debentures, as the case may be; in return, the Series A Debentures held by such Holder shall be surrendered to the Company for cancellation;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates

representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the Holders or the underwriter(s), if any, may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use its best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xi) above;

(xv) subject to Section 6(c)(i), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xvi) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use its best efforts to cause such Registration Statement to become effective and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities;

(xviii) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders of Debentures to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xx) provide promptly to each Holder upon request each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(i) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof, or until it is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (the "Advice"). If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of either such notice. In the event the Company shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(c)(i) or Section 6(c)(iii)(D) hereof to and including the date when each selling Holder covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof or shall have received the Advice.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any Purchaser or Holder with the NASD (and, if applicable, the fees and expenses of any "qualified independent underwriter") and its counsel that may be required by the rules and regulations of the NASD); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Series B Debentures to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and the Holders of Transfer Restricted Securities; and (v) all fees and disbursements of independent certified public accountants of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared.

SECTION 8. INDEMNIFICATION

(a) The Company agrees to indemnify and hold harmless (i) each Holder and (ii) each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) any Holder (any of the persons referred to in this clause (ii) being hereinafter referred to as a "controlling person") and (iii) the respective officers, directors, partners, employees, representatives and agents of any Holder or any controlling person (any person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Holder"), to the fullest extent lawful, from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Indemnified Holder) directly or indirectly caused by, related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information relating to any of the Holders furnished in writing to the Company by any of the Holders expressly for use therein; provided, however, that the foregoing indemnification with respect to any untrue statement or alleged untrue statement or omission or alleged omission in any preliminary prospectus or Prospectus, shall not inure to the benefit of any Indemnified Holder from whom the person asserting such loss, claim, damage, liability or expense purchased any of the Debentures if a copy of the Prospectus (or any amendment or supplement thereto) was not sent or given on behalf of such Indemnified Holder to such person at or prior to the written confirmation of the sale of such Debentures to such person and if the Prospectus (or the Prospectus, as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage, liability or expense.

In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be brought or asserted against any of the Indemnified Holders with respect to which indemnity may be sought against the Company, such Indemnified Holder (or the Indemnified Holder controlled by such controlling person) shall promptly notify the Company in writing (provided, that the failure to give such notice shall not relieve the Company of their obligations pursuant to this Agreement). Such Indemnified Holder shall have the right to employ its own counsel in any such action and the fees and expenses of such counsel shall be paid, as incurred, by the Company (regardless of whether it is ultimately determined that an Indemnified Holder is not entitled to indemnification hereunder). The Company shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for such Indemnified Holders, which firm shall be designated by the Holders. The Company shall be liable for any settlement of any such action or proceeding effected with the Company's prior written consent, which consent shall not be withheld unreasonably, and the Company agrees to indemnify and hold harmless each Indemnified Holder from and against any loss, claim, damage, liability or expense by reason of any settlement of any action effected with the written consent of the Company. The Company shall not, without the prior written consent of each Indemnified Holder, settle or compromise or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, claim, litigation or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Holder is a party thereto), unless such settlement, compromise, consent or termination includes an

unconditional release of each Indemnified Holder from all liability arising out of such action, claim, litigation or proceeding.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company, and its directors, officers, and any person controlling (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, and the respective officers, directors, partners, employees, representatives and agents of each such person, to the same extent as the foregoing indemnity from the Company to each of the Indemnified Holders, but only with respect to claims and actions based on information relating to such Holder furnished in writing by such Holder expressly for use in any Registration Statement. In case any action or proceeding shall be brought against the Company or its directors or officers or any such controlling person in respect of which indemnity may be sought against a Holder of Transfer Restricted Securities, such Holder shall have the rights and duties given the Company, and the Company, such directors or officers or such controlling person shall have the rights and duties given to each Holder by the preceding paragraph. In no event shall any Holder be liable or responsible for any amount in excess of the amount by which the total received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) If the indemnification provided for in this Section 8 is unavailable to an indemnified party under Section 8(a) or Section 8(b) hereof (other than by reason of exceptions provided in those Sections) in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Holders, on the other hand, from the issuance and sale of the Debentures by the Company or if such allocation is not permitted by applicable law, the relative fault of the Company, on the one hand, and of the Indemnified Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnified Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Indemnified Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in the second paragraph of Section 8(a), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company and each Holder of Transfer Restricted Securities agree that it would not be just and equitable if contribution pursuant to this Section 8(c) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Holder or its related Indemnified Holders shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect

to the sale of its Transfer Restricted Securities pursuant to a Registration Statement exceeds the sum of (A) the amount paid by such Holder for such Transfer Restricted Securities plus (B) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(c) are several in proportion to the respective principal amount of Series A Debentures held by each of the Holders hereunder and not joint.

SECTION 9. RULE 144A

The Company hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company is not subject to Section 13 or 15(d) of the Securities Exchange Act, to make available, upon request of any Holder of Transfer Restricted Securities, to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

SECTION 10. UNDERWRITTEN REGISTRATIONS

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in customary underwriting arrangements entered into in connection therewith and (b) completes and executes all reasonable questionnaires, powers of attorney, and other documents required under the terms of such underwriting arrangements.

SECTION 11. SELECTION OF UNDERWRITERS

For any Underwritten Offering, the investment banker or investment bankers and manager or managers for any Underwritten Offering that will administer such offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering. Such investment bankers and managers are referred to herein as the "underwriters."

SECTION 12. MISCELLANEOUS

(a) Remedies. Each Holder, in addition to being entitled to exercise all rights provided herein, in the Indenture, the Purchase Agreement or granted by law, including recovery of liquidated or other damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by them of the provisions of this Agreement and hereby agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights

granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

(c) Adjustments Affecting the Debentures. The Company will not take any action, or voluntarily permit any change to occur, with respect to the Debentures that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 12(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company:

J. Crew Group, Inc.
770 Broadway
New York, New York 10003

Telecopier No.: (212) 209-2666
Attention: Chief Financial Officer

With a copy to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

Telecopier No.: (212) 225-3999
Attention: Paul J. Shim, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities directly from such Holder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

J. Crew Group, Inc.

By: /s/ Michael P. McHugh

Name:
Title:

Donaldson, Lufkin & Jenrette
Securities Corporation

By: /s/ Pauline Boghosian

Name: Pauline Boghosian
Title: Vice President

Chase Securities Inc.

By: /s/ Christopher M. Linneman

Name:
Title:

Exhibit 5.1

Conformed Copy

Writer's Direct Dial: (212) 225-2930

December 16, 1997

J. Crew Group, Inc.
770 Broadway
New York, New York 10003

Ladies and Gentlemen:

We have acted as your counsel in connection with a Registration Statement on Form S-4 (the "Registration Statement") filed today with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act"), in respect of the Series B 13-1/8% Senior Discount Debentures due 2008 (the "New Debentures") of J. Crew Group, Inc., a New York corporation (the "Issuer"), to be offered in exchange for all outstanding Series A 13-1/8% Senior Discount Debentures (the "Old Debentures") of the Issuer. The New Debentures will be issued pursuant to an indenture (the "Indenture"), dated as of October 17, 1997, between the Issuer and State Street Bank and Trust Company, as trustee (the "Trustee").

We have participated in the preparation of the Registration Statement and have reviewed originals or copies, certified or otherwise identified to our satisfaction, of such documents and records of the Issuer and such other instruments and other certificates of public officials, officers and representatives of the Issuer and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

In rendering the opinions expressed below, we have assumed the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies. In addition, we have assumed and have not verified (i) the accuracy as

to factual matters of each document we have reviewed and (ii) that the Old Debentures and the New Debentures conform or will conform to the forms thereof that we have reviewed and have been or will be duly authenticated in accordance with their terms and the terms of the Indenture.

Based on the foregoing, and subject to the further assumptions and qualifications set forth below, it is our opinion that:

1. When the New Debentures have been duly executed and authenticated in accordance with their terms and the terms of the Indenture, and duly issued and delivered by the Issuer in exchange for an equal principal amount at maturity of Old Debentures pursuant to the terms of the Registration Rights Agreement (in the form filed as an exhibit to the Registration Statement), the New Debentures will constitute the valid, binding and enforceable obligation of the Issuer, entitled to the benefits of the Indenture.

2. The Indenture has been duly executed and delivered by the Issuer under the law of the State of New York.

Insofar as the foregoing opinions relate to the validity, binding effect or enforceability of any agreement or obligation of the Issuer, (a) we have assumed that the Issuer and each other party to such agreement or obligation has satisfied those legal requirements that are applicable to it to the extent necessary to make such agreement or obligation enforceable against it (except that no such assumption is made as to the Issuer regarding matters of the law of the State of New York); and (b) such opinions are subject to applicable bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally and to general principles of equity.

The foregoing opinion is limited to the law of the State of New York.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the Prospectus

included in the Registration Statement. In giving such consent, we do not thereby admit that we are "experts" within the meaning of the Act or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this exhibit.

Very truly yours,

CLEARY, GOTTLIEB, STEEN & HAMILTON

By /s/ Paul J. Shim

Paul J. Shim, a Partner

EMPLOYMENT AGREEMENT

AGREEMENT, dated this 17th day of October, 1997 (the "Agreement"), among J. Crew Group, Inc., a New York Corporation (the "Parent") and its operating subsidiary J. Crew Operating Corp. (the "Subsidiary" and collectively with the Parent, the "Employer"), with offices at 625 Sixth Avenue, New York, New York, TPG Partners II, L.P. ("TPG II") (only with respect to Section 2(c) herein) and Emily Woods (the "Employee").

1. Employment, Duties and Agreements.

(a) The Employer hereby agrees to cause the Employee to be elected as Chairman of the Board of Directors of the Parent and to employ the Employee as Chief Executive Officer of the Parent and the Subsidiary and the Employee hereby accepts such positions and agrees to serve the Parent and the Subsidiary in such capacities during the employment period fixed by Section 3 hereof (the "Employment Period"). The Employee acknowledges that the title of Chief Executive Officer of the Parent and the Subsidiary may be given to another officer assuming a business/operations role if the Board of Directors of the Parent (the "Board") determines in its sole discretion that such action is necessary to recruit such other officer; provided that such other officer, as Chief Executive Officer, shall report to a committee of the Board consisting of no more than three members of which the Employee is the chairman, and the Employee and the Board shall from time to time mutually agree on the reporting relationships of any other senior officer of the Employer or any of its subsidiaries. The Employee shall report solely and directly to the Board. The Employee's duties and responsibilities shall be such duties and responsibilities as the Board may reasonably determine from time to time that are consistent with the above job titles. During the Employment Period, the Employee shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Board and all applicable policies and rules thereof as are consistent with the above job titles.

(b) During the Employment Period and as long as the Employer shall not be in default of a material obligation hereunder, excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee shall devote substantially all of her working time, energy and attention to the performance of her duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Employer.

(c) During the Employment Period and so long as the Employer shall not be in default of a material obligation hereunder, the Employee may not, without the prior written consent of the Employer, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Employer), provided that it shall not be a violation of the foregoing for the Employee to (i) act or serve as a director, trustee, committee member or principal of any type of business or civic or charitable organization (including, without limitation, acting as a producer or executive producer of motion picture productions) and (ii) manage her personal, financial and legal affairs, so long as such activities (described in clauses

(i) and (ii)) do not interfere with the performance of her duties and responsibilities to the Employer as provided hereunder.

2. Compensation.

(a) As compensation for the agreements made by the Employee herein and the performance by the Employee of her obligations hereunder, during the Employment Period, the Employer shall pay the Employee, not less than once a month pursuant to the Employer's normal and customary payroll procedures, a base salary at the rate of $1,000,000 per annum (the "Base Salary"). The amount of the Base Salary shall be increased on each anniversary of the Effective Date during the Employment Period, to reflect the year-to-year increase, if any, as of the July 1 immediately preceding such Effective Date in the U.S. Consumer Price Index for All Urban Consumers, U.S. City Average, All Items, Unadjusted, as published by the U.S. Department of Labor, or in the absence of that index, the most comparable index then published and may be increased further in the absolute discretion of the Compensation Committee of the Board.

(b) In addition to the Base Salary, during the Employment Period the Employee shall have an opportunity to earn an annual bonus (the "Bonus") in accordance with the terms of the J. Crew Operating Corp. Senior Executive Bonus Plan attached hereto as

(c) As of the Effective Date (as defined in Section 3 below), TPG II hereby grants to the Employee the option to purchase from TPG II shares of common stock of J. Crew Group, Inc. (the "Common Stock") equal to ten percent (10%) (the "10% Option") of the total outstanding shares of Common Stock determined immediately after the closing (the "Closing") of the transactions contemplated by the Recapitalization Agreement, dated July 22, 1997, among TPG II, J. Crew Group, Inc. and certain other persons (the "Recapitalization") at the same price per share of Common Stock as TPG II paid per share of Common Stock pursuant to the Recapitalization (the "TPG II Price"). Upon the exercise by the Employee of the 10% Option, the Employee shall be required to purchase from TPG II an amount of preferred stock of the Parent, at the same price and on the same terms as TPG II's purchase of preferred stock, the aggregate purchase price for which bears the same ratio to the aggregate purchase price paid by the Employee for Common Stock pursuant to the exercise of the 10% Option as the ratio of the aggregate purchase price paid by TPG II for the purchase of preferred stock bears to the aggregate purchase price paid by TPG II for the Common Stock in connection with the Recapitalization. The 10% Option provided in this Section 3(c) shall expire at the close of business on the thirtieth day after the Closing.

(d) On January 1, 1998, the Employer shall grant the Employee 2915 restricted shares of Common Stock (the "Restricted Shares") and 393 shares of Common Stock (the "Additional Shares"). Such Additional Shares shall not be subject to the restrictions provided in this Section 2(d). The Restricted Shares shall vest as follows: 972 Restricted Shares on each of the third and fourth anniversaries of the Closing and 971 on the fifth anniversary of the Closing, provided that the Employee is still employed by the Employer on such date. Notwithstanding the

foregoing, to the extent not yet granted, the Employer shall immediately grant the Restricted Shares and the Additional Shares, and all or any portion of the Restricted Shares not previously forfeited shall vest immediately upon the occurrence of a Change in Control (as defined in the J. Crew Group, Inc. 1997 Stock Option Plan) or the termination of the Employment Period by the Employer without Cause, by the Employee for Good Reason, or by reason of the Employee's death or Disability. If the Employment Period terminates for any other reason, the Restricted Shares which have not vested on such date of termination shall be forfeited by the Employee and returned to the Employer. Notwithstanding anything to the contrary in the Stockholders' Agreement, the certificates representing the Restricted Shares shall be held in custody by the Employer until the vesting thereof and shall not be transferred until such shares become vested as provided herein. All cash, securities and other property paid or otherwise distributed with respect to the Restricted Shares which have not vested shall be held in custody by the Employer and shall be subject to the same vesting, forfeiture and distribution rules described above with respect to the Restricted Shares related thereto. In addition, the Employee shall be entitled to direct the Employer as to the manner in which the Restricted Shares held in custody by the Employer shall be voted.

(e) In connection with the grant of the Restricted Shares, the Employee shall make an election prior to January 30, 1998 to include in gross income on the date of the grant the value of the Restricted Shares on such date pursuant to Section 83(b) (the "Section 83(b) Election") of the Internal Revenue Code of 1986, as amended. Upon notification from the Employee that the Section 83(b) Election has been made, the Employer shall pay the appropriate depository an amount equal to the Employee's federal, state and local income and payroll tax withholding obligations with respect to (i) the value of the Restricted Shares (the "Restricted Share Value"), which value shall be equal to the TPG II Price unless otherwise mutually agreed by the parties, (ii) the value of the Additional Shares (the "Additional Share Value"), which value shall be equal to the TPG II Price unless otherwise mutually agreed by the parties and (iii) the income required to be recognized by the Employee as a result of the payment by the Employer of such withholding obligations, in each case based on withholding rates determined by the Employer in its discretion and in compliance with applicable law (such sum paid by the Employer hereinafter referred to as the "Withholding Amount"). At least thirty days before the Employee's due date for 1998 Federal income taxes, the Employee shall provide a certificate to the Employer in which the Employee shall represent to the Employer the Employee's highest marginal income tax rate applicable to her actual income with respect to each of her federal, state and local income taxes for 1998. The "Stock Gross-Up Payment" shall be determined by an accounting firm mutually agreed upon by the parties (whose expenses will be paid by the Employer) and shall equal an amount such that, after payment of all federal, state and local income and payroll taxes ("Taxes") on the Stock Gross-Up Payment, the Employee will retain an amount sufficient to pay all Taxes that she is required to pay as a result of the grant of the Restricted Shares, the Section 83(b) Election and the grant of Additional Shares. The calculation of the amount of the Stock Gross-Up Payment shall (i) take into account any marginal deduction with respect to the Employee's Federal income tax liability for state and local income taxes paid with respect to the grant of Restricted Shares, Additional Shares and the Stock Gross-Up

Payment to which the Employee will be entitled, and (ii) notwithstanding the time of year in which any payments are made hereunder by the Employer, be based on payroll taxes on income in excess of $100,000. The determination of the accounting firm shall be final and binding upon the Employee and the Employer. After the accounting firm notifies the Employer of the amount of the Stock Gross-Up Payment and no later than fifteen days prior to the Employee's due date for her 1998 Federal income taxes, the Employer shall pay the Employee the excess, if any, of the Stock Gross-Up Payment over the Withholding Amount or the Employee shall pay the Employer the excess, if any, of the Withholding Amount over the Stock Gross-Up Payment, as applicable. The Withholding Amount and the Stock Gross-Up Payment, if any, shall be paid by the Employer notwithstanding any termination of the Employee's employment hereunder.

(f) All shares of Common Stock and preferred stock of J. Crew Group, Inc. and all other securities issued in connection with the Recapitalization and acquired by the Employee under this Agreement or otherwise shall be subject to the Stockholders' Agreement attached hereto as Exhibit B.

(g) During the Employment Period, the Employee shall be entitled to the following expense reimbursement and additional benefits and perquisites:

(i) reimbursement of travel expenses (with regard to air travel, on the Concorde where available or otherwise in first class), including with spouse where appropriate and as reasonably agreed between the Employer and the Employee;

(ii) cellular and home business telephone lines;

(iii) a leased car, including a driver as needed by the Employee;

(iv) reimbursement of reasonable tax, investment management and legal services fees;

(v) reimbursement of entertainment expenses which are reasonably expected to benefit the Employer;

(vi) the provision of J. Crew Brand clothing (including for the Employee's spouse); and

(vii) an additional payment (a "Reimbursement Gross-Up Payment") relating to the federal, state and local income and payroll taxes incurred by the Employee with respect to amounts required to be recognized as income for Federal income tax purposes by the Employee as a result of reimbursements provided in clauses (i) through (vi) of this Section 2(g) (the "Gross-Up Expenses"). The amount of Gross-Up Expenses shall be determined by an accounting firm mutually agreed upon by the Employee and the Employer (and whose expenses will be paid by the Employer) and shall reflect that firm's determination of the amount that should be includible in income by the Employee with respect to clauses (i) through (vi) of this

Section 2(g). At least thirty days before the Employee's due date for her Federal income taxes with respect to each calendar year, the Employee shall provide a certificate to the Employer in which the Employee shall represent to the Employer the highest marginal income tax rate applicable to her actual income with respect to each of her federal, state and local income taxes for such year. The "Reimbursement Gross-Up Payment" for each calendar year shall be determined by an accounting firm mutually agreed upon by the parties (whose expenses will be paid by the Employer) and shall equal an amount such that, after payment of all Taxes on the Reimbursement Gross-Up Payment, the Employee will retain an amount sufficient to pay all Taxes that she is required to pay as a result of the reimbursement of the Gross-Up Expenses. The calculation of the amount of the Reimbursement Gross-Up Payment shall (i) take into account any marginal deduction with respect to the Employee's Federal income tax liability for state and local income taxes paid with respect to the Gross-Up Expenses to which the Employee will be entitled, and (ii) notwithstanding the time of year in which any payments are made hereunder by the Employer, be based on payroll taxes on income in excess of $100,000. The determination of the accounting firm shall be final and binding upon the Employee and the Employer. After the accounting firm notifies the Employer of the amount of the Reimbursement Gross-Up Payment and no later than fifteen days prior to the Employee's due date for paying her Federal income taxes for such year, the Employer shall pay the Employee the Reimbursement Gross-Up Payment. The Reimbursement Gross-Up Payment shall be paid by the Employer notwithstanding any termination of the Employee's employment hereunder.

(h) During the Employment Period: (i) the Employee shall be entitled to participate in all savings and retirement plans, practices, policies and programs of the Employer and its affiliated companies which are made available generally to other executive officers of the Employer and its affiliated companies (for the avoidance of doubt, such savings and retirement plans, practices, policies and programs shall exclude any incentive compensation plan, practice, policy or program, including without limitation equity-based compensation and cash bonus plans); and (ii) the Employee and/or the Employee's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs provided by the Employer and its affiliated companies (including, without limitation, medical, prescription, dental, disability, the Employee life insurance, group life insurance, accidental death and travel accident insurance plans and programs) which are made available generally to other executive officers of the Employer and its affiliated companies (for the avoidance of doubt, such plans, practices, policies or programs shall not include any plan, practice, policy or program which provides benefits in the nature of severance or continuation pay). Without limiting the generality of the foregoing, the Employer shall review its executive disability insurance program with the Employee, with the goal of providing the Employee with a long-term disability benefit equal to two-thirds of the Employee's base salary in the event of permanent disability to the extent such insurance is reasonably available in the market (it being understood that the Employer will use its reasonable efforts to purchase such a disability policy). The term "affiliated companies" means all companies controlled by, controlling or under common control with the Employer.

(i) During the Employment Period, the Employee shall be entitled to paid vacation of at least five weeks per year. The ability to carry forward vacation time shall be subject to the Employer's vacation policy applicable generally to executive officers of the Employer as in effect from time to time.

(j) The Employer shall promptly reimburse the Employee for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Employer's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Employer.

(k) During the Employment Period, the Employer shall furnish the Employee with office space, stenographic and secretarial assistance and such other incidental facilities and services as provided to the Employee immediately prior to the date hereof, provided that such services are substantially related to the Employee's employment hereunder.

3. Employment Period.

The Employment Period shall commence on the date of the Closing (the "Effective Date") and shall terminate on the day preceding the fifth anniversary of the Effective Date (the "Scheduled Termination Date"); provided, however, that the Employee's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of the following events (at which time the Employment Period shall be terminated):

(a) Death. The Employee's employment hereunder shall terminate upon her death.

(b) Disability. The Employer shall be entitled to terminate the Employee's employment hereunder for "Disability" if, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been unable to perform her duties hereunder for a period of six (6) consecutive months or for 180 days within any 365-day period, and within 30 days after written Notice of Termination for Disability is given following such 6-month or 180-day period, as the case may be, the Employee shall not have returned to the performance of her duties on a full-time basis.

(c) Cause. The Employer may terminate the Employee's employment hereunder for Cause. For purposes of this Agreement, the term "Cause" shall mean: (1) the willful and continued failure of the Employee substantially to perform the Employee's duties under this Agreement (other than as a result of physical or mental illness or injury), after the Board delivers to the Employee a written demand for substantial performance that specifically identifies the manner in which the Board believes that the Employee has not substantially performed the Employee's duties; and (2) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Employer. Any act or failure to act that is based upon authority given pursuant to a resolution duly adopted by the Board, or

the advice of counsel for the Employer, shall not constitute Cause. Cause shall not exist unless and until the Employer has delivered to the Employee a copy of a resolution duly adopted by a majority of the Board at a meeting of the Board called and held for such purpose (after reasonable but in no event less than thirty (30) days' notice to the Employee and an opportunity for the Employee, together with her counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Employee was guilty of the conduct set forth above and specifying the particulars thereof in detail. This Section 3(c) shall not prevent the Employee from challenging in any court of competent jurisdiction the Board's determination that Cause exists or that the Employee has failed to cure any act (or failure to act) that purportedly formed the basis for the Board's determination.

(d) Good Reason. The Employee may terminate her employment hereunder for "Good Reason," for any of the following reasons enumerated in this Section 3(d) (and such termination shall be treated as if it were a termination by the Employer without Cause, and not a voluntary termination by the Employee): (1) the assignment to the Employee of any duties inconsistent with paragraph (a) of Section 1 of this Agreement, or any other action by the Employer that results in a diminution in the Employee's position, authority, duties or responsibilities; (2) any purported termination of the Employee's employment by the Employer for a reason or in a manner not expressly permitted by this Agreement; or (3) any failure by the Employer to comply with Sections 2(a) through 2(e) and Section 12(d)(ii) of this Agreement, or any other material breach of this Agreement. Termination by the Employee pursuant to this Section 3(d) shall not be effective until the Employee delivers to the Board a written notice specifically identifying the conduct of the Employer which the Employee believes constitutes a reason enumerated in this Section 3(d) and the Employee provides the Board at least thirty (30) days to remedy such conduct.

(e) Without Cause. The Employer may terminate the Employee's employment hereunder without Cause.

(f) Without Good Reason. The Employee may terminate her employment hereunder without Good Reason, provided that the Employee provides the Employer with notice of her intent to terminate without Good Reason at least three months in advance of the Date of Termination (as defined in Section 4 below). The Employee and the Employer shall mutually agree on the time, method and content of any public announcement regarding the Employee's termination of employment hereunder and neither the Employee nor the Employer shall make any public statements which are inconsistent with the information mutually agreed upon by the Employer and the Employee and the parties hereto shall cooperate with each other in refuting any public statements made by other persons, which are inconsistent with the information mutually agreed upon between the Employee and Employer as described above.

4. Termination Procedure.

(a) Notice of Termination. Any termination of the Employee's employment by the Employer or by the Employee during the Employment Period (other than termination pursuant to Section 3(a)) shall be communicated by written "Notice of Termination" to the other party hereto in accordance with Section 12(a). For purposes of this Agreement, a Notice of Termination shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and shall attach any prior notices required under Section 3.

(b) Date of Termination. "Date of Termination" shall mean (i) if the Employee's employment is terminated by her death, the date of her death, (ii) if the Employee's employment is terminated pursuant to Section 3(b), thirty (30) days after Notice of Termination (provided that the Employee shall not have returned to the substantial performance of her duties on a full-time basis during such thirty (30) day period), (iii) if the Employee's employment is terminated pursuant to Section 3(f), a date specified in the Notice of Termination which is at least three months from the date of such notice as specified in such Section 3(f); and if the Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days (or any alternative time period agreed upon by the parties) after the giving of such notice) set forth in such Notice of Termination.

5. Termination Payments.

(a) Without Cause or for Good Reason. In the event of the termination of the Employee's employment during the Employment Period, by the Employer without Cause or by the Employee for Good Reason, the Employee shall be entitled to a payment, within ten (10) days following the Date of Termination, of the Employee's Base Salary through the Date of Termination (to the extent not theretofore paid), any accrued vacation pay, and any unreimbursed expenses under Section 2(h) (the "Accrued Obligations"), and to the continued payment of the Employee's Base Salary through the Scheduled Termination Date. The Employee shall also be entitled to payment of any earned but unpaid Bonus in respect of a Bonus Period ending prior to or coincident with the Date of Termination and a pro-rata Bonus determined pursuant to Section 3 of the Senior Executive Bonus Plan attached hereto as Exhibit A, and paid in accordance with such Bonus Plan. In addition, the Employee (and her spouse and dependents) shall be entitled to continued health and welfare insurance coverage at the levels provided in Section 2(h)(ii) until the earlier to occur of (i) the Scheduled Termination Date or (ii) the date the Employee becomes eligible for substantially similar benefits from a subsequent employer. The Employer shall have no additional obligations under this Agreement (other than as may be provided under Sections 9 or 10 hereof).

(b) Cause, Death, Disability or Without Good Reason. If the Employee's employment is terminated during the Employment Period by the Employer for Cause, by the

Employee without Good Reason, or as a result of the Employee's death or Disability, the Employer shall pay the Accrued Obligations to the Employee or the Employee's estate or legal representative in the event of her death within thirty (30) days following the Date of Termination. The Employee shall also be entitled to any earned but unpaid Bonus in respect of a Bonus Period ending prior to or coincident with the Date of Termination determined pursuant to section 3 of the Senior Executive Bonus Plan attached hereto as Exhibit A, and paid in accordance with such Bonus Plan. The Employer shall have no additional obligations under this Agreement (other than as may be provided under Sections 9 or 10 hereof).

6. Non-exclusivity of Rights.

Any vested benefits and other amounts that the Employee is otherwise entitled to receive under any employee benefit plan, policy, practice or program of the Employer or any of its affiliated companies shall be payable in accordance with such employee benefit plan, policy, practice or program as the case may be, except as explicitly modified by this Agreement.

7. Full Settlement; No Duty to Mitigate.

The Employer's obligation to make the payments provided for in, and otherwise to perform its obligations under, this Agreement shall not be affected by any set off, counterclaim, recoupment, defense or other claim, right or action that the Employer may have against the Employee or others; provided that this provision shall not apply with respect to any debt owed by the Employee to the Employer or any of its affiliates and shall not apply in the event the Employee's employment is terminated by the Employer for Cause under circumstances which may reasonably be expected to result in an economic loss to the Employer.

In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement, and such amounts shall not be reduced, regardless of whether the Employee obtains other employment, except as provided in Section 5(a) herein.

8. Transactions with Affiliates.

During the Employment Period, the Employer shall not engage in any transaction with an affiliate of TPG II without the consent of the Employee. The Employee's consent shall not be unreasonably withheld with respect to any proposed transaction which is on a commercially reasonable arm's length basis.

9. Legal Fees.

(a) The Employer shall reimburse the Employee for reasonable attorneys' fees and expenses and other reasonable fees incurred in connection with the preparation of this Agreement not to exceed $200,000.

(b) In the event of any contest or dispute between the Employer and the Employee with respect to this Agreement or the Employee's employment hereunder, each of the parties shall be responsible for their respective legal fees and expenses.

10. Indemnification.

(a) General. The Employer agrees that if the Employee is made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than any Proceeding related to any contest or dispute between the Employee and the Employer or any of its affiliates with respect to this Agreement or the Employee's employment hereunder, by reason of the fact that the Employee is or was a director or officer of the Employer, or any subsidiary of the Employer or is or was serving at the request of the Employer, as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Employee shall be indemnified and held harmless by the Employer to the fullest extent authorized by New York law. This Section 10(a) shall survive the termination of the Employment Period.

(b) Expenses. As used in this Section 10 the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements, and costs, attorneys' fees, accountant's fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this Agreement.

11. Non-Solicitation.

(a) So long as the Employer is not in default of a material obligation hereunder, the Employee agrees not to offer employment to any employee of the Employer or any of its affiliates or attempt to induce any such employee to leave the employ of the Employer or any subsidiaries of the Employer prior to the second anniversary of the Date of Termination.

(b) The parties hereto hereby declare that it is impossible to measure in money the damages which will accrue to the Employer by reason of a failure by the Employee to perform any of her obligations under this Section 11. Accordingly, if the Employer institutes any action or proceeding to enforce the provisions hereof, to the extent permitted by applicable law, the Employee hereby waives the claim or defense that the Employer has an adequate remedy at law, and the Employee shall not urge in any such action or proceeding the defense that any such remedy exists at law. This Section 11 shall survive the termination of the Employment Period.

12. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and delivered personally or sent by registered or certified mail, postage prepaid, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Employer:

J. Crew Group, Inc.
625 Sixth Avenue
Third Floor
New York, NY 10011

Attention: Board of Directors and Secretary

with a copy to:

Paul Shim, Esq.
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006

If to the Employee:

Ms. Emily Woods
227 West 17th Street
8th Floor
New York, NY 10013

with a copy to:

Adam O. Emmerich, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd St.
New York, NY 10019

or to such other address as any party hereto may designate by notice to the others, and shall be deemed to have been given upon receipt.

(b) This Agreement, along with the Stock Option Grant Agreements dated as of October 17, 1997 by and between the Employee and the Parent and the Stockholders' Agreement dated as of October 17, 1997 by and between the Employee and the Parent, constitute the entire agreement among the parties hereto with respect to the Employee's Employment, and supersedes

and is in full substitution for any and all prior understandings or agreements with respect to the Employee's Employment.

(c) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(d) (i) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Employer or by the Employee.

(ii) The Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Employer expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would have been required to perform it if no such succession had taken place. As used in the Agreement, "the Employer" shall mean both the Employer as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(e) If any provision of this Agreement or portion thereof is so broad, in scope or duration, so as to be unenforceable, such provision or portion thereof shall be interpreted to be only so broad as is enforceable.

(f) The Employer may withhold from any amounts payable to the Employee hereunder all federal, state, city or other taxes that the Employer may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of NEW YORK, without reference to its principles of conflicts of law.

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

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

(j) Exhibit A hereto shall be subject to the provision of paragraphs (a), (c), (d), (f), (g) and (i) of this Section 12.

IN WITNESS WHEREOF, the parties have executed this Agreement, except that TPG II is only a party to this Agreement with respect to its obligations under Section 2(c) hereof, as of the date first written above.

J. CREW GROUP, INC.

Name:
Title:

J. CREW OPERATING CORP.

Name:
Title:

TPG Partners II, L.P.

Name:
Title:

Emily Woods

STOCK OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this 17th day of October, 1997 between J. CREW GROUP INC. (the "Company") and Emily Woods (the "Participant").

WHEREAS, the Company has adopted and maintains the J. Crew Group 1997 Stock Option Plan (the "Plan") to promote the interests of the Company and its stockholders by providing the Company's key employees with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company;

WHEREAS, the Plan provides for the grant to Participants in the Plan of Non-qualified Stock Options to purchase the Securities (as such term is hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows.

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant a NON-QUALIFIED STOCK OPTION (the "Option") with respect to the Securities.

2. Grant Date. The Grant Date of the Option hereby granted is October 17, 1997.

3. Incorporation of Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein, except as specifically stated herein and except that references to the interpretation and findings of the Committee being final and binding, including such reference in Section 3.2 of the Plan, shall not apply to this Stock Option Grant Agreement. If there is any conflict between the terms and conditions of the Plan or this Agreement, the terms and conditions of this Agreement shall govern except as specifically provided herein. All capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Plan unless it is specified that such term shall have the meaning given such term in the Employment Agreement between the Participant, J. Crew Group Inc. and J. Crew Operating Corp., dated October 17, 1997. Sections 3.4, 4.12(a) and 4.13 of the Plan shall not apply to the Option granted hereunder.

4. Exercise Price and Vesting Date. The Option shall be divided into five equal tranches, each of which shall relate to a pro rata portion of each separately identifiable security constituting the Securities, as set forth in the table below. The exercise of any portion of the Option shall require the purchase of a pro rata portion of each separately identifiable security constituting the Securities subject to the Option.

Tranche Number	% of Grant	Date First Exercisable	Exercise Price
1	20% of Securities subject to the Option	October 17, 1998	125% of TPG II's Price
2	20% of Securities subject to the Option	October 17, 1999	156.25% of TPG II's Price
3	20% of Securities subject to the Option	October 17, 2000	195.31% of TPG II's Price
4	20% of Securities subject to the Option	October 17, 2001	244.14% of TPG II's Price
5	20% of Securities subject to the Option	October 17, 2002	305.18% of TPG II's Price

Notwithstanding the foregoing, the Option shall become immediately exercisable upon the occurrence of any of the following: (i) the Participant's employment is terminated by the Company without Cause or by the Participant for Good Reason, (ii) the Participant's employment is terminated by reason of death or Disability, or (iii) a Change in Control of the Company. The terms "Cause," "Good Reason," and "Disability" shall have the meaning set forth in the Employment Agreement.

5. Definition of Securities. For purposes of this Stock Option Grant Agreement, the term "Securities" shall mean (i) 820 shares of Common Stock and (ii) a number of shares of preferred stock ("Preferred Stock") of the Company the purchase price for which (at TPG II's Price) bears the same ratio to the aggregate purchase price for such number of shares of Common Stock (at TPG II's Price) as the ratio of the aggregate purchase price paid by TPG II for the purchase of Preferred Stock at the Closing bears

to the aggregate purchase price paid by TPG II for Common Stock at the Closing. If, subsequent to the Closing, TPG II sells all or any portion of the Preferred Stock acquired by it at the Closing, the amount of Preferred Stock included in the definition of Securities shall thereafter be reduced by replacing in clause (ii) above, (I) the aggregate purchase price paid by TPG II for the purchase of the Preferred Stock at the Closing with (II) the aggregate purchase price paid by TPG II for the purchase of such reduced amount of Preferred Stock as is held by TPG II after such sale; provided, that no such sale shall have any retroactive effect with respect to or related to any portion of the Option exercised by the Participant prior to such sale. For purposes of this Stock Option Grant Agreement, "TPG II's Price" shall mean the per share price paid for the Securities at the Closing multiplied by the number of shares or units of the applicable Security and the term "Closing" shall have the meaning set forth in the Employment Agreement.

6. Exercise of the Option. The Participant may exercise the Option, or any portion thereof, to the extent exercisable pursuant to Section 4 herein, by complying with the method of exercise procedures described in Section 4.10 of the Plan; provided, that prior to the existence of a Public Market, the term "Fair Market Value" under the Plan shall be replaced with the term "Appraised Value" within the meaning of, and as determined pursuant to, the Stockholders' Agreement; and provided, further that, if at the time of exercise the Participant

also exercises her put right pursuant to Section 3(b) of the Stockholders' Agreement between the Company, the Participant and TPG Partners II, L.P. ("TPG II"), dated October 17, 1997 (the "Stockholders' Agreement"), the Participant may make such exercise contingent upon the Appraised Value (as determined under the Stockholders' Agreement) for each share of Common Stock being greater than the per share Exercise Price provided herein. Upon the Participant's request, the Company shall withhold a portion of the shares of Common Stock underlying the Option that would otherwise be distributed to the Participant to satisfy the applicable federal, state and local withholding taxes incurred by the Participant as a result of the exercise of the Option.

7. Option Expiration Date. Subject to the provisions of the Plan, the Option shall expire and be canceled on the tenth anniversary of the Grant Date; provided, that the Option shall expire prior to the tenth anniversary of the Grant Date as follows: (i) to the extent the Option is not exercisable on the date the Participant's Employment terminates for any reason (taking into account any acceleration event occurring on such date of termination), such Option shall expire and be canceled on the date the Employment terminates; and (ii) to the extent the Option is exercisable on the date the Participant's Employment terminates, the Option shall expire and be canceled (A) two years after termination of the Participant's Employment by reason of death or Disability (but not later than the tenth anniversary of the Grant Date), (B) on the commencement of business on the date the Participant's Employment is, or is deemed to have been, terminated by the Company for Cause or by the Participant without Good Reason, or (C) the end of the full ten-year term upon any other termination of Employment. The terms "Cause", "Good Reason" and "Disability" shall have the meaning set forth in the Employment Agreement. If, within one year after the date of the Participant's termination of Employment, it is discovered that the Participant's Employment could have been terminated for Cause, the Participant's Employment shall, at the election of the Committee, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

8. Adjustment to Option. In the event of a merger, consolidation, liquidation, stock split, reverse stock split, stock dividend or distribution, spin-off, recapitalization, share exchange, reorganization, extraordinary dividend, non-arm's length transaction with TPG II or its affiliates other than customary management and advisory fees or any other similar corporate transaction, the Company shall adjust the number of shares of Common Stock and/or kind of securities subject to the Option, the Exercise Price per share of Common Stock or the terms of the Option to prevent the enlargement or dilution of the value, rights and benefits of the Option and it shall be a condition to any such transaction that adequate provision shall have been so made.

9. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or

default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

10. Limitation on Transfer. During the lifetime of the Participant, the Option shall be exercisable only by the Participant. The Option shall not be assignable or transferable otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Participant may assign her rights with respect to the Option granted herein to a trust, partnership, LLC or custodianship the beneficiaries, partners or members of which may include only the Participant, the Participant's spouse, or the Participant's lineal descendants (by blood or adoption). In the event of any such assignment, such trust or custodianship shall be subject to all the restrictions, obligations and responsibilities as apply to the Participant under the Plan and this Stock Option Grant Agreement and shall be entitled to all the rights of the Participant under the Plan. All Securities obtained pursuant to the Option granted herein shall be subject to any limitations on transfer provided in the Stockholders' Agreement.

11. Integration. This Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including without limitation the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

13. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to the provisions governing conflict of laws.

14. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on her own behalf, thereby representing that she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

J. CREW GROUP INC.

By:

Emily Woods

STOCK OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this 17th day of October, 1997 between J. CREW GROUP INC. (the "Company") and Emily Woods (the "Participant").

WHEREAS, the Company has adopted and maintains the J. Crew Group 1997 Stock Option Plan (the "Plan") to promote the interests of the Company and its stockholders by providing the Company's key employees with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company;

WHEREAS, the Plan provides for the grant to Participants in the Plan of Non-qualified Stock Options to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows.

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant a NON-QUALIFIED STOCK OPTION (the "Option") with respect to 1641 shares of Common Stock of the Company.

2. Grant Date. The Grant Date of the Option hereby granted is October 17, 1997.

3. Incorporation of Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein, except as specifically stated herein and except that references to the interpretation and findings of the Committee being final and binding, including such reference in Section 3.2 of the Plan, shall not apply to this Stock Option Grant Agreement. If there is any conflict between the terms and conditions of the Plan or this Agreement, the terms and conditions of this Agreement shall govern except as specifically provided herein. All capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Plan unless it is specified that such term shall have the meaning given such term in the Employment Agreement between the Participant, J. Crew Group Inc. and J. Crew Operating Corp., dated October 17, 1997. Sections 3.4, 4.12(a) and 4.13 of the Plan shall not apply to the Option granted hereunder.

4. Exercise Price. The exercise price of each share underlying the Option hereby granted is the TPG II Price as defined in Section 2(c) of the Employment Agreement.

5. Vesting Date. On the last day of each of fiscal years 1998 through 2002, (each an "Anniversary Date"), the Option will become exercisable with respect to up to twenty percent of the shares of Common Stock underlying the (the "Eligible Portion") in accordance with the following: (i) if less than 90% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, 0% of the Eligible Portion shall become exercisable; (ii) if 90% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, 50% of the Eligible Portion will become exercisable; (iii) if 95% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, 100% of the Eligible Portion shall become exercisable, and (iv) if between 90% and 95% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, the percentage of the Eligible Portion which shall become exercisable shall be determined on the basis of straight line interpolation based on the amounts set forth in (ii) and (iii) above. Notwithstanding the foregoing, the Option shall become immediately exercisable upon the occurrence of any of the following: (i) the Participant's employment is terminated by the Company without Cause or by the Participant for Good Reason, (ii) the Participant's employment is terminated by reason of death or Disability, or (iii) a Change in Control of the Company. In addition, the Option shall become exercisable with respect to all shares of Common Stock subject thereto on the seventh anniversary of the Grant Date. The terms "Cause," "Good Reason" and "Disability" shall have the meaning set forth in the Employment Agreement.

6. EBITDA Target. Annual EBITDA Targets for each applicable fiscal year are as follows:

Fiscal Year	Annual EBITDA Target

1998	$ 69,500,000
1999	$ 86,300,000
2000	$102,500,000
2001	$117,600,000
2002	$130,600,000

7. Exercise of the Option. The Participant may exercise the Option, or any portion thereof, to the extent exercisable pursuant to Section 5 herein, by complying with the method of exercise procedures described in Section 4.10 of the Plan; provided, that prior to the existence of a Public Market, the term "Fair Market Value" under the Plan shall be replaced with the term "Appraised Value" within the meaning of, and as determined pursuant to, the Stockholders' Agreement; and provided, further that, if at the time of exercise the Participant also exercises her put right pursuant to Section 3(b) of the Stockholders' Agreement between the Company, the Participant and TPG Partners II, L.P. ("TPG II"), dated October 17, 1997 (the "Stockholders' Agreement"), the Participant may make such exercise contingent upon the Appraised Value (as determined under the Stockholders' Agreement) for each share of Common Stock being greater than the per share Exercise Price provided herein. Upon the Participant's request, the Company shall withhold a portion of the shares of Common Stock underlying the Option that would otherwise be distributed to the

Participant to satisfy the applicable federal, state and local withholding taxes incurred by the Participant as a result of the exercise of the Option.

8. Option Expiration Date. Subject to the provisions of the Plan, the Option shall expire and be canceled on the tenth anniversary of the Grant Date; provided, that the Option shall expire prior to the tenth anniversary of the Grant Date as follows: (i) to the extent the Option is not exercisable on the date the Participant's Employment terminates for any reason (taking into account any acceleration event occurring on such date of termination), such Option shall expire and be canceled on the date the Employment terminates; and (ii) to the extent the Option is exercisable on the date the Participant's Employment terminates, the Option shall expire and be canceled (A) two years after termination of the Participant's Employment by reason of death or Disability (but not later than the tenth anniversary of the Grant Date), (B) on the commencement of business on the date the Participant's Employment is, or is deemed to have been, terminated by the Company for Cause or by the Participant without Good Reason, or (C) the end of the full ten-year term upon any other termination of Employment. The terms "Cause", "Good Reason" and "Disability" shall have the meaning set forth in the Employment Agreement. If, within one year after the date of the Participant's termination of Employment, it is discovered that the Participant's Employment could have been terminated for Cause, the Participant's Employment shall, at the election of the Committee, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

9. Adjustment to Option. In the event of a merger, consolidation, liquidation, stock split, reverse stock split, stock dividend or distribution, spin-off, recapitalization, share exchange, reorganization, extraordinary dividend, non-arm's length transaction with TPG II or its affiliates other than customary management and advisory fees, or other similar corporate transaction, the Company shall adjust the number of shares of Common Stock and/or kind of securities subject to the Option, the Exercise Price per share of Common Stock or the terms of the Option to prevent the enlargement or dilution of the value, rights and benefits of the Option and it shall be a condition to any such transaction that adequate provision shall have been so made.

10. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

11. Limitation on Transfer. During the lifetime of the Participant, the Option shall be exercisable only by the Participant. The Option shall not be assignable or transferable

otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Participant may assign her rights with respect to the Option granted herein to a trust, partnership, LLC or custodianship the beneficiaries, partners or members of which may include only the Participant, the Participant's spouse, or the Participant's lineal descendants (by blood or adoption). In the event of any such assignment, such trust or custodianship shall be subject to all the restrictions, obligations and responsibilities as apply to the Participant under the Plan and this Stock Option Grant Agreement and shall be entitled to all the rights of the Participant under the Plan. All shares of Common Stock obtained pursuant to the Option granted herein shall be subject to any limitations on transfer provided in the Stockholders' Agreement.

12. Integration. This Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including without limitation the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

14. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to the provisions governing conflict of laws.

15. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on her own behalf, thereby representing that she has carefully read and understands this Agreement and the Plan as of the day and year first written above.

J. CREW GROUP INC.

By:

Emily Woods

J. CREW

UPS INCENTIVE PROGRAM

CONTRACT CARRIER AGREEMENT

J. Crew, including all of its subsidiaries, (Customer) and United Parcel Service, Inc. (UPS) have entered into the following Agreement.

UPS is authorized to provide contract carrier service between all points in the 48 contiguous United States. The terms of this Agreement are based on the distinct needs of the Customer and are not to be disclosed to any third party. Customer agrees that the terms of this Agreement are that UPS will be the Customer's preferred carrier of choice. Accordingly:

1) UPS agrees to transport packages tendered by the Customer at all shipping locations, as listed on Attachment A to destination ZIP Codes listed in the Ground ZIP Codes Served Chart, and to provide such transportation and additional services as described in the currently effective tariffs of UPS. Any additions or deletions of shipper numbers will be by mutual consent of both parties.

2) Customer agrees to use a UPS Pickup Record book or, as applicable, either (a) to use a register for registering gross charges associated with ground packages shipped, or (b) to provide UPS daily with a separate computer-generated manifest detail summary showing gross charges for ground packages.

3) Customer agrees to place an address label on each package tendered to UPS.

4) UPS agrees to grant the Customer a discount as listed in the tiers listed below from the published UPS Ground Service Rate Chart in effect at the time of shipping for commercial and residential ground packages tendered to UPS. Customer further agrees that no discount applies to additional or other charges.

September 1, 1995 to February 4, 1996	27 cents off Commercial and Residential Rates
February 5, 1996 to February 2, 1997	31 cents off Commercial and Residential Rates
February 3, 1997 to January 30, 1998	35 cents off Commercial and Residential Rates

If no shipping activity is recorded by the Customer during a given week, a minimum charge of fifty (50) dollars will apply to the Customer.

5) UPS will calculate the discount for all locations once per week and will bill the Customer net after discount. The discount applied each week will be calculated using the average weekly ground volume from all previous weeks (up to 52 weeks) as they are accumulated.

6) UPS agrees to transport such shipments as Customer may tender to UPS and to provide Customer such transportation and additional services in accordance with the rules of UPS Hundredweight Service in effect at the time of shipping. (Attachment 8 signed 8/28/95)

UPS agrees to grant the Customer the following discounts from the published UPS Hundredweight service rates in effect at the time of shipping: Tier 06 less thirteen percent (13%) for shipments weighing 500 pounds or less and Tier 06 less thirteen percent (13%) for shipments weighing greater than 500 pounds. Customer further agrees that no discount applies to additional or other charges.

A minimum charge for a ground UPS Hundredweight Service shipment will be based on an average weight of 15 pounds per package or $40 per shipment, whichever is greater.

A package measuring over 84 inches in length and girth combined and weighing less than 30 pounds will be considered a 30 pound package in calculating the billed aggregate weight used to determine total charges.

7) UPS will provide the following rate adjustment for the duration of the Agreement:

February 5, 1996 until February 2, 1997, rates will increase with a maximum cap of 6% from the previous year or

the UPS rate increase whichever is less.

February 3, 1997 until January 30, 1998, rates will increase with a maximum cap of 6% from the previous year or the UPS rate increase whichever is less.

8) UPS will provide the following services to Customer during the life of this Agreement:

- Dedicated Customer Service telephone contact

- EDI capability for tracing and tracking

- Dedicated National Accounts Manager

- Dedicated Delivery Information personnel for tracing and claims

9) With the exception of UPS's right to assign some or all of this Agreement to its affiliate or subsidiary, this Agreement and the Customer's rights and obligations hereunder are not assignable or transferable. Any assignment or attempt to assign, transfer or subcontract hereof without the prior written consent of UPS shall be void and without force or effect.

10) This Agreement will remain in effect from September 1, 1995 until January 30, 1998, unless terminated at any time by either party by written notice to the other given at least thirty (30) days prior to any termination date.

11) This contract cancels all previous Contract Carrier Ground (excluding Contract Carrier Call Tag Agreement dated June , 1991). Agreements between UPS and the Customer and the Customer's affiliates and subsidiaries.

12) J. Crew agrees to promote UPS as its "Carrier of Choice" in all catalogs, flyers, magazines and on incoming customer order calls.

13) If not accepted by September 29, 1995, this proposal is withdrawn as of that date.

(Customer) J. CREW

By: /s/

(An Authorized Representative)

Title: _____

Date Signed: _____

Address: _____

_____

(Carrier) UNITED PARCEL SERVICE, INC.

By: /s/

(An Authorized Representative)

Title: _____

Date Signed: _____

Address: _____

_____

Effective Date:_____

1996 Residential Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	$2.94	$3.13	$3.37	$3.45	$3.52	$3.62	$3.66
2	$3.00	$3.19	$3.62	$3.74	$3.94	$4.05	$4.26
3	$3.08	$3.34	$3.82	$3.98	$4.25	$4.39	$4.72
4	$3.19	$3.47	$3.98	$4.17	$4.48	$4.67	$5.06
5	$3.33	$3.61	$4.08	$4.29	$4.65	$4.87	$5.31
6	$3.45	$3.69	$4.13	$4.36	$4.78	$5.05	$5.53
7	$3.57	$3.76	$4.19	$4.43	$4.94	$5.26	$5.79
8	$3.68	$3.83	$4.24	$4.49	$5.08	$5.51	$6.11
9	$3.81	$3.91	$4.32	$4.59	$5.26	$5.82	$6.53
10	$3.93	$4.02	$4.40	$4.71	$5.45	$6.18	$7.00
11	$4.05	$4.13	$4.50	$4.90	$5.71	$6.55	$7.48
12	$4.14	$4.25	$4.60	$5.11	$6.00	$6.95	$7.98
13	$4.22	$4.38	$4.73	$5.36	$6.32	$7.37	$8.48
14	$4.29	$4.54	$4.88	$5.63	$6.66	$7.80	$8.99
15	$4.37	$4.70	$5.06	$5.90	$7.01	$8.25	$9.51
16	$4.46	$4.88	$5.27	$6.17	$7.38	$8.70	$10.05
17	$4.54	$5.06	$5.49	$6.45	$7.75	$9.16	$10.57
18	$4.64	$5.22	$5.68	$6.70	$8.12	$9.61	$11.09
19	$4.74	$5.37	$5.88	$6.95	$8.46	$10.02	$11.59
20	$4.85	$5.53	$6.06	$7.18	$8.81	$10.43	$12.08
21	$4.96	$5.66	$6.23	$7.41	$9.11	$10.80	$12.56
22	$5.08	$5.82	$6.41	$7.65	$9.44	$11.20	$13.04
23	$5.21	$5.97	$6.60	$7.88	$9.76	$11.59	$13.53
24	$5.35	$6.14	$6.81	$8.15	$10.11	$12.02	$14.04
25	$5.49	$6.30	$7.01	$8.40	$10.44	$12.44	$14.55
26	$5.61	$6.48	$7.21	$8.67	$10.78	$12.85	$15.05
27	$5.74	$6.64	$7.41	$8.93	$11.11	$13.28	$15.56
28	$5.85	$6.81	$7.63	$9.19	$11.46	$13.70	$16.07
29	$5.95	$6.96	$7.84	$9.46	$11.81	$14.13	$16.60
30	$6.05	$7.12	$8.07	$9.74	$12.17	$14.55	$17.12
31	$6.15	$7.27	$8.29	$10.02	$12.55	$14.99	$17.66
32	$6.27	$7.42	$8.51	$10.31	$12.91	$15.43	$18.19
33	$6.38	$7.58	$8.73	$10.58	$13.27	$15.89	$18.73
34	$6.48	$7.75	$8.95	$10.86	$13.60	$16.33	$19.27
35	$6.59	$7.93	$9.18	$11.13	$13.94	$16.78	$19.79
36	$6.68	$8.12	$9.38	$11.39	$14.28	$17.21	$20.32
37	$6.77	$8.30	$9.59	$11.66	$14.62	$17.64	$20.83
38	$6.87	$8.46	$9.79	$11.92	$14.96	$18.08	$21.34
39	$6.96	$8.61	$9.99	$12.18	$15.31	$18.49	$21.85
40	$7.06	$8.77	$10.21	$12.45	$15.65	$18.93	$22.36
41	$7.15	$8.92	$10.42	$12.71	$15.99	$19.36	$22.88
42	$7.26	$9.08	$10.63	$12.98	$16.33	$19.79	$23.40
43	$7.36	$9.24	$10.84	$13.24	$16.69	$20.22	$23.91

1996 Residential Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
44	$7.46	$9.42	$11.05	$13.51	$17.04	$20.65	$24.44
45	$7.57	$9.58	$11.26	$13.77	$17.38	$21.09	$24.95
46	$7.67	$9.74	$11.48	$14.04	$17.72	$21.50	$25.46
47	$7.76	$9.88	$11.69	$14.31	$18.03	$21.91	$25.95
48	$7.83	$10.01	$11.89	$14.56	$18.32	$22.29	$26.42
49	$7.91	$10.11	$12.09	$14.81	$18.63	$22.67	$26.90
50	$7.97	$10.22	$12.27	$15.02	$18.91	$23.02	$27.33
51	$8.05	$10.34	$12.43	$15.25	$19.22	$23.40	$27.79
52	$8.12	$10.44	$12.56	$15.40	$19.45	$23.67	$28.11
53	$8.18	$10.52	$12.65	$15.52	$19.64	$23.90	$28.37
54	$8.22	$10.56	$12.71	$15.58	$19.71	$24.01	$28.49
55	$8.27	$10.61	$12.77	$15.66	$19.80	$24.12	$28.63
56	$8.33	$10.66	$12.83	$15.73	$19.89	$24.23	$28.76
57	$8.39	$10.73	$12.88	$15.81	$19.98	$24.34	$28.89
58	$8.45	$10.79	$12.94	$15.88	$20.06	$24.46	$29.02
59	$8.51	$10.85	$12.99	$15.96	$20.15	$24.56	$29.15
60	$8.58	$10.91	$13.05	$16.03	$20.23	$24.68	$29.28
61	$8.63	$10.97	$13.11	$16.11	$20.32	$24.78	$29.41
62	$8.68	$11.02	$13.16	$16.19	$20.40	$24.89	$29.55
63	$8.75	$11.08	$13.22	$16.26	$20.50	$24.99	$29.69
64	$8.80	$11.13	$13.28	$16.34	$20.59	$25.10	$29.83
65	$8.86	$11.20	$13.33	$16.42	$20.69	$25.21	$29.98
66	$8.91	$11.26	$13.39	$16.48	$20.78	$25.35	$30.11
67	$8.96	$11.32	$13.44	$16.55	$20.87	$25.45	$30.25
68	$9.02	$11.38	$13.49	$16.61	$20.97	$25.58	$30.38
69	$9.09	$11.47	$13.59	$16.72	$21.12	$25.78	$30.55
70	$9.15	$11.52	$13.65	$16.76	$21.20	$25.94	$30.72
71	$13.79	$15.51	$17.31	$19.26	$23.08	$27.15	$31.26
72	$17.60	$18.57	$20.21	$21.69	$24.99	$28.51	$31.93
73	$20.42	$21.91	$23.42	$24.33	$27.11	$29.95	$32.79
74	$22.50	$24.19	$25.56	$26.59	$29.01	$31.37	$33.65
75	$24.00	$25.56	$26.93	$27.86	$30.15	$32.07	$34.28
76	$24.66	$26.27	$27.82	$28.79	$30.94	$32.58	$34.70
77	$25.13	$26.72	$28.27	$29.15	$31.28	$32.75	$34.90
78	$25.59	$27.20	$28.75	$29.65	$31.72	$33.14	$35.17
79	$26.03	$27.65	$29.18	$30.06	$32.13	$33.57	$35.41
80	$26.44	$28.09	$29.60	$30.48	$32.54	$33.99	$35.75
81	$26.82	$28.48	$30.01	$30.87	$32.93	$34.39	$36.13
82	$27.17	$28.84	$30.38	$31.25	$33.32	$34.79	$36.56
83	$27.48	$29.18	$30.73	$31.61	$33.69	$35.17	$36.96
84	$27.80	$29.51	$31.08	$31.96	$34.07	$35.56	$37.37
85	$28.11	$29.84	$31.42	$32.32	$34.44	$35.94	$37.77
86	$28.43	$30.17	$31.76	$32.67	$34.81	$36.34	$38.17

1996 Residential Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
87	$28.74	$30.49	$32.11	$33.02	$35.18	$36.72	$38.57
88	$29.05	$30.82	$32.45	$33.38	$35.55	$37.11	$38.97
89	$29.36	$31.14	$32.79	$33.73	$35.92	$37.49	$39.38
90	$29.67	$31.48	$33.14	$34.08	$36.29	$37.88	$39.78
91	$29.99	$31.80	$33.48	$34.44	$36.66	$38.26	$40.18
92	$30.31	$32.13	$33.83	$34.79	$37.03	$38.65	$40.58
93	$30.62	$32.45	$34.17	$35.14	$37.40	$39.02	$40.98
94	$30.92	$32.79	$34.50	$35.50	$37.76	$39.39	$41.38
95	$31.24	$33.12	$34.83	$35.85	$38.12	$39.76	$41.79
96	$31.55	$33.45	$35.14	$36.20	$38.45	$40.14	$42.19
97	$31.87	$33.77	$35.47	$36.56	$38.81	$40.53	$42.60
98	$32.18	$34.10	$35.79	$36.91	$39.16	$40.91	$43.00
99	$32.50	$34.42	$36.15	$37.26	$39.54	$41.29	$43.40
100	$32.81	$34.76	$36.49	$37.62	$39.91	$41.66	$43.79
101	$33.12	$35.09	$36.84	$37.97	$40.28	$42.04	$44.19
102	$33.43	$35.41	$37.18	$38.32	$40.66	$42.41	$44.58
103	$33.74	$35.75	$37.52	$38.68	$41.02	$42.79	$44.97
104	$34.06	$36.06	$37.87	$39.03	$41.39	$43.16	$45.36
105	$34.38	$36.41	$38.21	$39.39	$41.75	$43.55	$45.75
106	$34.69	$36.72	$38.56	$39.74	$42.13	$43.93	$46.13
107	$35.00	$37.06	$38.90	$40.10	$42.49	$44.30	$46.53
108	$35.32	$37.39	$39.24	$40.46	$42.86	$44.68	$46.90
109	$35.62	$37.71	$39.58	$40.81	$43.22	$45.05	$47.31
110	$35.94	$38.04	$39.93	$41.16	$43.59	$45.43	$47.68
111	$36.25	$38.36	$40.27	$41.52	$43.96	$45.80	$48.09
112	$36.57	$38.70	$40.61	$41.87	$44.34	$46.18	$48.46
113	$36.88	$39.01	$40.96	$42.22	$44.70	$46.56	$48.87
114	$37.20	$39.36	$41.30	$42.58	$45.07	$46.93	$49.24
115	$37.51	$39.67	$41.65	$42.93	$45.43	$47.31	$49.64
116	$37.82	$40.01	$41.99	$43.28	$45.80	$47.68	$50.03
117	$38.13	$40.34	$42.34	$43.64	$46.17	$48.06	$50.42
118	$38.44	$40.66	$42.68	$43.99	$46.53	$48.44	$50.81
119	$38.76	$40.99	$43.02	$44.34	$46.91	$48.81	$51.20
120	$39.07	$41.31	$43.36	$44.70	$47.28	$49.20	$51.59
121	$39.39	$41.65	$43.71	$45.05	$47.65	$49.58	$51.98
122	$39.69	$41.98	$44.05	$45.40	$48.02	$49.95	$52.37
123	$40.01	$42.31	$44.40	$45.76	$48.38	$50.33	$52.76
124	$40.32	$42.63	$44.74	$46.11	$48.75	$50.70	$53.15
125	$40.64	$42.96	$45.09	$46.46	$49.11	$51.08	$53.54
126	$40.95	$43.28	$45.43	$46.82	$49.48	$51.45	$53.93
127	$41.27	$43.61	$45.77	$47.17	$49.85	$51.84	$54.32
128	$41.58	$43.93	$46.12	$47.52	$50.21	$52.21	$54.71
129	$41.89	$44.27	$46.46	$47.88	$50.59	$52.59	$55.10

1996 Residential Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
130	$42.20	$44.60	$46.80	$48.23	$50.96	$52.96	$55.48
131	$42.51	$44.93	$47.15	$48.58	$51.33	$53.34	$55.87
132	$42.83	$45.26	$47.49	$48.94	$51.69	$53.71	$56.25
133	$43.14	$45.59	$47.83	$49.29	$52.06	$54.10	$56.65
134	$43.46	$45.91	$48.17	$49.65	$52.42	$54.47	$57.04
135	$43.77	$46.24	$48.51	$50.00	$52.79	$54.85	$57.43
136	$44.08	$46.56	$48.86	$50.36	$53.16	$55.22	$57.82
137	$44.39	$46.90	$49.21	$50.72	$53.52	$55.60	$58.21
138	$44.71	$47.23	$49.55	$51.07	$53.90	$55.97	$58.60
139	$45.02	$47.56	$49.89	$51.42	$54.26	$56.36	$58.98
140	$45.34	$47.88	$50.23	$51.78	$54.64	$56.74	$59.38
141	$45.65	$48.21	$50.57	$52.13	$55.01	$57.11	$59.76
142	$45.96	$48.53	$50.91	$52.48	$55.37	$57.49	$60.16
143	$46.27	$48.87	$51.25	$52.84	$55.74	$57.86	$60.55
144	$46.58	$49.19	$51.59	$53.19	$56.10	$58.24	$60.93
145	$46.90	$49.52	$51.93	$53.54	$56.47	$58.61	$61.32
146	$47.21	$49.84	$52.27	$53.89	$56.84	$58.97	$61.69
147	$47.53	$50.17	$52.61	$54.22	$57.20	$59.33	$62.05
148	$47.83	$50.50	$52.94	$54.56	$57.55	$59.69	$62.42
149	$48.14	$50.81	$53.28	$54.89	$57.91	$60.05	$62.77
150	$48.42	$51.13	$53.61	$55.23	$58.26	$60.42	$63.13

J Crew 1996 Rates

1996 Commercial Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	$2.21	$2.39	$2.63	$2.72	$2.79	$2.88	$2.93
2	$2.26	$2.45	$2.89	$3.01	$3.20	$3.31	$3.52
3	$2.34	$2.60	$3.09	$3.24	$3.51	$3.65	$3.97
4	$2.45	$2.73	$3.25	$3.43	$3.74	$3.92	$4.32
5	$2.59	$2.88	$3.34	$3.55	$3.91	$4.13	$4.56
6	$2.72	$2.97	$3.41	$3.63	$4.04	$4.30	$4.78
7	$2.83	$3.04	$3.46	$3.70	$4.20	$4.51	$5.04
8	$2.95	$3.11	$3.52	$3.76	$4.34	$4.77	$5.37
9	$3.07	$3.19	$3.59	$3.85	$4.52	$5.06	$5.77
10	$3.19	$3.30	$3.68	$3.98	$4.71	$5.43	$6.24
11	$3.30	$3.41	$3.77	$4.16	$4.97	$5.80	$6.72
12	$3.39	$3.53	$3.88	$4.37	$5.25	$6.20	$7.20
13	$3.47	$3.66	$4.00	$4.63	$5.57	$6.62	$7.71
14	$3.55	$3.81	$4.15	$4.88	$5.91	$7.04	$8.22
15	$3.63	$3.97	$4.34	$5.15	$6.25	$7.48	$8.74
16	$3.71	$4.15	$4.53	$5.42	$6.62	$7.93	$9.26
17	$3.80	$4.33	$4.75	$5.68	$6.98	$8.38	$9.78
18	$3.89	$4.49	$4.94	$5.94	$7.34	$8.82	$10.29
19	$3.99	$4.65	$5.14	$6.18	$7.68	$9.23	$10.79
20	$4.12	$4.80	$5.33	$6.43	$8.03	$9.63	$11.28
21	$4.25	$4.97	$5.52	$6.67	$8.36	$10.04	$11.78
22	$4.38	$5.13	$5.72	$6.93	$8.69	$10.44	$12.27
23	$4.52	$5.29	$5.91	$7.18	$9.02	$10.85	$12.77
24	$4.66	$5.45	$6.11	$7.43	$9.36	$11.26	$13.26
25	$4.79	$5.61	$6.32	$7.69	$9.70	$11.68	$13.77
26	$4.91	$5.79	$6.51	$7.94	$10.03	$12.09	$14.27
27	$5.04	$5.95	$6.72	$8.20	$10.36	$12.52	$14.77
28	$5.15	$6.12	$6.92	$8.47	$10.70	$12.93	$15.28
29	$5.25	$6.27	$7.14	$8.72	$11.05	$13.36	$15.79
30	$5.35	$6.42	$7.36	$9.00	$11.41	$13.78	$16.32
31	$5.45	$6.57	$7.58	$9.29	$11.78	$14.21	$16.85
32	$5.56	$6.72	$7.81	$9.57	$12.14	$14.65	$17.38
33	$5.66	$6.89	$8.03	$9.84	$12.49	$15.09	$17.92
34	$5.77	$7.05	$8.24	$10.12	$12.83	$15.54	$18.44
35	$5.88	$7.23	$8.46	$10.38	$13.16	$15.97	$18.97
36	$5.97	$7.42	$8.67	$10.64	$13.50	$16.41	$19.48
37	$6.07	$7.59	$8.87	$10.91	$13.84	$16.83	$19.99
38	$6.16	$7.76	$9.08	$11.17	$14.18	$17.26	$20.49
39	$6.25	$7.91	$9.28	$11.43	$14.53	$17.68	$21.00
40	$6.35	$8.06	$9.48	$11.69	$14.86	$18.11	$21.51
41	$6.44	$8.21	$9.70	$11.95	$15.19	$18.53	$22.02
42	$6.55	$8.36	$9.91	$12.22	$15.54	$18.96	$22.54
43	$6.65	$8.53	$10.12	$12.48	$15.88	$19.38	$23.05

J Crew 1996 Rates

1996 Commercial Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
44	$6.75	$8.69	$10.33	$12.74	$16.23	$19.82	$23.56
45	$6.86	$8.87	$10.54	$13.00	$16.58	$20.24	$24.07
46	$6.95	$9.02	$10.75	$13.27	$16.90	$20.66	$24.57
47	$7.05	$9.17	$10.96	$13.52	$17.22	$21.05	$25.05
48	$7.12	$9.29	$11.16	$13.78	$17.51	$21.43	$25.53
49	$7.19	$9.40	$11.36	$14.01	$17.79	$21.80	$25.97
50	$7.24	$9.49	$11.51	$14.22	$18.06	$22.12	$26.39
51	$7.32	$9.60	$11.67	$14.39	$18.31	$22.43	$26.75
52	$7.37	$9.68	$11.77	$14.51	$18.51	$22.66	$27.03
53	$7.43	$9.75	$11.86	$14.60	$18.65	$22.84	$27.24
54	$7.47	$9.79	$11.91	$14.68	$18.74	$22.96	$27.37
55	$7.52	$9.84	$11.98	$14.75	$18.83	$23.08	$27.52
56	$7.58	$9.90	$12.04	$14.82	$18.91	$23.19	$27.64
57	$7.63	$9.95	$12.09	$14.90	$18.99	$23.30	$27.76
58	$7.70	$10.02	$12.15	$14.97	$19.08	$23.40	$27.89
59	$7.76	$10.08	$12.20	$15:04	$19.17	$23.51	$28.01
60	$7.82	$10.14	$12.25	$15.12	$19.25	$23.61	$28.15
61	$7.88	$10.20	$12.32	$15.20	$19.34	$23.72	$28.28
62	$7.94	$10.25	$12.37	$15.27	$19.42	$23.83	$28.42
63	$7.99	$10.31	$12.43	$15.35	$19.52	$23.93	$28.55
64	$8.05	$10.36	$12.48	$15.42	$19.61	$24.04	$28.70
65	$8.10	$10.42	$12.53	$15.50	$19.70	$24.15	$28.84
66	$8.15	$10.47	$12.59	$15.56	$19.79	$24.28	$28.97
67	$8.21	$10.54	$12.65	$15.63	$19.88	$24.40	$29.11
68	$8.26	$10.60	$12.70	$15.68	$19.97	$24.52	$29.23
69	$8.35	$10.70	$12.81	$15.90	$20.26	$24.77	$29.43
70	$8.40	$10.75	$12.86	$15.95	$20.34	$25.04	$29.68
71	$13.11	$14.78	$16.57	$18.38	$22.16	$26.16	$30.23
72	$16.78	$18.21	$19.73	$20.80	$24.08	$27.55	$30.93
73	$19.59	$21.10	$22.78	$23.44	$26.20	$29.02	$31.82
74	$21.65	$23.24	$24.81	$25.68	$28.07	$30.39	$32.67
75	$23.17	$24.80	$26.13	$26.92	$29.19	$31.10	$33.27
76	$23.77	$25.36	$26.86	$27.85	$29.98	$31.59	$33.69
77	$24.24	$25.85	$27.37	$28.19	$30.31	$31.76	$33.89
78	$24.69	$26.33	$27.85	$28.68	$30.73	$32.14	$34.14
79	$25.14	$26.80	$28.31	$29.08	$31.13	$32.57	$34.40
80	$25.54	$27.23	$28.73	$29.50	$31.54	$32.98	$34.72
81	$25.91	$27.61	$29.13	$29.89	$31.93	$33.37	$35.10
82	$26.25	$27.97	$29.50	$30.27	$32.32	$33.77	$35.51
83	$26.56	$28.30	$29.84	$30.63	$32.69	$34.15	$35.92
84	$26.88	$28.62	$30.18	$30.98	$33.05	$34.54	$36.32
85	$27.19	$28.95	$30.52	$31.33	$33.41	$34.92	$36.72
86	$27.50	$29.28	$30.87	$31.68	$33.79	$35.30	$37.12

J Crew 1996 Rates

1996 Commercial Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
87	$27.81	$29.60	$31.21	$32.03	$34.16	$35.69	$37.51
88	$28.11	$29.92	$31.55	$32.38	$34.52	$36.07	$37.91
89	$28.42	$30.25	$31.88	$32.73	$34.89	$36.45	$38.30
90	$28.74	$30.57	$32.22	$33.07	$35.25	$36.83	$38.70
91	$29.05	$30.90	$32.57	$33.42	$35.62	$37.21	$39.10
92	$29.36	$31.23	$32.91	$33.76	$35.98	$37.58	$39.49
93	$29.67	$31.55	$33.23	$34.12	$36.35	$37.96	$39.90
94	$29.97	$31.88	$33.57	$34.47	$36.71	$38.32	$40.30
95	$30.28	$32.21	$33.91	$34.82	$37.06	$38.69	$40.70
96	$30.60	$32.53	$34.19	$35.17	$37.40	$39.06	$41.10
97	$30.91	$32.86	$34.51	$35.52	$37.74	$39.44	$41.49
98	$31.22	$33.18	$34.88	$35.87	$38.09	$39.82	$41.89
99	$31.53	$33.50	$35.22	$36.22	$38.46	$40.19	$42.28
100	$31.84	$33.83	$35.55	$36.57	$38.84	$40.57	$42.68
101	$32.14	$34.16	$35.89	$36.92	$39.21	$40.94	$43.06
102	$32.45	$34.48	$36.24	$37.27	$39.58	$41.31	$43.45
103	$32.77	$34.81	$36.58	$37.62	$39.94	$41.68	$43.83
104	$33.08	$35.14	$36.92	$37.97	$40.31	$42.06	$44.22
105	$33.39	$35.46	$37.27	$38.32	$40.67	$42.43	$44.60
106	$33.70	$35.79	$37.61	$38.67	$41.03	$42.81	$45.00
107	$34.01	$36.11	$37.94	$39.03	$41.40	$43.18	$45.38
108	$34.32	$36.44	$38.28	$39.38	$41.76	$43.56	$45.77
109	$34.63	$36.77	$38.63	$39.73	$42.12	$43.93	$46.15
110	$34.93	$37.09	$38.97	$40.08	$42.48	$44.30	$46.54
111	$35.25	$37.41	$39.30	$40.43	$42.86	$44.68	$46.92
112	$35.56	$37.74	$39.64	$40.78	$43.22	$45.05	$47.31
113	$35.87	$38.07	$39.99	$41.13	$43.59	$45.42	$47.69
114	$36.19	$38.39	$40.33	$41.48	$43.95	$45.79	$48.08
115	$36.49	$38.72	$40.67	$41.83	$44.31	$46.16	$48.46
116	$36.80	$39.04	$41.02	$42.18	$44.67	$46.53	$48.84
117	$37.11	$39.37	$41.36	$42.53	$45.03	$46.91	$49.23
118	$37.42	$39.70	$41.69	$42.88	$45.40	$47.28	$49.61
119	$37.73	$40.02	$42.03	$43.23	$45.76	$47.65	$50.00
120	$38.04	$40.34	$42.38	$43.58	$46.12	$48.02	$50.39
121	$38.35	$40.67	$42.72	$43.93	$46.50	$48.40	$50.77
122	$38.66	$41.00	$43.06	$44.28	$46.86	$48.77	$51.16
123	$38.97	$41.32	$43.40	$44.62	$47.23	$49.15	$51.55
124	$39.28	$41.65	$43.74	$44.97	$47.59	$49.52	$51.93
125	$39.59	$41.97	$44.08	$45.31	$47.95	$49.89	$52.32
126	$39.90	$42.29	$44.42	$45.67	$48.31	$50.26	$52.70
127	$40.22	$42.62	$44.77	$46.02	$48.67	$50.63	$53.09
128	$40.53	$42.95	$45.11	$46.37	$49.04	$51.01	$53.47
129	$40.84	$43.27	$45.45	$46.72	$49.40	$51.38	$53.85

J Crew 1996 Rates

1996 Commercial Ground Rates

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
130	$41.14	$43.60	$45.79	$47.07	$49.76	$51.75	$54.24
131	$41.45	$43.93	$46.12	$47.42	$50.13	$52.12	$54.63
132	$41.76	$44.25	$46.47	$47.77	$50.50	$52.50	$55.01
133	$42.08	$44.58	$46.80	$48.12	$50.86	$52.87	$55.39
134	$42.39	$44.90	$47.14	$48.47	$51.22	$53.24	$55.78
135	$42.70	$45.23	$47.49	$48.83	$51.59	$53.61	$56.17
136	$43.00	$45.56	$47.83	$49.18	$51.95	$53.99	$56.55
137	$43.31	$45.88	$48.17	$49.53	$52.31	$54.36	$56.94
138	$43.62	$46.20	$48.51	$49.88	$52.67	$54.74	$57.33
139	$43.94	$46.53	$48.84	$50.23	$53.03	$55.11	$57.71
140	$44.25	$46.86	$49.18	$50.58	$53.41	$55.49	$58.09
141	$44.56	$47.18	$49.52	$50.93	$53.77	$55.86	$58.48
142	$44.87	$47.51	$49.86	$51.28	$54.14	$56.23	$58.86
143	$45.17	$47.83	$50.19	$51.63	$54.50	$56.61	$59.25
144	$45.48	$48.16	$50.53	$51.98	$54.86	$56.97	$59.64
145	$45.80	$48.49	$50.87	$52.32	$55.23	$57.34	$60.01
146	$46.11	$48.81	$51.21	$52.67	$55.58	$57.69	$60.39
147	$46.42	$49.13	$51.54	$53.00	$55.94	$58.05	$60.75
148	$46.72	$49.46	$51.88	$53.34	$56.29	$58.41	$61.10
149	$47.02	$49.75	$52.22	$53.67	$56.65	$58.77	$61.45
150	$47.30	$50.06	$52.55	$54.00	$57.00	$59.13	$61.80

Custom Pricing Agreement

J CREW

1 Ivy Cresent

Lynchburg, VA 24502

Attention: Andrew Boguszewski

This Custom Pricing Agreement ("Agreement") is made the 15 day of November, 1996 between Federal Express Corporation ("FedEx") and J CREW ("Company").

1. In this Agreement, "FedEx" refers to Federal Express Corporation, its employees and agents. "Company" refers to J CREW and any divisions, subsidiaries and affiliates, a majority of whose voting stock (defined as 51%) is directly or indirectly owned by Company.
"Program" refers to the Custom Pricing Program.

2. The prices and other terms and conditions provided to Company are for Company's exclusive use and benefit. Such prices and terms (or any portion thereof) may not be extended to any other party without FedEx's consent. Under this Agreement, you will receive discounts as shown on rate sheets provided by FedEx which are incorporated herein by reference.

3. Your participation in the Program will supersede all other Pricing agreement between FedEx and Company.

4. Each shipment made under this Agreement is subject to the terms and conditions of the FedEx Service Guide in effect at the time of shipment, which terms are incorporated into this agreement by reference. FedEx reserves the right to modify the FedEx Service Guide at anytime without notice. In the event such a modification results in a rate increase, you will receive thirty (30) days prior written notice.

5. Discounts are based upon Company's committed activity level during the period of the Program. In order to remain eligible for continued participation in the Program, Company commits to and shall maintain the Shipping Objectives provided on Attachment A within 90 days of the effective date of this Agreement.

   Company's deviation from the Shipping Objectives listed on Attachment A may result in a rate change. In such event, FedEx may provide Company with rates which more accurately reflect its actual shipping patterns. FedEx will provide thirty (30) days written notice of any such rate change. Audits of Company's activity level may be performed at FedEx's discretion.

   As long as Shipping Objectives are met, the Program will be effective for 12 months, unless earlier terminated as provided herein.

6. All locations and account numbers to be included in the Program shall be designated by Company and FedEx's National Account Master report will verify ALL locations and account numbers. To add a location to the Program, Company shall notify FedEx's Sales Executive in writing at least seven (7) working days in advance. Only the billed account number will receive the applicable discounts and revenue credit.

7. Payment on all accounts is due fifteen (15) days from the invoice date. Company agrees that remaining current on all payables is a condition to the extension of credit and discounts under this Agreement. When you use a freight payment firm, the same payment terms apply.

8. Either party may terminate this Agreement for the other party's noncompliance with the terms of this Agreement. Notwithstanding, FedEx and Company agree that either party may terminate this Agreement at anytime upon thirty (30) days written notice to the other.

9. Company agrees to use automated shipping devices provided by FedEx at each U.S. location shipping three (3) or more packages per day OR, one (1) FedEx International Priority package per day. A Federal Express POWERSHIP Placement Agreement for the placement of any such shipping device shall be signed prior to placement.

10. The terms of this Agreement shall be held in strict confidence and the contents of this Agreement may not be disclosed to anyone other than those Company employees who have a need to

know, provided, however, that nothing herein shall restrict you from disclosing any portion of such information on a restricted basis pursuant to a judicial or other lawful governmental order, but only to the extent of such order and only after you provide us with immediate notice of such order so that we may contest the order or obtain a protective order, if we deem necessary.

11. For all shipments made under the Program, Company waives any right to receive adjustments, refunds or credits under the Money Back Guarantee Policy as defined in the FedEx Service Guide in effect at the time of shipment.

12. Company agrees to ship all packages with Signature Release Authorization.

13. The Services provided by FedEx in accordance with this Agreement are designed to meet the distinct needs of Company.

Return of this Agreement with Company's signature will constitute Company's endorsement of FedEx as its primary carrier.

J CREW	FEDERAL EXPRESS CORPORATION
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

This offer will expire if not accepted by Company within thirty (30) days of the date of this offer. This Agreement shall become effective when executed by FedEx and Company.

ATTACHMENT A

The term "Average Daily Net Revenue" and "Average Revenue Per Package" shall be collectively referred to as the "Shipping Objectives". Pursuant to the terms of the Agreement between Company and FedEx, Company agrees to maintain the Shipping Objectives which are defined and listed below.

1) "Average Daily Net Revenue" refers to the total revenue since the effective date of the Agreement ("Effective Date") divided by the total number of business days since the Effective Date [FedEx has twenty-two (22) business days per month].

2) "Average Revenue Per Package" ("Yield") refers to Average Daily Net Revenue divided by the average number of packages shipped per business days since the Effective Date.

1) $15,000___ Average Daily Net Revenue

2) $11.11____ Average Revenue Per Package

AMENDMENT TO CUSTOM PRICING PROGRAM

This Amendment ("Amendment"), effective the 16th day of December, 1996 is entered into by J CREW ("Company") and Federal Express Corporation ("Federal") (the "Parties") and modifies the Custom Pricing Agreement ("Agreement") between the Parties dated November 15, 1996.

RECITALS

FOR AND IN CONSIDERATION of the mutual covenants contained in the Amendment, the Parties agree as follows:

1. The term of the Agreement shall be extended to expire on January 31, 1999.

2. A 5% rate increase will be implemented on January 1, 1998.

3. Saturday Delivery Charge shall be $5.00.

4. DIM factor shall be 250.

5. Notwithstanding any other provision of this Amendment, this Program may be terminated at any time by either party on thirty (30) days' written notice to the other.

6. Except as otherwise provided in this Amendment, all terms and conditions of the Agreement shall remain in full force and effect, and are hereby ratified and confirmed.

7. The services provided by Federal pursuant to this Amendment are designed to meet the distinct needs of J CREW.

J CREW	FEDERAL EXPRESS CORPORATION
BY: _____	BY: _____
TITLE: _____	TITLE: _____
DATE: _____	DATE: _____
("Company")	("Federal")

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 11/18/96
(excluding Puerto Rico)

17-1675-4
J. CREW GROUP INC
1 IVY CRESCENT
LYNCHBURG VA 24502

INDEX LETTER RATES		FEDEX PAK RATES	
Priority Overnight	$ 6.00	1 LB	$ 7.00
Standard Overnight	$ 5.50	2 LB	$ 7.50

LBS.	PRIORITY OVER-NIGHT	STANDARD OVER-NIGHT	ECONOMY TWO-DAYS	LBS.	PRIORITY OVER-NIGHT	STANDARD OVER-NIGHT	ECONOMY TWO-DAY
1	$ 7.00	$ 6.75	$ 5.00	39	$ 44.27	$ 40.65	$ 38.00
2	7.50	7.25	5.00	40	45.10	41.55	38.00
3	9.50	9.25	5.25	41	45.92	42.45	39.60
4	11.50	10.50	5.75	42	46.75	43.35	40.40
5	13.50	12.00	6.50	43	47.57	44.25	41.20
6	14.85	13.05	7.50	44	48.40	45.15	42.00
7	15.95	14.10	8.60	45	49.22	46.05	42.80
8	17.05	15.15	9.60	46	50.05	46.95	43.60
9	18.15	16.20	10.60	47	50.87	47.85	44.40
10	19.25	17.25	11.60	48	51.70	48.75	45.20
11	19.94	18.00	12.40	49	52.52	49.65	46.00
12	20.62	18.75	13.40	50	53.35	50.55	46.80
13	21.31	19.35	14.40	51	54.17	51.45	47.60
14	22.00	19.95	15.40	52	55.00	52.35	48.40
15	22.69	20.55	16.20	53	55.82	53.25	49.20
16	23.37	21.15	17.20	54	56.65	54.15	50.00
17	24.06	21.75	18.20	55	57.47	55.05	50.60
18	24.75	22.35	19.00	56	58.30	55.95	51.20
19	25.44	22.95	20.00	57	59.12	56.85	51.80
20	26.12	23.55	21.00	58	60.22	57.75	52.40
21	27.22	24.45	21.80	59	61.32	58.65	53.00
22	28.32	25.35	22.80	60	62.42	59.55	53.60
23	29.42	26.25	23.80	61	63.52	60.45	54.20
24	30.52	27.15	24.60	62	64.62	61.35	54.80
25	31.62	28.05	25.40	63	65.72	62.25	55.40
26	32.72	28.95	26.20	64	66.82	63.15	56.00
27	33.82	29.85	27.00	65	67.92	64.05	56.60
28	34.92	30.75	27.80	66	69.02	64.95	57.20
29	36.02	31.65	28.60	67	70.12	65.85	57.80
30	36.85	32.55	29.60	68	71.22	66.75	58.40
31	37.67	33.45	30.60	69	72.32	67.65	59.00

LBS.	PRIORITY OVER-NIGHT	STANDARD OVER-NIGHT	ECONOMY TWO-DAYS	LBS.	PRIORITY OVER-NIGHT	STANDARD OVER-NIGHT	ECONOMY TWO-DAY
32	38.50	34.35	31.60	70	73.42	68.55	59.60
33	39.32	35.25	32.60	71	74.52	69.45	60.20
34	40.15	36.15	33.60	72	75.62	70.35	61.00
35	40.97	37.05	34.60	73	76.72	71.25	61.80
36	41.80	37.95	35.60	74	77.82	72.15	62.60
37	42.62	38.85	36.40	75	78.92	73.05	63.40
38	43.45	39.75	37.20	76	80.02	73.95	64.20

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 11/18/96
(excluding Puerto Rico)

17-1675-4
CREW GROUP INC

LBS.	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAYS	LBS.	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAY
77	$ 81.12	$ 74.85	$ 65.00	114	$108.30	$102.60	$ 96.28
78	82.22	75.75	65.80	115	109.25	103.50	97.20
79	83.32	76.65	66.60	116	110.20	104.40	98.12
80	84.42	77.55	67.40	117	111.15	105.30	99.04
81	85.52	78.45	68.20	118	112.10	106.20	99.96
82	86.62	79.35	69.00	119	113.05	107.10	100.88
83	87.72	80.25	69.80	120	114.00	108.00	101.80
84	88.82	81.15	70.60	121	114.95	108.90	102.72
85	89.92	82.05	71.40	122	115.90	109.80	103.64
86	91.02	82.95	72.20	123	116.85	110.70	104.56
87	92.12	83.85	73.00	124	117.80	111.60	105.48
88	93.22	84.75	73.80	125	118.75	112.50	106.40
89	94.32	85.65	74.60	126	119.70	113.40	107.32
90	95.00	86.55	75.40	127	120.65	114.30	108.24
91	95.00	87.45	76.20	128	121.60	115.20	109.16
92	95.00	88.35	77.00	129	122.55	116.10	110.08
93	95.00	89.25	77.80	130	123.50	117.00	111.00
94	95.00	90.00	78.60	131	124.45	117.90	111.92
95	95.00	90.00	79.40	132	125.40	118.80	112.84
96	95.00	90.00	80.2	133	126.35	119.70	113.76
97	95.00	90.00	81.00	134	127.30	120.60	114.68
98	95.00	90.00	81.80	135	128.25	121.50	115.60
99	95.00	90.00	82.60	136	129.20	122.40	116.52
100	95.00	90.00	83.40	137	130.15	123.30	117.44
101	95.95	90.90	84.32	138	131.10	124.20	118.36
102	96.90	91.80	85.24	139	132.05	125.10	119.28
103	97.85	92.70	86.16	140	133.00	126.00	120.20
104	98.80	93.60	87.08	141	133.95	126.90	121.12
105	99.75	94.50	88.00	142	134.90	127.80	122.04
106	100.70	95.40	88.92	143	135.85	128.70	122.96
107	101.65	96.30	89.84	144	136.80	129.60	123.88
108	102.60	97.20	90.76	145	137.75	130.50	124.80
109	103.55	98.10	91.68	146	138.70	131.40	125.72
110	104.50	99.00	92.60	147	139.65	132.30	126.64
111	105.45	99.90	93.52	148	140.60	133.20	127.56
112	106.40	100.80	94.44	149	141.55	134.10	128.48
113	107.35	101.70	95.36	150	142.50	135.00	129.40

`FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 11/18/96
(excluding Puerto Rico)

1817-1675-4
J CREW GROUP INC

SPECIAL HANDLING FEES
ADDITIONAL PER-PACKAGE CHARGE*

COLLECT ON DELIVERY (C.O.D.).....	$ 5.00 PER PACKAGE
SATURDAY PICK-UP SERVICE.....	$10.00
SATURDAY DELIVERY SERVICE.....	$10.00
DECLARED VALUE - FOR SHIPMENTS EXCEEDING $100.00 IN VALUE+ ($50,000 MAXIMUM PER PACKAGE).....	$ .50 PER $100.00
$2.50 MINIMUM CHARGE UP TO $500	
DANGEROUS GOODS SERVICE.....	$10.00
ACCESSIBLE DANGEROUS GOODS SERVICE.....	$35.00
INTL. DANGEROUS GOODS.....	$40.00
ADDRESS CORRECTION.....	$10.00
PAYOR REBILL.....	$10.00
NON-ACCOUNT.....	$10.00
INVALID ACCOUNT.....	$10.00
FEDEX INTL. MAIL SERVICE.....	$ .25 PER ITEM

	THE GREATER OF PER SHPMNT/PER LB APPLIES					
	ALASKA (PER SHIPMENT)	HAWAII (PER SHIPMENT)	ALASKA (PER LB.) METRO	ALASKA (PER LB.) RURAL	HAWAII (PER LB.) METRO	HAWAII (PER LB.) RURAL
PRIORITY OVERNIGHT/ STANDARD OVERNIGHT SERVICE- FEDEX LETTER	5.00	5.00				
PRIORITY OVERNIGHT SERVICE FEDEX PAK (1 AND 2 LBS.) ...	5.00	5.00				
FEDEX PAK (3 + LBS.), FEDEX BOX AND FEDEX TUBE ...	10.00	10.00	.50	.75	.50	.75
PRIORITY OVERNIGHT SERVICE .	10.00	10.00	.50	.75	.50	.75
ECONOMY TWO-DAY SERVICE	10.00	10.00	.50	.75	.50	.75

* WHEN HUNDREDWEIGHT RATES APPLY, THE SPECIAL HANDLING FEES ABOVE WILL BE ASSESSED ONE TIME PER SHIPMENT.

\+ MAXIMUM DECLARED VALUE FOR ANY FEDEX LETTER OR FEDEX PAK IN A SHIPMENT IS $500.00

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 11/18/96
(excluding Puerto Rico)

17-1675-4
J. CREW GROUP INC

FREIGHT SPECIAL HANDLING FEES

RESIDENTIAL PICKUP SERVICE.....	$ 33.50 PER SHIPMENT
RESIDENTIAL DELIVERY SERVICE...	$ 33.50 PER SHIPMENT
H3 PICKUP SERVICE.....	$ 50.00 PER SHIPMENT
H3 DELIVERY SERVICE.....	$ 50.00 PER SHIPMENT
EXTRA LABOR CHARGE SERVICE.....	$ 49.00 PER HOUR (OR ANY FRACTION THEREOF/1 HR MIN)

THE GREATER OF THESE APPLIES

	(MINIMUM)	(PER LB)
INSIDER PICKUP SERVICE.....	52.00	.0412
INSIDE DELIVERY SERVICE.....	52.00	.0412
DELIVERY REATTEMPT CHARGE.....	25.00	.0333

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 11/18/96
(excluding Puerto Rico)

1817-1675-4
J. CREW GROUP INC

DISCOUNTS **

REVENUE BAND ---> 14954			---DOLLAR---		--PERCENT--	
RATE SCALE	P/A		DISC	REBATE	DISC	REBATE
FEDEX LTR	1	A	9.50			
FEDEX Pak	307	A	11.50			
Prty Ovnt	307	A	11.50		45.00	
Stnd Ovnt	380	A	8.00		40.00	
SOS LTR	1	A	8.00			
Economy	434	A	2.00			
Ovnt Frgt	184	A	11.50		45.00	
2Day Frgt	285	A	2.00			

REVENUE BAND ---> 14954			-HW/FREIGHT-		ADDITIONAL		
RATE SCALE	P/A		DISC	REBATE	DISC	REB	MIN
FEDEX LTR	1	A					
FEDEX Pak	307	A					7.00
Prty Ovnt	307	A	50.00				7.00
Stnd Ovnt	380	A					6.00
SOS LTR	1	A					
Economy	434	A	20.00				5.00
Ovnt Frgt	184	A					
2Day Frgt	285	A					

11/18/96 14:47:04 0000072778 MARIA RIVERA

YOU ARE RESPONSIBLE FOR VERIFYING THAT THIS RATE SHEET IS RATIONAL AND THAT THE RATES ARE BILLABLE BEFORE GIVING TO A CUSTOMER.

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 12/03/96
(excluding Puerto Rico)

1808-7918-8
J. CREW/C & W STORES
1 CLIFFORD WAY
ASHEVILLE NC 28810

FEDEX LETTER RATES		FEDEX PAK RATES	
Priority Overnight	$ 8.00	1 LB	$10.75
Standard Overnight	$ 7.75	2 LB	$12.50

LBS.	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAY	LBS.	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAY
1	$10.75	$10.50	$5.95	39	$47.85	$47.60	$29.40
2	12.50	11.60	6.00	40	52.75	49.00	30.00
3	14.00	12.50	6.25	41	53.50	49.90	30.60
4	15.20	13.40	7.00	42	54.25	50.80	31.20
5	16.60	14.45	8.00	43	55.00	51.70	31.80
6	18.20	15.65	9.00	44	55.80	52.60	32.40
7	19.80	16.85	10.00	45	56.55	53.50	33.00
8	21.20	17.90	11.00	46	57.30	54.40	33.60
9	22.80	19.10	12.00	47	58.05	55.30	34.35
10	24.20	20.15	12.75	48	58.85	56.20	35.10
11	24.70	20.90	12.95	49	59.60	56.90	35.85
12	25.70	21.65	13.00	50	60.35	57.60	36.60
13	26.65	22.40	13.10	51	61.30	58.50	37.35
14	27.45	23.00	13.15	52	62.20	59.40	37.95
15	28.20	23.60	13.20	53	63.10	60.30	38.55
16	29.00	25.80	14.10	54	64.00	61.20	39.15
17	29.80	28.30	14.85	55	64.95	62.10	39.60
18	30.60	29.00	15.45	56	65.85	63.00	40.05
19	31.35	29.70	16.35	57	66.75	63.90	40.50
20	32.15	30.40	17.10	58	67.70	64.80	40.95
21	32.95	31.10	17.70	59	68.60	65.70	41.40
22	33.70	31.80	18.30	60	69.50	66.80	41.85
23	34.50	32.50	18.90	61	70.70	67.90	42.30
24	35.30	33.20	19.50	62	71.90	69.00	42.75
25	36.25	34.10	20.10	63	73.10	70.10	43.20
26	37.25	34.95	20.70	64	74.30	71.20	43.65
27	38.20	35.85	21.30	65	75.50	72.30	44.10
28	39.20	36.70	21.90	66	76.70	73.40	44.55
29	40.20	37.60	22.50	67	77.90	74.50	45.00
30	41.30	38.45	23.10	68	79.10	75.60	45.45
31	42.05	39.50	23.85	69	80.30	76.70	45.90

32	42.75	40.35	24.60	70	81.50	78.00	46.35
33	43.50	41.25	25.35	71	82.70	80.50	46.80
34	44.20	43.30	26.10	72	83.90	81.65	47.70
35	44.95	44.20	26.85	73	85.10	82.80	48.30
36	45.65	45.10	27.45	74	86.30	83.95	49.75
37	46.40	46.00	28.20	75	87.50	85.10	49.20
38	47.10	46.85	28.80	76	88.70	86.25	49.80

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 12/03/96
(excluding Puerto Rico)

1808-7918-8
J. CREW/C & W STORES

LBS.	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAY	LBS.	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAY
77	$89.90	$87.40	$50.40	114	$133.38	$126.54	$74.10
78	91.10	88.55	51.00	115	134.55	127.65	74.75
79	92.30	89.70	51.60	116	135.72	128.76	75.40
80	93.50	90.95	52.20	117	136.89	129.87	76.05
81	94.70	91.85	52.80	118	138.06	130.98	76.70
82	95.90	93.30	53.40	119	139.23	132.09	77.35
83	97.10	94.45	54.15	120	140.40	133.20	78.00
84	98.30	95.50	54.75	121	141.57	134.31	78.65
85	99.50	96.80	55.35	122	142.74	135.42	79.30
86	100.70	97.90	55.95	123	143.91	136.53	79.95
87	101.90	99.15	56.55	124	145.08	137.64	80.60
88	103.10	100.10	57.15	125	146.25	138.75	81.25
89	104.30	101.55	57.75	126	147.42	139.86	81.90
90	105.50	102.25	58.35	127	148.59	140.97	82.55
91	106.70	103.75	58.95	128	149.76	142.08	83.20
92	107.90	104.45	59.55	129	150.93	143.19	83.85
93	109.10	105.90	60.15	130	152.10	144.30	84.50
94	110.30	106.45	60.75	131	153.27	145.41	85.15
95	111.50	107.20	61.35	132	154.44	146.52	85.80
96	112.70	107.95	61.95	133	155.61	147.63	86.45
97	113.90	108.65	62.55	134	156.78	148.74	87.10
98	115.10	109.40	63.30	135	157.95	149.85	87.75
99	116.30	110.10	63.90	136	159.12	150.96	88.40
100	117.00	111.00	65.00	137	160.29	152.07	89.05
101	118.17	112.11	65.65	138	161.46	153.18	89.70
102	119.34	113.22	66.30	139	162.63	154.29	90.35
103	120.51	114.33	66.95	140	163.80	155.40	91.00
104	121.68	115.44	67.60	141	164.97	156.51	91.65
105	122.85	116.55	68.25	142	166.14	157.62	92.30
106	124.02	117.66	68.90	143	167.31	158.73	92.95
107	125.19	118.77	69.55	144	168.48	159.84	93.60
108	126.36	119.88	70.20	145	169.65	160.95	94.25
109	127.53	120.99	70.85	146	170.82	162.06	94.90
110	128.70	122.10	71.50	147	171.99	163.17	95.55
111	129.87	123.21	72.15	148	173.16	164.28	96.20
112	131.04	124.32	72.80	149	174.33	165.39	96.85
113	132.21	125.43	73.45	150	175.50	166.50	97.50

- ------------------HUNDREDWEIGHT/FREIGHT PER POUND RATES*----------------

	PRIORITY OVERNIGHT	STANDARD OVERNIGHT	ECONOMY TWO-DAY	OVERNIGHT FREIGHT	TWO-DAY FREIGHT
100 - 150 LBS	$1.17	$1.11	$.65	$1.17	$ .65
151 - 299 LBS	1.17	1.11	.65	1.35	1.10
300 - 499 LBS	1.17	1.11	.65	1.35	1.10
500 - 999 LBS	1.13	1.07	.64	1.35	1.10
- 1000+ LBS	1.10	1.03	.63	1.35	1.10

* SUBJECT TO 5LB MIN WHEN CUT PRICING APPLIES

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 12/03/96
(excluding Puerto Rico)

1808-7918-8
J. CREW/C & W STORES

SPECIAL HANDLING FEES
ADDITIONAL PER-PACKAGE CHARGE*

COLLECT ON DELIVERY (C.O.D.).....	$ 5.00 PER PACKAGE
SATURDAY PICK-UP SERVICE.....	$10.00
SATURDAY DELIVERY SERVICE.....	$10.00
DECLARED VALUE - FOR SHIPMENTS EXCEEDING $100,00 IN VALUE+ ($50,000 MAXIMUM PER PACKAGE)..... ($2.50 MINIMUM CHARGE UP TO $500	$ .50 PER $100.00
DANGEROUS GOODS SERVICE.....	$10.00
ACCESSIBLE DANGEROUS GOODS SERVICE.....	$35.00
INTL. DANGEROUS GOODS.....	$40.00
ADDRESS CORRECTION.....	$10.00
PAYOR REBILL.....	$10.00
NON-ACCOUNT.....	$10.00
INVALID ACCOUNT.....	$10.00
FEDEX INTL. MAIL SERVICE.....	$ .25 PER ITEM

	THE GREATER OF PER SHPMNT/PER LB APPLIES					
	ALASKA (PER SHIPMENT)	HAWAII (PER SHIPMENT)	ALASKA (PER LB.)		HAWAII (PER LB.)	
			METRO	RURAL	METRO	RURAL
PRIORITY OVERNIGHT/ STANDARD OVERNIGHT SERVICE- FEDEX LETTER.....	5.00	5.00				
PRIORITY OVERNIGHT SERVICE FEDEX PAK (1 AND 2 LBS.)...	5.00	5.00				
FEDEX PAK (3 + LBS.), FEDEX BOX AND FEDEX TUBE...	10.00	10.00	.50	.75	.50	.75
PRIORITY OVERNIGHT SERVICE.	10.00	10.00	.50	.75	.50	.75
ECONOMY TWO-DAY SERVICE....	10.00	10.00	.50	.75	.50	.75

* WHEN HUNDREDWEIGHT RATES APPLY, THE SPECIAL HANDLING FEES ABOVE WILL BE ASSESSED ONE TIME PER SHIPMENT.
* MAXIMUM DECLARED VALUE FOR ANY FEDEX LETTER OR FEDEX PAK IN A SHIPMENT IS $500.00

FEDERAL EXPRESS CORPORATION
U.S. DOMESTIC RATES
PER-PACKAGE RATES EFFECTIVE 12/03/96
(excluding Puerto Rico)

108-7918-8
CREW/C & W STORES

FREIGHT SPECIAL HANDLING FEES

RESIDENTIAL PICKUP SERVICE.....	$ 33.50	PER SHIPMENT
RESIDENTIAL DELIVERY SERVICE...	$ 33.50	PER SHIPMENT
H3 PICKUP SERVICE.....	$ 50.00	PER SHIPMENT
H3 DELIVERY SERVICE.....	$ 50.00	PER SHIPMENT
EXTRA LABOR CHARGE SERVICE.....	$ 49.00	PER HOUR (OR ANY FRACTION THEREOF/1 HR MIN)

THE GREATER OF THESE APPLIES

	(MINIMUM)	(PER LB)
INSIDE PICKUP SERVICE.....	52.00	.0412
INSIDE DELIVERY SERVICE.....	52.00	.0412
DELIVERY REATTEMPT CHARGE.....	25.00	.0333

LEASE dated as of October 21, 1981 between Vornado, Inc., as Landlord, and Popular Services, Inc., as Tenant.

Landlord hereby leases to Tenant premises situated in Garfield, New Jersey.

The parties agree with each other as follows:

ARTICLE I

THE PARTIES, THE PREMISES, DEFINED TERMS

Section 1.01. The Parties.

(a) Vornado, Inc. is a Delaware corporation. Its address is 174 Passaic Street, Garfield, New Jersey 07026. It is referred to as "Landlord".

(b) Popular Services, Inc., is a New York corporation. It has an address at 128 Dayton Avenue, Passaic, New Jersey 07055. It is referred to as "Tenant".

Section 1.02. The Premises and Other Defined Terms.

(a) The Premises consists of a parcel of land and building and other site improvements located upon that land. The Premises are shown on Exhibit A. The building is referred to in this Lease as the "Building". The portion of the Premises not occupied by the Building is designated on Exhibit A and is referred to in this Lease as the "Building Lot".

(b) Capitalized words and various phrases used in this Lease which are capitalized may be defined terms. These terms are defined in the body of the Lease.

(c) The following capitalized terms are defined in various Sections and subsections of this Lease as set forth in the following table:

ARTICLE II

MAKING THE PREMISES READY FOR OCCUPANCY

Section 2.01. Condition of Premises.

The Premises shall be delivered in broom clean condition. At the time of delivery of possession, the roof shall be free of leaks and the plumbing, electrical, heating, ventilation and air-conditioning (if any) systems shall be in good working order. Landlord shall also remove all signs from the

Premises and shall repair the canopy over the front door of the Building.

Section 2.02. Approvals.

(a) Promptly after the execution of this Lease, Landlord and Tenant shall apply for any zoning variance or change which may be required for the change of use of the Building to a general office building with an auxiliary retail store of no more than 15,000 square feet, for Tenant's occupancy. If required, Landlord and Tenant shall join in the application. Landlord and Tenant shall cooperate with each other in prosecuting the application. The cost of the application, including any attorneys' fees, shall be paid by Tenant. Any attorney selected shall be subject to the reasonable approval of both parties.

(b) (i) If the variance or change has not been granted within sixty (60) days following the date the initial application for it is submitted, then, subject to subsection 2.02(c), either party shall have the right to cancel this Lease by giving notice to the other within ten (10) days following the expiration of that sixty (60) day period.

(ii) If as a condition to the granting of the variance or change Tenant shall be required to perform additional alterations not otherwise required by other applicable legal requirements or contemplated by Tenant as part of Tenant's Work and the cost of the additional alterations shall exceed $200,000.00, Tenant may cancel this Lease by giving notice to Landlord within thirty days after the need for any such alterations is imposed. Within thirty days after receipt of Tenant's notice, Landlord may nullify the cancellation by notifying Tenant that Landlord shall bear the cost of such additional alterations in excess of $200,000.00.

(iii) If a variance or change is granted which shall permit the Building to be used as an office building but such variance or approval shall impose limitations upon the use of the Building for office purposes which shall materially adversely impair the use of the Building for Tenant's corporate headquarters (as presently constituted), Tenant may cancel this lease by giving Landlord notice within 30 days after the variance is granted.

(c) If a party shall elect to cancel this Lease in accordance with subsection 2.02(b), part (i) the other may nullify that cancellation if at the time the cancellation notice is given

an application for the zoning variance or change is pending. The right to nullify the cancellation shall be exercisable by giving notice to the other party within ten (10) days after receipt of the cancellation notice. If neither party elects to cancel this Lease in accordance with subsection 2.02(b), part (i) or if a cancellation notice is nullified in accordance with this subsection (c) but the variance or change has not been granted within one hundred and twenty (120) days following the date the initial application is submitted, then either party may elect to cancel this Lease by giving notice within ten (10) days following the expiration of that one hundred and twenty (120) day period.

(d) Upon a cancellation of this Lease in accordance with this Section 2.02, both parties shall be relieved of all further obligations under this Lease.

Section 2.03. Tenant's Work.

(a) The alterations and improvements described in Exhibit B are referred to in this Lease as "Tenant's Work". Within a reasonable time after the date of this Lease Tenant shall submit plans and specifications for Tenant's Work to Landlord for Landlord's approval. Landlord shall not unreasonably withhold or delay its approval.

(b) Promptly after the zoning variance or change referred to in section 2.02 is approved, or, if none is required, promptly after the date of this Lease, Tenant shall apply for all other permits and approvals which shall be necessary with respect to Tenant's Work and Tenant's occupancy of the Premises for office purposes and incidental retail use. Promptly after the necessary permits and approvals are issued, Tenant shall commence and diligently prosecute such portions of Tenant's Work as shall be necessary for the issuance of a certificate of occupancy for the Premises. Tenant agrees to deliver all required copies of permits, certificates and approvals to Landlord.

(c) Tenant's Work shall be performed in accordance with all applicable legal requirements, the approved plans and specifications, any building permit, all insurance requirements and in a good and workmanlike manner.

Section 2.04. Insurance Covering Tenant's Work.

Tenant shall not commence to perform Tenant's Work, repairs, or any alterations unless prior to the commencement of the work, Tenant shall obtain and, during the performance of the work, keep in force public liability and workmens' compensation insurance to cover every contractor to be employed. The policies shall be non-cancellable without ten days notice to Landlord and shall be in amounts and by companies reasonably satisfactory to Landlord. Prior to the commencement of Tenant's Work, Tenant shall deliver duplicate originals or certificates of insurance policies to Landlord.

Section 2.05. Delivery of Possession.

Delivery of Possession shall occur upon the later to occur of (i) the date Landlord tenders possession of the Premises to Tenant, or (ii) the date the variance or change referred to in Section 2.02 shall have been granted. If the event referred to in part (ii) shall occur on or before February 1, 1982, Landlord agrees to tender possession of the Premises to Tenant on or before February 1, 1982. If the event referred to in part (ii) shall occur after February 1, 1982, Landlord agrees to tender possession of the Premises to Tenant no later than the occurrence of that event.

ARTICLE III

TERM

Section 3.01. The Term Defined.

(a) The Term shall commence on the Commencement Date and shall expire on the Expiration Date, as defined in Section 3.02.

(b) At any time after the Commencement Date, at the request of either party, the other party shall execute a certificate in recordable form setting forth the exact Commencement Date and the originally fixed Expiration Date.

Section 3.02. Commencement Date and Expiration Date.

(a) The Commencement Date shall be the later to occur of (i) Delivery of Possession or (ii) February 1, 1982.

(b) The Expiration Date shall be the tenth anniversary of the last day of the first Lease Year. If this Lease is cancelled or terminated prior to the fixed Expiration Date, the Expiration Date shall be the date on which this Lease is cancelled or terminated.

(c) The first Lease Year shall commence on the Commencement Date and shall continue for four months. Each subsequent Lease Year shall commence on the day following the end of the preceding Lease Year and shall continue for one full year. The last Lease Year shall end on the Expiration Date.

Section 3.03. Holdover.

If Tenant shall continue its occupancy of the Premises after the Expiration Date, the occupancy shall not be deemed to extend or renew the Term and the tenancy shall constitute a tenancy from month to month on all of the terms of the Lease but at the Rent in effect at the expiration of the Term.

Section 3.04. Short form Lease.

At any time during or prior to the Term, at the request of either party, the other party shall execute a short form lease or memorandum of lease in proper form for recording as may be required by law, excluding any portion of Article IV.

Section 3.05. Right of First Refusal.

(a) If Landlord shall desire to lease the Premises for a term which shall commence after the originally fixed Expiration Date, provided that Tenant shall not be in Default under this Lease and this Lease is in full force and effect, Landlord may notify Tenant of the terms and conditions which shall be satisfactory to Landlord and Tenant shall have fifteen days after Landlord's notice to accept the terms and conditions submitted by Landlord. If Tenant shall fail to do so within that fifteen day period, Landlord shall have the right to enter into a lease with any other party for the same or greater annual rate of rental than the rental set forth in Landlord's notice and Tenant's rights under this section shall not apply to that new lease.

(b) Subject to the conditions of subsection (a), if on or before the originally fixed Expiration Date Landlord shall have received a bona fide offer to Lease the Premises from an unaffiliated third party and that offer is acceptable to Landlord (the "Offer"), provided that Tenant shall not be in Default under this Lease and that this Lease is in full force and effect, Tenant shall have the right to accept a lease for that Premises. The terms of that lease shall be the same terms and conditions as the Offer except as provided in this subsection. Landlord's notice shall be accompanied by the proposed lease (the "New Lease"). Tenant's right shall be only exercisable by Tenant by giving notice to Landlord within fifteen days after Landlord's notice that Tenant accepts the Offer accompanied by counterparts of the New Lease executed by Tenant. The form of the New Lease shall be substantially similar to the form of this lease, to the extent practicable, and must otherwise be satisfactory to Landlord. The term of the New Lease shall commence on the date succeeding the Expiration Date and shall, at Landlord's election, continue for the term provided for in the Offer or five years.

(c) Tenant's rights under this Section shall expire if the lease shall be assigned by Tenant to any other party. The expiration shall be effective whether or not Landlord had previously consented to the assignment. If Tenant shall fail to exercise its rights under this section within any applicable fifteen day period, Tenant's rights under this section shall expire. Time shall be of the essence with respect to Tenant's exercise of its rights under this section.

Section 3.06. Tenant's Right of Cancellation.

(a) At any time following the third anniversary of the Commencement Date, provided that Tenant shall not be in Default of a material obligation under this Lease, Tenant shall have the right to cancel this Lease by notifying Landlord of Tenant's election. If Tenant shall elect to cancel this Lease, this Lease shall be cancelled on the "Cancellation Date". The "Cancellation Date" shall be the later to occur of (i) the first anniversary of Tenant's notice of cancellation or (ii) the date of cancellation set forth in Tenant's notice. In consideration for the right to cancel this Lease, at the time Tenant shall exercise its right, Tenant shall pay to Landlord an amount equal to the Rent which would otherwise be payable during the full year following the Cancellation Date.

(b) If this Lease is validly cancelled in accordance with the provisions of subsection 3.06(a), except for liabilities which have accrued prior to the Cancellation Date: Landlord shall be relieved of all further obligations under the Lease; and upon surrender of the Premises on or before the Cancellation Date in accordance with Section 5.07, Tenant shall be relieved of all further obligations under this Lease.

ARTICLE IV

RENT AND SECURITY

Section 4.01. Basic Rent.

(a) From and after the Commencement Date, Tenant shall pay Basic Rent to Landlord at the annual rates set forth in the following table:

Applicable Period	Annual Rate of Basic Rent
First Lease Year	$ 102,009.38
Second and Third Lease Years	$ 272,025.00
Fourth and Fifth Lease Years	$ 321,408.00
Sixth and Seventh Lease Years	$ 371,628.00
Eighth and Ninth Lease Years	$ 421,848.00
Tenth and Eleventh Lease Years	$ 472,068.00

(b) Basic Rent shall be payable in equal monthly installments. Each installment shall be due in advance on the first day of each month. If the Commencement Date occurs on a day other than the first day of any month, Basic Rent for the period which commences on the Commencement Date and ends on the last day of the month in which the Commencement Date occurs shall be paid on the Commencement Date and shall be apportioned equitably.

Section 4.02. Tax Contributions.

Tenant shall pay Tax Contributions to Landlord in accordance with the following:

(a) Tax Contributions shall be payable from and after the Commencement Date within thirty (30) days after Landlord renders a bill to Tenant. Landlord shall not render bills more than four times each calendar year. Landlord's failure to render a bill shall not be construed as a waiver by Landlord of any amount due. Tenant shall not be obligated to pay a quarterly installment more than 45 days in advance of the date the applicable installment of Impositions shall be due and payable to the taxing authority.

(b) Tax Contributions means all Impositions if the Premises is assessed as a separate, single tax lot. If the Premises is not assessed as a separate tax lot, Tax Contributions shall be calculated in accordance with subsection 4.02(e).

(c) (i) "Impositions" means all taxes, assessments, and governmental charges which shall be assessed, levied, or imposed against the Premises, the Building, the land underlying the Premises, all improvements located upon the Premises and the use of the Premises, Building and Building Lot, for each tax fiscal year occurring during the Term. "Impositions" includes taxes, assessments and other governmental charges which are special, extraordinary and unforeseen and assessments for public improvements to the extent provided in part (iii). "Impositions" also includes all substitutes for the taxes and charges referred to in this part (i) including a tax on rent. However, a substitute tax shall be an Imposition only to the extent that the tax would be payable under the assumption that the Premises were the sole asset of the Landlord and the income from the Premises were the sole revenue of the Landlord.

(ii) Assessments shall be included or excluded from Impositions as follows:

(x) The word "Impositions" excludes any assessment for public improvements which is a Lien against the Premises as of the date of this Lease.

(y) If an assessment for public improvements not excluded by clause (x) is payable in installments and Landlord elects the installment method of payment, only the installments which come due during the Term shall be included in Impositions. If an assessment not excluded by clause (x) is payable in installments, and Landlord does not elect the installment method of payment, then Impositions shall include only the installments which would have come due during the Term had Landlord elected the installment method of payment.

(iii) Impositions for any tax fiscal year occurring partially within the term shall be equitably pro-rated so that Tenant shall bear only such portion of Impositions attributable to periods occurring within the Term.

(iv) Provided that Tenant shall pay all Impositions when due, Landlord shall pay all Impositions to the taxing authorities on or before the date the Impositions are payable without accruing penalties or interest.

(d) If the Premises is not assessed as a separate, single tax lot, the tax lot of which the Premises is a part is referred to in this Lease as the "Entire Tax Lot". The parties agree to cooperate with each other to cause the appropriate taxing authority to assess the Premises as a single tax lot separate from the balance of the Entire Tax Lot.

(e) If the Premises is not assessed as a separate, single tax lot, the amount of Impositions with respect to the Premises shall be determined in accordance with the following:

(i) Tax Contributions shall be equal to a fraction of all taxes, assessments and governmental charges (including any governmental charges levied in whole or in part in lieu of real estate taxes) which shall be assessed, levied or imposed against the Entire Tax Lot, including all improvements upon the Entire Tax Lot, for each tax fiscal year occurring during the Term. The numerator of the fraction shall be the fair market value of the Premises, including the Building, as of the tax assessment date. The denominator of the fraction shall be the fair market value of the Entire Tax Lot, including all improvements located upon the Entire Tax Lot, as of the tax assessment date.

(ii) If the parties are unable to agree upon the fair market value of the Premises and the Entire Tax Lot respectively, the fair market values shall be determined by an appraiser who is a member of the American Institute of Real Estate Appraisers. If the parties are unable to agree upon the appointment of an appraiser, then Landlord shall select an appraiser and Tenant shall select an appraiser. The two appraisers shall select a third appraiser. The fair market values shall be determined by the third appraiser.

(iii) If the two appraisers selected by Landlord and Tenant can not agree upon a third appraiser to be selected, than either party may apply to a court of competent jurisdiction to have the third appraiser selected.

(iv) The determination of the third appraiser shall be conclusive evidence of the respective fair market values of the Premises and the Entire Premises.

(v) In determining the respective fair market values of the Premises, the existence of this Lease may not be taken into consideration by the appraiser.

(vi) Until the appraisal process is completed, Tenant shall make payments on account of Impositions in amounts reasonably estimated by Landlord.

(f) Tenant shall have the right to conduct a tax appeal with respect to the premises. Prior to commencing an appeal, Tenant shall notify Landlord of Tenant's intention. Within ten days after receipt of Tenant's notice, Landlord shall have the right to conduct the appeal. Both parties shall cooperate with each other with respect to a tax appeal conducted by either party. If an appeal shall be conducted, after deducting the cost of the attorney's and appraisal fees any remaining refund shall be paid as follows:

(i) entirely to Tenant if Premises is assessed as a separate, single tax lot; or

(ii) to be divided equitably between Landlord and Tenant in the proportion that the refunded imposition was borne by the parties, if the Premises is not assessed as part of a separate, single tax lot.

Section 4.03. Payments of Rent.

(a) "Additional Rent" means Tax Contributions, and any other charges Tenant is required to pay to Landlord, other than Basic Rent.

(b) "Rent" means Basic Rent, Additional Rent and any other charges Tenant is required to pay to Landlord.

(c) Except as otherwise provided, Rent shall be paid by good check made to the order of Landlord. Except as otherwise provided, Rent payments shall be placed in the United States mail addressed to Landlord at the place where notices to Landlord may be given. Rent shall be paid without setoff or deduction.

ARTICLE V

THE PREMISES

Section 5.01. Use of the Premises.

(a) The Premises shall be used for general and executive offices purposes, including all uses incidental to those purposes, and for no other purpose. Landlord agrees that Tenant may use up to 15,000 square feet of the floor area of the Building for the conduct of retail sales.

(b) The Premises shall be used solely in accordance with all applicable legal requirements.

Section 5.02. Indemnification.

(a) Tenant hereby indemnifies Landlord against all liability arising from any and all Claims which:

(i) arise from or are in connection with possession, use, occupation, management, repair, maintenance or control of the Premises;

(ii) arise from or are in connection with the negligence or omission of Tenant or Tenant's agents in or about the Premises, Building Lot, or elsewhere;

(iii) result from any Default, breach, violation or non-performance of a provision of this lease; or

(iv) result in injury to person or property or loss of life sustained in or about the Premises.

(b) "Claims" means any claims, suits, proceedings, actions, causes of action, responsibility, liability, demands, judgments and executions.

(c) "Tenant's Agents" includes Tenant's employees, servants, licensees, tenants, subtenants, assignees, contractors and invitees.

Section 5.03. Liens.

(a) If any Lien encumbers Landlord's interest in the Premises as a result of work done or authorized by Tenant or any other act or omission by Tenant, Tenant shall discharge the Lien, by bonding it or otherwise, within forty-five (45) days after the creation of the Lien.

(b) "Lien" means: any interest, lien, charge, claim or encumbrance against the Premises, Tenant's leasehold interest in the Premises, the Building, or the Building Lot.

Section 5.04. Repairs and Compliance with Laws.

(a) Upon reasonable notice from Tenant, Landlord shall make necessary structural repairs to the foundation and exterior walls of the Building, excluding all windows, plate glass, doors and any fixtures and appurtenances composed of glass and any damage caused by any act, omission or negligence of Tenant, or Tenant's Agents, employees, invitees and contractors. Until the first anniversary of the Commencement Date, Landlord shall maintain and repair the roof of the Building.

(b) Except for the repairs Landlord is required to make in accordance with subsection 5.04(a), Tenant shall make all repairs necessary to maintain the Building and Building Lot in good order and repair and in a safe and dry condition. Tenant's obligation to perform repairs includes repairs to any heating or air conditioning equipment located within or servicing the Building exclusively; any sign installed by Tenant; the floor; to windows, plate glass and any other fixtures composed of glass; and to the Premises when the repairs are necessitated by any act or omission of Tenant or Tenant's Agents. From and after the first anniversary of the Commencement Date, Tenant shall maintain and repair the roof of the Building. Tenant's repairs shall comply with the following:

(i) all applicable legal requirements which accrue from the date of this Lease and which are applicable to the performance of Tenant's Work; and

(ii) all Insurance Requirements with respect to the Premises.

(c) Tenant shall be solely responsible for cleaning the Premises.

Section 5.05. Compliance.

Tenant shall observe and comply promptly with all present and future legal requirements and Insurance Requirements relating to or affecting the Premises or Tenant's use and occupancy of it. If any legal requirement or Insurance Requirement requires a repair, addition or alteration, Tenant's obligation shall be limited to those portions of the Premises which Tenant is required to repair in accordance with Section 5.04.

Section 5.06. Emergency Repairs.

If, in an emergency, it shall become necessary to make promptly any repairs or replacements to the Premises, Landlord may re-enter the Premises and proceed to perform repairs. If repairs performed by Landlord were required to be made by Tenant, within thirty (30) days after Landlord renders a bill therefor, Tenant shall reimburse Landlord for the reasonable cost of making those repairs.

Section 5.07. Surrender of Premises.

On the Expiration Date, Tenant shall quit and surrender the Premises broom clean, and in the state of repair in existence after the performance of Tenant's Work, reasonable wear and tear excepted, together with all alterations, installations, additions and improvements which may have been made in or attached on or to the Premises. Upon surrender, Tenant shall remove its personal property from the Premises, and Landlord may require Tenant to remove any installation or alteration made by Tenant, and restore the affected portion of the Premises to the condition delivered. Tenant shall not be required to remove partitioning, paneling, wall coverings or floor coverings.

Section 5.08. Alterations.

(a) Except as provided for in subsection 5.08(b), Tenant may not make any alterations to the Premises without the prior written consent of Landlord. If Landlord grants its consent to any alterations, the alterations shall be performed in a good and workmanlike manner. Landlord hereby agrees not to unreasonably withhold its consent to interior non-structural alterations proposed to be made to the Building. All alterations made by Tenant shall comply with all applicable legal requirements and all Insurance Requirements. Upon completion of any alteration, Tenant shall deliver a set of as-built plans for that alteration to Landlord.

(b) Provided that the alterations do not reduce the value of the Premises, Landlord's consent shall not be required for any set or combination of interior non-structural alterations to the Building costing less than Twenty-Five Thousand ($25,000.00) Dollars. Tenant shall advise Landlord prior to commencing any such alterations. Notwithstanding the foregoing, if the consent of any Mortgagee is required for any alteration proposed by Tenant, Tenant shall not commence that alteration until the Mortgagee consents. Landlord shall cooperate with Tenant in seeking any such consent.

(c) Alterations shall be considered part of the Premises.

Section 5.09. Tenant's Equipment.

(a) "Tenant's Equipment" means: racks and other movable trade fixtures, equipment, furniture and decorations installed in the Building by Tenant. However, heating, ventilating, air conditioning, plumbing, electrical, fire prevention, smoke and fire detection, burglar alarm and illumination equipment, installed by Tenant shall not be considered to be a part of Tenant's Equipment and shall be considered part of the Premises.

(b) Tenant shall be entitled to affix Tenant's Equipment to, to install Tenant's Equipment in, and to remove Tenant's Equipment from, the Premises. Tenant's Equipment shall be the property of Tenant and shall not be deemed to be part of the Premises or subject to this Lease.

(c) Upon the Expiration Date, Tenant shall remove Tenant's Equipment. Upon removal of Tenant's Equipment, Tenant shall repair any damage to the Premises which shall have resulted from affixing, installing, or removing Tenant's Equipment.

Section 5.10. Insurance.

(a) Tenant shall maintain comprehensive general liability insurance with respect to the Premises in amounts not less than Three Million ($3,000,000.00) Dollars for each occurrence or person as to personal injury and One Million ($1,000,000.00) Dollars for each occurrence as to property damage.

(b) Tenant's insurance policy shall be issued by an insurer of recognized responsibility and shall be reasonably satisfactory to Landlord in form and substance. Landlord, and upon request of Landlord, any Mortgagee, Master Lessor or other designee of Landlord shall be named as additional insureds.

(c) Upon the execution of this Lease by Tenant, Tenant's insurance policy shall be delivered to Landlord.

(d) Tenant's insurance policy shall provide, in effect, that the policy may not be cancelled, reduced in amount, or modified by the insurer until at least twenty days after the insurer shall have notified Landlord and Tenant in writing.

(e) Tenant may carry this insurance under a blanket insurance policy. If Tenant elects to do so, in lieu of the delivery of a copy of the actual insurance policy, Tenant may deliver a certificate of the insurance company evidencing the policy and required endorsements, and, upon the request of Landlord, a copy of a specimen policy which sets forth the terms and conditions of the coverage of the blanket policy.

(f) "Insurance Requirements" means the applicable provisions of the insurance policy carried by Landlord covering the Premises; all requirements of the insurer of any such policy; and all orders, rules, regulations and other requirements of any insurance service office which serves the community in which the Premises are situated.

Section 5.11. Insurance Contributions.

Tenant shall pay Insurance Contributions to Landlord in accordance with the following:

(a) "Insurance Contributions" means Tenant's Pro Rata Share of the cost of insurance maintained by Landlord with respect to the Building and Building Lot. Insurance Contributions shall be payable from and after the Commencement Date.

(b) (i) "Insurance" includes fire insurance with extended coverage, rental insurance, and public liability insurance.

(ii) Tenant shall pay monthly installments on account of Insurance Contributions to Landlord. Until changed in accordance with part (iii), the installments shall be an amount reasonably estimated by Landlord. Installments shall be due in advance. If the Commencement Date is not the first day of a month, Tenant shall pay a partial installment to Landlord on the Commencement Date. The partial installment shall be an equitable share of a full month's installment. If the Commencement Date is the first day of a month, a full installment shall be paid on the Commencement Date. Each subsequent installment shall be due on the first day of each succeeding month.

(iii) For each Lease Year after the first Lease Year, monthly installments payable on account of Insurance Contributions for a Lease Year shall be the Insurance Contributions for the preceding Lease Year divided by the number of months in the preceding Lease Year.

(iv) If the monthly payments made by Tenant on account of the Insurance Contributions for any Lease Year are not sufficient to fully pay the Insurance Contributions for that Lease Year, Tenant shall pay the deficiency to Landlord. Tenant shall pay the deficiency within ten days after the Landlord renders its bill for the deficiency. If monthly payments on account of Insurance Contributions are in excess of Insurance Contributions for that Lease Year, Landlord shall reimburse Tenant for the excess payments at the end of that Lease Year.

Section 5.12. Destruction.

(a) If the whole or any portion of the Building is damaged by fire or insurable casualty and this Lease is not terminated pursuant to subsection 5.12(b), rent shall abate from the date of such occurrence in the proportion that the portion of the Building rendered unusable bears to the entire floor area contained within the Building until the Building, or damaged portion of it, shall be rebuilt or repaired as provided in this Section. If Landlord shall carry full rental insurance for a period of at least one year, the extent to which rent shall abate shall be equal to the amount of rental insurance proceeds actually paid to Landlord.

(b) If the Building shall be damaged by fire or other insurable casualty this Lease shall not be terminated except as set forth in this subsection. If the damage is not substantially repaired by Landlord in accordance with subsection 5.12(c) within one year after its occurrence, the rental abatement shall continue and Tenant may cancel this Lease by giving notice to Landlord within thirty days after the end of that year. If the Building shall be damaged by fire or other casualty to the extent of thirty percent or more of its replacement value during the last two years of the Term, either party shall have the right to cancel this Lease by giving notice to the other within ninety days following the casualty. Tenant hereby waives all other rights to terminate this Lease it may have by reason of damage to the Building or other portions of the Premises as a result of fire or other casualty pursuant to any presently existing or hereafter enacted statute or other law.

(c) If all or any portion of the Building is damaged by fire or other casualty insurable under a standard fire insurance policy with standard extended coverage endorsements and this Lease is not terminated, Landlord shall, within a reasonable time after the occurrence, repair or rebuild the Building or the damaged portion to its condition immediately prior to the occurrence, except for leasehold improvements and alterations made by Tenant. Tenant shall be required to repair any damage to leasehold improvements and alterations made by Tenant.

(d) If this Lease is cancelled in accordance with this section, Rent shall be equitably pro-rated as of the date of cancellation.

Section 5.13. Subrogation.

(a) Landlord and Tenant hereby release each other and each other's officers, directors, employees and agents from liability or responsibility for any loss or damage to property covered by valid and collectable fire insurance with standard extended coverage endorsement.

(b) This release shall apply not only to liability and responsibility of the parties to each other but shall also extend to liability and responsibility for anyone claiming through or under the parties by way of subrogation or otherwise. This release shall apply even if the fire or other casualty shall have been caused by the fault or negligence of a party or anyone for whom a party may be responsible.

(c) This release shall not apply to loss or damage of property of a party unless the loss or damage occurs when the fire or extended coverage insurance policies of the party contain a clause or endorsement to the effect that any release shall not adversely affect or impair the policies or prejudice the right of the party to recover under it. Landlord and Tenant each agree that fire and extended coverage insurance policies covering the Building, Premises or their contents shall include this clause or endorsement as long as it shall be obtainable without extra cost, or, if extra cost shall be charged, so long as the other party pays the extra cost. If extra cost shall be chargeable, the party whose policy is subject to the extra cost shall advise the other, and of the amount of the extra cost.

Section 5.14. Taking of the Premises.

(a) (i) "Taking" means: The Taking of, or damage to, all or part of the Premises as a result of the exercise of any power of eminent domain or purchase under threat thereof.

(ii) "Taking Date" means: the date on which the condemning authority shall have the right to possession of all or part of the Premises.

(iii) "Award" means the Award for, or proceeds of, any Taking less the expenses of collecting the Award, including fees of attorneys and appraisers.

(b) (i) Landlord shall be entitled to the entire Award for any Taking of all or any part of the Premises. Tenant hereby assigns to Landlord any share of such Award which may be awarded to it. However, Tenant shall have a right to prosecute Tenant's separate claim for loss of its personal property, if any, relocation and moving expenses, and the unamortized value of the initial Tenant's leasehold improvements made by Tenant.

(ii) For the purposes of this subsection (b), the unamortized value of Tenant's leasehold improvements shall be equal to the lesser of $500,000.00 or the cost of the initial leasehold improvements included as part of Tenant's Work, amortized on a straight line basis over ten years commencing on the Commencement Date.

(iii) Tenant hereby waives and assigns to Landlord any right to any portion of the Award for the loss of its leasehold interest in the Premises.

(c) (i) If there is a permanent Taking of more than twenty-five percent of the Building, either party shall have the option to cancel this Lease by giving notice to the other within ninety days after the Taking Date.

(ii) If there is a permanent Taking of more than twenty-five percent of the parking spaces located within the Building Lot and Landlord does not agree to provide up to seventy-five percent of the previously available parking spaces in a location or locations reasonably satisfactory to Tenant, Tenant may cancel this Lease by giving Landlord notice within ninety days after the Taking. Landlord shall make all reasonable efforts to replace all Taken parking spaces with an equal number of ground level parking spaces in an area which shall be in compliance with applicable zoning laws, if any.

(d) If this Lease is not cancelled, the following shall apply:

(i) Landlord shall restore the Premises to the extent practical to render them reasonably suitable for the use as set forth in Section 5.01.

(ii) The annual rate of Basic Rent shall be reduced in accordance with the following:

(x) The applicable per square foot annual rate or rates of Basic Rent shall be reduced by an amount. The amount by which Basic Rent shall be reduced shall be the product of the applicable per square foot annual rate or rates of Basic Rent multiplied by the number of square feet of the Building Taken; and

(y) Any reduction in the annual rate of Basic Rent shall be effective as of the Taking Date.

(iii) For the purposes of this subsection (d), the floor area of the Building shall be deemed to be 83,764 square feet.

(e) If this Lease is cancelled in accordance with this section, Rent shall be equitably pro-rated as of the date of cancellation.

Section 5.15. Insurance Requirements.

Tenant agrees to comply with all of Insurance Requirements relating to or affecting the Premises. If, as a result of Tenant's failure to do so or as a result of or in connection with the use to which the Premises is put by Tenant, the insurance rates applicable to the Premises shall be increased, Tenant shall pay to Landlord, on demand, the portion of the premiums for all insurance policies that shall be attributable to the increase caused by Tenant. If any such requirement requires a repair, addition or alteration to the Premises, Tenant's obligations shall be limited to those portions of the Premises which Tenant is required to repair in accordance with Section 5.04.

Section 5.16. Access to Premises, Easement for Pipes.

(a) Landlord and any Mortgagee of the Premises shall each be entitled to:

(i) inspect the Premises at reasonable times and upon reasonable notice; and

(ii) access to the Premises for the purpose of exercising Landlord's rights under this Lease.

(b) Landlord hereby reserves the following rights and privileges:

(i) an easement for all existing wires, pipes, lines, conduits and related installations now running in, on, under or over the Premises to remain in the locations in which they are situated;

(ii) an easement to install new wires and new pipes, wires, conduits and related installations in, on, over, and under the Premises, as long as such new installations do not unreasonably interfere with Tenant's use of the Premises, Landlord shall repair any damage caused by the Premises by any such action. The work shall be performed at reasonable times and upon reasonable advance notice; and

(iii) a non-exclusive easement for persons and vehicles to pass over the existing roadways at the Building Lot to and from the entrance and exitways at the Premises and the other premises presently owned by Landlord which is adjacent to the Premises, including but not limited to the right to use all existing driveways.

(c) Tenant shall not erect any barriers or other installations which shall interfere with Landlord's rights under this Section.

(d) In exercising Landlord's rights of entry under this Section, Landlord shall give Tenant such oral or written notice as shall be reasonable under the circumstances.

Section 5.17. Signs on the Premises.

Tenant may install signs at the Premises. Tenant's signs must comply with all applicable legal requirements. Tenant shall apply for and pay the cost of all permits and approvals required in connection with Tenant's signs. Landlord shall join in those applications, if necessary.

ARTICLE VI

UTILITIES

Section 6.01. Electricity.

Landlord is presently supplying electricity service to the Premises. That service is measured by an existing check meter or meters. Tenant shall maintain those meters and shall pay to Landlord the cost of electricity service measured by those meters. The payment shall be due within ten days after Landlord renders its bill. The amount of the payment shall be equal to the amount of consumption during the period in question as measured by the meter(s) multiplied by a rate which shall not exceed the rate,

including any surcharge or fuel adjustment, which Tenant would otherwise be obligated to pay to the utility company if electricity were supplied to the Premises directly by the utility company. Upon sufficient advance notice, Landlord may elect to discontinue supplying electricity service to the Premises. If Landlord does so, Tenant shall be obligated to arrange with the utility company servicing the Premises for electricity service on Tenant's account.

Section 6.02. Gas.

Tenant shall arrange with the utility company servicing the Premises for gas service (if applicable), on Tenant's account, to be provided to the Premises. If necessary, Tenant shall install a gas meter or meters. Tenant shall maintain any meter. Tenant shall pay for all gas service used at the Premises.

Section 6.03. Water.

Tenant shall arrange with utility company servicing the Premises for water, on Tenant's account, to be provided to the Premises. If necessary, Tenant shall install a water meter or meters. Tenant shall maintain any meter. Tenant shall pay for all water used at the Premises.

Section 6.04. Frontage of Other Charges.

If any sewer rent, frontage charge or any similar charge is imposed in connection with Tenant's consumption of water or usage of the water system or sewerage system servicing the Premises, Tenant shall promptly pay those charges directly to the governmental authority or utility company imposing those charges.

Section 6.05. Heat, Air Conditioning and Hot Water.

(a) Tenant shall pay for its own for heat, air conditioning, if any, and hot water at the Building.

(b) Tenant agrees to maintain heat at the Building at all times at a level reasonably estimated by Landlord to keep waterpipes and sprinklers, if any, in the Building from freezing and to otherwise prevent damage to the Building.

(c) Tenant shall be permitted to use all existing utility lines and conduits located within the Premises and servicing the Building.

ARTICLE VII.

PARKING AREAS AND BUILDING LOT

Section 7.01. Supplementary Parking Area.

The Supplementary Parking Area is a portion of a parking area located within the premises adjacent to the Premises. The Supplementary Parking Area is located as shown on Exhibit A. Landlord shall have the right to relocate the Supplementary Parking Area from time to time to other locations within that adjacent Premises. Tenant shall have the right to use up to 209 exclusive parking places with respect to the Premises. If the Premises does not contain 209 spaces, then Tenant shall have the exclusive use of a number of parking places located within the

Supplementary Parking Area equal to the difference between 209 and the number of parking place located upon the Premises. Tenant shall also have the right to use 141 non-exclusive parking places within the Supplementary Parking Area. Tenant shall have 24 hour access to the Supplemental Parking Area.

Section 7.02. Maintenance of Building Lot.

Tenant shall maintain, repair and clean the Building Lot in order to keep the Building Lot in good order and repair throughout the Term.

Section 7.03. Supplementary Parking Area Contributions.

(a) Tenant shall pay to Landlord within 30 days after Landlord renders a bill therefor, Tenant's share of the reasonable costs incurred by Landlord in operating, repairing and maintaining the Supplementary Parking Area, including the cost of cleaning, real estate taxes, patching, striping, lighting, and snow removal. Except for repaving, Tenant shall not be obligated to contribute towards the cost of improvements of a capital nature. Tenant's share of the cost shall be in proportion to a fraction. The numerator of the fraction shall be the number of spaces, exclusive and non-exclusive, which Tenant has the right to use at the Supplementary Parking Area. The denominator of the fraction shall be the number of parking places located within the Supplementary Parking Area which Tenant and other tenants at the premises adjacent to the Premises have the right to use. Landlord shall render no more than 12 bills each year.

(b) Landlord shall maintain records of the expenses incurred by Landlord with respect to the Supplementary Parking Area. The records shall be kept at Landlord's principal office. Upon reasonable notice, from time to time, Tenant shall have the right to inspect and audit those records. The records shall be maintained until the first anniversary of the date Landlord renders a bill with respect to those expenses.

(c) Landlord's failure to render a bill for any period occurring during the Term shall not be construed as a waiver of Landlord's right to any payment due under this Section.

(d) Tenant shall only be required to bear its share of those expenses incurred during the Term. This provision and Tenant's liability under this Section shall survive the expiration or termination of this Lease.

(e) Landlord agrees to repair and maintain the Supplementary Parking Area in a reasonable manner and to commence to remove snow from it within a reasonable time after the end of a snow fall.

ARTICLE VIII

INTERESTS IN THE PREMISES AND TRANSFER OF INTEREST

Section 8.01. Assignment of Tenant's Interest.

(a) Tenant shall not assign its leasehold interest under this Lease or sublet all or any part of the Premises without Landlord's prior written consent. Subject to Landlord's rights under subsection 8.01(b), Landlord's consent to an assignment of this Lease or a subletting of the entire Premises shall not be unreasonably withheld. No assignment or subletting shall relieve Tenant of any obligations under this Lease. A transfer of a controlling interest in Tenant's stock shall be regarded as an assignment in the context of this Section 8.01.

(b) (i) Prior to listing the Premises with a broker, offering the Premises to others, or advertising the availability of the Premises, Tenant agrees to notify Landlord if Tenant desires to assign this Lease or sublet the entire Premises to any party other than a party referred to in subsection 8.01(e).

(ii) If Tenant shall seek to assign this Lease or sublet the whole of the Premises to an unaffiliated party, Tenant shall notify Landlord of the identity of the proposed assignee or sublessee and deliver to Landlord an executed counterpart of the assignment agreement or sublease. Upon receipt by Landlord of Tenant's notice given in accordance with this part (ii), Landlord shall have the option to terminate this Lease. Landlord may exercise its option to terminate this Lease by giving Tenant written notice not later than sixty days after receipt of that notice. If Landlord shall exercise its option to terminate this Lease, the Lease shall terminate on the date rent under the proposed sublease shall be scheduled to commence or the effective date of the assignment. Any sublease or assignment shall be entered into expressly subject to Landlord's rights under this part (ii).

(iii) Upon termination, Landlord shall be relieved of all obligations or liabilities set forth in this Lease, except for accrued liabilities and except for those liabilities which specifically are to survive a termination or cancellation of this Lease. Upon termination and surrender of possession of the Premises in accordance with Section 5.07, Tenant shall be relieved of all obligations or liabilities set forth in this Lease, except for accrued liabilities and except for those liabilities which specifically are to survive a termination or cancellation of this Lease.

(c) An assignment of Tenant's leasehold interest shall not be effective unless and until assignor shall give notice of the assignment to Landlord and the assignee assumes all of Tenant's obligations under this Lease. A sublease shall not be effective unless and until Tenant shall deliver to Landlord an originally executed counterpart of the sublease agreement.

(d) The provisions of this Section shall apply to Tenant, its sublessees, successors or assigns.

(e) Landlord hereby consents that Tenant may assign this Lease or sublet the entire Premises to Tenant's parent, any subsidiary or affiliate of Tenant, to any corporation which merges with Tenant or to any party which purchases all or a substantial portion of the assets or stock of Tenant. The provisions of subsection 8.01(b) shall not apply to any such assignment or subletting.

Section 8.02. Estoppel Certificates.

(a) Within ten days after request therefor, either party shall deliver an Estoppel Certificate to the other party.

(b) An Estoppel Certificate shall set forth the following statements to the best of the knowledge of the party certifying:

(i) that this Lease has not been supplemented or amended; or if it is alleged that this Lease shall have been supplemented or amended, the manner in which it has been supplemented or amended shall be specified;

(ii) that this Lease is not in full force and effect, or if it is alleged that this Lease is not in full force and effect, the reasons for the allegations shall be specified;

(iii) the date to which Basic Rent and Additional Rent have been paid; and

(iv) that there exists no condition which constitutes an Event of Default; or if it is alleged that such condition exists, the nature of the condition shall be specified.

(c) An Estoppel Certificate may be relied upon by the party requesting it or any other person to whom the Estoppel Certificate may be exhibited or delivered. The contents of each Estoppel Certificate shall be binding on the party which executed it.

Section 8.03. Subordination.

(a) Tenant shall subordinate the lien of this Lease to each Mortgage or Master Lease which may encumber the Premises from time to time, and Tenant hereby agrees to attorn to any Mortgagee or Master Lessor upon the request of either.

(b) (i) "Mortgage" means: any mortgage, deed of trust or deed to secure debt which encumbers all or part of the Premises, any modification, consolidation or extension of any of the foregoing instruments; and any spreading agreements.

(ii) "Mortgagee" means: the holder of a Mortgage.

(iii) "Master Lease" means a lease of the Premises or a lease of the ground underlying the Premises between the owner thereof, as lessor, and Landlord, as lessee, giving rise to Landlord's rights and privileges in the Premises or the underlying land as the case may be.

(iv) "Master Lessor" means: the owner from time to time of the lessor's interest under a Master Lease.

(c) Notwithstanding the provisions of subsection 8.03.(a), this Lease shall not be subordinate to any Master Lease or Mortgage, unless the Master Lessor or Mortgagee shall agree in writing to the effect that this Lease and Tenant's rights under it in the event of a termination of the Master Lease or a foreclosure of the Mortgage, respectively shall not be terminated.

(d) If the agreements referred to in subsection 8.03(c) are not executed by the existing Mortgagee and Master Lessor within 60 days after fully executed counterparts of this Lease are exchanged by Landlord and Tenant then, Tenant shall have the right to cancel this Lease by notifying Landlord within ten days following that 60 day period. Tenant's sole remedy for the failure of a Mortgagee of Master Lessor to execute such an agreement shall be the right to cancel this Lease. If Tenant elects to cancel this Lease, both parties shall be relieved of all further liability under it.

Section 8.04. Transfer of Landlord's Interest.

(a) The following shall apply if Landlord's interest in the Premises is a leasehold interest: "Landlord" means: the owner of the Premises or the Mortgagee in possession of the Premises for the time being. Each time the Premises is sold, the Seller shall be entirely relieved of all obligations and

liability as Landlord under this Lease, accruing after the date of the transfer. If a person who owns the Premises leases its reversionary interest in the Premises to another person subject to the lien of this Lease, the lessor shall be relieved of all of its liability as Landlord under this Lease, accruing after the date of the transfer.

(b) The following shall apply if the Landlord's interest in the Premises is a leasehold interest: "Landlord" means: only the owner of the leasehold estate in the Premises under a lease of the reversionary interest in the Premises. Each time that leasehold interest is assigned, the assignor shall be entirely relieved of any obligations or liability under this Lease, accruing after the date of the transfer. If the owner of the leasehold estate also becomes the owner of the fee interest, subsection (a) of this Section 8.04 shall apply instead of this subsection.

Section 8.05. Brokerage.

Tenant represents that there was no broker or other party, instrumental in consummating this Lease and no conversations or prior negotiations were had with any broker or other party concerning the renting of the Premises. Tenant agrees to hold Landlord harmless against any claims for brokerage commission or compensation arising out of any conversation or negotiation had by Tenant with any broker or other party.

Section 8.06. Financial Statements.

On or before June 1st of each year, Tenant shall deliver a complete financial statement of Tenant for Tenant's fiscal year ending immediately prior to that June 1st. The statement shall be certified as correct by an independent certified public accountant.

Section 8.07. Landlord's Representation.

Landlord hereby represents as follows:

(i) Landlord is the holder of a leasehold estate in the Premises and premises adjacent to the Premises.

(ii) Landlord's leasehold estate extends beyond the Expiration Date of this Lease.

(iii) The Premises is encumbered by a Mortgage granted to John Hancock Life Insurance Company to insure a debt having an initial principal amount of $5,500,000.00.

(iv) No other Mortgage encumbers the Premises.

(v) Annexed as Exhibit C is a photocopy of a title policy issued as of August 15, 1973.

(vi) The unrecorded sidetrack agreement referred to in the deed recorded in Book 4036, Page 580 does not materially adversely offset Tenant's use of the Premises and shall not require Tenant to pay for the use of it (unless Landlord shall hereafter permit Tenant to use it).

(vii) There have been no changes in the state of title to the Premises or state of facts shown on the survey dated March 5, 1973 by John A. Doolittle & Co. since August 15, 1973 which would materially adversely affect Tenant's use of the Premises.

Tenant agrees to order a title report for the Premises If the title report shall reveal any condition or title defect which renders Landlord's representation set forth in part (vi) incorrect, Tenant's sole remedy shall be to cancel this Lease by giving notice to Landlord within 45 days after the date of this Lease. Tenant's notice must set forth the contended defect.

ARTICLE IX

DEFAULTS, DISPUTES AND REMEDIES

Section 9.01 Events of Default of Tenant.

(a) Each of the following events shall constitute an "Event of Default" by Tenant under this Lease:

(i) If Tenant fails to pay any Rent when due, and Tenant does not cure the failure within ten days after Landlord shall have given notice to Tenant of such failure.

(ii) If Tenant fails to comply with any of its other obligations of this Lease, and Tenant does not cure the failure within twenty days after Landlord shall have given notice to Tenant of such failure. However, if the obligations is of such a nature that it can not be performed within that twenty day period, Tenant shall not be deemed to be in default if Tenant commences to perform the obligations within that twenty day period and diligently prosecutes the performance to completion.

Section 9.02. Rights and Remedies Upon Default.

If an Event of Default occurs with respect to Tenant, Landlord shall be entitled to take any action it deems advisable, from time to time, under any one or more of the provision of this Section 9.02 or Section 9.03.

(a) Landlord may proceed as it deems advisable, at law or in equity, to enforce the provisions of this Lease.

(b) Landlord may notify Tenant that this Lease shall terminate on a date specified in the notice, and this Lease shall terminate on the date so specified. Notwithstanding such termination, Tenant's liability under this Lease shall survive.

(c) Landlord may reenter the Premises and may repossess the Premises by summary proceedings, ejectment or otherwise. Landlord may dispossess Tenant and may remove Tenant from the Premises without further notice to Tenant. Notwithstanding any such repossession, re-entry or ejectment, Tenant's liability under this Lease shall survive.

(d) Landlord may relet the Premises as a whole or in part and for such term and extensions as Landlord determines. The term and extensions may be greater or less than the period which would have constituted the balance of the Term if this Lease had not been terminated.

(d) Tenant shall pay the following amounts to Landlord, as liquidated and agreed current damages, on each date when an installment of Rent would have been payable if this Lease had not been terminated:

(i) The installment of Rent which would have been payable on that date, minus the rent (if any) received by Landlord with respect to the reletting of the Premises during the period with respect to which such installment of Rent would have been payable, plus

(ii) All amounts paid by Landlord during such period representing (x) other charges that would have been payable by Tenant if this Lease had not been terminated; and (y) Landlord's out-of-pocket expenses of reentering, repossessing and reletting the Premises including attorneys' reasonable fees and disbursements, commissions of brokers, fees of architects and engineers in connection with any renovation or alteration, and the cost of painting, altering or dividing the Premises.

(f) (i) At Landlord's option, Tenant shall pay liquidated and agreed final damages to Landlord in the amounts set forth as follows: liquidated and agreed final damages shall be all Basic Rent and a reasonable estimate of Additional Rent payable by Tenant under this Lease, for the balance of what would have been the Term had Landlord not exercised its option under subsection (b), discounted at present worth at the annual rate of ten percent minus the fair rental value of the Premises for the same period discounted to present worth at the same rate.

(ii) If Landlord exercises its option under part (i) and Tenant pays the amount required to be paid under part (i), Tenant shall be discharged from all obligations under this Lease except for any obligations which shall have accrued prior to the date of the termination under subsection (b).

(g) If this Lease is cancelled pursuant to this Article IX, or if the Premises is repossessed pursuant to this Article IX, Tenant waives any right of redemption, reentry or repossession and any right to a trial by jury in the event of summary proceedings.

Section 9.03. Landlord's Right to Cure Potential Defaults.

If Tenant shall fail to perform any of its obligations under this Lease, after notice which is reasonable under the circumstances is given to Tenant, Landlord shall have the right to perform the obligation for the account and at the expense of Tenant whether or not an Event of Default shall have occurred. In connection therewith, Landlord may pay any reasonable expenses necessary for such performance. If Tenant fails or refuses to reimburse Landlord for the expenses, any fees of attorneys or other professionals incurred in connection with such performance, and interest at the highest rate legally allowable under the circumstances, that amount shall be added to the next installment of Basic Rent.

Section 9.04. Exculpation.

Landlord shall have absolutely no personal liability with respect to any provision, of this Lease. In case Landlord shall be a joint venture, partnership, tenancy in common, association or other type of joint ownership, the members of the venture, partnership, association or other form of joint ownership shall have absolutely no personal liability with respect to any provision of this Lease. If Tenant shall contend that Landlord shall have any liability to Tenant, Tenant shall look solely to the equity of the owner of the Premises at the time the liability arose for the satisfaction of any remedies of Tenant. If Landlord's interest is a leasehold interest, Tenant shall look solely to the leasehold interest for the satisfaction of any remedies. This exculpation of liability shall be absolute and without exception.

Section 9.05. Waiver of Right of Redemption.

Tenant hereby expressly waives (to the extent legally permissible), for itself and for all persons claiming by, through, or under it, any right of redemption or for the restoration of the operation of this Lease under any present or future law in case Tenant shall be dispossessed for any cause, or in case Landlord shall obtain possession of the Premises as provided for in this Lease.

Section 9.06. Waiver of Trial By Jury.

Tenant hereby waive all right to trial by jury in any claim, action, proceeding or counterclaim by Landlord against Tenant on any matters arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises.

ARTICLE X

INTERPRETATION AND NOTICE

Section 10.01. Interpretation.

Captions and headings used in this Lease are for reference only. They shall not affect the interpretation of any portion of this Lease. The use of the word "it" or "its" in reference to a party shall be a proper reference even if that party is a partnership, an individual or two or more individuals. A provision that requires a party to perform an action shall be construed as requiring the party to perform the action or to cause the action to be performed, at that party's sole cost and expense except when expressly provided to the contrary. A provision that prohibits a party from performing an action shall be construed as prohibiting such party from performing the action and requiring the party to take all practical and legal steps to prevent others from performing the action. "Including" means: "including but not limited to". "Repair" includes the words "replacement and restoration", "replacement or restoration", "replace and restore", "replace or restore", as the case may be. The singular includes the plural; the plural includes the singular. "Any" means: "any and all". The term "reentry" shall not be restricted to its technical legal meaning. If any provision of this Lease shall be held to be invalid or unenforceable to any extent, the remainder of this Lease shall not be affected, and each provision of this Lease shall be valid and shall be enforced to the fullest extent permitted by Law.

Section 10.02. Communications.

(a) Notices, requests, consents, approvals and other communications under this Lease shall be effective only if in writing, if mailed by registered or certified mail, return receipt requested, postage prepaid, and if properly addressed.

(b) Communications shall be properly addressed only if addressed as follows:

(i) if intended for Landlord, the communication shall be addressed as set forth on page 1, Attention: Real Estate Department, or such other address as Landlord designates by giving notice thereof to Tenant, with a copy thereof to Zissu Berman Halper Barron & Gumbinger, 450 Park Avenue, New York, New York 10022.

(ii) if intended for Tenant, the communication shall be addressed as set forth on page 1, Attention: Vice President, Finance or to such other address as Tenant designates by giving notice thereto to Landlord with a copy thereof to Rosenman Colin Freund Lewis & Cohen, 575 Madison Avenue, New York, New York 10022.

(c) All notices shall be effective when received.

Section 10.03. Covenant of Quiet Enjoyment.

Landlord covenants that if Tenant pays the rent and all other charges provided for in this Lease, performs all of its other obligations, and observes all of the other provisions of this Lease, Tenant shall at all times during the Term peaceably and quietly have, hold and enjoy the Premises, without any interruption or disturbance from Landlord, subject to the terms of this Lease.

Section 10.04. Heirs, Successors and Assigns. This Lease may not be changed or cancelled orally. This Lease shall be binding upon the heirs, executors, administrators, personal representatives, assigns and successors of the parties hereto.

Section 10.05. Counterparts and Exhibits. All exhibits attached to this Lease are intended to be part of this Lease. More than one counterpart of this Lease has been executed, but each such counterpart shall constitute but one and the same instrument.

Section 10.06. Execution. Notwithstanding anything to the contrary, this Lease shall not be in force and effect and shall not be binding upon any party unless and until actual and complete counterparts of this Lease are properly executed by Landlord and Tenant or by their respective duly authorized officers, and such fully executed counterparts are exchanged by, or delivered to each party.

Section 10.07. Com????????.

(a) Notices, requests, consents, approvals and other communications ??? this Lease shall be effective only if in writing, if mailed by registered or certified mail, return receipt requested, postage prepaid, and if properly addressed.

(b) ??????? shall be ???????? addressed only if ???????? ?????? ?????????.

To signify its agreement to this instrument, Landlord and Tenant have each caused this instrument to be executed and attested to by their respective duly authorized officers.

ATTEST:

LANDLORD:

VORNADO, INC.

/s/ Thomas Seiler
- ----------
THOMAS SEILER
SECRETARY

By: /s/ Frederick Zissu
- ----------
FREDERICK ZISSU
CHAIRMAN OF THE BOARD

ATTEST:

TENANT:

POPULAR SERVICES, INC.

- ----------
Assistant Secretary

By: /s/ James D. Rose
- ----------
Vice President

AGREEMENT OF SUBLEASE

between

REVLON HOLDINGS INC. a Delaware Corporation, as Sublessor

and

POPULAR CLUB PLAN, INC. a New Jersey Corporation, as Sublessee

Dated: November 4, 1993

GREENBAUM, ROWE, SMITH, RAVIN & DAVIS
Metro Corporate Campus One
P.O. Box 5600
Woodbridge, New Jersey 07095-0988

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EXHIBITS

THIS Sublease, dated the 4th day of November, 1993, between REVLON HOLDINGS INC. (formerly known as Revlon, Inc.), a corporation of the State of Delaware, having an office at 625 Madison Avenue, New York, New York 10022 (hereinafter designated as "Sublessor"), and POPULAR CLUB PLAN, INC., a corporation of the State of New Jersey, having an office at 22 Lincoln Place, Garfield, New Jersey 07026 ("Sublessee").

W I T N E S S E T H:

ARTICLE I

Demise, Premises and Terms of Prime Lease

Section 1.1 Demise and Premises. Sublessor does hereby demise and lease to Sublessee and Sublessee does hereby take and hire from Sublessor all that certain tract or parcel of land, including the building and improvements erected thereon, consisting of 369,313 gross rentable square feet (hereinafter designated as the "Building") as provided herein, situate, lying and being in the Township of Edison, Middlesex County, New Jersey, commonly known as 1 Truman Drive, Edison, New Jersey and shown on the plot plan designated Exhibit A, annexed hereto and made a part hereof. The lands aforesaid being more particularly described in Exhibit B annexed hereto and made a part hereof, together with the rights and privileges, fixtures and equipment therein and the easements, improvements, tenements, hereditaments and appurtenances now or hereafter belonging or pertaining thereto (all referred to hereinafter as the "Demised Premises" or the "Premises"). The land and improvements demised hereunder exclusive of any expansion are herein referred to as the Initial Demised Premises (the "IDP"). If the Sublessor Funded Expansion #1 Term, Sublessee Funded Expansion #1 Term, and/or Expansion #2 Term, as hereinafter defined, commences, then "Demised Premises" or "Premises" shall thereafter be deemed to refer to the IDP as well as the Expansion #1 Space and/or Expansion #2 Space, as hereinafter defined in Article III. The Sublessee shall have possession of the Premises for the term and at the rents as herein provided, subject to the terms, covenants and conditions herein contained which each of the parties hereto expressly covenants and agrees to keep, perform and observe.

Section 1.2 The Prime Lease

(a) Except as otherwise expressly provided herein or in a certain TriParty Agreement among the parties hereto and the Prime Landlord ("Tri-Party Agreement") incorporated herein by reference, all of the terms of that certain Lease Agreement dated as of June 21, 1989 (the "Prime Lease") between SJDH Truman Drive Trust (the "Prime Landlord") and Revlon, Inc. (the "Prime Tenant") as they pertain to the Premises are hereby incorporated into and made a part of this Sublease as if stated at length herein, and Sublessee accepts this Sublease subject to, and hereby agrees to be bound by all of the terms, covenants. conditions and agreements contained in the Prime Lease to be performed by Sublessor thereunder with respect to the Premises. The Sublessor is the Prime Tenant under the Prime Lease. The Sublessor's interest in the Prime Lease was assigned by Sublessor to Revlon Consumer Products Corporation ("RCPC") by instrument of assignment dated June 24, 1992 pursuant to which assignment Sublessor remained primarily and directly liable under the Prime Lease; the name of Revlon, Inc. was changed by a Certificate of Amendment to the Certificate of Incorporation dated June 24, 1992 to Revlon Holdings Inc. By Reassignment and Release Agreement of even date herewith, RCPC has reassigned to Sublessor all of the tenant's right, title and interest and obligations under the Prime Lease and RCPC is released from all obligations and liabilities under the Prime Lease.

(b) Sublessor has heretofore provided Sublessee with a true and accurate copy of the Prime Lease, a copy of which is attached hereto as Exhibit C, which Prime Lease, as provided to Sublessee, has not since been modified or amended, except as provided in the Tri-

Party Agreement, and there is no other agreement or understanding, other than the Tri-Party Agreement, to which either Sublessor or Prime Landlord is a party varying the provisions of the Prime Lease or otherwise affecting Sublessee's rights or obligations under this Sublease. Sublessor further represents that, as of the date of execution hereof, Sublessor knows of no default and has not given notice to Prime Landlord of any default and has not received any written notice of default under the Prime Lease and the Prime Lease is in full force and effect.

(c) Sublessee acknowledges that it has read and examined the Prime Lease and is fully familiar with all of the provisions thereof on the Prime Tenant's part to be performed, and, subject to the express provisions of this Sublease, those provisions applying to the Prime Landlord therein shall apply to Sublessor and those applying to Prime Tenant therein shall apply to Sublessee except that the following articles, portions and provisions of the Prime Lease shall not be deemed a part of this Sublease: the preface and paragraphs 2, 3, 5, 13 and 42. The parties intend and agree that the payment of Basic Rent and Additional Rent shall be absolutely net to the Sublessor and that the Sublessee shall assume responsibility for any charge, cost or expense relative to the Demised Premises during the Term, as the same may be extended or renewed. Sublessee's obligation shall include responsibility for all obligations for which Sublessor may be liable under the Prime Lease except as may be expressly provided in this Sublease.

(d) The parties hereto agree that subject to the provisions of this Sublease, wherever the words "Demised Premises" or words of similar import appear in the Prime Lease, the same shall be deemed to mean the Premises subject to this Sublease and wherever the words "Landlord" and "Tenant" appear in the Prime Lease, the words shall be deemed to refer to Sublessor and Sublessee respectively, so that, subject to the provisions of this Sublease and the Tri-Party Agreement, Sublessor shall have the rights and powers of Prime Landlord under the Prime Lease, and Sublessee shall have and does hereby agree to be bound by and accepts all the rights, powers, duties and obligations of the Prime Tenant under the Prime Lease provided, however, that notwithstanding the foregoing, Sublessor shall have no obligation to perform or furnish any of the work, services, repairs or maintenance undertaken to be made by Prime Landlord under the Prime Lease, or any other term, covenant or condition required to be performed by Prime Landlord under the Prime Lease. As provided in Article 6 of the Prime Lease, Sublessee expressly assumes the entire responsibility for maintenance and repair of the Demised Premises.

(e) To the extent applicable to the Premises, Sublessee shall have the benefit of each and every covenant and agreement made by Prime Landlord to Sublessor under the Prime Lease. In the event that Prime Landlord shall fail or refuse to comply with any of the respective provisions of the Prime Lease, Sublessor shall have no liability on account of any such failure or refusal, provided that the Sublessee shall have the right to exercise in the name of the Sublessor all the rights to enforce compliance on the part of Prime Landlord as are available to the Sublessor with respect to the Premises. Sublessor hereby agrees to cooperate with and execute, all instruments and supply information reasonably required by Sublessee in order to enforce such compliance. Sublessee hereby agrees to indemnify and hold Sublessor harmless of and from any and all damages, liabilities, obligations, costs, losses, demands, expenses and injuries, including reasonable attorneys' fees and expenses which may be incurred by Sublessor in or as a result of such cooperation and execution.

(f) In the event Sublessee shall default in the full performance of any of the terms, covenants and conditions on its part to be performed under this Sublease, then Sublessor shall have, without limitation, all of those rights and remedies as against the Sublessee as are held by the Prime Landlord under the Prime Lease with respect to defaults by the Prime Tenant. Notwithstanding the foregoing, this Sublease is separate from and subordinate to the Prime Lease.

(g) If Sublessor shall default in the payment of any rent due under the Prime Lease, Prime Landlord is hereby authorized to collect any rents due or accruing under the Sublease directly from the Sublessee and to apply the net amounts so collected to the fixed annual rent and additional rent reserved under the Prime Lease, and Sublessee shall be entitled to apply the net amount so paid to the Prime Landlord to the Basic Rent and/or the Expansion Rent as the case may be and Additional Rent as such term is hereinafter defined which may be due

hereunder. The receipt by Prime Landlord of any amounts from Sublessee shall not be deemed or construed as releasing Sublessor from its obligations under the Prime Lease or the acceptance of Sublessee as a direct tenant.

(h) Sublessee shall not do or suffer or permit anything to be done which would cause the Prime Lease to be terminated or forfeited by virtue of any rights of termination or forfeiture reserved or vested in Prime Landlord. If Sublessee shall default in the performance of any of its obligations under this Sublease or under the Prime Lease as incorporated by reference pursuant to Section 1.2(a), after notice and the opportunity to cure, Sublessor, without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of Sublessee. If Sublessor makes any expenditures or incurs any obligation for the payment of money in connection therewith, such sums paid or obligations incurred shall be deemed to be Additional Rent hereunder and shall be paid to Sublessor by Sublessee on demand together with interest at the Sublease Interest Rate as such term is defined in Paragraph 12.20(av), from the period that the funds are due until received by Sublessor.

(i) Sublessor agrees that it shall not through action or inaction cause a termination of the Prime Lease.

ARTICLE II

Term, Commencement, Right of Renewal

Section 2.1 Term and Commencement for IDP.

(a) Term. The term of this Sublease for the IDP is ten (10) years and three (3) months plus the fractional month, if any, referred to herein (the "Initial Term"). The Initial Term shall commence on February 1, 1994 (the "Commencement Date"), and shall terminate at 5:00 p.m. on the 30th day of April, 2004. Notwithstanding the intention that the Commencement Date shall be February 1, 1994, if due to circumstances not foreseen at the time of execution hereof the Commencement Date is not the first day of a calendar month (the period between the Commencement Date and the end of the month in which it falls being herein called "Fractional Month"), this Sublease shall terminate on the last day of the third month after the tenth anniversary of the Commencement Date.

(b) Modification of the Initial Term Upon Expansion. Following exercise by Sublessee of the Expansion #1 Option, and/or Expansion #2 Option, as such term(s) are hereinafter defined and more particularly set forth in Article III below, (i) in the event Sublessor pays Construction Costs for the Expansion #1 Space, as such term is hereinafter defined, then on the date of the earlier of (a) the issuance of a temporary or permanent certificate of occupancy for the Expansion #1 Space, or (b) one year from the date notice is received by Sublessor that Sublessee has exercised its Expansion #1 Option, such earlier date being defined herein as ("the #1 Measuring Date"), the Initial Term shall thereupon be modified, and shall provide by virtue hereof a ten year combined term from the said #1 Measuring Date for the combined Demised Premises of the IDP and the Expansion #1 Space, which combined term shall expire on the tenth anniversary of the #1 Measuring Date, the said ten year term is hereinafter referred to as the "Sublessor Funded Expansion #1 Term"; (ii) in the event Sublessee elects to pay the Construction Costs for the Expansion #1 Space, the Initial Term shall be modified and shall provide by virtue hereof for a 17-year combined term from said #1 Measuring Date for the combined Demised Premises of the IDP and the Expansion #1 Space subject to a limit of duration upon such tenancy as will not extend beyond April 30, 2019 (the "Sublessee Funded Expansion #1 Term"); (iii) on the date of the earlier of (a) the issuance of a temporary or permanent certificate of occupancy for the Expansion #2 Space, or (b) one year from the date notice is received by Sublessor that Sublessee has exercised its option to construct Expansion #2, such earlier date being defined herein as (the "#2 Measuring Date"); the Initial Term or the Sublessor Funded Expansion #1 Term or the Sublessee Funded Expansion #1 Term, as the case may be, shall be deemed modified and shall provide by virtue hereof a 15-year combined Term from said #2 Measuring Date for the combined Demised Premises of the IDP, the Expansion #1 Space and the Expansion #2 Space, as the case may be. which combined term shall expire on the

15th anniversary of the #2 Measuring Date subject to a limit as to duration thereof which shall not extend beyond April 30, 2019. The said term is hereinafter referred to as the "Expansion #2 Term".

(c) Term After Expansion(s). Upon modification of the Initial Term as provided in subsection (b) immediately above, reference to term shall relate to the combined Demised Premises and shall mean the modified combined term commencing on the #1 Measuring Date or #2 Measuring Date, and thereafter the Demised Premises consisting of the IDP and the Expansion #1 Space and/or the Expansion #2 Space, as the case may be, shall be inseparable, and as combined, shall become the Demised Premises, although the aggregate rental shall then have two components, Basic Rent and Expansion Rent provided that Expansion Rent shall only be paid if the Sublessor funds the Construction Work of Expansion Space #1. In the event Sublessee funds the Construction Work of Expansion Space #1, no Expansion Rent shall be paid by the Sublessee for Expansion #1 Space during the Sublessee Funded Expansion #1 Term. Basic Rent for the IDP shall either be at a fixed rate per square foot or shall be established by determination of Fair Market Rent, hereinafter defined, determined as more particularly provided in Exhibit D and described in Article V hereof and keyed to fixed calendar dates set forth on such Exhibit D regardless of the date of the commencement of the modified terms.

Section 2.2 Occupancy Prior to Commencement. Subject to all provisions of this Sublease relating to occupancy prior to the Commencement Date, Sublessee shall have the right to occupy and use the IDP prior to the commencement of the Initial Term, but not prior to November 1, 1993 (the "Initial Occupancy Date"), provided that the Demised Premises can then, under applicable law, be legally occupied and used for the uses described in Article X below.

Section 2.3 Pro-Rata Rent During Pre-Commencement Occupancy. If Sublessee occupies the Demised Premises, as aforesaid, (i) it shall commence to pay utilities and all other charges payable under the Sublease, except Basic Rent, from and after the Initial Occupancy Date, (ii) all of the other provisions of this Sublease shall become operative with respect to the Premises as if the Commencement Date had occurred. During the pre-Commencement occupancy Sublessee shall at its cost and expense as a condition precedent to such occupancy, obtain and keep in force during such occupancy, insurance coverage in amounts as required in the Prime Lease with respect to the entire Demised Premises.

Section 2.4 Right of Renewal. Provided that the Sublessee is not in material default of any of the provisions hereof (including any event which with notice or passage of time or both would be a material default) at the time of the exercise of any renewal option or at the commencement of the then applicable renewal term and subject to the terms of the Prime Lease and the Tri-Party Agreement, Sublessor grants to Sublessee rights of renewal as follows:

At the option of the Sublessee, the Term may be extended for two (2) renewal periods of five years each by written notice to the Sublessor at least three hundred and sixty five (365) days prior to the expiration of the Initial Term or the Sublessor Funded Expansion #1 Term, the Sublessee Funded Expansion #1 Term or Expansion #2 Term, as the case may be, or the first renewal term thereof, as the case may be. Upon valid exercise of any of such right(s) of renewal, the term of this Sublease shall remain in full force and effect except that the rent both Basic Rent and Expansion Rent, shall be directly related to the occurrence of the calendar periods shown on Exhibit D and as stipulated in Article V hereof. Notwithstanding rights granted to the Sublessee pursuant to this Article II relating to the Sublessor Funded Expansion (#1) Term, the Sublessee Funded Expansion #1 Term or the Expansion #2 Term and the Expansion (#1 or #2) Space or any renewal rights granted herein, the Sublessee's right to occupy the Premises shall not extend beyond April 30, 2019. If Sublessee shall have exercised the expansion option(s) and is not otherwise in material default (including any event which with notice or passage of time or both would be a material default) after notice and failure to cure as contemplated in Section 11.1 below, of its obligations under this Sublease, then any option to renew the Initial Term as set forth herein shall be deemed to commence upon the expiration of the applicable expansion term. However, regardless of the exercise of any Expansion #1 Option or Expansion #2 Option, the Term and right of possession of the Sublessee hereunder shall expire (if not sooner terminated pursuant hereto) not later than April 30, 2019.

Section 2.5 Certain Provisions Applicable to All Extensions of the Sublease. It is agreed by the parties hereto that in the event the Sublessee shall become entitled to extend the Term pursuant to the provisions hereof, such that the Term of this Sublease would extend beyond the then pending term of the Prime Lease, then and in such event, the Sublessor shall promptly request the Prime Landlord to enter into an extension of the term of the Prime Lease with the Sublessor. Pursuant to the provisions of the Tri-Party Agreement among Sublessor, Sublessee and the Prime Landlord, Prime Landlord shall have the option to either extend the term of the Prime Lease to be co-terminous with the Term of the Sublease, as extended in any instance, or to permit Sublessee to remain in possession of the Demised Premises after the expiration of the term of the Prime Lease pursuant to Section 3 of the Tri-Party Agreement. If the Prime Landlord elects not to extend the term of the Prime Lease, Sublessor shall, upon expiration of the Prime Lease, be thereupon released by Sublessee from all obligations and liability under the Sublease (other than with respect to any breach or non-performance occurring by the Sublessor prior to the expiration or termination of the Term of the Sublease).

ARTICLE III

Expansion Options of Sublessee

Section 3.1 Expansion #1 Option.

(a) Subject to all provisions hereof, and provided the Sublessee is not in material default, including any event which with notice or passage of time or both would be a material default, the Sublessee is granted an option ("Expansion #1 Option") to be exercised as hereafter provided, to expand the Premises by approximately fifty-eight thousand (58,000) gross rentable square feet of building area as more particularly described in subparagraph (b) below. Sublessee's right to exercise the Expansion #1 Option will then be subject to the obligation of Sublessee to demonstrate to Sublessor's reasonable satisfaction, acting in good faith, that there shall not have occurred any material adverse change to the Sublessee's financial condition or to the financial condition of the Guarantor of this Sublease, J. Crew Group Inc., a New York corporation ("Guarantor"), between the date of the execution of this Sublease and Guaranty and the date upon which Sublessee exercises the Expansion Option #1 aforesaid. The said Building addition is hereafter referred to as (the "Expansion #1 Space").

At the time that Sublessee notifies Sublessor that Sublessee is exercising its Expansion #1 Option, Sublessee shall elect either to require the Expansion #1 Construction Costs to be funded by the Sublessor or by the Sublessee. The right of the Sublessee to require Sublessor to fund the Construction Costs shall expire if notice of Sublessee's election as to funding of Construction Costs by the Sublessor shall not have been received by the Sublessor on or before January 1, 1996, time being of the essence. Sublessor's obligation to fund the Expansion #1 Construction Costs is limited to Two Million ($2,000,000.00) Dollars and any Construction Costs in excess of Two Million ($2,000,000.00) Dollars shall be paid solely by Sublessee. If Sublessee fails to notify Sublessor on or before January 1, 1996 of Sublessee's exercise of its Expansion #1 Option and election to require Sublessor to fund the Construction Costs for the Expansion #1 Space, then Sublessor shall thereupon and thereby be released from any obligation to fund the said Expansion; nevertheless, Sublessee may exercise its Expansion #1 Option after January 1, 1996 provided, however, that Sublessee is not then in material default (including any event which with notice or passage of time or both would be a material default) and that Sublessee shall be responsible to fund the entire Expansion #1 Construction Costs. Regardless of whether Sublessee requires Sublessor to fund the Expansion #1 Construction Costs, Sublessor shall have the right to engage a certifying architect to inspect the construction of the Expansion and to monitor the Construction Work in order to certify the completion of Construction Work during the course thereof in accordance with the plans and specifications. The said certifying architect shall hereafter be referred to as "Sublessor's Architect." The costs, fees and expenses of the Sublessor's Architect shall be included in the Expansion #1 Construction Costs. The Sublessor's Architect shall be licensed and qualified in the State of New Jersey, said Sublessor's Architect shall have access to the Demised Premises as he deems necessary to inspect the Construction Work for the purpose of certifying completion of the Construction Work and compliance with the plans and specifications for the Expansion. Sublessee shall provide at its own cost to the Sublessor's Architect a complete set of plans and

specifications for the Construction Work together with any addenda or change orders with respect thereto as they are issued.

(b) Preliminary and Final Plans. The parties hereto have approved for purposes of identification general plans locating and generally describing the Expansion #1 Space identified as Expansion A on the Concept Sketch dated August 23, 1993 and attached hereto as Exhibit E along with certain construction criteria as outlined in Exhibit F and taken together with Exhibit E hereinafter called "Preliminary Expansion #1 Plans". In conjunction with Sublessee's exercise of the Expansion #1 Option, Sublessee shall, either prior to or subsequent to the formal exercise of the option, cause an architect, which architect shall be selected by Sublessee, subject to the approval of Sublessor which approval shall not be unreasonably withheld (hereinafter designated as "Architect"), to prepare final plans and specifications (herein designated as "Final Plans") which shall be consistent with and shall substantially develop and carry out the concept of the Preliminary Plans for the Construction Work and which Final Plans shall comply with the then existing requirements of the Edison Township Zoning Ordinance without the need to obtain any variances or exceptions. The Final Plans shall be subject to the Sublessor's approval, which approval shall be forthcoming and shall not be unreasonably withheld or delayed or conditioned, if they are consistent with and substantially develop the Preliminary Expansion #1 Plans and otherwise comply with all applicable zoning and building ordinances, statutes and regulations. If not approved within thirty (30) days after the receipt by Sublessor, Sublessor shall notify Sublessee of the specific reasons for disapproval and Sublessee shall be allowed a 30-day period for response to Sublessor's disapproval objections and upon receipt of such response, Sublessor- shall have an additional 30 days to review the response.

Section 3.2 Expansion #2 Option.

Subject to all provisions hereof, including but not limited to Sublessor's consent which shall not be unreasonably withheld, delayed or conditioned, if the Sublessee provides to the Sublessor the covenants, representations and assurances described below, and provided further that the Sublessee is not in material default, including any event which with notice or passage of time or both would be a material default, Sublessee is hereby granted the option ("Expansion #2 Option") to construct an addition to the Building not to exceed two hundred thousand (200,000) gross rentable square feet of building area that will be designed to be consistent and compatible with the Building and with the zoning classification then applicable, said addition to be erected at Sublessee's own cost and expense for all items of Construction Costs within the scope of Construction Work for such addition ("Expansion #2 Space"). The notice of Sublessee's exercise of the Expansion #2 Option shall be delivered to the Sublessor with covenants, representations and assurances for the consideration of the Sublessor in the exercise of its reasonable and good faith judgment as to whether or not to give its consent for the construction of the Expansion #2 Space. The covenants, representations and assurances to be relied upon by Sublessor shall consist of: (i) general plans prepared by a New Jersey licensed architect, reasonably satisfactory to Sublessor, locating and describing the addition desired and the general specifications thereof which are consistent with the general plan of Expansion #2 Space identified as B and C on Exhibit E and the construction criteria outlined in Exhibit F; (ii) a satisfactory commitment from a surety reasonably acceptable to the Sublessor confirming its agreement to issue its indemnity, performance and completion bond to the Sublessor which will assure proper completion of the project in a good and workmanlike manner and payment for all work, labor and materials furnished to the project; (iii) satisfactory reasonable evidence of Sublessee's financial capacity to complete the project and that there has not occurred any material adverse change in the financial condition of the Sublessee or the Guarantor since the date of the execution of this Sublease and the Guaranty; (iv) agreement by the Sublessee to pay to Sublessor such Construction Costs in the nature of application fees or fees for permits and costs and expenses of approvals as may be incurred by the Sublessor in conjunction with Sublessee's performance of Construction Work; (v) the proposed improvements to comprise Expansion #2 Space shall be in full compliance with all statutes, ordinances and regulations governing land use and construction without the necessity for any variances or exceptions. Sublessee agrees that in conjunction with the planning and construction of Expansion #2 Space, any existing parking spaces which are removed shall be replaced on-site at a ratio of two (2) new spaces for every three (3) spaces removed in locations as shown on Exhibit E. If (a) within the period May 1, 2004 to April 30, 2010 the applicable zoning and land use statutes and/or

ordinances are amended after the date hereof in a manner which does not permit the construction or use of the Expansion #2 Space for light industrial use, as at present, as a permitted use ("Zoning Change"), and (b) Sublessee in good faith desires to construct the Expansion #2 Space but is unable to commence construction because of the Zoning Change, then Sublessee shall notify Sublessor of its inability to commence construction due to the Zoning Change. Sublessee shall then proceed promptly at its own cost, diligently and in good faith to seek a use variance under applicable law to permit the expansion. Sublessor agrees to cooperate with Sublessee, provided Sublessee shall pay reasonable expenses incurred by Sublessor in providing such cooperation. If the variance sought by Sublessee is not obtained within six (6) months of the filing of the variance application, then the Sublessee shall have the right to terminate this Sublease by written notice of such termination to Sublessor, which termination shall be effective as of eighteen (18) months after Sublessor's receipt of Sublessee's notice of its inability to commence said construction due to the Zoning Change. The parties expressly acknowledge their mutual intention and agreement that Sublessor shall have no obligation or responsibility whatsoever with respect to costs or charges for Expansion #2 excepting such costs and expenses as Sublessor may incur in its review of Sublessee's covenants, representations and assurances. Upon exercise of the Expansion #2 Option and upon Sublessee's compliance with the conditions for the implementation thereof as provided in this Sublease, Sublessee shall have the right at its own cost, to perform Construction Work to erect an addition to the Building for use in Sublessee's business which addition shall become incorporated in and a part of the Demised Premises.

Section 3.3 Sublessor Cooperation. Sublessor agrees to cooperate with Sublessee in connection with Sublessee's exercise of Expansion #1 and #2 Options and to promptly review preliminary plans and sign permit applications of approved plans, if required, at the request of Sublessee in order to facilitate exercise of Expansion #1 and Expansion #2 Options. Sublessee shall pay all Sublessor's costs and expenses incurred in connection with such cooperation.

Section 3.4 When Construction Funded and Performed By Sublessee.

(a) This Lease provides in Article III, Sections 3.1 and 3.2 for the Sublessee to perform the Construction Work in conjunction with the implementation of the Expansion #1 Option and/or the Expansion #2 Option at Sublessee's own cost and expense.

(b) Upon the exercise of (i) the Expansion #1 Option where Sublessee does not require Sublessor to fund the Expansion #1 Construction Costs, and after Sublessor's consent to the implementation of Expansion #1 as provided herein; or (ii) upon the exercise of the Expansion #2 Option and after Sublessor's consent to the implementation of Expansion #2 as provided herein, Sublessee shall thereby assume the obligation to pay all Construction Costs for the Construction Work and to engage a Qualified Contractor, defined in Section 12.20(as), as a general contractor for the Construction Work. Sublessor shall have the right to engage Sublessor's Architect.

(c) As a condition precedent to commencement of the Construction Work by Sublessee, upon implementation of either expansion option, Sublessee shall post an indemnity, performance and completion bond issued by a surety acceptable to Sublessor with Sublessor as joint obligee to guarantee the completion of and payment for the Construction Work in an amount at least equal to the Sublessee's Construction Costs as estimated by Sublessor's Architect.

Section 3.5 Funding of Construction Costs by Sublessor - -Procedure. Upon the Sublessee's exercise of the Expansion #1 Option with an election to require Sublessor to fund Construction Costs as more particularly provided in this Article III, Section 3.1 above, to a limit of Two Million ($2,000,000.00) Dollars ("Funding Limit"), the respective rights and obligations of the parties and the procedure for such funding shall be as follows:

(a) Sublessor shall not be obligated to make the first (1st) disbursement of the funding provided herein until Sublessor shall have received, in each case, in form, manner and substance reasonably satisfactory to Sublessor and its counsel:

(i) evidence that the past and current taxes and assessments which are paid or payable by the Sublessor in accordance with the Sublease applicable to the Premises to be paid by Sublessee have been paid in full;

(ii) a detailed budget of the overall cost of the Expansion, including construction cost of the Expansion, building equipment, on-site improvements, the cost of fixtures and equipment, "soft" costs directly attributable to the Expansion, including financing costs, engineering, architectural and legal expenses;

(iii) a proposed construction progress and draw schedule and schedule of payments to tradesmen prepared by the General Contractor and subject to work orders;

(iv) a leasehold title insurance policy or binder expressly issued to cover the prospect of $2,000,000 in funding to be advanced by the Sublessor issued by a company reasonably satisfactory to the Sublessor, insuring or committing to insure the fee simple interest of the Prime Landlord and the leasehold interest of the Sublessor in the Expansion, free and clear of all defects and encumbrances except as described in Section 4.1 (iii), which policy or binder shall include a UCC search, shall set forth a revised description of the Demised Premises, shall have attached thereto clear copies of all instruments which will appear as exceptions in the policy, shall provide full coverage against all mechanics' and materialmen's liens, shall have read into it the survey of the Demised Premises, and shall contain such reasonable endorsements as may be reasonably requested by the Sublessor;

(v) Foundations and Completion surveys of the Demised Premises prepared and certified by a professional land surveyor of the State of New Jersey, certified to Sublessor and the title company, on which survey there shall be indicated all buildings, structures and improvements located on or over the Demised Premises, all roadways, paths, and driveways running across the Demised Premises, and all easements affecting or appurtenant to the Demised Premises with deed book and page references;

(vi) a certification from the Sublessor Architect that upon completion of the Expansion in accordance with the Plans and Specifications, the same will comply with all applicable zoning, environmental protection, land use, and building laws, ordinances and regulations, and that the Plans and Specifications, in his opinion, provide a functional layout and a completed Expansion which, in the Sublessor's Architect's opinion, at the time of such certification, can be constructed within the amount of the construction budget;

(vii) agreements of the Qualified Contractor and Architect that they will perform their respective contracts for the account of the Sublessor in the event of a default by Sublessee hereunder or thereunder and permitting the Sublessor to use the Plans and Specifications without any cost or expense;

(viii) the policies (or certificates relating thereto) of insurance required by this Sublease, accompanied by evidence of the payment of the premiums therefor;

(ix) all applicable authorizations, consents, licenses, approvals, and permits of governmental authorities for the construction of the Expansion;

(x) if requested by the Sublessor within a reasonable time prior to the first disbursement, a soils and geological report issued by a professional engineer satisfactory to the Sublessor, certifying as to the adequacy of the subsoils and the foundations of the Expansion as designed;

(xi) all required payment and performance bonds naming the Sublessor as a joint obligee;

(xii) such other documents, agreements, certifications, affidavits, reports, and other instruments as shall be required by this Sublease.

(b) Sublessor's obligation to make any disbursement after the first disbursement shall be subject to the continuing satisfaction of the conditions referred to in the immediately preceding subsection 3.5(a) and its subparagraphs, as well as satisfaction of the following conditions, all in form, manner and substance reasonably satisfactory to Sublessor and its counsel:

(i) there shall be no Default under this Sublease, provided, however, Sublessor may in its sole discretion make disbursements notwithstanding the existence of such a Default, and any disbursement so made shall be deemed to have been made pursuant to this Sublease;

(ii) all materials, equipment and fixtures incorporated in the construction of the Expansion shall have been purchased or will thereafter be purchased so that the absolute ownership thereof shall have vested or will vest in Sublessee immediately upon payment of advances disbursed by the Sublessor or upon Sublessor's receipt of a waiver of lien for the amount disbursed upon delivery of said materials, equipment and fixtures to the Premises, and Sublessee shall have produced and furnished, if required by the Sublessor, the contracts, bills of sale or other agreements under which title thereto has vested;

(iii) the Sublessor shall be furnished with affidavits from the Sublessee and the Qualified Contractor that, except as otherwise indicated, all money previously disbursed has been applied to the satisfaction of Construction Costs for the Expansion, and that there are presently no amounts owing to subcontractors, materialmen or laborers, other than the holdbacks or retainages provided for under existing contractual arrangements between the various parties;

(iv) Sublessor shall have been furnished with a certificate of in place value certified by Sublessor's Architect and the Qualified Contractor drawn in accordance with the budget furnished, and indicating the amount of work completed by trade and the percentage thereof, and also indicating that, to the date of the certification, the Expansion has been completed in accordance with the plans and specifications;

(v) Sublessor shall have been furnished with copies of all reports of any architects, engineers, managers or any other person or entity consulted by Sublessee in connection with the Expansion;

(vi) Sublessor shall have been furnished with a written estimate by Sublessee of the cost of completing the construction of the Expansion;

(vii) Sublessor shall have been furnished with a notice of title continuation or an endorsement to the title insurance policy, indicating that since the last preceding disbursement, there has been no change in the state of title;

(viii) Sublessor shall have been furnished with an application for disbursement accompanied by a certificate signed by the Sublessee certifying that the work for which payment is sought has been completed and has been fully paid for or will be fully paid for with the proceeds of the disbursement. Each application for a disbursement shall constitute an affirmation by Sublessee that all of the representations and warranties set forth in this Sublease remain true and correct as of the date thereof and, unless the Sublessor is notified to the contrary prior to the disbursement of the requested disbursement, will be true and correct on the date thereof.

(c) Applications for disbursements shall be made by Sublessee to the Sublessor on or about the first day of each month, after commencement of construction of the Expansion, for work done and materials and labor supplied during the preceding month or a part thereof with disbursements to be made by Sublessor on or about the twentieth day of each month, except that the Sublessor may, at its option, upon request therefor by the Sublessee, make advances at more frequent intervals. All applications for disbursements shall be made in accordance with the American Institute of Architects Form G #702 and #703, or in such other form acceptable to Sublessor. Each such application shall certify in detail acceptable to Sublessor the expenditures made or expenses incurred by or for Sublessee as to which the disbursement is requested, and shall be accompanied with such supporting data, vouchers, invoices and requisitions as Sublessor may reasonably require. With each application for disbursement, the Sublessee shall certify that the amount requested represents sums actually spent or indebtedness actually incurred. The proceeds of each disbursement shall be used by Sublessee solely to pay or as reimbursement for the obligations for which the disbursement is sought.

(d) Disbursements during construction shall be limited to ninety percent (90%) of the value of work in place and acceptably completed, all as determined by Sublessor's Architect. At no time shall the aggregate disbursements by the Sublessor pursuant hereto exceed the Funding Limit. If the Sublessor shall, at any time, determine that the Funding Limit proceeds remaining to be disbursed are insufficient to pay the cost of completing the Expansion, Sublessor and Sublessor's architect shall have the right to require Sublessee to furnish sufficient additional funds from some other source to cover the resulting deficit before advancing any additional disbursements. Limitations on the amounts advanced shall, in the discretion of the Sublessor, be made to conform with any restrictions or requirements of the Bank of New York, first mortgagee. The Sublessor shall have no obligation to make disbursement for the cost of materials not in place, whether stored on- or off-site.

(e) All disbursements shall be subject to prior inspection and approval of the construction by Sublessor, which approval shall not be unreasonably withheld, conditioned or delayed. All such inspections and approvals shall be solely for Sublessor's benefit and no person or party shall be entitled to rely thereon or to draw any inference or conclusion therefrom. Sublessee acknowledges that:

(i) Sublessor shall have the right to designate a substitute Sublessor Architect to inspect the Expansion, upon notice to Sublessee; and

(ii) the duties of the Sublessor's Architect run solely to Sublessor and that the Sublessor's representative shall have no obligations or responsibilities to Sublessee or any of Sublessee's agents, employees or contractors.

(f) The Sublessor shall not be required to make any disbursement hereunder if at the time of the requested disbursement:

(i) a Default, including any event which with notice or passage of time or both would be a Default exists hereunder; or

(ii) the amount of the requested advance is inconsistent in any material respect with the budget and the breakdown by trades provided to Sublessor by Sublessee except when Construction Work is ahead of plans and schedule; or

(iii) the Sublessor shall have determined in its reasonable judgment that the Expansion cannot or will not be constructed in accordance with the Plans and Specifications; or

(iv) the Building and/or the Expansion has been materially damaged or destroyed by fire or any other casualty; or

(v) any insolvency or bankruptcy proceedings shall be instituted with respect to the Qualified Contractor, Sublessee or Guarantor; or

(vi) any legal action is pending which may have a material adverse affect upon the ability of Sublessee, the Guarantor, the Qualified Contractor, or the Sublessor's Architect to complete their respective undertakings in connection with (i) the Expansion (ii) the Demised Premises, or (iii) the transactions contemplated by or in this Sublease; or

(vii) the Sublessor shall have determined, in its reasonable judgment, there has been a material deviation from the Plans and Specifications or that there are material defects in workmanship or materials.

(g) Sublessee shall commence construction of the Expansion not later than four (4) months after the date Sublessor receives notice from Sublessee that Sublessee is exercising the Expansion #1 Option. Sublessee shall complete the Construction Work and the fitting out and equipping of the Expansion Space with due diligence on or before one (1) year from the date Sublessor receives notice that Sublessee is exercising the Expansion #1 Option, Construction Work shall be performed in a good and workmanlike manner, in strict accordance with the Plans and Specifications and this Sublease. A master set of Plans and Specifications, together with all amendments thereto, shall be deposited and held by the Sublessor, and when so filed shall govern on all matters that may arise with respect thereto. If construction of the expansion is not commenced within the four month period aforesaid, Sublessor shall be thereupon automatically released from any obligation to fund the Construction Costs for Expansion #1.

(h) The Expansion shall be constructed and equipped strictly in accordance with all applicable ordinances and statutes and in accordance and compliance with the requirements of all governmental authorities having jurisdiction and in conformity with the requirements of the Board of Fire Underwriters or similar body. The Expansion shall be constructed entirely on the Demised Premises and shall not encroach upon or overhang any easement or right of way nor upon the land of others, and the buildings when erected shall be wholly within the building restriction lines, however established, and shall not violate applicable use or other restrictions contained in prior conveyances, zoning ordinances or regulations; and Sublessee will furnish, from time to time, satisfactory evidence with respect thereto, together with a survey certified by a licensed surveyor of the State of New Jersey showing the Expansion to be entirely on the Demised Premises and free from such violations as aforesaid.

(i) Sublessee shall, upon demand of the Sublessor, correct any structural defect in the Expansion or any departure from the Plans and Specifications not approved by the Sublessor but that was required to have been approved by the Sublessor, and the disbursement of any advances shall not constitute a waiver of the right of the Sublessor to require compliance with this covenant with respect to any defects or departures from the Plans and Specifications not theretofore discovered by or called to the attention of the Sublessor.

(j) Sublessee shall notify Sublessor of any cessation, stoppage or delay in the construction of the Expansion. Except for delays and cessations caused by factors that are beyond the control of Sublessee, the Sublessee shall not permit cessation of the work of construction for a period in excess of ten (10) days without the prior written consent of Sublessor. Sublessee shall not permit construction to fall behind schedule to the extent that the Expansion cannot reasonably be expected to be completed on or within one (1) year from the date Sublessor receives notice from Sublessee that Sublessee is exercising the Expansion #1 Option. Sublessee shall promptly notify Sublessor of any event which it has reasonable basis to believe may cause construction to be delayed or to fall behind schedule and any cost overrun which will or may cause the total cost of construction to exceed the amount set forth in the budget.

(k) Sublessee shall promptly advise Sublessor in writing of (i) all litigation, regardless of amount, affecting any part of the Premises and of all material litigation affecting Sublessee, and (ii) all complaints and charges made by any governmental authority affecting the Premises or affecting Sublessee or its business which may delay or require changes in the

construction of the Expansion or impair the fee simple title of the Prime Landlord or the leasehold interest of the Sublessor.

(l) Aside from any brokerage commissions due or to become due based upon the Expansion Rent, there is no brokerage or other fee, commission or compensation which is to be paid by the Sublessor, and Sublessee agrees to indemnify Sublessor against any claims for brokerage fees or commissions and to pay all expenses incurred by the Sublessor (including reasonable attorneys' fees) in connection with the defense of any action or proceeding brought to collect any such brokerage fees or commissions.

(m) Sublessee will pay all expenses as set forth herein incurred with respect to any and all transactions contemplated herein and the preparation of any document reasonably required hereunder and the prosecution or defense of any action or proceeding or other litigation affecting Sublessor or the Demised Premises related to or arising out of the Construction Work, including (without limiting the generality of the foregoing) all title insurance company premiums and charges, taxes, insurance premiums, brokerage commissions, finders' fees, placement fees, court costs, surveyors', photographers', appraisers', architects', and engineers' fees, accountants' fees, and attorneys' fees, and will reimburse to the Sublessor all expenses paid to third parties of the nature described in this paragraph which have been or may be incurred by the Sublessor with respect to the Construction Work contemplated herein. The Sublessor may, upon notice, pay or deduct from the disbursements by Sublessor any of such expenses and any such funding so applied shall be deemed to be disbursements under this Sublease.

(n) Sublessee agrees that it will receive all disbursements hereunder as a trust fund to be applied solely for the purpose of paying for the costs of the Expansion.

(o) Sublessee shall provide and maintain, or cause to be provided and maintained, at all times insurance in such forms and covering such risks and hazards and in such amounts and with companies as are reasonably satisfactory to the Sublessor. While the Expansion is under construction, said insurance shall include, but not be limited to, workers' compensation insurance, public liability insurance, and hazard insurance policies including fire insurance with extended coverage on the standard Builders Risk Completed Value form (non-reporting frill coverage) with "all risk" insurance including collapse. Losses payable thereunder shall be payable in accordance with the provisions contained in such policies shall contain endorsement providing to owner the protections of a standard mortgagee clause endorsement. All such policies shall provide for at least thirty (30) days' notice of cancellation or amendment to the Sublessor.

(p) The Sublessor shall, at all times until the Sublessor's Architect has certified completion of the Expansion in accordance with the plans and specifications, have the right of entry and free access to the Demised Premises and the right to inspect all work done, labor performed and materials furnished in or about the Expansion and to inspect subcontracts and all books and records of the Sublessee regarding the construction of the Expansion.

(q) Sublessee shall protect and preserve the Demised Premises, and all equipment and materials stored thereon or incorporated into the Expansion, from loss, theft, vandalism, removal, destruction and damage, will maintain the same in good order and repair, and will not do or suffer to be done any act whereby the value of any part of the Demised Premises will or may be reduced or impaired.

(r) Sublessee agrees that no changes, modifications of or amendments to the Plans and Specifications shall be made without first obtaining the written approval of the Sublessor and all governmental authorities with jurisdiction.

(s) Sublessee shall not create, assume, or suffer to exist any mortgage, pledge, encumbrance, lien or security interest, whether superior or subordinate to the Prime Landlord's fee simple interest and the Sublessor's leasehold interest in the Demised Premises or any part thereof.

(t) No acceptance or approval (if any) of the Plans and Specifications or any changes thereto by the Sublessor or Sublessor's Architect nor any acknowledgment by the Sublessor or Sublessor's Architect that the Expansion has been constructed in accordance with the Plans and Specifications shall in any way be deemed an express or implied warranty or representation or approval by Sublessor or Sublessor's Architect that such improvements: (a) are or will be structurally sound, (b) are in good or workmanlike condition, repair or state of maintenance, (c) have any particular use or purpose, or (d) have any particular value.

(u) The rights and remedies herein expressed to be vested in or conferred upon the Sublessor shall be cumulative and shall be in addition to and not in substitution for or in derogation of the rights and remedies conferred by any applicable law or elsewhere in this Sublease.

(v) Nothing herein contained shall impose upon the Sublessor any obligation to enforce any terms, covenants or conditions contained herein. Failure of the Sublessor, in any one or more instances, to insist upon strict performance by the Sublessee of any terms, covenants or conditions of this Sublease shall not be deemed to be a waiver or relinquishment of any such terms, covenants and conditions.

(w) All conditions of the obligation of the Sublessor to make advances hereunder are imposed solely and exclusively for the benefit of the Sublessor and its assigns and no other person or persons shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Sublessor will refuse to make advances in the absence of strict compliance with any or all thereof and no other person or persons shall, under any circumstances, be deemed to be a beneficiary or beneficiaries of such conditions, any and all of which may be waived in whole or in part by the Sublessor if in its sole discretion it deems advisable to do so.

Section 3.6 Covenants of General Application for Expansions

If Sublessee timely and properly exercises its option for the Expansion #1 Space without requiring funding by Sublessor of the Construction Costs for the Expansion #1 space or, in any event, if Sublessee timely and properly exercises its option for the Expansion #2 Space, the Sublessee shall, nevertheless, in the performance of Construction Work for Expansion #1 Space or Expansion #2 Space, comply with the procedures and requirements of Article III, Section 3.5, specifically, the following sections which are acknowledged by the parties to be of general application to the Expansion(s) whether or not the Construction Costs are funded by the Sublessor or Sublessee: Article II, Section 3.5(a)v, vi, ix, x; (h); (i); (j); (k); (1); (m); (o); (p); (q); (r); (s); (t); (u).

ARTICLE IV

Covenants

Section 4.1 Covenants Regarding Condition of Demised Premises and Other Matters. The parties agree that:

(i) Sublessee accepts the Demised Premises in their "as is" and "where is" condition and assumes tenant's responsibility for all maintenance and repair thereof as is more particularly provided in the Prime Lease in Article 6 thereof.

(ii) Sublessor represents:

(a) The intended use of the Demised Premises as set forth in Article X below is a permitted use under the zoning classification and laws and ordinances applicable to the Demised Premises.

(b) All utilities serving the Demised Premises will have been installed and paid for.

(c) The Premises are in compliance with all applicable laws with regard to buildings or improvements of the same type and character.

(d) Sublessor has paid all real estate taxes required to be paid to date with respect to the Demised Premises.

(iii) The Sublessee's interest in the Demised Premises is subordinate to and only subordinate to the following liens:

(a) the effect of any restrictions and easements recorded in the public records of Middlesex County;

(b) the Prime Lease;

(c) the Mortgage held by The Bank of New York, recorded in Mortgage Book 3841 at Page 451 in the Middlesex County Clerk's Office;

(d) Collateral Assignment of Lease recorded in Mortgage Book 3841, Page 501; and

(e) Rent Security Agreement of even date herewith.

ARTICLE V

Rent and Payment

Section 5.1 Basic Rent During the Period February 1, 1994 to January 31, 1999. Sublessor reserves and Sublessee covenants to pay to Sublessor as and for rental of the IDP, aside from Expansion Rent, during the Initial Term or any expansion term, as the case may be, without demand or notice, and without any setoff or deduction, a net basic rental herein called Basic Rent in addition to Expansion Rent, if any, in the amount of Nine Hundred Sixty Thousand Two Hundred Thirteen and 80/100 ($960,213.80) DOLLARS per annum, in sixty (60) equal monthly installments of Eighty Thousand and Seventeen and 82/100 ($80,017.82) DOLLARS each, in advance, on the first day of each and every month beginning on February 1, 1994, subject to the Basic Rent Concession set forth in Section 5.3 and monthly thereafter through January 31 1999. The Basic Rent for the Fractional Month, if any, shall be prorated and due and payable by Sublessee on the Commencement Date.

Section 5.2 Basic Rent For The IDP During the Period February 1, 1999 to April 30, 2004. Sublessor reserves and Sublessee covenants to pay to Sublessor as and for Basic Rent for the IDP during the period February 1, 1999 through April 30, 2004, aside from Expansion Rent during the Initial Term or any expansion term, as the case may be, without demand or notice, and without any setoff or deduction in the amount of One Million, One Hundred Forty-Four Thousand Eight Hundred Seventy and 30/100 ($1,144,870.30) DOLLARS per annum, in 63 (sixty-three) equal monthly installments of Ninety-Five Thousand Four Hundred and Five and 86/100 ($95,405.86) DOLLARS each, in advance, on the first day of each and every month beginning on February 1, 1999 and monthly thereafter through April 30, 2004.

Section 5.3 Basic Rent Concession. Notwithstanding the foregoing and provided that Sublessee is not then in breach or default under any of the provisions of this Sublease, Sublessor grants to Sublessee a rent concession applicable solely to the IDP in Basic Rent equal to Two Hundred Forty Thousand and Fifty Three and 46/100 ($240,053.46) DOLLARS for the three (3) month period beginning on February 1,1994 and ending April 30, 1994. Sublessee shall thereafter pay the Basic Rent set forth in Section 5.1 hereof and any and all other charges due hereunder. In the event Sublessee is in breach or default under any of the terms, covenants and conditions in this Sublease at any time during this Sublease, the rent concession shall be deemed to be void ab initio and Sublessee shall be responsible to pay all of the Basic Rent reserved hereunder. Nothing herein shall affect Sublessee's liability for the payment of any Additional Rent payable under this Sublease for the period of the rent concession.

Section 5.4 Payment of Rent. The Basic Rent, Expansion Rent and the Additional Rent as such term is defined in Section 5.5 payable to the Sublessor under this Sublease shall be paid at the above address of Sublessor or at such other address as may be specified by Sublessor from time to time by notice given to Sublessee.

Section 5.5 Additional Rent. All charges and costs which Sublessee is required to pay pursuant to this Sublease, including but not limited to Real Estate Taxes and Expansion Rent, shall be deemed to be "Additional Rent" and in the event of non-payment by Sublessee, the Sublessor shall have all the rights and remedies with respect thereto as Sublessor has for the non-payment of the Basic Rent.

Section 5.6 Basic Rent For the Balance of the Term.

(a) The Basic Rent for the IDP during the period May 1, 2004 to April 30, 2009 shall be equal to the Fair Market Rental as herein defined for the Premises based on the Middlesex County market area as of May 1, 2004, but in any event not greater than $1,569,580.20 per annum based upon a rental of $4.25 per square foot and shall not be less than $1,144,870.30 per annum based upon a rental of $3.10 per square foot. "Fair Market Rental" shall be determined as follows: In the event Sublessee has extended the Term pursuant to this Sublease, the Sublessor shall on or about January 1, 2004 deliver to Sublessee a notice in writing stating the Fair Market Rental for the Demised Premises during the period May 1, 2004 through April 30, 2009. In the event that the Sublessee shall object to the Fair Market Rental quoted by Sublessor, the Fair Market Rental shall be negotiated between Sublessor and Sublessee. If the parties are unable to come to agreement on the issue of Fair Market Rental within thirty (30) days after the Sublessor's notice to Sublessee of the then Fair Market Rental, the parties agree jointly appoint as arbitrator, a member of the American Institute of Real Estate Appraisers who has no less than ten (10) years experience leasing and/or appraising industrial and warehouse space in the Middlesex County area rental market to determine Fair Market Rental. The appointment of the arbitrator and determination of Fair Market Rental shall be made within forty-five (45) days after Sublessor's notice. The cost of the arbitrator shall be shared equally by Sublessor and Sublessee. In the event the parties cannot agree on the appointment of such arbitrator, they shall request the President of the State Chapter of the American Institute of Real Estate Appraisers to designate a member of the Appraisal Institute (M.A.I.) who has been so designated for not less than ten (10) years with the substantial experience in industrial real estate in Middlesex County, New Jersey, as the arbitrator. If the question of Fair Market Rental shall have been submitted to arbitration according to the provisions of this Section 5.6 paragraph (a), then the arbitrator's determinations as to procedure and Fair Market Rental shall be final, binding and conclusive upon the parties. The question of Fair Market Rental shall be the sole substantive issue over which the designated arbitrator shall have jurisdiction. The cost of the arbitration shall be shared equally by Sublessor and Sublessee. The parties agree that the decision of the arbitrator shall be subject to entry as a final judgment upon application of either party in the Superior Court of New Jersey. The parties jointly confer jurisdiction on such court for such purpose.

(b) The Basic Rent for the period May 1, 2009 through April 30, 2014 for the IDP shall be equal to the Fair Market Rental for the Premises based on the Middlesex County market area as of May 1, 2009, but in no event less than the Basic Rent for the period of May 1, 2004 through April 30, 2009. Fair Market Rental for the period May 1, 2009 through April 30, 2014 shall be determined in the same manner as described in subparagraph (a) above. However, Sublessor shall provide written notice of Fair Market Rental on or about January 1, 2009.

(c) The Basic Rent for the period May 1, 2014 to April 30, 2019 for the IDP shall be equal to the Fair Market Rental for the Premises based on the Middlesex County market area as of May 1, 2014 but in no event less the Basic Rent for the period May 1, 2009 to April 30, 2014. Fair Market Rental for the period May 1, 2014 through April 30, 2019 shall be determined in the same manner as described in subparagraph (a) above. However, Sublessor shall provide written notice of Fair Market Rental on or about January 1, 2014.

Section 5.7 Rent for Expansion #1 Space. In addition to the payment of Basic Rent for the IDP, if Sublessee in the exercise of the Expansion #1 Option requires Sublessor to fund the Expansion #1 Construction Costs, Sublessee shall pay to Sublessor, as rent for the

Expansion Space ("Expansion Rent") in equal monthly installments during the Sublessor Funded Expansion #1 Term, an amount calculated as sufficient to fully amortize the Construction Costs, defined in Section l2.20(j) below, over a ten (10) year term with interest on the unpaid balance of such Construction Costs at a fixed rate (the "Fixed Rate") as hereinafter defined. The Fixed Rate shall be the average of the Notice Date Interest Rate (as defined below) and the Completion Date Interest Rate (as defined below). Interest at the Fixed Rate shall be calculated on the basis of a 360-day year, 30-day month.

Section 5.8 Determination of the Notice Date Interest Rate. On the date Sublessor receives notice that Sublessee is exercising the Expansion #1 Option and requires Sublessor to fund the Expansion #1 Construction Costs, the Notice Date Interest Rate shall be determined as the higher of (i) the sum of the Prime Spread (as defined below) plus the Prime Index (as defined below); or (ii) the sum of the Treasury Spread (as defined below) plus the Treasury Index (as defined below). The Prime Spread shall be equal to five percent (5 %) per annum. The Prime Index shall be "the base rate" or "prime rate" announced by Chemical Bank (the "Prime Rate") on the first business day prior to Sublessor's receipt of the Expansion #1 Notice from Sublessee, whether or not such rate has actually been charged by such bank provided, if Chemical Bank discontinues the practice of announcing a "prime rate" or "base rate, " the Prime Index shall mean the prime rate (or base rate) reported in the money column or section of The Wall Street Journal as being the base rate on corporate loans at large U.S. Money Center Banks (whether or not such rate has actually been charged by any such bank) on the first business day prior to Sublessor's receipt of the Expansion #1 Notice from Sublessee. The Treasury Spread shall be five and thirty-six one hundredths percent (5.36%) per annum. The Treasury Index shall be the interest rate on the current coupon ten year U.S. Government Treasury Note as published by The Wall Street Journal (or such similar financial publication reporting such data) on the first business day prior to Sublessor's receipt of the Expansion #1 Option from data provided by the Federal Reserve Bank of New York.

Section 5.9 Determination of the Completion Date Interest Rate. On the earlier of: (i) the issuance of a temporary or permanent certificate of occupancy for the Expansion #1 Space; or (ii) one (1) year from the date notice is received by Sublessor that Subtenant has exercised the Expansion #1 Option and has required Sublessor to fund Expansion #1 Construction Costs, the Notice Date Interest Rate shall be adjusted upwards or downwards to reflect any change in the Prime Index or the Treasury Index, as the case may be. The adjusted Notice Date Interest Rate shall be referred to herein as the "Completion Date Interest Rate".

Section 5.10 Rental for Expansion #1 Space Following the Ten Year Expansion #1 Rent Period. The Expansion Rent for the first ten (10) years for the Expansion #1 Space is a function solely of the amortization of Construction Costs, plus applicable interest on the outstanding balance. The per square foot rent for the Expansion #1 Space after the first ten (10) years of the Sublessor Funded Expansion #1 Term will be identical to the per square foot rent for the IDP applicable for the same time periods as outlined in Exhibit D and Section 5.6 (a), (b) and (c).

Section 5.11 Rental for Expansion Space if Sublessee Pays Construction Costs. (a) If Sublessee exercises its option to construct Expansion #1 Space and Sublessee funds the Construction Work with respect to the said Expansion #1 Space, Sublessee shall not be obligated to pay Expansion Rent with respect to Expansion #1 Space during the Sublessee Funded Expansion #1 Term.

(b) If Sublessee exercises its option to construction Expansion #2 Space in accordance with the provisions of this Sublease, Sublessee will not be obligated to pay Expansion Rent for the Expansion #2 Space during the Expansion #2 Term. Notwithstanding anything herein, all of Sublessee's right to possession of any and all portions of the Demised Premises shall expire and terminate not later than April 30, 2019.

Section 5.12 Timing of Completion of Expansion #1 Space. If the Expansion #1 Space Construction Work is not certified by the Sublessor's Architect to be completed, less punchlist items, within one year from Sublessor's receipt of notice of Sublessee's exercise of the Expansion #1 Option, then the Expansion Rent shall be determined as provided in Section 5.13

below, and the Sublessee shall commence payment of Expansion Rent along with the installment of Basic Rent which is due and payable on the first day of the twelfth month after the month in which Sublessor received notice of Sublessee's exercise of the Expansion #1 Option.

Section 5.13 Calculation of Aggregate Construction Cost of Expansion #1. During the 11th month following the month in which Sublessee provided notice of its exercise of the Expansion #1 Option, Sublessor's Architect, in consultation with the Architect, shall make a determination of the aggregate Construction Costs for the Expansion #1 Space by calculating the sum of: (i) advances disbursed by Sublessor pursuant to the provisions of Section 3.5 hereof against certified value of work in place; and (ii) the aggregate retainage withheld by the Sublessor; and (iii) interest on the aggregate advances made by the Sublessor pursuant to Section 3.5, said interest being calculated at the Notice Date Interest Rate; and (iv) the amount estimated by the Sublessor's Architect, in consultation with the Architect, which is required to be expended for Construction Costs to complete the Expansion #1 Space ("Completion Budget Amount") or ("CBA"). The amount of the CBA is limited by Sublessor's maximum obligation to fund no more than $2,000,000 of the Expansion #1 Construction Costs. The CBA shall be used for determination of Expansion Rent pursuant to Section 5.7.

Section 5.14 Sublessee to Complete Construction Work and Use of CBA. The Sublessor shall deposit the CBA in a Federally regulated banking institution money fund (the "Completion Account") and the interest earned and paid thereon shall be credited to such account. Sublessee shall cause the Construction Work to proceed to completion and shall be entitled to draw advances monthly for completed work in place from the CBA pursuant to the procedures and requirements of Article II.

Section 5.15 Overcharge or Deficiency in Completion Budget Amount. If the Construction Work is completed before depletion of the CBA, the Sublessor shall cause any balance of the CBA to be paid over to the Sublessee. If the CBA is depleted prior to completion of the Construction Work, then Sublessee shall replenish the CBA, which amount shall be deposited into the Completion Account to the extent necessary to fund in full the final completion of the Construction Work. Completion of Construction Work under Sections 5.12, 5.13, 5.14 and 5.15 shall be evidenced by the issuance of a Permanent Certificate of Occupancy by municipal authorities of the Township of Edison and the Sublessor's Architect's certification of completion.

ARTICLE VI

Construction Or Other Work

Section 6.1 Conditions As To Construction Work, Expansion Space, and as to Repairs, Alterations, Replacements or Other Work. Whenever any Construction Work, repairs, alterations, replacements or other work in, on, to or about the Premises shall be made by the Sublessee as provided in this Sublease:

(i) The work shall be done in a good and workmanlike manner and in compliance with all applicable laws, ordinances and codes, and all applicable governmental rules, regulations and requirements, and in accordance with the standards, if any, of the Board of Fire Underwriters, or other organizations exercising the functions of a board of fire underwriters whose jurisdiction includes the Demised Premises.

(ii) All materials and workmanship shall be of good quality, and in case of repairs, restoration, changes, additions, alterations, replacements or improvements, shall be at least equal to the original;

(iii) All said work shall be paid for as promptly as is practicable and consistent with good business practices under the then existing circumstances;

(iv) Such work shall be done as promptly as is possible and practicable under the existing circumstances;

(v) Sublessee shall provide and maintain, or cause to be provided and maintained, at all times, insurance in such forms and covering such risks and hazards and in such amounts and with companies as are reasonably satisfactory to the Sublessor. While the Expansion is under construction said insurance shall include. but not be limited to, workers' compensation insurance, public liability insurance, and hazard insurance policies including fire insurance with extended coverage on the standard Builders Risk Completed Value form (non-reporting frill coverage) with "all risk insurance including collapse." Losses payable thereunder shall be payable in accordance with the provisions contained in such policies shall contain endorsement providing to owner the protections of a standard mortgagee clause endorsement. All such policies shall provide for at least thirty (30) days' notice of cancellation or amendment to the Sublessor. The comprehensive general liability insurance provided by Sublessor, as Tenant under the Prime Lease in Section 9.3 thereof shall be provided by Sublessee. Sublessee agrees to provide insurance coverage for hazards and with limits in compliance with Section 9 of the Prime Lease to apply to any Construction Work, and evidence thereof shall be delivered to the Sublessor prior to commencement of such work;

(vi) The Sublessee shall carry or cause its contractors, if any, to carry worker's compensation insurance as required by law in connection with such work, and evidence thereof shall be delivered to the Sublessor prior to commencement of such work;

(vii) Title to all buildings, building mixtures and improvements erected and installed by Sublessee (but not Sublessee's racking system, conveyor belts, sorting system or other trade fixtures, however the same may be attached to the realty) shall become the property of Sublessor upon the expiration or earlier termination of this Sublease;

(viii) The Sublessee shall procure a certificate of occupancy or amended certificate of occupancy upon completion of the work in each instance if under local practice such certificates of occupancy are issued or required in connection with such work. The Sublessee shall also obtain the certificate from the Board of Fire Underwriters, or other organization exercising the same functions, whose jurisdiction includes the Demised Premises, in each instance, certifying that the electrical work has been properly completed whenever the work done involves any electrical work for which such a certificate is issued under local practice. If, under local practice, official certificates of occupancy are not issued or required by a governmental officer or department, or if the Board of Fire Underwriters, or other such organization does not issue certificates on proper completion of electrical work, this covenant shall be satisfied upon issuance of such certifications by an architect or engineer selected by Sublessee with approval of the Sublessor. Upon the acceptance of the Certificates of Occupancy or the alternative certifications from the Architect or engineer as described and provided above, the Sublessee will provide to the Sublessor the total value of the new construction, and the Sublessor will include this additional value in the Building Insurance as provided in Article XII, Section 12.14;

(ix) Sublessee and/or Sublessor agree to join in the applications for all permits and authorizations whenever necessary;

(x) Construction Work on Expansion #1 and Expansion #2 shall also conform to the criteria stipulated in Exhibit F.

ARTICLE VII

Mechanic's Liens

Section 7.1 Mechanic's Liens Prohibited. Sublessee shall not suffer any mechanics's lien or construction contract to be filed against the Demised Premises by reason of work, labor, services or materials performed or furnished to Sublessee or to anyone holding the Demised Premises, or any part thereof, through or under Sublessee. If any construction contract, mechanics's lien or any notice of intention to file a mechanic's lien shall at any time be filed against the Demised Premises, (unless the labor or materials were actually performed for or furnished to Sublessor in connection with its obligations under this Sublease) Sublessee shall at Sublessee's cost, within thirty (30) days after knowledge or notice of the filing of any mechanic's lien cause the same to be removed or discharged of record by payment, bond, order of a court of competent jurisdiction, or otherwise.

Section 7.2 Sublessor's Remedy for Sublessee's Breach. If Sublessee shall fail to remove or discharge any construction contract or mechanic's lien or any notice of intention to file a mechanic's lien within the prescribed time, then in addition to any other right or remedy of Sublessor, Sublessor may, at its option, procure the removal or discharge of the same by payment or bond or otherwise. Any amount paid by Sublessor for such purpose, together with all reasonable legal and other expenses of Sublessor in procuring the removal or discharge of such construction contract, lien or notice of intention and together with interest thereon at the Sublease Interest Rate (as hereinafter defined), shall be and become due and payable by Sublessee to Sublessor as Additional Rent, and in the event of Sublessee's failure to pay therefor within fifteen (15) days after demand. the same shall be added to and be due and payable with the next month's rent as Additional Rent.

Section 7.3 Non-Consent of Sublessor to Filing of Liens. Nothing contained in this Sublease shall be construed as a consent on the part of Sublessor to subject Sublessor's estate in the Demised Premises to any lien or liability arising out of Sublessee's use or occupancy of the Premises.

ARTICLE VIII

Notices

Section 8.1 Notices. Every notice required or permitted under this Sublease shall, unless otherwise specifically provided herein, be given in writing and shall be sent by United States certified mail, return receipt requested, or by a recognized overnight carrier which provides proof of delivery, addressed by the party giving, making or sending the same to the other at the other's address first above given, or to such other address as either party may designate from time to time by a notice given to the other party. Copies of all notices sent hereunder shall be sent by facsimile. As to the Sublessor, any notices shall be sent to the attention of Harry K. Rosenblum, Senior Vice President, Real Estate, with a copy to Senior Vice President/General Counsel at the address first above given, the Fax number at the date of execution hereof, for Mr. Harry Rosenblum being 212-527-4455 and for the Office of the Second Vice President and General Counsel being 212-527-5693. As to the Sublessee, any notices shall be sent to the attention of President, Popular Club Plan, Inc., 22 Lincoln Place, Garfield, New Jersey 07026, the Fax Number at the time of execution hereof being (201) 773-7957, with copies to President, J. Crew Group, Inc., 625 Sixth Avenue, New York, New York 10011, the Fax number at the time of execution hereof being (212) 472-9688, and Herzfeld & Rubin, Esqs., 40 Wall Street, New York, New York 10005, Attention: Leonard P. Polisar, Esq., the Fax number on the date hereof is 212-344-3433. During any postal strike or similar interruption with the mails, personal delivery shall be substituted for certified mail. Notice shall be deemed to be given upon receipt, provided, however that in the event a party shall refuse to accept delivery of said certified mail, the notice shall nevertheless be deemed to be given upon the date of refusal to accept delivery and further provided that if the postal service is unable to deliver said certified mail, the notice shall nevertheless be deemed to be given as of the date of the Postal Service's second notice of attempted delivery. The telephone facsimile numbers incorporated above are

stated for convenience only. The facsimile shall be used by the parties as an ancillary method of, but shall not take the place of, the formal notice communication by certified mail return receipt requested or overnight carrier required herein.

ARTICLE IX

Memorandum of Sublease

Section 9.1 Memorandum of Sublease. Sublessee shall not record this Sublease, but if either party should desire to record a short form Memorandum of Sublease setting forth only the parties, the Demised Premises and the Initial Term, expansion term(s) and the renewal term(s), such Memorandum of Sublease shall be executed, acknowledged and delivered by both parties upon notice from either party.

ARTICLE X

Use

Section 10.1 Use. The Demised Premises shall be used and occupied by Sublessee as executive offices and warehouse for light assembly, packaging, marketing and distribution and for no other purposes. Sublessee shall not use the Premises for manufacturing or the handling of Hazardous Substances as defined in Article XIV.

ARTICLE XI

Defaults and Remedies

Section 11.1 Sublessee's Defaults. "Default" shall mean occurrence of any of the following: (a) failure to pay Basic Rent, Expansion Rent or any Additional Rent or any other amounts required to be paid by it hereunder and fails to cure the default within five (5) days after receipt of notice specifying the default, or (b) failure to comply with or failure to perform any of the other covenants or conditions of this Sublease, and falls to cure the same within thirty (30) days after the receipt of notice specifying the default, or provided Sublessee proceeds diligently if the default cannot be cured within thirty (30) days, within such additional period of time beyond said thirty (30) days as shall be required by reason of strikes, lockouts. acts of God, governmental restrictions or prohibitions. or other causes beyond Sublessee's control, whether similar or dissimilar to the foregoing (each of which notices specifying a default is referred to in this Sublease as "First Notice"), then at the expiration of said five (5) days in the case of a default described in (a), or at the expiration of said thirty (30) days (or longer period as aforesaid) in the case of a default described in (b), Sublessor may (1) cancel and terminate this Sublease on not less than five (5) days' notice (hereinafter called "Second Notice") to Sublessee, and on the date specified in the Second Notice, the Initial Term, the Expansion Term or the renewal term(s), as applicable, of this Sublease shall terminate and expire, and Sublessee shall then quit and surrender the Premises to Sublessor, but Sublessee shall remain liable as hereinafter provided and or (2) Sublessor may at any time thereafter re-enter and resume possession of the Premises by summary proceedings, an action in ejectment or otherwise and dispossess or remove Sublessee and other occupants and their effects and hold the Premises as if this Sublease had not been made; and Sublessee waives the service of any additional notice of intention to re-enter or to institute legal proceedings to that end.

Section 11.2 Sublessor's Remedies. If this Sublease shall be terminated or if Sublessor shall be entitled to re-enter the Demised Premises and dispossess or remove Sublessee under the provisions of Article XI, the Sublessor, or Sublessor's agents or servants, may immediately or at any time thereafter re-enter the Demised Premises and remove therefrom the Sublessee, its agents, employees, servants, licensees, and any subtenants and other persons, firms or corporations, and all or any of its or their property therefrom, either by summary dispossess proceedings or by any suitable action or proceeding at law or otherwise, without being liable to

indictment, prosecution or damages therefor, and repossess and enjoy said premises together with all additions, alterations and improvements thereto.

Section 11.3 Sublessor's Damages. In case of any Default and termination, re-entry, or dispossess or removal by summary proceedings or otherwise, the annual rent and all other charges required to be paid by the Sublessee hereunder shall thereupon become due and be paid up to the time of such termination, re-entry, or dispossess or removal, and the Sublessee shall also pay to the Sublessor all reasonable expenses which the Sublessor may then or thereafter incur for necessary legal expenses, attorneys' fees, brokerage commissions, and all other necessary costs paid or incurred by the Sublessor for restoring the Demised Premises to good order and condition and for altering and otherwise preparing the same for re-letting. The Sublessor may, at any time and from time to time, re-let the Demised Premises, in whole or in part, either in its own name or as agent of the Sublessee, for a term or terms which, at the Sublessor's option, may be for the remainder of the then current Initial Term, expansion term or renewal term(s), as the case may be, of this Sublease, or for any longer or shorter period, and (unless the statute or rule of law which governs the proceeding in which such damages are to be proved, limits or shall limit the amount of such claim capable of being so proved and allowed, in which case the Sublessor shall be entitled to prove as and for liquidated damages and have allowed an amount equal to the maximum allowed by or under any such statute or rule of law) the Sublessee shall be obligated to, and shall pay to the Sublessor as damages, upon demand, and the Sublessor shall be entitled to recover of and from the Sublessee, at the election of the Sublessor, either:

(a) liquidated damages, in an amount which, at the time of such termination, re-entry or dispossess or removal by the Sublessor, as the case may be, is equal to the excess, if any, of the then present value of the installments of Basic Rent, Expansion Rent and Additional Rent reserved hereunder, for the period which would otherwise have constituted the unexpired portion of the then current applicable term of this Sublease, over the then present value of the rental value of the Demised Premises for such unexpired portion of the then current Term of this Sublease, discounted at the rate of five (5 %) percent per annum; or

(b) damages (payable in monthly installments, in advance, on the first day of each calendar month following such termination, re-entry or dispossess, and continuing until the date originally fixed herein for the expiration of the then current Term of this Sublease) in any amount or amounts equal to the excess, if any, of (x) over (y) with (x) being the sums of the aggregate expenses paid by the Sublessor during the month immediately preceding such calendar month for all such items as, by the terms of this Sublease, are required to be paid by the Sublessee, plus an amount equal to the amount of Basic Rent, Expansion Rent and Additional Rent which would have been payable by the Sublessee hereunder in respect to such calendar month, had this Sublease and the applicable term of this Sublease not been so terminated, and had the Sublessor not so re-entered, plus the amount of the rental value of any portion of the Demised Premises occupied by the Sublessee or any agent of the Sublessee and (y) being the sum of rents, if any, collected by or accruing to the Sublessor in respect to such calendar month pursuant to such re-letting or any holding over by any subtenants of the Sublessee. Any suit for any month shall not prejudice in any way the rights of the Sublessor to collect the deficiency for any subsequent month by a similar proceeding. The Sublessor, at its option and at its expense, may make such alterations, repairs and/or decorations in the Demised Premises as in its reasonable judgment the Sublessor considers advisable and necessary, and the making of such alterations, repairs and/or decorations shall not operate or be construed to release the Sublessee from liability hereunder. Sublessor shall use reasonable efforts to mitigate damages, but otherwise Sublessor shall in no event be liable in any way whatsoever for failure to re-let the Demised Premises, or in the event that the Demised Premises are re-let, for failure to collect rent thereof under such re-letting; and in no event shall the Sublessee be entitled to receive any excess of such rents over the sums payable by the Sublessee to the Sublessor hereunder but such excess shall be credited to the unpaid rentals due thereunder, and to the expenses of re-letting and preparing for re-letting as provided in subparagraph (a) hereof. Suit or suits for the recovery of such damages, or any installments thereof, may be brought by the Sublessor from time to time at its election, and nothing herein contained shall be deemed to require the Sublessor to postpone suit until the date when the Term of this Sublease would have expired if it has not been terminated under the

provisions of this Sublease, or under any provision of law, or had the Sublessor not re-entered into or upon the Demised Premises.

Section 11.4 Waiver of Redemption. Sublessee hereby waives all rights of redemption to which Sublessee or any person claiming under Sublessee might be entitled, after an abandonment of the Premises, or after a surrender and acceptance of the Premises and the Sublessee's subleasehold estate, or after a dispossession of Sublessee from the Demised Premises, or after a termination of this Sublease, or after a judgment against Sublessee in an action in ejectment, or after the issuance of a final order or warrant of dispossess in a summary proceeding, or any other proceeding or action authorized by any rule of law or statute now or hereafter in force or effect.

Section 11.5 Provisions of Prime Lease as to Defaults and Remedies Cumulative with the Provisions of Sublease. Notwithstanding anything herein, the provisions of Article XVII of the Prime Lease provides cumulative rights and remedies for the Sublessor supplementing the provisions of this Sublease. It is intended that the Sublessor shall have the benefit of the provisions of the Sublease and the Prime Lease with respect to defaults and remedies which provide the greatest rights and remedies, to Sublessor. The Sublessor may elect the applicable clause stipulating defaults and remedies, but failure to make such election shall not abrogate the cumulative benefit to the Sublessor intended by this provision.

ARTICLE XII

General Provisions

Section 12.1 No Waste. The Sublessee covenants not to do or suffer any waste or damage or injury to any building or improvement now or hereafter on the Demised Premises, or the fixtures and equipment thereof, or permit or suffer any overloading of the floors thereon.

Section 12.2 Limitation of Sublessor's Liability. If Sublessor shall breach any of the provisions hereof, Sublessor shall only be liable to Sublessee for actual monetary damages and not for consequential damages and Sublessor's liability shall in no event exceed the Sublessor's interest in the Demised Premises as of the date of Sublessor's breach except for (a) liabilities relating to representations, covenants and warranties made by Sublessor herein in Section 4. l(iii) concerning liens prior to the lien of this Sublease or (b) representations, covenants and warranties made by Sublessor as to the environmental matters and compliance with applicable laws as set forth in Article XIV. In any instance where Sublessor's disapproval or withholding of consent is challenged under the provisions of this Sublease, the sole remedy available to Sublessee shall be an order directing that such consent or approval be given, without assessment of any damages as a consequence of the withholding of such consent or approval. Sublessee expressly agrees that any judgment which it may obtain against Sublessor shall be recoverable and satisfied solely out of the right, title and interest of Sublessor in the Demised Premises and there shall be no liability beyond such interest in the Demised Premises except for (a) liabilities relating to representations, covenants and warranties made by Sublessor herein in Section 4.1 (iii) concerning liens prior to the lien of this Sublease or (b) representations, covenants and warranties made by Sublessor as to the environmental matters and compliance with applicable laws as set forth in Article XIV. Sublessee shall not hold any shareholder, officer or director of the Sublessor personally liable for any breach of representations or warranties or any other default under any circumstances. Sublessee shall have no rights of lien or levy against any other property of Sublessor, nor shall any other property or assets of the Sublessor be subject to levy, execution or other enforcement proceedings for the collection of any such sums or satisfaction of any such judgment or award and Sublessee expressly agrees that any judgment which it may obtain against Sublessor shall be recoverable and satisfied solely out of the right, title and interest of Sublessor in the Demised Premises except for (a) liabilities relating to representations, covenants and warranties made by Sublessor herein in Section 4.1 (iii) concerning liens prior to the lien of this Sublease or (b) representations, covenants and warranties made by Sublessor as to the environmental matters and compliance with applicable laws as set forth in Article XIV.

Section 12.3 Partial Invalidity. If any term or provision of this Sublease or the application thereof to any party or circumstances shall to any extent be invalid or unenforceable, the remainder of this Sublease or the application of such term or provision to parties or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Sublease shall be valid and enforced to the fullest extent permitted by law.

Section 12.4 No Waiver. One or more waivers by either party of the obligation of the other to perform any covenant or condition shall not be construed as a waiver of a subsequent breach of the same or any other covenant or condition.

The receipt of rent by the Sublessor, with knowledge of any breach of this Sublease by the Sublessee or of any default on the part of the Sublessee in the observance or performance of any of the conditions or covenants of this Sublease, shall not be deemed to be a waiver of any provision of this Sublease. Neither the acceptance of the keys nor any other act or thing done by the Sublessor or any agent or employee during the Term herein demised shall be deemed to be an acceptance of a surrender of said Premises, excepting only an agreement, in writing, signed by the Sublessor accepting or agreeing to accept such a surrender.

Section 12.5 Number and Gender. Wherever herein the singular number is used, the same shall include the plural and the masculine gender shall include the feminine and neuter genders.

Section 12.6 Successors and Assigns. Subject to the provisions of Article XIII, the terms, covenants and conditions herein contained shall be binding upon and inure to the benefit of the respective parties and their successors and assigns.

Section 12.7 Article and Marginal Headings. The article and marginal headings herein are intended for convenience in finding the subject matters, and are not to be used in determining the intent of the parties to this Sublease.

Section 12.8 Entire Agreement. This instrument, the Tri-Party Agreement and the Subordination, Non-Disturbance and Attornment Agreement among the Prime Landlord, Sublessor, Sublessee, Guarantor and The Bank of New York, all of even date, contain the entire and only agreement among the parties, and no oral statements or representations or prior written matter not contained in this instrument shall have any force or effect. This Sublease shall not be modified in any way or terminated except by a writing executed by Sublessor and Sublessee.

Section 12.9 Obligations also Covenants. Whenever in this Sublease any words of obligation or duty are used, such words or expressions shall have the same force and effect as though made in the form of covenants.

Section 12.10 Cost of Performing Obligations. The respective obligations of the parties to keep, perform and observe any terms, covenants or conditions of this Sublease shall be at the sole cost and expense of the party so obligated.

Section 12.11 Remedies Cumulative. The specified remedies to which the Sublessor may resort under the terms of this Sublease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which the Sublessor or Sublessee may be lawfully entitled in case of any breach or threatened breach of any provision of this Sublease.

Section 12.12 Holding Over. If Sublessee holds over after the expiration or earlier termination of this Sublease ("Holdover"), and if Sublessee is not otherwise in default hereunder such holding over shall not be deemed to create an extension of the term, but such occupancy shall be deemed to create a month-to-month tenancy at the rate of one hundred twenty-five (125 %) percent of the then current Basic Rent, Additional Rent and the Expansion Rent for the first sixty (60) days of the Holdover; and one hundred fifty (150%) percent of the then current Basic Rent, Additional Rent and the Expansion Rent for the next thirty (30) days or a portion thereof; and two hundred (200%) percent of the then current Basic Rent, Additional Rent and the Expansion Rent as the case may be thereafter during such Holdover and on the

same terms and conditions (except as the same may be then inapplicable in the then context of circumstances) as are in effect on the date of said expiration or earlier termination.

Section 12.13 Signs.

(a) Sublessee shall have the right and privilege of erecting signs for advertising purposes in connection with its business at the Demised Premises as long as such signs meet with the prior written approval of Sublessor and Prime Landlord, which approval shall not be unreasonably withheld. Sublessee expressly agrees that the privilege to erect signs is not intended and shall not be applicable to any installation on the roof of the Building.

(b) Sublessee shall be responsible for any damage caused by said signs and any damage so caused shall be repaired forthwith at Sublessee's sole cost and expense. In the event any sign erected by Sublessee is removed during the Term of this Sublease or at the expiration or earlier termination thereof, Sublessee shall repair any damage whatsoever caused by the removal at Sublessee's sole cost and expense.

Section 12.14 Property Insurance-Special Provision. Sublessor will provide "all risk" property insurance for the full replacement cost of the Building and all improvements and betterments, except Sublessee's racking system, conveyor belts, sorting systems or other trade fixtures as referred to in Article VI, Section 6. 1(vii). The cost of this insurance will be reimbursed to Sublessor by the Sublessee as Additional Rent in an amount equal to the annual premium of the policy or the premium developed by the Sublessee's insurance Company, whichever is less.

Sublessee and Sublessor will mutually cause their respective insurance companies to waive any rights of subrogation under such property insurance against the Sublessor or Sublessee, respectively.

Section 12.15 Brokerage. Sublessor and Sublessee mutually represent and covenant to each other that neither party dealt with a real estate broker or salesperson other than Aramanda Realty Corp. and Cushman & Wakefield of N.J. Sublessor shall be responsible to pay to Aramanda Realty Corp. and to Cushman & Wakefield of N.J. any commission due.

The parties hereto agree to indemnify each other and hold each other harmless against any and all claims, liabilities, losses, judgments and expenses including legal fees which one party suffers if the representation of the other party set forth herein proves to be untrue.

Section 12.16 Notice by Sublessee to Mortgagee. If required by the holder of a mortgage lien to which this Sublease is subordinate (provided Sublessee is furnished with written notice of such requirement), Sublessee agrees (a) to notify such mortgagee of any alleged default by Sublessor in any of the provisions of this Sublease: and (b) to allow to the said mortgagee a reasonable period time to cure such alleged default.

Section 12.17 Sublessee Electric. Sublessee's use of electric energy in the Demised Premises shall not at any time exceed the capacity of any of the electrical conductors and equipment in or serving the Demised Premises.

Section 12.18 Conduct of Sublessee's Work.

(a) The parties mutually acknowledge that Sublessee may determine to effect installation on the Premises which are the subject of this Sublease certain subleasehold improvements ("Sublessee's Work") in the nature of fixtures, equipment and personalty. Such Sublessee's Work is contemplated to be effected subsequent to the execution hereof and prior to the Commencement Date as herein defined. Sublessee agrees to permit Sublessor and its agents and contractors to enter upon the Premises for such purposes with the understanding by the parties that it is of the essence that the progress of the Construction Work shall not be delayed, interrupted, or impeded; nor shall the Construction Work be affected in any manner whatsoever which will result in an increase in the Sublessor's cost in completion of the Construction Work prior to the Commencement Date.

(b) Labor used in the performance of Sublessee's Work ("Sublessee's Labor") shall be such as is compatible with the labor used in the performance of the Construction Work; and use of Sublessee's Labor shall not result in any stoppage, delay or interruption whatsoever in the Construction Work.

(c) In the event of any stoppage, delay or interruption in the Construction Work while Sublessee's Labor is engaged on the premises, Sublessee shall forthwith cease and desist use of Sublessee's Labor on the premises upon receipt of written notice from Sublessor demanding cessation of Sublessor's Work. Thereafter, Sublessee shall not engage Sublessee's Labor on the premises until Sublessor shall have given written approval therefor.

(d) Sublessee shall have the right to perform Construction Work in order to demolish, at its sole cost and expense and risk, certain existing improvements hereby referred to as the Cafeteria Improvements and Locker Room Areas together with the adjacent restroom facilities shown on Exhibit G. Sublessee shall indemnify Sublessor and the first mortgagee of the Demised Premises for any losses, damages, liabilities, claims, costs, expenses (including reasonable fees and expenses of counsel) for personal injury or property damage which results from or arises out of the performance of such Demolition provided that Sublessee will be under no obligation to replace these improvements at the termination of this Sublease or anytime during the Term of this Sublease or extensions thereof.

Section 12.19 Interest and Late Payment Service Charge. Sublessee covenants and agrees to pay to Sublessor interest at the Sublease Interest Rate and a late payment service charge equal to five (5 %) percent of any Basic Rent, Additional Rent and Expansion Rent payment or any other payment prescribed herein which has not been paid in accordance with the provisions of this Sublease Agreement, provided, however, that such interest and late payment service charges shall not commence to accrue until a delinquency by Sublessee exceeds five (5) business days. Said interest and late payment service charge shall be both paid by Sublessee to Sublessor promptly upon proper notice and demand therefor.

Section 12.20 Definitions.

(a) "Additional Rent" shall have the meaning provided in Article V, Section 5.5.

(b) "Architect" shall have the meaning provided in Article III, Section 3.1(b).

(c) "Assignment" shall have the meaning provided in Article XIII, Section 13.1.

(d) "Basic Rent" shall have the meaning provided in Article V.

(e) "Building" shall have the meaning provided in Article I, Section 1.1.

(f) "Commencement Date" shall mean February 1, 1994.

(g) "Completion Account" shall have the meaning provided in Article V, Section 5.14.

(h) "Completion Budget Amount" or "CBA" shall have the meaning described in Section 5.13.

(i) "Completion Date Interest Rate" shall have the meaning provided in Article V, Section 5.9.

(j) Construction Costs. Construction Costs shall mean, in each instance whether or not involving an expansion as herein contemplated, the aggregate direct and indirect costs for Construction Work including, but not limited to, the actual cost of work, labor, materials and equipment, financing, brokers fees or commissions for financing, brokerage fees or

commissions for Expansion Rent, if any, and any and all reasonable professional fees for accountants, architects, engineers, planners, attorneys and other consultants. including the cost of the Sublessor's Architect retained by the Sublessor to insure that the Construction Work of the Qualified Contractor and others engaged by the Sublessee is in accord with the provisions of this Sublease and to certify the value of work in place in accordance with the plans and specifications for the purpose of progress payments with respect to Expansion #1 and interest at the Sublessee Interest Rate on Sublessor's advances up to the Funding Limits of the Construction Costs for the Expansion #1 Space. Such interest shall compound monthly and be calculated on a 30 day month and a 360 day year. Construction Costs do not include any costs incurred by Sublessor or Sublessee in negotiating this Sublease, the Tri-Party Agreement of even date or any other document in conjunction therewith. Sublessor and Sublessee shall each bear their respective costs incurred in the negotiation of this Sublease and all other collateral agreements executed in conjunction herewith.

(k) "Construction Work". The term "Construction Work" is a collective term meaning the totality of all services, work, labor, materials and equipment necessary, in each instance, in the performance by Sublessee of the repairs, alterations and other work contemplated herein, whether or not involving Expansion #1 or Expansion #2, including, but not limited to, the design of the improvements to be erected, site preparation and sub-soil footings and foundations, grading, surfacing of parking area, paths and ways, installation of all utilities; and the cleanup and removal of debris, the work of accountants, architects, engineers, planners, attorneys, surveyors and other consultants performing services in conjunction with the foregoing or any permitting or approval process required under applicable law. It is intended that Construction Work when complete shall place the completed Building, as expanded, in full availability for the conduct of the business activity at the site permitted under applicable land use regulations.

(l) "Default" shall have the meaning provided in Article XI, Section 11.1.

(m) "Demised Premises" shall have the meanings described in Article I.

(n) "EPA" shall mean the United States Environmental Protection Agency.

(o) "Expansion" shall mean Expansion #1 Space and/or Expansion #2 Space.

(p) "Expansion #1 shall mean Expansion #1 Space.

(q) "Expansion #2" shall mean Expansion #2 Space.

(r) "Expansion #1 Option" shall mean the rights of the Sublessee described in Article III, Section 3.1.

(s) "Expansion #2 Option" shall mean the rights of the Sublessee described in Article II, Section 3.2.

(t) "Expansion #1 Space" shall have the meaning described in Article III, Section 3.1 and identified as A on Exhibit E.

(u) "Expansion #2 Space" shall have the meaning described in Article III, Section 3.2 and identified as B and C on Exhibit E.

(v) "Expansion #2 Term" shall have the meaning provided in Article 2, Section 2.1(b).

(w) "Fair Market Rental" shall have the meaning provided in Article V, Section 5.6.

(x) "Fax" shall have the meaning provided in Article VIII, Section 8.1.

(y) "Fixed Rate" shall have the meaning provided in Article V, Section 5.7.

(z) "Fractional Month" shall have-the meaning provided in Article II, Section 2.1(a).

(aa) "Funding Limit" shall have the meaning provided in Section 3.5

(ab) "Guarantor" shall mean the J. Crew Group, Inc.

(ac) "Guaranty" shall mean the Guaranty dated the date hereof between J. Crew Group, Inc. and Revlon Holdings Inc.

(ad) "Hazardous Substances" shall have the meaning defined in Article XIV, Section 14.1.

(ae) "IDP" shall have the meaning described in Article I, Section 1.1.

(af) "Initial Occupancy Date" shall mean November 1, 1993 as provided in Article II, Section 2.2.

(ag) "Initial Term" shall have the meaning provided in Article II, Section 2.1(a).

(ah) "ISRA" shall mean N.J.S.A. 13:lK--6 et seq., Industrial Site Recovery Act.

(ai) "NJDEPE" shall mean the New Jersey Department of Environmental Protection and Energy.

(aj) "Notice Date Interest Rate" shall have the meaning provided in Article V, Section 5.8.

(ak) "Preliminary Expansion #1 Plans" shall have the meaning provided in Article III, Section 3.1(b).

(al) "Premises" shall have the meaning provided in Article I, Section 1.1.

(am) "Prime Index" shall have the meaning provided in Article V, Section 5.8.

(an) "Prime Landlord" shall have the meaning described in Article I, Section 1.2(a).

(ao) "Prime Lease" shall have the meaning provided in Article I, Section 1.2(a).

(ap) "Prime Rate" shall be the "base rate" or "prime rate" announced by Chemical Bank, whether or not such rate has actually been charged by such bank provided, if Chemical Bank discontinues the practice of announcing a "prime rate" or "base rate", the Prime Rate shall mean the "prime rate" or "base rate" reported in the money column or section of the Wall Street Journal as being the base rate on corporate loans at large U.S. Money Center Banks (whether or not such rate has actually been charged by any such bank).

(aq) "Prime Spread" shall have the meaning provided in Article V, Section 5.8.

(ar) "Prime Tenant" shall have-the meaning described in Article I, Section 1.2(a).

(as) Qualified Contractor. The term "Qualified Contractor" means an organization with at least ten years experience in the construction of industrial/commercial structures which has been selected by the Sublessee to perform the Construction Work after the Sublessee has requested at least two bids for the completion of the Construction Work, provided the contractor selected from the bids received by the Sublessor has demonstrated to the Sublessor's satisfaction that the contractor possesses the requisite experience and financial resources to complete the Construction Work.

(at) "RCPC" shall have the meaning provided in Article I, Section 1.2(a).

(au) "Re-enter and Re-entry". The terms "re-enter" and "re-entry" as used in this Sublease are not restricted to their technical legal meaning.

(av) "Sublease Interest Rate." The term "Sublease Interest Rate," as used in this Lease, shall mean interest at the rate which is three (3 %) percent in excess of the Prime Rate.

(aw) "Sublessee Funded Expansion #1 Term" shall have the meaning provided in Article 2, Section 2.l(b).

(ax) "Sublessor." The term "Sublessor" as used in this Sublease means only the holder, for the time being, of Sublessor's interest under this Sublease so that in the event of any transfer of title to the Demised Premises Sublessor shall be and hereby is entirely freed and relieved of all obligations of Sublessor hereunder accruing after such transfer, and it shall be deemed without further agreement between the parties that such grantee, transferee or assignee has assumed and agreed to observe and perform all obligations of Sublessor hereunder arising during the period it is the holder of Sublessor's interest hereunder.

(ay) "Sublessor Funded Expansion #1 Term" shall have the meaning described in Article I, Section 1.1 and Article II, Section 2.1(b).

(az) "Sublessor's Architect" shall have the meaning provided in Article III, Section 3.1(a).

(ba) "Treasury Index" shall have the meaning provided in Article V, Section 5.8.

(bb) "Treasury Spread" shall have the meaning provided in Article V, Section 5.8.

(bc) "Tri-Party Agreement" shall have the meaning provided in Article I, Section 1.2(a).

(bd) "#1 Measuring Date" shall have the meaning provided in Article II, Section 2.1(b).

(be) "#2 Measuring Date" shall have the meaning provided in Article II, Section 2.1(b).

(bf) "Zoning Change"' shall have the meaning provided in Article III Section 3.2.

Section 12.21 Governing Law. The interpretation and validity of this Sublease shall be governed by the laws of the State of New Jersey applicable to contracts negotiated, executed and to be performed in the State of New Jersey. Any controversy arising out of the terms of this Sublease shall be resolved by appropriate proceedings in either the United States District Court for New Jersey or the Superior Court of New Jersey either or which shall have sole and exclusive jurisdiction thereof.

ARTICLE XIII

Assignment, Subletting, Etc.

Section 13.1 Assignment. Subletting. Etc. Sublessee shall not sell, assign, mortgage, pledge, or, in any manner, transfer or encumber this Sublease or any estate or interest hereunder, or sublet the Demised Premises or any part thereof (any of the foregoing shall be referred to herein as "Assignment") without the previous written consent of the Sublessor which consent shall not be unreasonably withheld provided that (i) Sublessee is not in material default

hereunder and no event has occurred which with notice or passage of time, or both, would constitute a material default hereunder (without regard to whether a notice of default has been served pursuant to Article XI); (ii) Sublessee shall provide Sublessor with access to the Demised Premises for inspection and testing thereof; (iii) the use by the proposed assignee or sublessee does not, in Sublessor's reasonable judgment, (a) adversely affect the Demised Premises by virtue of environmentally related factors or (b) lessen the value of the Premises; or (c) increase risk or endanger the Building or the occupants thereof; and (iv) Sublessee shall provide Sublessor with financial statements and information demonstrating to Sublessor's reasonable satisfaction that the prospective assignee or sublessee has the financial capacity to perform the obligations of the Sublessee hereunder. Any sale of stock or assets of the Sublessee or any merger, consolidation or liquidation of the Sublessee shall be deemed to be an Assignment for purposes of this Section 13.1 (other than an initial public offering of not more than 19 % of the outstanding common stock of Sublessee in an underwritten public offering under the Securities Act of l933). Notwithstanding the foregoing, in the case of any Assignment to a wholly owned subsidiary or affiliate of Sublessee or J. Crew Group, Inc. (so long as Sublessee or J. Crew Group, Inc. retains the controlling interest in such affiliate) or to Sublessee's parent, such previous written consent by Sublessor shall not be necessary, provided that Sublessee shall provide thirty (30) days advance written notice of any such Assignment to such a subsidiary or affiliate and will provide Sublessor with any information reasonably requested regarding the Assignee. In any of the events aforesaid whether or not consent is required, Sublessee, nevertheless, shall remain directly and primarily liable for the payment of the Basic Rent, Additional Rent and Expansion Rent, and the performance of Sublessee's other covenants and obligations hereunder. Any amount received by Sublessee in connection with an Assignment or to the extent such amount exceeds the amount required to be paid by Sublessee to Sublessor under this Lease (net of Sublessee's brokers fees, reasonable legal fees for preparation of Assignment documents and reasonable cost of alterations for the prospective assignee or sublessee) shall belong to and be promptly remitted by Sublessee to Sublessor. No consent to any Assignment of this Sublease shall be deemed or construed to be a consent by Sublessor to any further or additional Assignment. In the event of an Assignment , the assignee or sublessee, as the case may be, shall (as condition to Sublessor's consent thereto where consent is required, and in the case of any assignment in which consent is not required) assume, by written recordable instrument reasonably satisfactory to Sublessor, the due performance of all of Sublessee's obligations under this Lease. No Assignment shall be valid or effective in the absence of such assumption. In connection with any Assignment, the prospective Assignee shall not more than thirty (30) days prior to the effective date of such Assignment, furnish to the Sublessor in each case, its then current consolidated and consolidating balance sheets as of the end of its most recent fiscal year and the related statements of income, shareholders' equity and changes in cash flow for such fiscal year, setting forth in each, in comparative form the figures for the previous fiscal year. All such consolidated statements reported on, shall be without qualification, and by independent certified public accountants satisfactory to the Sublessor. Each year thereafter, within ninety (90) days of the end of each fiscal year, the Assignee shall provide their respective financial statements in the aforementioned form with the aforementioned required certification of the respective independent certified public accountants, to the Sublessor. A true copy of such Assignment and the original assumption agreement or the sublease, as the case may be, shall be delivered to Sublessor within ten (10) days of the effective date thereof. Notwithstanding anything to the contrary, Sublessor shall have the right, but not the obligation, to notify Sublessee within thirty (30) days of receipt of Sublessee's request for consent to an Assignment or subletting that Sublessor has elected to terminate the Sublease which termination shall become effective ninety (90) days after the date Sublessee receives said notice of election from Sublessor.

ARTICLE XIV

Compliance with Laws, Rules and Regulations

Section 14.1 Environmental Compliance.

(a) The Sublessee shall at all times comply with applicable municipal, state and federal laws, ordinances and regulations relating to hazardous substances as defined in the Industrial Site Recovery Act, N.J.S.A. 13:1K-6, et seq. ("ISRA") and/or Spill Compensation and Control Act, N.J.S.A. 58:10-23.11, et seq., or any other environmental law (the "Hazardous

Substances") from and after the signing of this Sublease. The Sublessee shall at its own expense maintain in effect any permits, licenses or other governmental approvals, if any, required for the Sublessee's use of the Demised Premises. The Sublessee shall make all disclosures required of the Sublessee by any such laws, ordinances and regulations, and shall comply with all orders, with respect to the Sublessee's use of the Demised Premises, issued by any governmental authority having jurisdiction over the Demised Premises, and take all action required of such governmental authorities to bring the Sublessee's activities on the Demised Premises into compliance with all laws, rules, regulations and ordinances relating to Hazardous Substances and affecting the Demised Premises except arising from any compliance attributable to Sublessor or any party in privity with Sublessor which responsibility for compliance shall belong to Sublessor or any party in privity with Sublessor.

(b) Sublessor shall, prior to the Initial Occupancy Date, comply with Sublessor's obligations pursuant to ISRA and any other environmental law, statute or ordinance, and such compliance shall be a condition precedent to Sublessee's entry and occupancy of the Premises.

(c) If at any time the Sublessee or Sublessor shall become aware, or have reasonable cause to believe, that any Hazardous Substance has been released or has otherwise come to be located on or beneath the Premises, such party shall, immediately upon discovering the release or the presence or suspected presence of the Hazardous Substance, give written notice of that condition to the other party. In addition, the party first learning of the release or presence of a Hazardous Substance on or beneath the Premises, shall immediately notify the other party in writing of (i) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed, or threatened pursuant to any Hazardous Substance laws, (ii) any claim made or threatened by any person against Sublessor, the Sublessee or the Premises arising out of or resulting from any Hazardous Substances, and (iii) any reports made to any municipal, state, or federal environmental agency arising out of or in connection with any Hazardous Substance.

(d) Sublessee shall indemnify, defend (by counsel acceptable to the Sublessor), protect, and hold harmless the Sublessor and each of the Sublessor's partners, directors, officers, employees, agents, attorneys, successors, and assigns, from and against any and all claims, liabilities, penalties, fines, judgments, forfeitures, losses, costs, or expenses (including attorney's fees, consultants' fees, and expert fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (i) the presence in, or, under, or about the Premises, or any discharge or release in or from the Premises of any Hazardous Substance, which is caused by Sublessee or anyone in privity with Sublessee, or (ii) Sublessee's failure or the failure of anyone in privity with Sublessee to comply with any Hazardous Substance law.

(e) Sublessor shall indemnify, defend (by counsel acceptable to the Sublessee), protect, and hold harmless the Sublessee and each of the Sublessee's partners, directors, officers, employees, agents, attorneys, successors, and assigns from and against any and all claims, liabilities, penalties, fines, judgments, forfeitures, losses, costs or expenses (including attorney's fees, consultants' fees, and experts' fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (i) the presence in, or, under, or about the Premises, or any discharge or release in or from the Premises of any Hazardous Substance, which is caused by the Sublessor or any one in privity with Sublessor or (ii) Sublessor's failure or the failure of anyone in privity with Sublessor to comply with any Hazardous Substance law.

(f) The indemnity obligations created hereunder shall include, without limitation, and whether foreseeable or unforeseeable, any and all costs incurred in connection with any site investigation of the Premises, and any and all costs for repair, cleanup, detoxification or decontamination, or other remedial action of the Premises. The obligations of the Sublessee and Sublessor hereunder shall survive the expiration or earlier termination of this Sublease, and any extensions thereof.

(g) Sublessee shall not engage in operations at the Premises which involve the generation, manufacture, refining, transportation, treatment, storage, handling or disposal of

"hazardous substance" or "hazardous wastes", as such terms are defined under ISRA except these ordinarily used for general office purposes or ordinarily used for warehousing, light assembly, packaging, marketing and distribution operations in accordance with Article X use. Sublessee further covenants that it will not cause or permit to exist as a result of an intentional or unintentional action or omission on its part, the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping from, on or about the Premises or the land on which it is located of any hazardous substances (as such term is defined under N.J.S.A. 58:l0-12.ll(b)(d) and N.J.A.C. 7:1-3.3).

(h) If ISRA is triggered by Sublessee's actions or any party in privity with Sublessee, Sublessee shall, at Sublessee's own expense, comply with ISRA and the regulations promulgated thereunder to the extent ISRA is applicable to Sublessee. If ISRA is triggered by Sublessor's actions or the actions of any party in privity with the Sublessor. Sublessor shall, at Sublessor's own expense, comply with ISRA and the regulations promulgated thereunder to the extent ISRA is applicable to the Sublessor. Sublessee shall, at Sublessee's own expense, make all submissions to provide all information to, and comply with all requirements of the Bureau of Industrial Site Evaluation ("the Bureau") of the New Jersey Department of Environmental Protection and Energy ("NJDEPE"). Should the Bureau or any other division of NJDEPE determine that a cleanup plan be prepared and that a cleanup be undertaken because of any spills or discharges of hazardous substances or wastes at the Premises which occur during the Term of this Sublease, if caused by the Sublessee, then Sublessee shall, at Sublessee's own expense, prepare and submit the required plans and financial assurances, and carry out the approved plans. If caused by Sublessor, then Sublessor shall, at Sublessor's own expense, prepare and submit the required plans and financial assurances, and carry out the approved plans. Sublessee's obligations under this paragraph shall arise if there is any closing, terminating or transferring of operations of an industrial establishment at the Premises which triggers ISRA. Upon Sublessee's request, Sublessor shall provide reasonable cooperation at no expense to Sublessee unless ISRA is triggered by Sublessee or someone in privity with Sublessee, in connection with Sublessee's obligation to comply with ISRA. At no expense to Sublessor, Sublessor shall promptly provide all information reasonably required by Sublessee for preparation of non-applicability affidavits and shall promptly review, revise as necessary and sign such affidavits when requested by Sublessee. Sublessee shall indemnify, defend and save harmless Sublessor from all fines, suits, procedures, claims and actions of any kind arising out of or in anyway connected with any spills or discharges of hazardous substances or wastes at the Demised Premises which occur during the Term of this Sublease and are caused by Sublessee or any party in privity with the Sublessee; and from all fines, suits, procedures, claims and actions of any kind arising out of Sublessee's failure to provide all information, make all submissions and take all actions required by ISRA, the Bureau or any other division of NJDEPE. Sublessor shall indemnify, defend and save harmless Sublessee from all fines, suits, procedures, claims and actions of any kind arising out of or in any way connected with any spills or discharges of Hazardous Substances at the Demised Premises which occur prior to the Term of this Sublease and are caused by Sublessor or any party in privity with Sublessor; and from all fines, suits, procedures, claims and actions of any kind arising out of Sublessor's failure to provide all information, make all submissions and take all actions required by ISRA, the Bureau or any other division of NJDEPE. The obligations and liabilities under this paragraph shall continue so long as Sublessee or Sublessor remain responsible for any spills or discharges of Hazardous Substances at the Premises . Sublessee's failure to abide by the terms of this paragraph shall entitle Sublessor to appropriate equitable relief.

(i) With respect to Sublessee's occupancy of the Demised Premises, Sublessee shall promptly provide Sublessor with any notices, correspondence and submissions made by Sublessee to or to Sublessee from NJDEPE, the United States Environmental Protection Agency (EPA), or any other local, state or federal authority which requires submission (with respect to Sublessee's occupancy of the Demised Premises) of any information concerning environmental matters or Hazardous Substances. Similarly during Sublessee's occupancy of the Demised Premises, Sublessor shall promptly provide to Sublessee any notices, correspondence and submissions made by Sublessor to or from NJDEPE, the United States Environmental Protection Agency (EPA), or any of the local, state or federal authority which requires submission (with respect to the Demised Premises) of any information concerning environmental matters or Hazardous Substances.

(j) Sublessee represents and warrants that its SIC Number is 5961. Sublessee hereby agrees that it shall promptly inform Sublessor of any change in the business to be conducted in the Demised Premises, but the Demised Premises shall be used only for the purposes described in Article X.

(k) In the event of Sublessee's failure to comply in full with this paragraph, Sublessor may, at its option, perform any and all of Sublessee's obligations as aforesaid and all costs and expenses reasonably incurred by Sublessor in the exercise of this right shall be added to the next month's rent and be due and payable as such, or the Sublessor may deduct the same from the balance of any sum remaining in the Sublessor's hands.

(l) Sublessee's obligations under this paragraph shall survive the expiration or earlier termination of this Sublease.

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Sublease as of the day and year first above written.

Attest:

_____

SUBLESSOR:

REVLON HOLDINGS INC. a Delaware Corporation

By:_____

Attest:

_____

SUBLESSEE:

POPULAR CLUB PLAN, INC. a New Jersey Corporation, a Division of J. CREW GROUP, INC.

By:_____

WORLD COLOR Letterhead

Thomas L. Groenings, Sr.
Vice President
Catalog Division

July 29, 1996

Ms. Trudy Sullivan
President
CLIFFORD & WILLS
11 East 19th Street
Sixth Floor
New York, NY 10011

Dear Ms. Sullivan:

In order to secure a contract extension of three years beyond the current contract expiration of May 1997, World Color offers the following:

1. World Color will grant a 7% price reduction beginning with June 1996 production. The enclosed price schedule reflects this same reduction on the new trim size beginning Spring 1997. Those invoices from June until the end of 1996 will show the 7% reduction in manufacturing as a separate line item.

2. World Color will waive the 1997 labor increase. The enclosed price schedule remains in effect until January 1, 1998.

All other terms and conditions of the original contract dated March 1991, will remain unchanged.

Best Regards,

/s/ Thomas L. Groenings

cc: Sam Kaplan

Approved:	Acknowledged and Accepted:
/s/	/s/
Thomas L. Groenings	Trudy Sullivan
Vice President, Eastern Catalog Sales	President

Clifford & Wills
New York, NY 10003

January 1, 1996
Page One
Revised June 26, 1996

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8 X 10" Trim Size - Rotogravure

Cylinder and 1 Proofing

8- page form	$9,315.59
12- page form	9,603.56
16- page form	9,891.55
20- page form	10,178.59
24- page form	10,466.58
28- page form	10,753.62
32- page form	11,040.66
36- page form	14,444.54
40- page form	11,615.68
48- page form	12,189.76
56- page form	12,764.79
60- page form	16,240.43
64- page form	13,339.82
72- page form	17,137.44

Additional for a second proofing, per form	2,894.95
Additional for double cutting key cylinders, per form	1,699.58

Production Makeready

8- page form	$2,368.08
12- page form	2,368.08
16- page form	2,368.08
20- page form	2,202.84
24- page form	2,202.84
28- page form	2,202.84
32- page form	2,202.84
36- page form	3,476.58
40- page form	2,202.84
48- page form	2,202.84
56- page form	2,202.84
60- page form	3,476.58
64- page form	2,202.84
72- page form	3,476.58

Roll change from one grade of paper to another (same roll size), per form	117.27

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Rotogravure	32" or 33"	48"
Changeovers, per cylinder		
Cylinders and 1 proofing.....	$1,111.26	$1,506.95
Production press makeready.....	212.91	336.39
Furnished positives, per page, per color.....	17.99	17.99
Premium for runs under 1,000,000 impressions, per form.....	1,696.53	1,696.53

Press Running - Per Thousand Copies	
8- page form	$5.48
12- page form	4.77
16- page form	6.11
20- page form	8.34
24- page form	8.37
28- page form	8.40
32- page form	10.31
36- page form	13.09
40- page form	15.75
48- page form	15.80
56- page form	15.87
60- page form	25.60
64- page form	20.63
72- page form	25.72

Slitting up to 1-7/8" of excess width from furnished roll stock.....	2.24

Ink (4-color page)	
Per thousand copies.....	0.411

Ink is firm based on the coverage in the "Clifford & Wills" 1991 Catalogs and current market prices.

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Web Offset

Printing Plates	
4-page form	$575.97
6-page gatefold form	575.97
8-page form	1,151.94
16-page form	1,336.06
Production Press Makeready	
4-page form	1,681.64
6-page gatefold form	1,681.64
8-page form	2,518.21
16-page form	2,362.41
Changeovers	
1 color change per side of web (1 plate)	175.62
4 color change, per side of web (4 plates)	702.49
Roll change from one grade of paper to another (same roll size), per form	109.54

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Web Offset

Press running - Per Thousand copies

4-page form	$4.79
6-page gatefold form	11.16
8-page form	4.99
16-page form	8.43

Pre-trim folded signatures at the head to 0-14" head-to-foot

4- page	0.86
6- page	1.29
8- page	1.29
16- page	1.72

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Offset Prices

U.V. Coat Cover (4-Page Press Form Only)

Per thousand copies.....	$7.73

Ink (4-color page)

Per thousand copies.....	0.378

Special 5th Color On Cover

Plate, makeready and wash-up.....	733.66
Plate and makeready for overall press varnish (metallic gold only)..	172.79
Ink, per page, per color, per thousand copies (based on 5-3/4" x 3/4" of coverage.....	0.352
Varnish ink, per page, per thousand copies (100% coverage)	
Full page.....	0.250
Gatefold.....	0.120
Varnish ink, per page, per thousand copies (spot.coverage).....	0.091

Ink is firm based on the coverage in the "Clifford & Wills" 1991 Catalogs and current market prices.

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Rotogravure or Web Offset

Paper Storage, per cwt.

1st month (includes in/out)	$0.238
Each additional month	0.119

Per the contract, Clifford & Wills may inventory without charge up to two (2) months' consumption required to produce catalogs or two (2) million pounds, whichever is less. Should this non-chargeable contract allowance be exceeded, paper storage will be invoiced as required.

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Bind and Distribution

Saddle Stitch Binding,
loose our floor,
per thousand copies:

Basic, No Units	$11.52
4- page (cover or body)	1.50
6- page (gatefold)	1.79
8- page	1.65
12- page	1.68
16- page	1.79
20- page	1.93
24- page	2.06
28- page	2.18
32- page	2.28
36- page	2.41
40- page	2.55
48- page	3.67
56- page	3.92
64- page	4.40
72- page	4.67
Furnished 4-page order form	1.66
Card insert	1.66
Furnished 12-page catalog, approximate size 6-1/8" low folio x 5-3/4" high folio x 7-1/8" head-to-foot on Basis 25 x 38 - 45# Machine Coated including 1/8" foot trim and 3/8" low folio binding lap	1.95
Furnished 12-page catalog, approximate size 6" x 7-18" head-to-foot, folded corner-to-corner with closed foot for suction feeding on the binder, on Basis 25 x 38 - 50# Machine Coated including 1/8" foot trim	2.73
Reverse cam set-up, per box, per machine	100.37

Inserts are to be furnished f.o.b. our designated plant, ready for 1-up binding per our specifications, including a 3.0% binding waste allowance.

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Bind and Distribution

Ink jet mail using magnetic tapes furnished to our specifications, per thousand	$7.33
Ink for messages, per message, per thousand	0.75
Binder/mailer changes	
First unit changed	56.37
Each unit changed at same time	38.33
Binder/mailer run cost for postnet barcoding, per thousand copies	1.42
Selective Binding - maximum 16 boxes	
Makeready	
1-3 variable boxes	399.40
4 or more variable boxes, per box	39.79
Per thousand copies	
1-2 variable boxes	2.99
3-6 variable boxes	4.89
7 or more variable boxes	6.23

All furnished inserts for selective binding must be the same size or smaller than body units and must be approved by our manufacturing department.

Pack in convenient size cartons not to exceed 40# each, per carton	1.33
Pack in convenient size bundles not to exceed 40# each, plastic tie 2 ways, per bundle	0.54
Packing on disposable pallets, per pallet	25.35

Preparation for any special packing of pallets, bundles or cartons, addressing of labels, preparing for various shipments or other miscellaneous traffic services will be invoiced additional.

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Bind and Distribution

Cheshire Mail Off-Line (7 digit carrier route or 5 digit presort) using paper labels furnished to our specifications,

Makeready, per machine	$264.38
Running, per thousand copies	16.49

Cheshire labels and bag tags are to be furnished in accordance with our specifications and postal regulations regarding code separations.

Polybag paper labeled copies using 1.5 mil clear film, subject to availability of equipment.

Makeready, per machine	168.07
Running, per thousand copies	20.26

Poly film is subject to adjustment based on actual usage and invoice cost plus ten (10%) percent handling charge.

Additional for a furnished insert with polybag (maximum 3), per thousand copies	2.36

Dot whacking using labels furnished to our specifications,

Makeready, per machine	144.46
per thousand	3.87

Labels are to be furnished in rolls from a minimum of 1" x 1" square or 1" diameter round to a maximum of 2-1/2" x 2-1/2" square or 2-12" diameter round.

Traffic services, per hour	37.40

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Bind and Distribution

Polybag Japanese mail copies using 1.5 mil clear film, subject to availability of equipment.

Makeready, per machine	$128.32
Running, per thousand copies	123.58

Postal drop shipping administrative fee, per drop

Stand alone	25.40
Merged	35.54

Mailing list preparatory, per thousand records processed:

Copy and reformat list	0.44
Apply carrier route codes	1.47
Qualify for mail discount	1.39
Ink Jet	1.09
Selective binding	1.09
Mail tracking	1.18
Paper label	1.59
Additional pass to qualify for bar coding	0.85
Ink Jet Message set-up, each	102.37

Mailing list preparatory prices are based on you furnishing names and addresses in zip code sequence on magnetic nine track 6250 or 1600 B.P.I. tape or 18 track cartridge tape. We will qualify mailing lists to maximize postal discounts for mailing as well as direct entry discount where applicable.

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Canadian Mail

Saddle Stitch Binding,
loose our floor,
per thousand copies:

Basic, No Units	$23.70
4- page (cover)	1.95
6- page (gatefold)	2.34
8- page	2.14
12- page	2.18
16- page	2.32
20- page	2.52
24- page	2.66
28- page	2.82
32- page	2.98
36- page	3.13
40- page	3.31
48- page	4.78
56- page	5.11
64- page	5.71
72- page	6.07
Furnished 4-page order form	2.17
Card insert	2.17
Furnished 12-page catalog, approximate size 6-1/8" low folio x 5-3/4" high folio x 7-1/8" head-to-foot on Basis 25 x 38 - 45# Machine Coated including 1/8" foot trim and 3/8" low folio binding lap	2.56
Furnished 12-page catalog, approximate size 6" x 7-1/8" head-to-foot, folded corner-to-corner with closed foot for suction feeding on the binder, on Basis 25 x 38 - 50# Machine Coated including 1/8" foot trim	3.55

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Canadian Mail

Binder/mailer changeover to Canadian format	$436.24
Canadian mail broker charges	279.00
Selective Binding - maximum 16 boxes	
Makeready	
1-3 variable boxes	519.41
4 or more variable boxes	51.76
Per thousand copies	
1-2 variable boxes	3.89
3-6 variable boxes	6.35
7 or more variable boxes	8.10
Mailing list preparatory, per thousand records processed:	
Pre-sort less than 50,000	10.38
Pre-sort over 50,000	9.85
Pre-sort with postal code correction less than 50,000	15.10
Pre-sort with postal code correction over 50,000	14.55

EXHIBIT "A"
SCHEDULE OF PRICES

7-5/8" x 10" Trim Size - Additional Prices

Time Work Rates, per hour

Pre-press handwork	$63.14
Helio	205.86
Proof press	218.95
Bindery Handwork	21.23

Rotogravure press standing time, per hour	510.94
Web offset press standing time, per hour	453.08
Binder/mailer standing time, per hour	551.62

Overtime Rates	Time and One-Half	Double Time
Pre-Press		
Film Prep	13.11	26.22
Helio	14.28	28.56
Cylinder Making	14.28	28.56
Proof Press	36.54	73.08
Rotogravure Presswork	70.89	141.78
Web Offset Presswork	62.03	124.06
Binder/Mailer	72.34	144.68
Shipping	19.60	39.20
Mail List Preparatory	15.04	30.08

EXHIBIT "B"
PAPER REQUIREMENTS

7-5/8 X 10" Trim Size

	One Proofing and Makeready	Second Proofing	Running Per M Copies	Cylinder Change, Per Cylinder
Rotogravure Paper Requirements				
Basis 25 x 38 - 40#				
8 page in 41" rolls	3,095#	774#	30.53#	317#
12 page in 61-1/2" rolls	4,643#	1,163#	45.79	480#
16 page in 61-1/2" rolls	4,643#	1,163#	61.06	480#
20 page in 51-1/4" rolls	3,870#	969#	76.33#	399#
24 page in 61-1/2" rolls	4,643#	1,163#	91.58#	480#
28 page in 71-3/4" rolls	5,417#	1,353#	106.85#	562#
32 page in 82" rolls	6,384#	1,596#	124.80#	664#
36 page in 61-1/2" rolls	6,960#	1,742#	137.38#	725#
40 page in 51-1/4" rolls	3,870#	969#	151.27#	399#
48 page in 61-1/2" rolls	4,643#	1,163#	181.52#	480#
56 page in 71-3/4" rolls	5,417#	1,353#	211.78#	562#
60 page in 51-1/4" rolls	5,749#	1,437#	226.90#	603#
64 page in 82" rolls	6,384#	1,596#	249.59#	664#
72 page in 61-1/2" rolls	6,960#	1,742#	272.27#	725#

All roll stock is to be suitable for printing on our rotogravure presses and should be approved by us for printing and binding at our normal production rates.

	Proofing and Makeready	Running per M Copies
Offset Paper Requirements		
Basis 25 x 38 - 80#		
4 pages in 31-5/8" rolls	968#	34.84#
1 color plate change, per side of web	243#	
4 color plate change, per side of web	486#	
Basis 25 x 38 - 80#		
6 pages in 20-5/8" rolls	697#	46.9#
5th color on page one	233#	
1-color plate change, per side of web	159#	
4-color plate change, per side of web	318#	

EXHIBIT "B"
PAPER REQUIREMENTS

7-5/8 X 10" Trim Size

	Proofing and Makeready		Running per M Copies
Offset Paper Requirements			
Basis 25 x 38 - 100#			
4 pages in 31-5/8" rolls.....	1,211#		43.55#
1-color plate change, per side of web.....		304#	
4-color plate change, per side of web.....		608#	
Basis 25 x 38 - 40#			
4 pages in 31-5/8" rolls..	485#		17.42#
8 pages in 31-5/8" rolls..	968#		34.84#
16 pages in 31-5/8" rolls.	968#		69.68#
1-color plate change, per side of web.....		121#	
4-color plate change, per side of web.....		242#	

All roll stock is to be suitable for printing on our offset presses and should be approved by us for printing and binding at our normal production rates.

EXHIBIT "B"
PAPER REQUIREMENTS

7-5/8 X 10" Trim Size

	One Proofing and Makeready	Second Proofing	Running Per M Copies	Cylinder Change, Per Cylinder
Rotogravure Paper Requirements				
Basis 25 x 38 - 38#				
8 page in 41" rolls	2,940#	735#	29.00#	301#
12 page in 61-1/2" rolls	4,411#	1,105#	43.50#	456#
16 page in 61-1/2" rolls	4,411#	1,105#	58.01#	456#
20 page in 51-1/4" rolls	3,677#	921#	72.51#	379#
24 page in 61-1/2" rolls	4,411#	1,105#	87.00#	456#
28 page in 71-3/4" rolls	5,146#	1,285#	101.51#	534#
32 page in 82" rolls	6,065#	1,516#	118.56#	631#
36 page in 61-1/2" rolls	6,612#	1,655#	130.51#	689#
40 page in 51-1/4" rolls	3,677#	921#	143.71#	379#
48 page in 61-1/2" rolls	4,411#	1,105#	172.44#	456#
56 page in 71-3/4" rolls	5,146#	1,285#	201.19#	534#
60 page in 51-1/4" rolls	5,462#	1,365#	215.61#	573#
64 page in 82" rolls	6,065#	1,516#	237.11#	631#
72 page in 61-1/2" rolls	6,612#	1,655#	258.66#	689#

All roll stock is to be suitable for printing on our rotogravure presses and should be approved by us for printing and binding at our normal production rates.

	Proofing and Makeready	Running per M Copies
Offset Paper Requirements		
Basis 25 x 38 - 70#		
4 pages in 31-5/8" rolls	847#	30.48#
1-color plate change, per side of web	212#	
4-color plate change, per side of web	448#	
Basis 25 x 38 - 70#		
6 pages in 20-5/8" rolls	610#	41.04#
5th color on page one	204#	
1-color plate change, per side of web	139#	
4-color plate change, per side of web	278#	

EXHIBIT "B"
PAPER REQUIREMENTS

7-5/8 X 10" Trim Size

	Proofing and Makeready	Running per M Copies
Offset Paper Requirements		
Basis 25 x 38 - 38#		
4 pages in 31-5/8" rolls..	461#	16.55#
8 pages in 31-5/8" rolls..	922#	33.10#
16 pages in 31-5/8" rolls.	922#	66.20#
1-color plate change, per side of web.....	115#	
4-color plate change, per side of web.....	230#	

All roll stock is to be suitable for printing on our offset presses and should be approved by us for printing and binding at our normal production rates.

J. Crew, Inc.
770 Broadway
New York, New York 10003

CATALOG August 14, 1997

DESCRIPTION

This proposal covers the production of your Fall/Winter and Spring/Summer Catalogs as described in the clause entitled QUANTITY AND NUMBER OF PAGES, for a period of 4 years commencing with production of your 1997 Fall/Winter Edition 1 Catalog and continuing through completion of your 2001 Spring Final Edition Printed by 6/30/01.

Subject to the provisions set forth herein, you engage us, and we shall be obligated and entitled to do or arrange for all cylinder making and/or plate making, printing, binding, loading and mailing, required for the production of the catalogs and all preliminary work as set forth in the PRELIMINARY MANUFACTURING PROCESS clause. We agree to perform the work as provided herein and to furnish all necessary materials and supplies therefor except such as you, pursuant to the terms hereof, agree to furnish. We will give you prior notice if we subcontract any of your work and furnish you with the name and location of the subcontractor at the time we give you prior notice.

In consideration for your awarding us a four year agreement, we agree to issue a credit equal to $500,000 on an invoice issued within thirty (30) days of your written request, but in no event earlier than the date of signing and no later than December 31, 1997. In consideration for giving you this credit, you agree to repay us $250,000 one hundred and eighty (180) days after we issue our credit, and a second repayment of $250,000 three hundred and sixty (360) days after we issue our credit.

QUANTITY AND NUMBER OF PAGES

1997 Fall/Winter Scheduled

Event	Body Pages	Cover Pages	Size	Quantity (To Nearest 1,000)
Fall/Winter Season				
Edition 1	132	4	8-1/4" x 10-3/4"	2,122,000
Prospect 1	80	4	8-1/4" x 10-3/4"	1,567,000
Edition 2	144	4	8-1/4" x 10-3/4"	2,928,051
Prospect 2	80	4	8-1/4" x 10-3/4"	2,456,845
Edition 3	160	4	8-1/4" x 10-3/4"	2,573,000
Prospect 3	96	4	8-1/4" x 10-3/4"	2,665,000
Edition 4	208	4	8-1/4" x 10-3/4"	2,408,000

Prospect 4	152	4	8-1/4" x 10-3/4"	2,626,000
Edition 5	216	4	8-1/4" x 10-3/4"	3,448,000
Prospect 5	152	4	8-1/4" x 10-3/4"	4,095,000
Edition 6	192	4	8-1/4" x 10-3/4"	3,315,000
Edition 7	184	4	8-1/4" x 10-3/4"	3,394,000
Edition 8	120	4	8-1/4" x 10-3/4"	2,314,000
Prospect 8	80	4	8-1/4" x 10-3/4"	761,000
Women's Catalog				
Women's 2	80	4	7-5/8" x 10"	1,717,652
Women's 3	80	4	7-5/8" x 10"	1,456,651
Women's 4	88	4	7-5/8" x 10"	1,700,000
College Catalogs				
Catalog 1	64	4	9-3/8" x 11-3/8"	1,950,000

1998 Forecasted (continued)

Event	Body Pages	Cover Pages	Size	Quantity (To Nearest 1,000)
Spring/Summer Season				

- -------------------				
Edition 1	96	4	8-1/4" x 10-3/4"	2,400,000
Prospect 1	72	4	8-1/4" x 10-3/4"	2,000,000
Edition 2	120	4	8-1/4" x 10-3/4"	2,400,000
Prospect 2	72	4	8-1/4" x 10-3/4"	1,000,000
Edition 3	120	4	8-1/4" x 10-3/4"	2,400,000
Prospect 3	72	4	8-1/4" x 10-3/4"	1,000,000
Edition 4	120	4	8-1/4" x 10-3/4"	2,400,000
Prospect 4	72	4	8-1/4" x 10-3/4"	1,450,000
Edition 5	96	4	8-1/4" x 10-3/4"	2,600,000
Prospect 5	72	4	8-1/4" x 10-3/4"	500,000
Women's Catalog				
- ---------------				
Women's 1	96	4	7-5/8" x 10"	1,300,000
Women's 2	96	4	7-5/8" x 10"	1,500,000
Women's 3	96	4	7-5/8" x 10"	1,600,000
Women's 4	72	4	7-5/8" x 10"	1,600,000
Swimwear Catalog				
- -----------------				
Swimwear 1	48	4	8-1/4" x 10-3/4"	2,950,000
Swimwear 2	48	4	8-1/4" x 10-3/4"	3,050,000
College Catalogs				
- -----------------				
Catalog 1	64	4	9-1/8" x 11-3/8"	1,600,000
Catalog 2	64	4	9-1/8" x 11-3/8"	1,600,000

1998 Forecasted (continued

Event	Body Pages	Cover Pages	Size	Quantity (To Nearest 1,000)
Catalog 3	64	4	9-1/8" x 11-3/8"	1,600,000
Catalog 4	64	4	9-1/8" x 11-3/8"	1,700,000
Fall/Winter Season				
Edition 1	120	4	8-1/4" x 10-3/4"	2,400,000
Prospect 1	72	4	8-1/4" x 10-3/4"	1,000,000
Edition 2	144	4	8-1/4" x 10-3/4"	2,600,000
Prospect 2	72	4	8-1/4" x 10-3/4"	1,500,000
Edition 3	144	4	8-1/4" x 10-3/4"	2,700,000
Prospect 3	72	4	8-1/4" x 10-3/4"	2,500,000
Edition 4	208	4	8-1/4" x 10-3/4"	3,300,000
Prospect 4	144	4	8-1/4" x 10-3/4"	3,000,000
Edition 5	216	4	8-1/4" x 10-3/4"	3,300,000
Prospect 5	144	4	8-1/4" x 10-3/4"	3,500,000
Edition 6	192	4	8-1/4" x 10-3/4"	3,400,000
Edition 7	184	4	8-1/4" x 10-3/4"	3,300,000
Women's Catalog				
Women's 1	96	4	7-5/8" x 10"	1,400,000
Women's 2	96	4	7-5/8" x 10"	1,400,000
Women's 3	96	4	7-5/8" x 10"	1,400,000
Women's 4	72	4	7-5/8" x 10"	1,500,000
College Catalogs				
Catalog 1	64	4	9-1/8" x 11-3/8"	1,600,000
Catalog 2	64	4	9-1/8" x 11-3/8"	1,700,000
Catalog 3	64	4	9-1/8" x 11-3/8"	2,100,000

1998 Total Pages (Pages times Quantity and then totaled) = 9,198,200,000

The above specifications summarize the projected 1998 catalog program. For 1999, 2000 and 2001 the schedule is to be calendar adjusted, taking into account refinements that occur in response to changes in market conditions and your budgetary process. These refinements could consist of changes to quantity, page counts, versions and possibly cancellations. It is understood that the volume in 1999, 2000 and 2001 will be at a minimum equivalent to that projected for 1998 as set out above. Volume is described as the printed pages multiplied by the total count as described above.

The parties agree to an 8% (eight percent) discount on work scheduled to start binding between January 1 and June 30 of any year under this Agreement. This first half discount will be applied to the Base Makeready and Run per M prices, and will not be applied to preliminary, freight of all kinds, or bind, mail or cylinder additionals, and will appear as an invoice credit on each of the applicable events.

As an incentive for J. Crew Inc. to add additional work with R.R. Donnelley & Sons Company, commencing in 1998, the parties agree to an 8% (eight percent) volume discount structure based on an increase in any calendar year on the projected 1998 level (pages times quantity) set out above. This volume discount will be applied to the Base Makeready and Run per M prices, and will not be applied to preliminary, freight of all kinds, or bind, mail or cylinder additionals. This volume discount will apply to all incremental work and assumes a similar number of total square inches of printed product.

Volume shall consist of the total number of printed pages times total count calculated at the end of the calendar year. For the incremental volume, a credit memo will be issued within 30 days after each calendar year, if a growth volume incentive has been earned. The volume discount is subject to prompt payment of all invoices. If J. Crew pays any invoice late, RRD may elect to reduce any growth volume incentive by the cost of money based on the prime rate as published in Wall Street Journal plus two percent (Prime +2%), as well as any other costs incurred to collect late or outstanding debts.

If a volume incentive is earned at the end of the contract (or earlier termination), a cash payment will be made 30 days after the end of contract (or earlier termination). In determining the amount of such payment, the value of payments due us will be credited against the value of the volume incentive.

FORECAST

To assist us in providing for your requirements, you shall submit a forecast by July l of each year showing your total requirements for the subsequent calendar year for work hereunder, during the term of this Agreement, including the count, number of pages, colors, copies to be bound and delivery dates for each issue. We shall, within 30 days of receipt of such forecasts, develop manufacturing schedules for the production of the work based on the forecasts you furnish which we shall present for your review and approval, such approval not to be unreasonably withheld. You shall notify us as promptly as practicable of any significant change in the forecasted requirements. We will produce up to a twenty-five percent (25%) annual increase (quantity multiplied by pages and then totaled) over the preceding year for 1999, ten percent (10%) over the preceding year for 2000, and a mutually agreed percentage (to be determined at a later date) over the preceding year for 2001, in accordance with the terms herein and pursuant to a mutually agreeable production schedule and the availability of materials. We currently have all work for your 1997 gravure body pages scheduled for production in our Spartanburg, South Carolina Manufacturing Division, and we will use all reasonable efforts to schedule all future gravure body production, as described herein, in our Spartanburg plant. If in order to meet your forecast

requirements, it is necessary to produce some, or all, of your work elsewhere, it will be produced in a Gravure Manufacturing Division or Divisions, and any additional production costs or freight associated with such transfer from the Spartanburg, South Carolina Division, will not be charged to you.

TECHNOLOGICAL IMPROVEMENTS

We will keep abreast of changes in the graphic arts industry and will review with you developments which may be beneficial for your titles. We will also be receptive to any suggestions you may have for beneficial changes. If you approve of implementing such changes, the parties will negotiate appropriate prices and schedules to incorporate such changes into the production of your work and to allow us to amortize our capital investment, if any.

During the term of this Agreement, we will meet with you once every six months to discuss technological developments which have occurred and have become commercially available for application to the work performed by us for you, and the conditions under which such developments would be incorporated. Any pricing adjustments due to technological advancements and efficiencies will also be discussed prior to the implementation of such developments.

PRELIMINARY MANUFACTURING PROCESS

This contract is based on a common document workflow. R.R. Donnelley will function as a client of J. Crew's QPS server and as such will have access to shared volumes on that server. At the proper times in the production cycle, we will "check out" the Quark document, modify it per descriptions below, and check it back in to the server. During the course of the contract it is expected that the nature and timing of some operations may change. The intent of this description is to set forth the major responsibilities of each party that have been assumed in building the prices.

Your file shall include all mechanical page elements such as tints, colored or reverse type and rules. Silhouetting of photographs and creation of key-only shadows will be performed by us and will be charged additionally as set forth in Exhibit A.

IMAL CYCLE

When you have completed the rough layout process for a spread and it is ready for us to begin processing, you will so indicate by changing the status to "color out". At that point you will also furnish us with original transparencies. Each will be accompanied by a thermal proof indicating size and orientation, as well as instructions for silhouetting, shadows and creation of composite images due to overlapping silhouettes. We will produce hi-res separation to the specifications that you direct. If you so direct, we will separate, process and archive to a higher dpi (not to exceed the industry standard) than was the practice in our previous agreement at no increase in price.

We will run a preflight check and take any appropriate corrective action to your Quark document. For each new transparency that you furnish, we will generate a lo-res file and place it into the appropriate Quark document, thereby replacing any temporary lo-res image that you had created for rough layout purposes.

For color proofing purposes, we will create and RIP a temporary file in which, for new subjects only, the hi-res images are substituted, and submit to you a contract quality proof (Kodak Approval or equivalent) for your color comments using industry standard markup language. For pickup subjects, it is our recommendation that neither the hi-res nor the lo- res substitute be included in the color proof at this stage. If you so direct, we will retrieve the hi-res pickup from archive and incorporate it into the document. If that is the case it must be understood that the picked up image, if it is concurrently being worked for another edition, may not yet have been archived with OK'd color. Also, any additional color markup resulting from that circumstance, giving you an earlier opportunity to view the hi-res pickup on the color proof will be charged as a "color alteration to retrieved image" per the contract price schedule.

PAGE CYCLE

When the document has been updated to J. Crew's satisfaction, you will so indicate by changing the status to "type out" and furnish us with a thermal proof that will serve as the OK for type and margins. We will color correct to the marked-up IMAL proof, run a preflight check and take any appropriate corrective action to the Quark document.

For each composite image, we will supply a lo-res of the composite to be substituted for the original lo-res files in the document.

For color proofing purposes, we will create and RIP a temporary file in which all hi-res images are substituted, and submit to you a contract quality proof for color OKs and two color photocopies of each color proof for your use. These copies will not be stamped as authorized proofs, nor will we do any proofreading at this stage. There will be a sign off on each proof which will indicate J. Crew's acceptance of this page.

DATA CYCLE

When the document has been updated to J Crew's satisfaction, you will so indicate by changing the status to "spread proof revise" and furnish us with a thermal proof that will serve as the OK for type and margins. We will color correct to the marked-up page proof, run a preflight check and take any appropriate corrective action, including trapping fixes and the spreading of knockout type whenever needed.

We will RIP the document file, substituting all the hi-res images, and produce a contract proof for press guidance. We will make a color photocopy of each color proof to serve as OK's for type and mechanical elements and margins.

Any additional proofing to that which is described above will be charged as an extra.

Not withstanding the above, if J. Crew, the Lancaster Preliminary Center, and Spartanburg agree that it would be mutually beneficial to provide additional preliminary proofing to that which is described above, we will do so at no charge to J. Crew.

ALTERATIONS

Any re-processing of a file that requires changes that include (but are not limited to) building composite images and recreating shadows due to position and size changes will be considered to be alterations and will be charge additional.

'MAXIMUM CHARGE' AND PAGE DESIGN

The "Maximum charge" four-color page price is included in this Agreement with the expectation that the average difficulty of a J. CREW page (as compared to the Fall/Winter 1996 and Spring/Summer 1997 catalog seasons) will not increase during the term of this agreement. If at any time the design for a particular event causes a significant increase in the number of pages that qualify for the "maximum charge" we will honor the price for that event but we reserve the right to request a review of future design plans to determine if the design for the event in question will be carried forward to future events. If a new, more complex design does become permanent, we mutually agree to re-negotiate the "maximum charge" price or to establish a limitation on how frequently this price may be utilized.

SCHEDULE

Our schedules have four flow cutoff dates. If these four flow cutoff dates are not maintained, we will do our best to maintain the schedule but upon prior notification to J. Crew, we reserve the right to limit the color proofing on some pages to one cycle if that is necessary to maintain your mailing date.

Likewise, if we receive any pages more than four days after any of the four scheduled cutoff dates, upon prior notification to J. Crew, we reserve the right to modify proofout dates and to charge additional for overtime costs if those costs must be incurred in order to maintain the mailing date. Overtime for lateness will not be charged on the cover forms provided that presswork schedule adjustments can be made at the cover plant of manufacture.

ARCHIVING

We will store both random images and final page files in separate archives.

We will maintain a library of random images, which you will OK for color after viewing on an IMAL proof. We will, as a rule of thumb, archive an area up to one inch beyond

the cropping point set up in the document during the IMAL cycle. When one of these images is retrieved for a subsequent catalog, any color adjustment that is requested will be charged additionally as a "color alteration to retrieved image".

If an archived image has not been retrieved for a period of thirteen months it will be deleted from the archive.

We will store final page files for a minimum of three months, or as long after that as we believe is necessary for internal backup purposes. In the event that we are unable to reproduce a page which we were obligated to retain in storage, we will pay the cost of transporting duplicate material to us as well as the cost of reproducing the page including the cost of duplicating the transparencies and similar out-of-pocket costs. We will not be liable for the cost of creating the page such as re-shooting any photographs.

TELECOMMUNICATIONS

J. Crew and R.R. Donnelley agree to provide mutually satisfactory data transmission capability at all times. Specifically, each party agrees to provide and maintain the means by which the other may access required data without unreasonable delays in throughput. If at some time it is agreed that the transmission capability must be increased, both companies acknowledge that a corresponding increase must be made at each company's end of the network connection, and that each company will be responsible for any additional expense incurred thereby.

ADS AND OTHER MISCELLANEOUS PROJECTS

We agree, subject to mutually agreeable scheduling, to perform separation work for J. Crew work other than the principal catalog events, and we will maintain the image archives in such a manner as to allow us to do so as economically as possible. We have included prices for this work to the extent that we are familiar with in but will quote additional prices as other projects develop.

The prices in the "ad pages" section are based on continuing the traditional workflow. It is, however, more economical for us to operate within the new QPS-based workflow that prevails for the catalog work. If and when the ad work moves to the new workflow, the "ad pages", the catalog price schedule will apply in place of the "ad pages" price schedule.

CANCELLATION

Both parties agree that it is the full intent of each that we shall continue to provide the majority of preliminary services for your catalogs. We shall be obligated and entitled to produce a minimum of 80% of your total catalog pages as described in this agreement for your 1998 Spring/Summer and Fall/Winter Catalog Program and a minimum of 67% of

you total catalog pages for your 1999 and 2000 Spring/Summer and Fall/Winter Catalog programs and 2001 Spring/Summer program.

You will notify us in writing on or before July 1 of 1998, 1999 and 2000 with your forecast of preliminary pages to be produced by us for the following years Spring/Summer and Fall/Winter catalog program. This forecast will be at least 67% of your total catalog pages and can be as high as 100% of total pages for your 1999, 2000 and 2001 program. We shall within 30 days of receipt of your preliminary services forecast, develop manufacturing schedules which we shall present for your review and approval. Our obligation to produce work for your 1999, 2000 and 2001 programs will be based on the percentage indicated in your July 1 written notification. Any increases requested after July 1 of each year will be made on a best effort basis.

Both parties agree to an ongoing review of our joint experience with the preliminary operation of your work and as a result of such review, either party may elect to have you (J. Crew) furnish all preliminary, film or digital data, for all remaining catalogs under this agreement. Notification by either party must be received in writing by either party 12 months prior to the first art in date of any season.

PRESSWORK

The body to be carefully made ready and printed by the gravure process in our standard four- color process inks. The cover is to be carefully made ready and printed by the web offset or gravure process in our standard four-color process inks. The run per M prices quoted in Exhibit A are based on the ink coverage demonstrated by your 1996 catalog program. There shall be no change in the charges for ink due to changes in coverage unless such change in either offset or gravure coverage persists over a year's experience and can be objectively and reasonably demonstrated to be different from the coverage used to determine pricing.

CUSTOMER FURNISHED PAPER

You shall furnish f.o.b. our plant of manufacture all paper required for the printing of your program in the weights, kinds and sizes set forth herein or as we shall otherwise mutually agree upon in accordance with a mutually agreeable delivery schedule and in sufficient time to meet the production schedule.

Paper shall be delivered to us in rolls with steel or fiber cores, unless otherwise mutually agreed upon, to the specifications listed on Exhibit C, properly wrapped and wound with pasters plainly flagged. Returnable cores shall remain your property and shall be returned by us in accordance with your directions at your expense (currently upon completed load of rail car). We shall reimburse you for the cost of any returnable cores received by us for the work and not returned by us to the mills from which such cores were shipped.

All paper furnished by you shall be of good printing quality and shall conform to a standard of mechanical quality, as agreed to by you, us and the paper supplier, suitable for efficient performance of the work. If at your request we use paper not acceptable to us and our cost is increased due to the use of such paper, we shall notify you, and follow up with written documentation, and we shall make an additional charge to fairly compensate us for such increased costs.

Paper not conforming to specifications, concealed damage and defective paper shall be rejected by us, reported promptly to you, and held for your instructions as to the disposition thereof. Should you require us to use defective paper or paper not conforming to specifications and should we incur additional costs as a result of the use of such paper, we shall charge you an amount fairly reflecting such additional costs directly caused by use of such paper including, without limitation, overconsumption of paper. Without limiting the foregoing, it is agreed that paper causing significant press slowdowns, or causing more than a ratio of three (3) proven paper caused web breaks per one-hundred (100) rolls of each type of paper and basis weight furnished by you within a series identified as a month's production of the mill shall not be considered of suitable mechanical quality and that to the extent the paper falls below this standard we shall be entitled to make an additional charge as aforesaid. Such charge will include additional paper requirements and press down time as described in Exhibit A.

Should you furnish or request we use paper which is designed for use in another printing process than that set forth in this Agreement, we will make every reasonable effort to utilize such paper, it being understood that any additional costs directly resulting from the use of such paper in producing an acceptable product will be your responsibility, including, without limitation, overconsumption of paper.

We shall further submit to you written reports regarding any defective paper or paper received in a damaged condition as soon as reasonable practicable after the damage shall have been discovered. In the case of any paper received in a damaged condition, we shall prepare affidavits describing such damage for you. We shall give you all such assistance as you may reasonably request to assist you in recovering for such damage or defect.

If upon termination of this Agreement we have any of your unused paper on hand, it is understood and agreed that you will accept billing for all charges reasonably incurred by us, involved for disposition of such paper, in accordance with your instructions, including handling and storage charges as set forth in Exhibit A.

We will make a seasonal accounting and reconciliation, and a per issue report of all paper furnished by you under this contract upon completion of each season. Such accounting will show the paper received, paper consumed and paper requirements based on the contract allowances specified herein, as adjusted for light and/or heavy paper, wrapper, header, fiber cores, and damaged (claimed or concealed) or other defective paper.

Should the total paper consumption in any accounting period, as defined above, exceed the contract allowances specified herein, adjusted as described above, we will pay for such excess at the average cost of each kind of paper for such accounting period. Should the total paper consumption during any such period be less than the paper requirements adjusted as described above, you shall pay us an a mount equal to one-half the cost of said paper so saved. In determining the amount of such payment, the value of underconsumption, if any, on one kind of paper will be credited against overconsumption, if any, on other kinds of paper used in the same accounting period (except the cover paper and body paper will be handled separately). The average cost of the body paper shall be calculated based on a 12 month average of 40# Publication Coated Grade #5 paper, or the applicable paper if different as indicated in the "Price Watch" report in Miller Freeman Publication, Inc.'s Pulp and Paper Weekly Magazine.

Any paper saved due to underconsumption, and damaged or other unusable paper, will remain your property. We will charge for storage on all such paper, in excess of the storage allowances described below, until used or disposed of, and will make an additional charge to fairly compensate us for disposition of such paper if not used.

All manufacturing waste, or other waste will become our property.

We will store your body paper requirements for each event up to thirty (30) days prior to the "to press date" at no additional charge. Should you exceed these limits, we will charge you for paper storage at the rate set forth in Exhibit A, or at the prevailing rates at another location including applicable handling and freight, for the amount of paper which exceeds the limits.

We will store your cover paper requirements for each event up to twenty one (21) days prior to the "to press date" at no additional charge. Should you exceed these limits, we will charge you for paper storage at the rate set forth in Exhibit A, or at the prevailing rates at another location including applicable handling and freight, for the amount of paper which exceeds the limits.

If R.R. Donnelley recognizes that storage outside the division will be required, R.R. Donnelley will use best efforts to notify J. Crew in a timely manner to avoid double handling and additional freight.

BINDING

We will gather press delivered signatures, along with your furnished inserts, saddlewire stitch and trim flush three sides for delivery upon completion f.o.b. our plant of manufacture.

You are to furnish inserts f.o.b. our plant of manufacture in accordance with the production schedule and to our specifications ready for binding. We require an additional allowance for binding and we shall submit such waste percentage (which shall be consistent with the representative chart below) sufficiently in advance of the binding date.

Should you furnish us and require us to use furnished inserts which do not conform to our specifications as set forth in Exhibit C, we will make every reasonable effort to utilize such

inserts. Should we incur additional costs as a result of the use of such inserts, we will charge you an amount fairly reflecting such additional costs.

On Line Selectronically(R)

25,000 or Less:	Double the Quantity
25,001 to 50,000	25% Extra
50,001 to 100,000	15% Extra
100,001 to 250,000	10% Extra
Over 250,000	3.5% Extra

Non Selectronic(R)

20,000 or Less:	20% or at least 1,000 extra
20,001 to 50,000	10% Extra
50,001 to 100,000	5% Extra
Over 100,000	3.5% Extra

DISPOSITION

We will address your catalog (and order blank) using our SELECTRONIC(R) addressing service (with one address up to 8 lines) to our specifications which we will submit, bag copies and mail.

You are to furnish ink-jet formatted magnetic tapes that are compatible with our equipment, in PASS sequence and in accordance with specifications we will furnish. We will process the tape to do 3-tier sortation and to add the necessary ink-jet codes, make sack tags, generate instructions to the bindery and print a summary for postal charges at the rates set forth in Exhibit A. Any reformatting, coding, combining of lists or other required work necessary for our use of your furnished tapes, will be charged additional after your agreement has been obtained for such work. Any double stroking (two hits of ink) to create bold face type will be additional.

Our price is based on mailing from lists of 150,000 names or more. Additional charges will be applied for lists of less than these minimums.

Any requested bar-coding of mail catalogs to obtain postal discounts will be charged additional at our prices set forth in Exhibit A.

The mailing prices set forth herein are based upon postal regulations and procedures in effect as of the date hereof which require mandatory Zip-code sortation. If postal regulations or procedures change so as to affect our cost for mailing the catalogs, the prices herein shall be revised to fairly reflect any increase or decrease in such costs.

Nothing contained herein shall require us to do anything in violation of United States Postal laws, regulations or procedures.

Any other required labels shall be furnished by you to our specifications.

Any requested shipping of mail catalogs to various postal facilities to obtain postal discounts will be charged additional at our prices set forth in Exhibit A. These prices will include, but not be limited to, freight and administration charges.

In the event we move production of any J. Crew work from our Spartanburg Manufacturing Division, we will pay the additional costs of distributing your product, caused by such move, if any, net of freight savings caused by the change in manufacturing location.

All copies are for delivery upon completion f.o.b. our plant of manufacture.

PRICES

You shall pay us for the work at the applicable prices set forth in Exhibit A, which is attached hereto and made a part hereof.

FREIGHT

Unless you request otherwise, we will arrange for shipment of your finished materials from our plant of manufacture. In such event, you shall pay all distribution charges, and we shall be entitled to retain any brokerage commissions or other service charges earned by us or our wholly-owned subsidiaries.

DISCONTINUANCE OF PUBLICATION

Should you decide to discontinue the publication of Catalog program in any medium without publishing a successor, whether titled the same or not, you shall use your best efforts to give us 90 days advance written notice of such decision. Without limiting the foregoing, you shall be obligated to pay for work done or in process. In addition, you shall reimburse us for costs which we cannot avoid through reasonable effort, which we will document to your satisfaction. No equipment holding time will be charged if you give us 90 days notice of discontinuance.

CHANGE IN MEDIUM

In the event that you replace the medium used for your products, we shall have the first right of negotiation to produce the work for you in the new medium during the remaining term of this Agreement provided that our prices are competitive with the market for the new medium at the time you make such change.

SALE OF CATALOG

We recognize that you may want to sell the catalog under circumstances and on a time schedule which cannot be predicted and we will use our best efforts to help you with such a sale. If circumstances permit you to inform us of the identity of your prospective purchaser as soon as

practicable before you agree to sell the catalog, we will keep such information strictly confidential and will conduct our investigation on such purchaser as quickly and confidentially as possible to determine whether we wish to print for such prospective purchaser. We will not unreasonably withhold our consent. If circumstances do not permit you to inform us of the identity of your prospective purchaser before you agree to sell the catalog, you agree to bring this paragraph to the attention of the purchaser and to require the purchaser to assume your obligations under this agreement if we wish to print for your purchaser. We will conduct our investigation of the purchaser as quickly as possible to inform you whether we wish to print for such purchaser and we will not withhold our consent unreasonably.

If any issue of the catalog needs to be produced between the effective date of such sale and the time we notify you whether we will print for your customer, the parties agree to use their best efforts to resolve any credit or content issued which arise during such interim period. In the event we are unwilling to print for such purchaser for financial reasons, the parties agree to use their best efforts to find another supplier or to come to interim terms for us to continue to produce the catalog with financial assurances from you until another supplier can assume production. You recognize that we consider both reputation and credit standing in choosing our customers.

OWNERSHIP OF FILM, COPY, PLATES, CYLINDERS, ETC.

Copy and any film furnished by you and electronic data files derived therefrom will be used solely for your work and will remain your property. Film, prints, plates and cylinders that we make will be used solely for your work but will remain our property. We will only use your text and images for your work.

Upon termination of this agreement you may choose to assume possession of those files which we have in storage. In that event, you will provide us with equivalent replacements for the optical disks (or other storage medium, or a mutually agreed upon dollar equivalent) on which the data is stored.

SPECIFICATIONS AND PRODUCTION SCHEDULE

All work to be performed hereunder shall be in accordance with the specifications set forth herein, and completed in accordance with a production schedule which shall be submitted for your approval.

If at any time you desire to make changes in the specifications (including pages and count) set forth herein or in the production schedule, we will cooperate with you in putting such changes into effect within a reasonable period of time, provided such changes do not have a materially adverse effect on our operations.

In the event any such change results in an increase or decrease in the cost of performing the work, the prices for the work shall be adjusted to fairly reflect such increase or decrease which

we will present for your approval, not to be unreasonably withheld. In addition, should such change result in our inability to use any materials on hand or ordered for you in the production of your work, you will pay us reasonable costs associated with such materials and their disposition.

PASSING OF TITLE

Title shall pass to you on the date of shipping of completed production. Possession shall pass to you upon delivery f.o.b. our plant of final manufacture.

LIEN ON PROPERTY

In the event that any sums due to us by you became past due during the term of this agreement, we will have the right, if necessary, to retain possession of and will have a lien on all property owed by you and in our possession, except for your customer mailing lists, and all work in process and undelivered work. In the event we wish to assert our lien on your property in our possession and you dispute whether, the sum is due, an officer of our company shall meet in person with an officer of your company who shall use their best efforts to resolve the dispute within 15 days. If the dispute continues after such meeting, you may provide us with alternative security of equal value and we will release our lien on the original property we had in our possession.

WORK STOPPAGES

Neither party shall be liable for delays or non-performance of this Agreement occasioned by strikes, fires, accidents or by causes beyond their control including, but not limited to the unavailability of materials, utilities or fuel, however, you shall retain your obligation to make payments in a timely manner. In the event of material shortages, we shall use our reasonable best efforts to assist you to find workable alternatives and substitute materials. In the event you place all or any part of the work elsewhere pursuant to this paragraph, you will not make commitments for a period longer than reasonably necessary to allow you to purchase the production of catalogs at prices equal to or less than those set forth herein and will return such work to us as promptly as practicable.

RESPONSIBILITY FOR SUBJECT MATTER

In furnishing us matter to reproduce or to have incorporated in the completed product, you represent and warrant that none of such matter (either as furnished to us by you or as altered by us at your direction) infringes any copyright, is libelous, or otherwise violates the rights of or will cause damage or injury to other persons, and you agree to indemnify and save us harmless from all losses, damages and expenses, including reasonable attorneys' fees, which we may suffer as the result of any claim of such violation, damage or injury.

QUALITY, GUARANTEE AND LIMITATION OF LIABILITY

We will perform the work in a good and workmanlike manner and in accordance with the specifications and production schedule. The quality of work produced under the terms of this Agreement shall be generally equal to or better than the average work produced for comparable work under previous agreements we have had to produce your catalog consistent with the paper, film, art work or other materials used in the production of the work. In the event the work is defective or delayed due to our fault (including negligence), we shall be liable for direct damages but we shall not be liable for special or consequential damages, including, but not limited to, lost profits or business as defined in the Uniform Commercial Code engaged in the State of New York and without regard to whether the work performed under this Agreement would be a sale of goods or a sale of serviced under New York law. We will use our best efforts to mitigate your damages including reprinting or repairing any defective work as promptly as practicable. Further, we shall not be liable for any damages, whether direct, indirect, special or consequential, associated with our shipment of any of your work on contract or common carriers. Notwithstanding the preceding sentence, we will require all contract or common carriers engaged by us to transport your work to carry one hundred thousand dollars ($100,000.00) of cargo insurance and will cooperate with you in filing claims if your property is damaged in transit.

MATERIALS AND PURCHASED SERVICES

Unless otherwise provided, we will supply the materials (ink, binding materials, etc.) or purchased services specified herein or their equivalents. It is understood and agreed that should we be unable to obtain such materials or services or their equivalents in necessary quantities, the parties shall select mutually agreeable substitute materials or services which we shall present for your approval, not to be unreasonably withheld. Should the use of such substitute materials or services increase or decrease the cost of performing the work, the prices will be adjusted to fairly reflect any such increase or decrease in cost. The unavailability of materials or services will not be considered a breach of this Agreement as long as we have used our best efforts to obtain and use materials, consistent with our obligations to other customers. Should any volume or trade discounts be earned on materials or services, they will be retained by us. All scrap and by-products will become our property.

STORAGE

We will store final reproduction medium (film or electronic data files) made by us and used in the production of your work for one year, after which film will be destroyed and data files erased unless otherwise agreed to and at prices to be separately quoted.

Plates and cylinders will not be held after completion of printing of the next catalog unless confirmed by letter form us. Storage of cylinders beyond that date is not included in the base prices and will be charged additional as incurred at the then current price quoted in Exhibit A. The storage will be incurred at the start of in-home span of the following event. For example,

Spring Edition 1 cylinders will be stored at no charge until the first in-home date of the Spring Edition 2.

Unless otherwise specified, the prices in this Agreement contain no storage of paper, other materials, work in process or finished goods beyond the production schedule span. If you delay completion of the work or postpone delivery of finished goods beyond the date specified in the production schedule, or if your furnished materials arrive prior to the dates specified in the production schedule, storage will be charged at the rates set forth in Exhibit A for each month up to twelve months the finished goods, work in process or furnished materials remain in our possession.

Such rate will be doubled for each month after the first twelve months of storage. If, following the eighteenth month of storage we receive no direction from you as to the disposition of the stored items, such items will be destroyed. No storage charges will be made for delays which are largely caused by us.

PRICE ADJUSTMENTS FOR CHANGES IN EMPLOYEE COMPENSATION, COSTS OF MATERIALS, UTILITIES, FUEL AND TAXES

The prices stated in this Agreement are based upon the cost of direct materials and any purchased services as of June 1, 1997 and labor, utilities, fuel and indirect materials as of the date hereof. If before completion of the work hereunder the cost of performance is increased or decreased as the result of changes in the rates of employee compensation, cost of employee benefits, payroll taxes, or other working conditions or terms of employment, or as the result of changes in the cost of materials. purchased services, utilities or fuel (except electricity, which will not be adjusted), the prices stated herein shall be increased or decreased in proportion to such increase or decrease in cost of performance. If any changes become effective after part of the work hereunder has been done or part of the material, utilities or fuel or services has been purchased, such adjustment of prices shall apply only to the work done or purchases made after such change. If we are required to pay any new or increased excise, privilege, processing, gross receipts, or similar tax not now imposed on account of any act required for the performance of this Agreement, or if we are required to pay any new payroll tax or similar charge, the cost of such new or increased tax shall be added as an extra charge.

If any changes in the non-labor components of our prices (excluding ink) result in an increase or decrease in our prices, such increase or decrease will not be effective until the start of the next Fall/Winter or Spring/Summer Season.

The prices herein shall be adjusted on the basis of changes in labor, indirect materials, fuel and utility costs occurring at our Lancaster Service Center for preliminary work. Lancaster West Manufacturing Division for the body presswork and Spartanburg Manufacturing Division for the body presswork, binding and all remaining prices, regardless of where the work is actually performed. and if such adjustment shall occur at the above divisions at a time other than the

regularly scheduled adjustment for that decision(s), we shall not apply that percentage increase until the next regularly scheduled adjustment for the corresponding division(s).

Notwithstanding the foregoing, the increases in manufacturing prices for both preliminary and printing will not exceed in the Consumer Price Index (1982-4 = 100), all Urban Wage Earners and Clerical Workers, U.S. City Average, published by the Bureau of Labor Statistics, U.S. Department of Labor for the same period. If the Consumer Price Index is revised or discontinued, this calculation will be made using the Successor Price Index designated by the Bureau of Labor and Statistics.

SALES AND USE TAXES

Any sales, retailer's occupation, service occupation, value added, or use tax imposed on account of this transaction will he added as an extra charge.

OVERTIME

If overtime is required to meet your delivery or quantity requirements, we will use our best efforts to make any necessary overtime available and will charge for such overtime at our then current rates. If overtime is worked due to our internal scheduling problems or other problems within our control arising after a production schedule is agreed upon, and not caused by your failure to comply with the production schedule, overtime charges will not be made. No chargeable overtime will be worked without your prior approval, and in the absence of such approval, delivery of the work will be made as promptly as practicable consistent with our then available capacity.

POSTAGE

The cost of postage and permits will be paid by you and you shall be responsible, if necessary, for establishing an account at the U.S. Post Office with sufficient funds to cover mailing.

ASSIGNMENT

Neither party to this Agreement shall assign any right or rights hereunder without the prior written consent of the other party, except that we may assign payments due us to our wholly-owned subsidiaries without consent. You may assign this Agreement to any wholly owned subsidiary of J. Crew Group, Inc. as long as we receive a guarantee from J. Crew Group, Inc. Subject to this consent, this Agreement shall inure to the benefit of and shall bind the successors and assigns of the parties hereto.

BANKRUPTCY

If either party shall be adjudicated a bankrupt, institute voluntary proceedings for bankruptcy or reorganization, make an assignment for the benefit of its creditors, apply for or consent to the appointment of a receiver for it or its property, or admit in writing its inability to pay its debts as

they become due, the other party may terminate this Agreement by written notice. Any such termination shall not relieve either party from any accrued obligations hereunder.

EDITING OF COPY

The price quoted does not, unless otherwise stated, include the editing of copy.

INSURANCE

We will carry at our expense fire, sprinkler leakage and extended coverage insurance, subject to the usual exclusions, limitations and conditions of such policies, on the actual cash value of all our materials, work in process, and all production completed and not shipped, and on the actual cash value of all positives, copy, artwork, paper and other materials furnished by you, while in our care, custody and control. Such insurance shall cover loss of, damage to or destruction of such property caused by the perils of fire, lighting, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke, vandalism, malicious mischief and sprinkler leakage, subject to the usual exclusions of fire and extended coverage policies. If your property is damaged as a result of an insured peril under the applicable insurance policy, then, at our option, we will either replace your damaged property or reimburse you for the actual cash value of the damaged property. If we elect to reimburse you for the damaged property's actual cash value, the amount payable to you shall be limited to the proceeds of such policy plus any related deductible, if any, applied to the claim for damage to your property. For positives and other media our insurance coverage and other liability shall be limited to the cost of blank film or other media and the cost of duplication from an original or other copy.

We will advise you of any material changes in our insurance coverage. We will provide you a certificate of insurance in force.

If the damaged property is catalogs, they will be replaced by similar catalogs.

GOVERNING LAW

This Agreement shall be governed by the laws of the State of New York.

OVERRUNS AND UNDERRUNS

Variations in quantity of zero percent (0%) more or less than quantities ordered will constitute acceptable delivery, and the price will be adjusted at the over/under delivery per thousand copy price. If the work involves more than one version, the over/under percent for each version shall depend upon ordered quantity of that version, as separately quoted.

TERMS OF PAYMENT

Net cash sixty-five (65) days from the date of invoice. An invoice for all materials, preliminary, presswork and initial binding charges will be issued on completion of the first binding lot.

Charges for any subsequent binding lots will be invoiced upon completion. All payments must be received at our lock box no later than the sixty-fifth (65th) day from date of invoice. We will charge interest at the rate of 1-1/2% per month on any unpaid invoices after sixty-five (65) days. Our obligation to perform work hereunder is subject to the validity and continued effectiveness of guaranty of Popular Services, now known as J. Crew Group, Inc. dated December 5, 1988.

INTEREST AND COLLECTION COSTS

Our obligation to perform work hereunder is subject to prompt payment of all invoices pursuant to the terms of this and other agreements we may have with you. Should any invoice issued hereunder become past due, you agree to pay interest at the rate equal to the prime rate announced by Citibank for three month loans to its most credit-worthy customers (the "Prime Rate") plus three percent (3%) per year, or the lawful limit if less, on all amounts past due. Progress billing of interest due or failure to bill for interest due shall not constitute a waiver of our right to charge interest on all amounts past due to the date payment is received.

If you fail to pay our invoice in accord with these terms, you agree to pay all costs of collection, including but not limited to, reasonable attorneys' fees (if the full amount of the invoice is ultimately determined or admitted to be due or a pro rated amount of such costs of collection if less than the full amount is ultimately determined to be due by you to us).

Should any portion of any invoice become disputed, you agree to pay the undisputed portion according to its terms and you will notify us promptly of the dispute. Both parties agree to use their best efforts to resolve the disputed portion of such invoice within thirty (30) days of learning of the dispute. Interest shall accrue on disputed amounts at a rate equal to the "Prime Rate" described above if such amounts are ultimately determined or admitted to be due.

CREDIT REVIEW

If you delay completion of manufacture beyond the period contemplated by the production schedule or if partial payment is made prior to the completion of the entire quantity, interim billing may be made. The above provisions may be reviewed by us and should there be a substantial adverse change in your credit standing or in the event that you do not comply with the terms of these provisions, we will have the right to change the terms of payment. and our obligation to perform further work will be subject to reaching mutual agreement on revised terms.

WAIVER

No waiver by either party hereto of any default by the other in the strict and literal performance of or compliance with any provision, condition, or requirement herein shall be deemed to be a waiver of, or in any manner release such other party from, strict compliance with any provision, condition or requirement in the future; nor shall any delay or omission of either party to exercise any right of termination or the right hereunder in any manner impair the exercise of any such

right accruing to it thereafter. Except when otherwise expressly stated, no remedy expressly granted herein to either party in the event of a default by the other shall be deemed to exclude any other remedy which would otherwise be available.

NO JOINT VENTURE

Nothing herein contained shall in any way constitute a partnership between, or joint venture by, the parties hereto or be construed to evidence the intention of the parties to constitute such. Neither of the parties shall hold itself out contrary to the terms of this paragraph by advertising or otherwise, and neither party shall be or become liable or hound by any representation, act or omission whatsoever of the other party contrary to the provisions of this paragraph.

EXHIBITS

This Agreement includes the following Exhibits which are attached hereto and made a part hereof:

EXHIBIT A - PRICE SCHEDULE

EXHIBIT B - PAPER SPECIFICATIONS

EXHIBIT C - OUTSIDE SUPPLIED PARTS REQUIREMENTS

IN WITNESS WHEREOF, the parties have caused their authorized officers to sign this agreement as of the date written above. If this Agreement is signed by both parties on or before August 18, 1997, it shall take effect with all work produced as of the 1997 Fall/Winter Edition 1 Catalog.

RR DONNELLEY & SONS COMPANY

By:_____
Joe Lawyer
Merchandise Media business Unit President

J. CREW Inc.

By:_____
Authorized Officer

Date:_____, 1997

PART I - PRESSWORK PRICING
- -------------------------

Presswork Prices (Presswork, Binding, Disposition and Ink). These prices include 1 (one) base version. No storage (other than set forth in the clauses entitled "Customer Furnished Paper" "Storage") is included. Interplant freight to ship covers from Lancaster to Spartanburg is included in our prices.

		Makeready	Run/M
A.	8-1/4" x 10-3/4" OFFSET COVER OPTIONS		
	4-page offset cover	$ 2,067.00	$ 5.13
	8-page offset cover	2,067.00	9.60
B.	8-1/4" x 10-3/4" GRAVURE BODY OPTIONS		
	45-page gravure body	$ 13,800.00	$ 57.70
	56-page gravure body	23,795.00	66.75
	64-page gravure body	23,795.00	70.79
	72-page gravure body	13,800.00	85.34
	80-page gravure body	27,600.00	83.88
	84-page gravure body	13,800.00	90.65
	88-page gravure body	23,795.00	93.42
	92-page gravure body	33,790.00	95.20
	96-page gravure body	13,800.00	93.97
	100-page gravure body	33,790.00	103.24
	104-page gravure body	23,795.00	103.01
	108-page gravure body	23,795.00	103.78
	112-page gravure body	23,795.00	107.06
	116-page gravure body	23,795.00	111.83
	120-page gravure body	23,795.00	113.60
	124-page gravure body	33,790.00	116.87
	128-page gravure body	27,600.00	120.14
	132-page gravure body	33,790.00	123.42
	136-page gravure body	23,795.00	129.69
	140-page gravure body	33,790.00	131.46
	144-page gravure body	27,600.00	130.23
	148-page gravure body	33,790.00	139.50
	152-page gravure body	37,595.00	139.25
	156-page gravure body	37,595.00	140.05
	160-page gravure body	37,595.00	143.32
	164-page gravure body	37,595.00	148.09
	168-page gravure body	37,595.00	149.86
	172-page gravure body	47,590.00	153.74
	176-page gravure body	41,400.00	156.41
	180-page gravure body	47,590.00	162.78
	184-page gravure body	37,595.00	168.45

PART 1- Presswork Pricing (continued)

B. 8-1/4" x 10-3/4" GRAVURE BODY OPTIONS (continued)

188-page gravure body	47,590.00	170.82
192-page gravure body	27,600.00	169.60
196-page gravure body	47,590.00	178.87
200-page gravure body	37,595.00	178.64
204-page gravure body	37,595.00	181.41
208-page gravure body	37,595.00	184.68
212-page gravure body	37,595.00	189.46
216-page gravure body	37,595.00	191.23
220-page gravure body	47,590.00	194.60
224-page gravure body	41,400.00	198.77
228-page gravure body	47,590.00	202.14
232-page gravure body	37,595.00	208.32
236-page gravure body	47,590.00	210.19
240-page gravure body	41,400.00	208.86
Paper Handling (all formats) per cwt	-	-

Excess Paper Storage (all formats):

First applicable month or fraction thereof per cwt	-	0.40
Each additional month or fraction thereof per cwt	-	0.13
Press down time, per hour, (all formats)	-	547

C. FURNISHED PAPER REQUIREMENTS: 8-1/4" x 10-3/4"

Cover Options 25 x 38-60#	Makeready Lbs.	Run Lbs. per 1,000
4-page offset cover	1,190	27.17
8-page offset cover	1,190	54.34

Cover Versioning (Based on 4 or 8 page cover)

Black plate change, one side of web	560
Black plate change, both sides of web	642
Four-color change, one side of web	824
Four-color change, both sides of web	1,190

Cover Options 25 x 38-70#		
4-page offset cover	1,388	31.69
8-page offset cover	1,388	63.39

Cover Versioning (Based on 4 or 8 page cover)

Black plate change, one side of web	653
Black plate change, both sides of web	750
Four-color change, one side of web	961
Four-color change, both sides of web	1,388

Body Options 25 x 38 - 38#	Makeready Lbs.	Run Lbs. per 1,000
48-page gravure body	10,201	194.91
56-page gravure body	15,301	228.31
64-page gravure body	15,301	259.88
72-page gravure body	7,650	292.37
80-page gravure body	20,402	324.85
84-page gravure body	8,926	341.09
88-page gravure body	14,451	357.34
92-page gravure body	19,552	373.58
96-page gravure body	10,201	359.82
100-page gravure body	19,552	406.07
104-page gravure body	15,301	423.22
108-page gravure body	15,301	438.55
112-page gravure body	15,301	454.79
116-page gravure body	14,451	471.04
120-page gravure body	15,301	487.28
124-page gravure body	20,402	503.52
128-page gravure body	20,402	519.76
132-page gravure body	20,402	536.01
136-page gravure body	14,451	552.25
140-page gravure body	19,552	568.49
144-page gravure body	20,402	584.73
148-page gravure body	19,552	600.98
152-page gravure body	25,502	618.13
156-page gravure body	25,502	633.46
160-page gravure body	25,502	649.70
164-page gravure body	24,652	665.95

C. FURNISHED PAPER REQUIREMENTS:
8-1/4" x 10-314" (Continued)

168-page gravure body	17,852	682.19
172-page gravure body	30,603	698.43
176-page gravure body	30,603	714.67
180-page gravure body	30,603	730.92
184-page gravure body	24,652	747.16
188-page gravure body	29,753	763.40
192-page gravure body	20,402	779.64
196-page gravure body	29,753	795.89
200-page gravure body	25,502	813.04
204-page gravure body	25,502	828.37
208-page gravure body	25,502	844.62
212-page gravure body	24,652	860.86
216-page gravure body	25,502	877.10
220-page gravure body	30,603	893.34
224-page gravure body	30,603	909.59
228-page gravure body	30,603	925.83
232-page gravure body	24,652	942.07
236-page gravure body	29,753	958.31
240-page gravure body	30,603	974.56

Gravure Body Versions (Per press form):
Narrow Web

One-color cylinder change, one side of web	547
One-color cylinder change, both sides of web	911
Four-color cylinder change, one side of web	1,640
Four-color cylinder change, both sides of web	5,100

Gravure Body Versions (Per press form):
Wide Web

One-color cylinder change, one side of web	1,094
One-color cylinder change, both sides of web	1,822
Four-color cylinder change, one side of web	3,280
Four-color cylinder change, both sides of web	10,200

D. 7-5/8" x 10" OFFSET COVER OPTIONS	Makeready	Run/M
4-page offset cover	$ 2,067.00	$ 5.13
8-page offset cover	2,067.00	9.60

E. 7-5/8" x 10" GRAVURE BODY OPTIONS		
48-page gravure body	$13,800.00	$ 56.15

52-page gravure body.....	19,990.00	65.63
56-page gravure body.....	19,990.00	68.61
60-page gravure body.....	23,795.00	65.59
64-page gravure body.....	23,795.00	68.57
68-page gravure body.....	23,795.00	73.05
72-page gravure body.....	23,795.00	74.53
76-page gravure body.....	33,790.00	78.01
80-page gravure body.....	27,600.00	80.49
84-page gravure body.....	33,790.00	83.97
88-page gravure body.....	23,795.00	89.45
92-page gravure body.....	33,790.00	91.43
96-page gravure body.....	13,800.00	89.41

F. FURNISHED PAPER REQUIREMENTS: 7-5/8" x 10"

Cover Options	Makeready Lbs. :	Run Lbs. per 1,000
25 x 38-60#		
4-page offset cover.....	1,190	25.43
8-page offset cover.....	1,190	50.86
Cover Versioning (Based on 4 or 8 page cover)		
Black plate change, one side of web	560	
Black plate change, both sides of web	642	
Four-color change, one side of web	824	
Four-color change, both sides of web	1,190	
Cover Options		
25 x 38-70#		
4-page offset cover.....	1,388	29.67
8-page offset cover.....	1,388	59.34
Cover Versioning (Based on 4 or 8 page cover)		
Black plate change, one side of web	653	
Black plate change, both sides of web	750	
Four-color change, one side of web	961	
Four-color change, both sides of web	1,388	

Body Options 25 x 38 - 38#	Makeready Lbs.	Run Lbs. per 1,000
48-page gravure body	5,033	173.73
52-page gravure body	9,227	188.20
56-page gravure body	9,227	202.68
60-page gravure body	10,066	217.16
64-page gravure body	10,066	231.63
68-page gravure body	9,227	246.11
72-page gravure body	10,066	260.59
76-page gravure body	15,099	275.06
80-page gravure body	8,389	289.54
84-page gravure body	15,099	304.02
88-page gravure body	9,227	318.50
92-page gravure body	14,261	332.97
96-page gravure body	10,066	347.45

G. 9-1/8" x 11-3/8" GRAVURE COVER OPTIONS

	Makeready	Run/M
4-page gravure cover	$ 9,995.00	$ 8.50

H. 9-1/8" x 11-3/8" GRAVURE BODY OPTIONS

48-page gravure body	$ 9,995.00	$ 65.84
52-page gravure body	19,990.00	72.54
56-page gravure body	19,990.00	75.74
60-page gravure body	19,990.00	78.44
64-page gravure body	19,990.00	80.64
68-page gravure body	19,990.00	85.84
72-page gravure body	19,990.00	88.04
76-page gravure body	29,985.00	91.74
80-page gravure body	19,990.00	101.44
84-page gravure body	29,985.00	99.14
88-page gravure body	19,990.00	105.84
92-page gravure body	29,985.00	108.04
96-page gravure body	19,990.00	110.24

I. FURNISHED PAPER REQUIREMENTS: 9-1/8"x 11-3/8"

Cover Options 25 x 38-60#	Makeready Lbs.	Run Lbs. per 1,000
4-page gravure cover	3,125	31.70

Body Options 25 x 38- 38#	Makeready Lbs.	Run Lbs. per 1,000
48-page gravure body	5,937	226.88
52-page gravure body	10,885	245.79
56-page gravure body	11,874	265.05
60-page gravure body	11,874	283.60
64-page gravure body	11,874	302.51
68-page gravure body	10,885	321.42
72-page gravure body	11,874	340.32
76-page gravure body	17,811	359.23
80-page gravure body	9,895	378.14
84-page gravure body	17,811	397.04
88-page gravure body	10,885	415.95
92-page gravure body	16,822	434.86
96-page gravure body	11,874	453.77

J. 8-1/4" x 8-1/4" OFFSET COVER OPTIONS	Makeready	Run/M
4-page offset cover	$ 2,067.00	$ 9.39
8-page offset cover	2,067.00	12.78

K. 8-1/4" x 8-1/4" GRAVURE BODY OPTIONS		
64-page gravure body	$ 9,995.00	$ 61.68
80-page gravure body	19,990.00	71.69
96-page gravure body	19,990.00	81.70
100-page gravure body	29,985.00	87.65
112-page gravure body	19,990.00	96.31
128-page gravure body	19,990.00	101.73
144-page gravure body	29,985.00	112.35
152-page gravure body	29,985.00	119.65
160-page gravure body	29,985.00	122.36
168-page gravure body	29,985.00	136.75
176-page gravure body	29,985.00	139.46
192-page gravure body	29,985.00	144.89
Paper Handling (all formats) per cwt	-	-

L. FURNISHED PAPER REQUIREMENTS: 8-1/4" x 8-1/4"

Cover Options 25 x 38-60#	Makeready Lbs.	Run Lbs. per 1,000
4-page offset cover.....	1,190	27.42
8-page offset cover.....	1,190	54.83
Cover Versioning (Based on 4 or 8 page cover)		
Black plate change, one side of web	560	
Black plate change, both sides of web	642	
Four-color change, one side of web	824	
Four-color change, both sides of web	1,190	

Cover Options 25 x 38-70#		
4-page offset cover	1,388	31.98
5-page offset cover	1,388	63.96
Cover Versioning (Based on 4 or 8 page cover)		
Black plate change, one side of web	653	
Black plate change, both sides of web	750	
Four-color change, one side of web	961	
Four-color change, both sides of web	1,388	

Body Options 25 x 38 - 38#	Makeready Lbs.	Run Lbs. per 1,000
64-page gravure body.....	5,255	200.82
80-page gravure body.....	10,510	251.49
96-page gravure body.....	10,510	301.23
100-page gravure body.....	13,138	314.13
112-page gravure body.....	9,196	351.43
128-page gravure body.....	10,510	401.64
144-page gravure body.....	15,765	452.31
152-page gravure body.....	14,451	476.94
160-page gravure body.....	15,765	502.04
168-page gravure body.....	13,794	527.15
176-page gravure body.....	14,451	552.25
192-page gravure body.....	15,765	602.45

Gravure Body Versions (Per press form):

One-color cylinder change, one side of web	564
One-color cylinder change, both sides of web	940
Four-color cylinder change, one side of web	1,692
Four-color cylinder change, both sides of web	5,265

PART II - Additionals

Presswork Additionals:

Cover Versioning (based on 4-page cover with customer-supplied paper):

Black plate change, one side of web	$252.00
Black plate change, both sides of web	370.00
Four-color change, one side of web	611.00
Four-color change, both sides of web	1,417.00

Gravure Body Versioning (Per press form with customer-supplied paper):

Narrow Web

One-color (Black) cylinder change, one side of web	1,374.00
One-color (Black) cylinder change, both sides of web	2,559.00
Four-color cylinder change, one side of web	4,356.00
Four-color cylinder change, both sides of web	9,995.00

Wide Web

One-color (Black) cylinder change, one side of web	1,897.00
One-color (Black) cylinder change, both sides of web	3,533.00
Four-color cylinder change, one side of web	6,014.00
Four-color cylinder change, both sides of web	13,800.00
Press Stop, each	300.00
Cylinder storage, per cylinder, first month	56.00
Cylinder storage, per cylinder, each subsequent month	70.00
Pick-up cylinders, makeready press, per press form	4,512.00

Bindery Additionals:

Bindery Stop	175.00
Bind Makeready (includes Ink Jet makeready)	697.00

Additional for Dot whacking (does not include cost of the label):	
With guarantee of 97% affixation, per 1,000	3.76
100% affixation, per 1,000	4.38
Product storage beyond normal production period, per M	
8 pages	
First month, per 1,000 8's stored	0.67
Each additional month, per 1,000 8's stored	0.16
Short Run Mail: MR per list under 150,000	175.00
Short Run Mail: List less than 25,000 copies - per M	5.64
Short Run Mail: 25,000 to 49,999, per M	3.07
Short Run Mail: 50,000 to 99,999, per M	1.70
Short Run Mail: 100,000 to 149,999, per M	0.95
Drop ship admin, per cwt	0.15

PART II - Additionals (Continued)
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Bindery Additionals (Continued):	-
Additional Ink Jet preparation prices:	
Tape Processing, per 1,000	$0.80
Additional for messages, per 1,000	0.56
Zip corrections, each	0.03
Split/rekey, per 1,000	0.12
Tape Handling, each	6.62
Bar Codes (Tape Processing), per 1,000 copies	0.53
Additional to Ink Jet personalized message on either the cover or the order blank:	
Full message of up to 6 lines of up to 50 characters per line, per 1,000 copies	0.77
Only a few words or numbers, per 1,000 copies	0.39
Bar Coding (Ink Jet Operation), per 1,000 copies	1.58
SELECTRONIC(R) gathering:	
Tape Processing	
Additional processing for SELECTRONIC(R) gathering of multi-weight pieces. Provided the furnished magnetic tape contains clearly defined codes that can be used to "trigger" the feeding patter, machine instructions will be added, per 1,000	0.94
Bindery	
Basic makeready, each selectronic run (up to 5 boxes)	678.00
Makeready each additional selectronically(R) controlled box	56.65
Selectronic(R) Running:(charged to entire run count, not just Selectronically fired sigs)	
Up to 3 boxes, per M	2.25
4 to 6 boxes, per M	3.50
7to 10 boxes, per M	4.50
Additional for any box with insertion 5% or less, per box per M	0.30
Additional for any box with insertion 5% to 10%, per box per M	0.20
SELECTRONIC(R) Feeding Cards:	
Makeready	246.00
Run, per 1,000 copies	0.17
SELECTRONIC(R) Blow in Cards:	
Run, per machine, per 1,000 copies	0.32

SELECTRONIC(R)Dot-Whacking:	
Run, per machine, per 1,000 copies	0.28
(Cannot guarantee 100% affixation)	
Cartoning, per carton	2.70
Powerpacks, per skid	27.97

4/c Document Handling, per page..... $275.00
Includes QPS check and generation of related internal proof, replacement of lo-res image with archived hi-res, re-sizing and rotating, creation of composite images, Postscript & RIP, spreading of knockout type as required, contract color proofs for page and data cycles as required. Two color copies will be pulled of each color proof but only the final set produced from the press guidance will be handled as an authorized proof. Monthly maintenance costs for a TI telecommunications line are included in this figure.

New transparency for archive..... $305.00
Includes the cost of IMAL proofing, generation of the lo-res, archiving in a random image database, swatch matching within the same color family, and fleshtone work. Cloning, color creation, background work and other local corrections are additional. When schedule permits, a second IMAL proofing cycle will be offered at no additional cost.

4/C Page (inclusive); Maximum charge..... $1,848.00
This price represents a "cap" on the incremental billing for any page. We will maintain a spreadsheet that will accumulate the dollar total for each individual page. When the normal incremental billing would otherwise exceed $1848, this price will be substituted. Color deviations and mechanical alterations, however, will be charged on the same basis as for any other page.

Type version page..... $76.50
Includes PostScript & RIP, writing a duplicate 4/c file for NKI transmission or film output as well as color mechanical proof - color proof not included

Silhouette mask, per new subject..... $40.50

Shadow, per subject..... $22.50

Receive and archive image file..... $14.00
This is to cover the basic handling costs to accept and maintain an industry standard hi-res file from an outside source. Any extraordinary conversion costs will be charged as additional, as will a silhouette and/or shadow if the proper accompanying file or clipping path is not furnished.

Mechanical Alterations And Additional Proofs

Rescan transparency for size changes.....	$230.00
4/c mechanical change (as marked on position proof).....	$67.00
This applies when we are asked to open the Quark File and make a change to page mechanics.	
Rebuild composite image.....	$41.00
This applies if manual intervention is required for this function when we process a document in which images involving overlapping silhouettes have shifted.	
Color alteration to retrieved image.....	$85.00
This charge applies to a color correction of an archived subject which is then permanently placed in the archive; the preceding image is deleted.	
Additional color proof.....	$37.80
Late correction premium, per page.....	$117.50

Color Deviations

Cloning, per item.....	$97.25
Color creation, per item.....	$139.00
Background work, per background.....	$69.50
System hour rate for specialty work not included above.....	$130.00

Ad pages

4/c Base page.....	$360.00
Includes the basic mechanical construction of the page but does not include processing of transparencies, silhouettes or shadows. Includes a final form color proof.	
New transparency.....	$247.30
Includes the cost of IMAL proofing , image archiving, swatch matching within the same color family, and fleshtone work. Cloning, color creation, background work and other local corrections are additional.	
Pickup image, each.....	$28.91
Additional to resize pickup image.....	$26.28

Additional for color alteration to retrieved image.	$141.20
Replacement type file.....	$108.70

Bind-ins
- --------

4/c Base page.....	$360.00
Revise color cycle.....	$190.00
New scan (no archiving) or re-scan for different GCR level.....	$190.00
4/c mechanical tint page.....	$109.84

Other
- -----

Postcard: 4/c Base page.....	$180.44
Billboard file, pick-up or new, one cycle.....	$500.00
Billboard file, pickup or new, each add'l cycle....	$150.00

EXHIBIT A

J. CREW GROUP, INC.

1997 STOCK OPTION PLAN

1. Purpose of the Plan

The purpose of the J. Crew Group, Inc. 1997 Stock Option Plan (the "Plan") is to promote the interests of the Company and its stockholders by providing the Company's key employees and consultants with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company.

2. Definitions

As used in this Plan, the following capitalized terms shall have the following meanings:

(a) "Affiliate" shall mean the Company and any of its direct or indirect subsidiaries.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean, when used in connection with the termination of a Participant's Employment, unless otherwise provided in the Participant's Stock Option Grant Agreement, the termination of the Participant's Employment by the Company or an Affiliate on account of (i) the willful violation by the Participant of any federal or state law or any rule of the Company or any Affiliate, (ii) a breach by a Participant of the Participant's duty of loyalty to the Company and its Affiliates in contemplation of the Participant's termination of Employment, such as the Participant's pre-termination of Employment solicitation of customers or employees of the Company or an Affiliate, (iii) the Participant's unauthorized removal from the premises of the Company or Affiliate of any document (in any medium or form) relating to the Company or an Affiliate or the customers of the Company or an Affiliate, or (iv) any gross negligence in connection with the performance of the Participant's duties as an Employee. Any rights the Company or an Affiliate may have hereunder in respect of the events giving rise to Cause shall

be in addition to the rights the Company or Affiliate may have under any other agreement with the Employee or at law or in equity. If, subsequent to a Participant's termination of Employment, it is discovered that such Participant's Employment could have been terminated for Cause, the Participant's Employment shall, at the election of the Committee, in its sole discretion, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(d) "Change in Control" shall mean the occurrence of any of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or JCC to any Person or group of related persons for purposes of Section 13(d) of the Exchange Act (a "Group"), together with any affiliates thereof other than to TPG Partnership II, L.P. or any of its affiliates (hereinafter "TPG II"); (ii) the approval by the holders of capital stock of the Company or JCC of any plan or proposal for the liquidation or dissolution of the Company or JCC, as the case may be; (iii) (A) any Person or Group (other than TPG II) shall become the owner, directly or indirectly, beneficially or of record, of shares representing more than 40% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of directors, managers or trustees (the "Voting Stock") of the Company or JCC and (B) TPG II beneficially owns, directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Company than such other Person or Group; (iv) the replacement of a majority of the Board of Directors of the Company or JCC over a two-year period from the directors who constituted the Board of Directors of the Company or JCC, as the case may be, at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board of Directors of the Company or JCC, as the case may be, then still in office who either were

members of such Board of Directors at the beginning of such period or whose election as a member of such Board of Directors was previously so approved or who were nominated by, or designees of, TPG II; (v) any Person or Group other than TPG II shall have acquired the power to elect a majority of the members of the Board of Directors of the Company; or (vi) a merger or consolidation of the Company with another entity in which holders of the Common Stock of the Company immediately prior to the consummation of the transaction hold, directly or indirectly, immediately following the consummation of the transaction, 50% or less of the common equity interest in the surviving corporation in such transaction.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Commission" shall mean the U.S. Securities and Exchange Commission.

(g) "Committee" shall mean the Committee appointed by the Board pursuant to Section 3 of the Plan.

(h) "Common Stock" shall mean the common stock of the Company.

(i) "Company" shall mean J. Crew Group, Inc.

(j) "Disability" shall mean a permanent disability as defined in the Company's or an Affiliate's disability plans, or as defined from time to time by the Company, in its discretion, or as specified in the Participant's Stock Option Grant Agreement.

(k) "EBITDA" shall mean, for any period, the consolidated earnings (losses) of the Company and its affiliates before extraordinary items and the cumulative effect of accounting changes, as determined by the Company in accordance with U.S. generally accepted accounting principles, and before interest (expense or income), taxes, depreciation, amortization, non-cash gains and losses from sales of assets other than in the ordinary course of business, Transaction Costs and Valuation Adjustments. For purposes of clarification, in determining EBITDA,

consolidated earnings shall be reduced (or, with respect to losses, increased), but only once, by compensation expenses attributable to this Plan and any other compensation plan, program or arrangement of the Company or any of its affiliates, to the extent such expenses are recorded in accordance with U.S. generally accepted accounting principles. In the event of the occurrence of any business combination transaction affecting the earnings or indebtedness of the Company, including (without limitation) any transaction accounted for as a pooling or as a recapitalization, the Committee shall adjust EBITDA as the Committee shall in good faith consider necessary or appropriate, including (without limitation) to reflect transaction-related costs attributable to such accounting method ("Transaction Costs").

(l) "Eligible Employee" shall mean (i) any Employee who is a key executive of the Company or an Affiliate, or (ii) certain other Employees or consultants who, in the judgment of the Committee, should be eligible to participate in the Plan due to the services they perform on behalf of the Company or an Affiliate.

(m) "Employment" shall mean employment with the Company or any Affiliate and shall include the provision of services as a consultant for the Company or any Affiliate. "Employee" and "Employed" shall have correlative meanings.

(n) "Exercise Date" shall have the meaning set forth in Section 4.10 herein.

(o) "Exercise Notice" shall have the meaning set forth in Section 4.10 herein.

(p) "Exercise Price" shall mean the price that the Participant must pay under the Option for each share of Common Stock as determined by the Committee for each Grant and specified in the Stock Option Grant Agreements.

(q) "Fair Market Value" shall mean, as of any date:

(1) prior to the existence of a Public Market for the Common Stock, the quotient obtained by dividing (i) the excess of (x) the product of (A) 10 (as such number may be changed as provided below, the "Multiple") and (B) EBITDA for the twelve month period ending on the fiscal quarter-end immediately preceding such date over (y) the sum of (I) the weighted arithmetic average indebtedness (net of all cash and cash equivalents) during such period of the Company and its consolidated direct and indirect wholly-owned subsidiaries and (II) for each less than wholly-owned direct or indirect subsidiary of the Company the earnings of which are either consolidated with those of the Company or accounted for on an equity basis, the weighted arithmetic average indebtedness (net of all cash and cash equivalents) during such period of such subsidiary multiplied by the proportion of the total earnings (determined on the same basis as, and excluding the same items as in the determination of, EBITDA) of such subsidiary included in EBITDA (excluding earnings attributable to dividends received from such subsidiary), by (ii) the total number of shares of Common Stock on the last day of such period, determined on a fully diluted basis. For purposes of determining the indebtedness of an entity, all preferred stock of the entity, other than preferred stock convertible into Common Stock, shall be considered indebtedness in the amount of the liquidation value thereof plus accumulated but unpaid dividends thereon. Notwithstanding the foregoing provisions of this paragraph (1), for the ten (10) day period immediately following the occurrence of a Change of Control, Fair Market Value shall not be less than the price per share, if any, paid to any member of the Initial Ownership Group or the public tender offer price paid in connection with such Change of Control. The Committee shall review the Multiple then in effect following the audit of the Company's financial statements each fiscal year, and shall make such increases or decreases in the Multiple

as shall be determined by the Committee in good faith to reflect market conditions and Company performance.

(2) on which a Public Market for the Common Stock exists, (i) the average of the high and low sales prices on such day of a share of Common Stock as reported on the principal securities exchange on which shares of Common Stock are then listed or admitted to trading or (ii) if not so reported, the average of the closing bid and ask prices on such day as reported on the National Association of Securities Dealers Automated Quotation System or (iii) if not so reported, as furnished by any member of the National Association of Securities Dealers, Inc. selected by the Committee. The Fair Market Value of a share of Common Stock as of any such date on which the applicable exchange or inter-dealer quotation system through which trading in the Common Stock regularly occurs is closed shall be the Fair Market Value determined pursuant to the preceding sentence as of the immediately preceding date on which the Common Stock is traded, a bid and ask price is reported or a trading price is reported by any member of NASD selected by the Committee. In the event that the price of a share of Common Stock shall not be so reported or furnished, the Fair Market Value shall be determined by the Committee in good faith to reflect the fair market value of a share of Common Stock.

(r) "Grant" shall mean a grant of an Option under the Plan evidenced by a Stock Option Grant Agreement.

(s) "Grant Date" shall mean the Grant Date as defined in Section 4.3 herein.

(t) "Initial Ownership Group" shall mean TPG Partners II, L.P., each beneficial owner of Common Stock immediately after October 17, 1997 and each person or entity directly or indirectly controlling, controlled by or under common control with TPG Partners II, L.P., or any such beneficial owner.

(u) "JCC" shall mean J. Crew Operating Corp., a wholly owned subsidiary of the Company.

(v) "Non-Qualified Stock Option" shall mean an Option that is not an 'incentive stock option" within the meaning of Section 422 of the Code.

(w) "Option" shall mean the option to purchase Common Stock granted to any Participant under the Plan. Each Option granted hereunder shall be a Non-Qualified Stock Option and shall be identified as such in the Stock Option Grant Agreement by which it is evidenced.

(x) "Option Spread" shall mean, with respect to an Option, the excess, if any, of the Fair Market Value of a share of Common Stock as of the applicable Valuation Date over the Exercise Price.

(y) "Participant" shall mean an Eligible Employee to whom a Grant of an Option under the Plan has been made, and, where applicable, shall include Permitted Transferees.

(z) "Permitted Transferee" shall have the meaning set forth in Section 4.6.

(aa) "Person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

(bb) A "Public Market" for the Common Stock shall be deemed to exist for purposes of the Plan if the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act and trading regularly occurs in such Common Stock in, on or through the facilities of securities exchanges and/or inter-dealer quotation systems in the United States (within the meaning of Section 902(n) of the Securities Act) or any designated offshore securities market (within the meaning of Rule 902(a) of the Securities Act).

(cc) "Securities Act" shall mean the Securities Act of 1933, as amended.

(dd) "Stock Option Grant Agreement" shall mean an agreement entered into by each Participant and the Company evidencing the Grant of each Option pursuant to the Plan (a sample of which is attached hereto as Exhibit A).

(ee) "Stockholders' Agreement" shall mean the Stockholders' Agreement, attached hereto as Exhibit B or such other stockholders' agreement as may be entered into between the Company and any Participant.

(ff) "Transfer" shall mean any transfer, sale, assignment, gift, testamentary transfer, pledge, hypothecation or other disposition of any interest. "Transferee" and "Transferor" shall have correlative meanings.

(gg) "Valuation Adjustments" shall mean that amount of non-cash expense charged against earnings for any period resulting from the application of accounting for business combinations in accordance with Accounting Principles Board Opinion #16. These charges may include, but are not limited to, amounts such as inventory revaluations, property, plant and equipment revaluations, goodwill amortization and finance fee amortization.

(hh) "Valuation Date" shall mean (i) prior to the existence of a Public Market for the Common Stock, the last day of each calendar quarter, or (ii) on or after the existence of a Public Market for the Common Stock, the trading date immediately preceding the date of the relevant transaction.

(ii) "Vesting Date" shall mean the date an Option becomes exercisable as defined in Section 4.4 herein.

(jj) "Withholding Request" shall have the meaning set forth in Section 4.10 herein.

3. Administration of the Plan

The Committee shall be appointed by the Board and shall administer the Plan. No member of the Committee shall participate in any decision that specifically affects such member's interest in the Plan.

3.1 Powers of the Committee. In addition to the other powers granted to the Committee under the Plan, the Committee shall have the power: (a) to determine to which of the Eligible Employees Grants shall be made; (b) to determine the time or times when Grants shall be made and to determine the number of shares of Common Stock subject to each such Grant; (c) to prescribe the form of any instrument evidencing a Grant; (d) to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (e) to construe and interpret the Plan, such rules and regulations and the instruments evidencing Grants; and (f) to make all other determinations necessary or advisable for the administration of the Plan.

3.2 Determinations of the Committee. Any Grant, determination, prescription or other act of the Committee shall be final and conclusively binding upon all persons.

3.3 Indemnification of the Committee. No member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Grant. To the full extent permitted by law, the Company shall indemnify and hold harmless each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that such person, or such person's testator or intestate, is or was a member of the Committee.

3.4 Compliance with Applicable Law. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Common Stock pursuant to the exercise of any Options, unless and until the Committee has

determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Common Stock are listed or traded. The Company shall use its reasonable efforts to register such shares of Common Stock or to take any other action in order to comply with any such law, regulation or requirement with respect to the issuance and delivery of such certificates. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements and representations as the Committee, in its sole discretion, deems advisable in order to comply with any such laws, regulations or requirements.

3.5 Inconsistent Terms. In the event of a conflict between the terms of the Plan and the terms of any Stock Option Grant Agreement, the terms of the Stock Option Grant Agreement shall govern.

4. Options

Subject to adjustment as provided in Section 4.13 hereof, the Committee may grant to Participants Options to purchase shares of Common Stock of the Company which, in the aggregate, do not exceed 7388 shares of Common Stock. To the extent that any Option granted under the Plan terminates, expires or is canceled without having been exercised, the shares covered by such Option shall again be available for Grant under the Plan.

4.1 Identification of Options. The Options granted under the Plan shall be clearly identified in the Stock Option Grant Agreement as Non-Qualified Stock Options.

4.2 Exercise Price. The Exercise Price of any Option granted under the Plan shall be such price as the Committee shall determine (which may be equal to, less than or greater than the Fair Market Value of a share of Common Stock on the Grant Date for such Options) and which

shall be specified in the Stock Option Grant Agreement; provided that such price may not be less than the minimum price required by law.

4.3 Grant Date. The Grant Date of the Options shall be the date designated by the Committee and specified in the Stock Option Grant Agreement as the date the Option is granted.

4.4 Vesting Date of Options. Each Stock Option Grant Agreement shall indicate the date or conditions under which such Option shall become exercisable; provided, however, that, upon a Change in Control, all outstanding Options shall immediately become vested.

4.5 Expiration of Options. With respect to each Participant, such Participant's Option(s), or portion thereof, which have not become exercisable shall expire on the date such Participant's Employment is terminated for any reason unless otherwise specified in the Stock Option Grant Agreement. With respect to each Participant, each Participant's Option(s), or any portion thereof, which have become exercisable on the date such Participant's Employment is terminated shall expire on the earlier of (i) the commencement of business on the date the Participant's Employment is terminated for Cause; (ii) 90 days after the date the Participant's Employment is terminated for any reason other than Cause, death or Disability; (iii) one year after the date the Participant's Employment is terminated by reason of death or Disability; or (iv) the 10th anniversary of the Grant Date for such Option(s). Notwithstanding the foregoing, the Committee may specify in the Stock Option Grant Agreement a different expiration date or period for any Option Granted hereunder, and such expiration date or period shall supersede the foregoing expiration period.

4.6 Limitation on Transfer. During the lifetime of a Participant, each Option shall be exercisable only by such Participant unless the Participant obtains written consent from the

Company to Transfer such Option to a specified Transferee (a "Permitted Transferee") or the Participant's Stock Option Grant Agreement provides otherwise.

4.7 Condition Precedent to Transfer of Any Option. It shall be a condition precedent to any Transfer of any Option by any Participant that the Transferee, if not already a Participant in the Plan, shall agree prior to the Transfer in writing with the Company to be bound by the terms of the Plan and the Stock Option Grant Agreement as if he had been an original signatory thereto.

4.8 Effect of Void Transfers. In the event of any purported Transfer of any Options in violation of the provisions of the Plan, such purported Transfer shall, to the extent permitted by applicable law, be void and of no effect.

4.9 Exercise of Options. A Participant may exercise any or all of his vested Options by serving an Exercise Notice on the Company as provided in Section 4.10 hereto.

4.10 Method of Exercise. The Option shall be exercised by delivery of written notice to the Company's principal office (the "Exercise Notice"), to the attention of its Secretary, no less than five business days in advance of the effective date of the proposed exercise (the "Exercise Date"). Such notice shall (a) specify the number of shares of Common Stock with respect to which the Option is being exercised, the Grant Date of such Option and the Exercise Date, (b) be signed by the Participant, and (c) prior to the existence of a Public Market for the Common Stock, indicate in writing that the Participant agrees to be bound by the Stockholders' Agreement, and (d) if the Option is being exercised by the Participant's Permitted Transferee(s), such Permitted Transferee(s) shall indicate in writing that they agree to and shall be bound by the Plan and Stock Option Grant Agreement as if they had been original signatories thereto. The Exercise Notice shall include (i) payment in cash for an amount equal to the Exercise Price

multiplied by the number of shares of Common Stock specified in such Exercise Notice, (ii) a certificate representing the number of shares of Common Stock with a Fair Market Value equal to the Exercise Price (provided the Participant has owned such shares at least six months prior to the Exercise Date) multiplied by the number of shares of Common Stock specified in such Exercise Notice, or (iii) a combination of (i) and (ii) or any method otherwise approved by the Committee. In addition, the Exercise Notice shall include payment either in cash or previously-owned shares of Common Stock in an amount equal to the applicable withholding taxes based on the Option Spread for each share of Common Stock specified in the Exercise Notice as of the most recent Valuation Date unless the Participant requests, in writing, that the Company withhold a portion of the shares that are to be distributed to the Participant to satisfy the applicable federal, state and local withholding taxes incurred in connection with the exercise of the Option (the "Withholding Request"). The Committee, in its sole discretion, will either grant or deny the Withholding Request and shall notify the Participant of its determination prior to the Exercise Date. If the Withholding Request is denied, the Participant shall pay an amount equal to the applicable withholding taxes based on the Option Spread for each share of Common Stock specified in the Exercise Notice as of the most recent Valuation Date on or before such Exercise Date. The partial exercise of the Option, alone, shall not cause the expiration, termination or cancellation of the remaining Options.

4.11 Certificates of Shares. Upon the exercise of the Options in accordance with Section 4.10 and, prior to the existence of a Public Market for the Common Stock, execution of the Stockholders' Agreement, certificates of shares of Common Stock shall be issued in the name of the Participant and delivered to such Participant as soon as practicable following the Exercise Date. Prior to the existence of a Public Market, no shares of Common Stock shall be issued to

any Participant until such Participant agrees to be bound by and executes the Stockholders' Agreement.

4.12 Administration of Options.

(a) Termination of the Options. The Committee may, at any time, in its absolute discretion, without amendment to the Plan or any relevant Stock Option Grant Agreement, terminate the Options then outstanding, whether or not exercisable, provided, however, that the Company, in full consideration of such termination, shall pay (a) with respect to any Option, or portion thereof, then outstanding, an amount equal to the Option Spread determined as of the Valuation Date coincident with or next succeeding the date of termination. Such payment shall be made as soon as practicable after the payment amounts are determined, provided, however, that the Company shall have the option to make payments to the Participants by issuing a note to the Participant bearing a reasonable rate of interest as determined by the Committee in its absolute discretion.

(b) Amendment of Terms of Options. The Committee may, in its absolute discretion, amend the Plan or terms of any Option, provided, however, that any such amendment shall not impair or adversely affect the Participants' rights under the Plan or such Option without such Participant's written consent.

4.13 Adjustment Upon Changes in Company Stock.

(a) Increase or Decrease in Issued Shares Without Consideration. Subject to any required action by the stockholders of the Company, in the event of any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend (but only on the shares of Common Stock), or any other increase or decrease in the number of such shares effected without receipt of

consideration by the Company, the Committee shall, make such adjustments with respect to the number of shares of Common Stock subject to the Options, the exercise price per share of Common Stock and the Option Value of each such Option, as the Committee may consider appropriate to prevent the enlargement or dilution of rights.

(b) Certain Mergers. Subject to any required action by the stockholders of the Company, in the event that the Company shall be the surviving corporation in any merger or consolidation (except a merger or consolidation as a result of which the holders of shares of Common Stock receive securities of another corporation), the Options outstanding on the date of such merger or consolidation shall pertain to and apply to the securities which a holder of the number of shares of Common Stock subject to any such Option would have received in such merger or consolidation (it being understood that if, in connection with such transaction, the stockholders of the Company retain their shares of Common Stock and are not entitled to any additional or other consideration, the Options shall not be affected by such transaction).

(c) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets, (iii) a merger or consolidation involving the Company in which the Company is not the surviving corporation or (iv) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash, the Committee shall, in its absolute discretion, have the power to provide for the exchange of each Option outstanding immediately prior to such event (whether or not then exercisable) for an option on or stock appreciation right with respect to, as appropriate, some or all of the property for which the stock underlying such Options are exchanged and, incident thereto, make an equitable adjustment, as determined by the Committee

in the exercise price of the options or stock appreciation rights, or the number of shares or amount of property subject to the options or stock appreciation rights or, if appropriate, provide for a cash payment to the Participants in partial consideration for the exchange of the Options as the Committee may consider appropriate to prevent dilution or enlargement of rights.

(d) Other Changes. In the event of any change in the capitalization of the Company or a corporate change other than those specifically referred to in Sections 4.13(a), (b) or (c) hereof, the Committee shall, make such adjustments in the number and class of shares subject to Options outstanding on the date on which such change occurs and in the per-share exercise price of each such Option as the Committee may consider appropriate to prevent dilution or enlargement of rights.

(e) No Other Rights. Except as expressly provided in the Plan or the Stock Option Grant Agreements evidencing the Options, the Participants shall not have any rights by reason of any subdivision or consolidation of shares of Common Stock or shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of Common Stock or shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or the Stock Option Grant Agreements evidencing the Options, no issuance by the Company of shares of Common Stock or shares of stock of any class, or securities convertible into shares of Common Stock or shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to the Options or the exercise price of such Options.

5. Miscellaneous

5.1 Rights as Stockholders. The Participants shall not have any rights as stockholders with respect to any shares of Common Stock covered by or relating to the Options granted pursuant to the Plan until the date the Participants become the registered owners of such shares. Except as otherwise expressly provided in Sections 4.12 and 4.13 hereof, no adjustment to the Options shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

5.2 No Special Employment Rights. Nothing contained in the Plan shall confer upon the Participants any right with respect to the continuation of their Employment or interfere in any way with the right of the Company or an Affiliate, subject to the terms of any separate Employment agreements to the contrary, at any time to terminate such Employment or to increase or decrease the compensation of the Participants from the rate in existence at the time of the grant of any Option.

5.3 No Obligation to Exercise. The Grant to the Participants of the Options shall impose no obligation upon the Participants to exercise such Options.

5.4 Restrictions on Common Stock. The rights and obligations of the Participants with respect to Common Stock obtained through the exercise of any Option provided in the Plan shall be governed by the terms and conditions of the Stockholders' Agreement.

5.5 Notices. All notices and other communications hereunder shall be in writing and shall be given and shall be deemed to have been duly given if delivered in person, by cable, telegram, telex or facsimile transmission, to the parties as follows:

If to the Participant:

To the address shown on the Stock Option Grant Agreement.

If to the Company:

J. Crew Group Inc.
625 Sixth Avenue
Third Floor
New York, NY 10011
Attention: Chief Financial Officer

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

5.6 Descriptive Headings. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the meaning of the terms contained herein.

5.7 Severability. In the event that any one or more of the provisions, subdivisions, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, subdivision, word, clause, phrase or sentence in every other respect and of the remaining provisions, subdivisions, words, clauses, phrases or sentences hereof shall not in any way be impaired, it being intended that all rights, powers and privileges of the Company and Participants shall be enforceable to the fullest extent permitted by law.

5.8 Governing Law. The Plan shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to the provisions governing conflict of laws.

October 17, 1997

EXHIBIT A-1 Time Based Vesting

STOCK OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this ___ day of _____, 199_ between J. CREW GROUP INC. (the "Company") and _____ (the "Participant").

WHEREAS, the Company has adopted and maintains the J. Crew Group 1997 Stock Option Plan (the "Plan") to promote the interests of the Company and its stockholders by providing the Company's key employees with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company;

WHEREAS, the Plan provides for the Grant to Participants in the Plan of Non-Qualified Stock Options to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant a NON-QUALIFIED STOCK OPTION (the "Option") with respect to _____ shares of Common Stock of the Company.

2. Grant Date. The Grant Date of the Option hereby granted is _____.

3. Incorporation of Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Committee, shall govern. All capitalized terms used herein shall have the meaning given to such terms in the Plan.

4. Exercise Price. The exercise price of each share underlying the Option hereby granted is _____.

5. Vesting Date. The Option shall become exercisable as follows: (i) [___ (10%)] of the shares of Common Stock underlying the Option immediately upon Grant; (ii) [___ 10%)] of the shares of Common Stock underlying the Option on the first anniversary of the Grant Date; and (iii) [___ 20%)] of the shares of Common Stock underlying the Option on each of the second through the fifth anniversaries of the Grant Date. Notwithstanding the foregoing, in the event of a Change in Control, all shares of Common Stock underlying the Option shall become immediately exercisable.

6. Expiration Date. Subject to the provisions of the Plan, with respect to the Option or any portion thereof which has not become exercisable, the Option shall expire on the date the Participant's Employment is terminated for any reason, and with respect to any Option or any portion thereof which has become exercisable, the Option shall expire on the earlier of: (i) 90 days after the Participant's termination of Employment other than for Cause, death or Disability; (ii) one year after termination of the Participant's Employment by reason of death or Disability; (iii) the commencement of business on the date the Participant's Employment is, or is deemed to have been, terminated for Cause; or (iv) the tenth anniversary of the Grant Date.

7. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

8. Limitation on Transfer. During the lifetime of the Participant, the Option shall be exercisable only by the Participant. The Option shall not be assignable or transferable otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Participant may request authorization from the Committee to assign his rights with respect to the Option granted herein to a trust or custodianship, the beneficiaries of which may include only the Participant, the Participant's spouse or the Participant's lineal descendants (by blood or adoption), and, if the Committee grants such authorization, the Participant may assign his rights accordingly. In the event of any such assignment, such trust or custodianship shall be subject to all the restrictions, obligations, and responsibilities as apply to the Participant under the Plan and this Stock Option Grant Agreement and shall be entitled to all the rights of the Participant under the Plan. All shares of Common Stock obtained pursuant to the Option granted herein shall not be transferred except as provided in the Plan and, where applicable, the Stockholders' Agreement.

9. Integration. This Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including without limitation the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of NEW YORK, without regard to the provisions governing conflict of laws.

12. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Option shall be final and conclusive.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on his own behalf, thereby representing that he has carefully read and understands this Agreement and the Plan as of the day and year first written above.

J. CREW GROUP INC.

By: _____

_____
[Name of Participant]
[Address]

EXHIBIT A-2 Performance Based Vesting

STOCK OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this ___ day of _____, 199_ between J. CREW GROUP INC. (the "Company") and _____ (the "Participant").

WHEREAS, the Company has adopted and maintains the J. Crew Group 1997 Stock Option Plan (the "Plan") to promote the interests of the Company and its stockholders by providing the Company's key employees with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company.

WHEREAS, the Plan provides for the grant to Participants in the Plan of Non-Qualified Stock Options to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant a NON-QUALIFIED STOCK OPTION (the "Option") with respect to _____ shares of Common Stock of the Company.

2. Grant Date. The Grant Date of the Option hereby granted is _____.

3. Incorporation of Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Committee, shall govern. All capitalized terms used herein shall have the meaning given to such terms in the Plan.

4. Exercise Price. The exercise price of each share underlying the Option hereby granted is _____.

5. Vesting Date. On the last day of each of the fiscal years [_____] through [_____], (each an "Anniversary Date"), the Option will become exercisable with respect to up to twenty percent of the shares of Common Stock underlying the Option (the "Eligible Portion") in accordance with the following: (i) if less than 90% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, 0% of the Eligible Portion will become exercisable; (ii) if 90% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, 50% of the Eligible Portion will

become exercisable; (iii) if 95% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, 100% of the Eligible Portion will become exercisable, and (iv) if between 90% and 95% of the Annual EBITDA Target is achieved in the fiscal year ending on the respective Anniversary Date, the percentage of the Eligible Portion which will become exercisable shall be determined on the basis of straight line interpolation based on the amounts set forth in (ii) and (iii) above. Notwithstanding the foregoing, the Option shall become immediately exercisable upon the occurrence of any of the following: (i) the Participant's employment is terminated by the Company without Cause, (ii) the Participant's employment is terminated by reason of death or Disability, or (iii) upon a Change in Control of the Company. In addition, the Option shall become exercisable on the seventh anniversary of the Grant Date. For purposes of this Stock Option Grant Agreement, the "Annual EBITDA Target" for each fiscal year shall be determined by the Committee, in its absolute discretion.

6. Expiration Date. Subject to the provisions of the Plan, the Option shall expire and be canceled on the tenth anniversary of the Grant Date; provided that the Option shall expire prior to the tenth anniversary of the Grant Date as follows: (i) to the extent the Option is not exercisable on the date the Participant's Employment terminates for any reason, such Option shall expire and be canceled on the date the Employment terminates; and (ii) to the extent the Option is exercisable on the date the Participant's Employment terminates, the Option shall expire and be canceled (A) 90 days after the Participant's termination of Employment other than for Cause, death or Disability (but not later than the tenth anniversary of the Grant Date); (B) one year after termination of the Participant's Employment by reason of death or Disability (but not later than the tenth anniversary of the Grant Date); or (C) the commencement of business on the date the Participant's Employment is, or is deemed to have been, terminated for Cause.

7. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

8. Limitation on Transfer. During the lifetime of the Participant, the Option shall be exercisable only by the Participant. The Option shall not be assignable or transferable otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Participant may request authorization from the Committee to assign his rights with respect to the Option granted herein to a trust or custodianship, the beneficiaries of which may include only the Participant, the Participant's spouse, or the Participant's lineal descendants (by blood or adoption), and, if the Committee grants such authorization, the Participant may assign his rights accordingly. In the event of any such assignment, such trust or custodianship shall be subject to all the restrictions, obligations and responsibilities as apply

to the Participant under the Plan and this Agreement and shall be entitled to all the rights of the Participant under the Plan. All shares of Common Stock obtained pursuant to the Option Granted herein shall not be transferred except as provided in the Plan and, where applicable, the Stockholders' Agreement.

9. Integration. This Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including without limitation the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of NEW YORK, without regard to the provisions governing conflict of laws.

12. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Option shall be final and conclusive.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on his own behalf, thereby representing that he has carefully read and understands this Agreement and the Plan as of the day and year first written above.

J. CREW GROUP INC.

By: _____

_____
[Name of Participant]
[Address]

Exhibit B

STOCKHOLDERS' AGREEMENT

STOCKHOLDERS' AGREEMENT (this "Agreement"), dated as of _____, 199__, between J. Crew Group, Inc. (the "Company"), TPG Partners II, L.P. ("TPG") and _____ (the "Stockholder").

WHEREAS, the Stockholder is an employee of the Company and in such capacity was granted an option (the "Option") to purchase shares of common stock of the Company, $.01 par value per share ("Common Stock"), pursuant to the Company's 1997 Stock Option Plan (the "Option Plan");

WHEREAS, as a condition to the issuance of shares of Common Stock pursuant to the exercise of an Option, the Stockholder is required under the Option Plan to execute this Agreement;

WHEREAS, the Stockholder desires to exercise the Option to purchase _____ shares of Common Stock; and

WHEREAS, the Stockholder and the Company desire to enter this Agreement and to have this Agreement apply to the shares to be purchased pursuant to the Option Plan and to any shares of Common Stock acquired after the date hereof by the Stockholder from whatever source, subject to any future agreement between the Company and the Stockholder to the contrary (in the aggregate, the "Shares").

NOW THEREFORE, in consideration of the premises hereinafter set forth, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows.

1. Investment. The Stockholder represents that the Shares are being acquired for investment and not with a view toward the distribution thereof.

2. Issuance of Shares. The Stockholder acknowledges and agrees that the certificate for the Shares shall bear the following legends (except that the second paragraph of this legend shall not be required after the Shares have been registered and except that the first paragraph of this legend shall not be required after the termination of this Agreement):

> The shares represented by this certificate are subject to the terms and conditions of a Stockholders' Agreement dated as of _____, 19__ and may not be sold, transferred, hypothecated, assigned or encumbered, except as may be permitted by the aforesaid Agreement. A copy of the Stockholders' Agreement may be obtained from the Secretary of the Company.
>
> The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares have been acquired for investment and may

not be sold, transferred, pledged or hypothecated in the absence of an effective registration statement for the shares under the Securities Act of 1933 or an opinion of counsel for the Company that registration is not required under said Act.

Upon the termination of this Agreement, or upon registration of the Shares under the Securities Act of 1933 (the "Securities Act"), the Stockholder shall have the right to exchange any Shares containing the above legend (i) in the case of the registration of the Shares, for Shares legended only with the first paragraph described above and (ii) in the case of the termination of this Agreement, for Shares legended only with the second paragraph described above.

3. Transfer of Shares; Call Rights.

(a) The Stockholder agrees that he will not cause or permit the Shares or his interest in the Shares to be sold, transferred, hypothecated, assigned or encumbered except as expressly permitted by this Section 3; provided, however, that the Shares or any such interest may be transferred (i) on the Stockholder's death by bequest or inheritance to the Stockholder's executors, administrators, testamentary trustees, legatees or beneficiaries, (ii) to a trust or custodianship the beneficiaries of which may include only the Stockholder, the Stockholder's spouse, or the Stockholder's lineal descendants (by blood or adoption), (iii) in accordance with Section 4 of this Agreement, and (iv) to the Company pursuant to Section 4.10 of the Option Plan, subject in any such case to the agreement by each transferee (other than the Company) in writing to be bound by the terms of this Agreement and provided in any such case that no such transfer that would cause the Company to be required to register the Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall be permitted.

(b) The Company (or its designated assignee) shall have the right, during the one-hundred-twenty-day period (x) beginning on the one-year anniversary of the termination of the Stockholder's employment as a result of death or Disability or (y) immediately following the termination of the employment of the Stockholder with the Company for any other reason at any time, to purchase from the Stockholder, and upon the exercise of such right the Stockholder shall sell to the Company (or its designated assignee), all or any portion of the Shares held by the Stockholder as of the date as of which such right, is exercised at a per Share price equal to the Fair Market Value (as defined in the Option Plan) of a share of Common Stock determined as of the date as of which such right is exercised. The Company (or its designated assignee) shall exercise such right by delivering to the Stockholder a written notice specifying its intent to purchase Shares held by the Stockholder, the date as of which such right is to be exercised and the number of Shares to be purchased. Such purchase and sale shall occur on such date as the Company (or its designated assignee) shall specify which date shall not be later than ninety (90) days after the fiscal quarter-end immediately following the date as of which the Company's right is exercised.

4. Certain Rights.

(a) Drag Along Rights. If TPG desires to sell all or substantially all of its shares of Common Stock to a good faith independent purchaser (a "Purchaser") (other than any other investment partnership, limited liability company or other entity established for investment purposes and controlled by the principals of TPG or any of its affiliates and other than any employees of TPG, hereinafter referred to as a "Permitted Transferee") and said Purchaser desires to acquire all or substantially all of the issued and outstanding shares of Common Stock (or all or substantially all of the assets of the Company) upon such terms and conditions as agreed to with TPG, the Stockholder agrees to sell all of his Shares to said Purchaser (or to vote all of his Shares in favor of any merger or other transaction which would effect a sale of such shares of Common Stock or assets of the Company) at the same price per share of Common Stock and pursuant to the same terms and conditions with respect to payment for the shares of Common Stock as agreed to by TPG. In such case, TPG shall give written notice of such sale to the Stockholder at least 30 days prior to the consummation of such sale, setting forth (i) the consideration to be received by the holders of shares of Common Stock, (ii) the identity of the Purchaser, (iii) any other material items and conditions of the proposed transfer and (iv) the date of the proposed transfer.

(b) Tag Along Rights. (i) Subject to paragraph (iv) of this Section 4(b), if TPG or its affiliates proposes to transfer any of its shares of Common Stock to a Purchaser (other than a Permitted Transferee), then TPG or such Permitted Transferee (hereinafter referred to as a "Selling Stockholder") shall give written notice of such proposed transfer to the Stockholder (the "Selling Stockholder's Notice") at least 30 days prior to the consummation of such proposed transfer, and shall provide notice to all other stockholders of the Company to whom TPG has granted similar "tag-along" rights (such stockholders together with the Stockholder, referred to herein as the "Other Stockholders") setting forth (A) the number of shares of Common Stock offered, (B) the consideration to be received by such Selling Stockholder, (C) the identity of the Purchaser, (D) any other material items and conditions of the proposed transfer and (E) the date of the proposed transfer.

(ii) Upon delivery of the Selling Stockholder's Notice, the Stockholder may elect to sell up to the sum of (A) the Pro Rata Portion (as hereinafter defined) and (B) the Excess Pro Rata Portion (as hereinafter defined) of his Shares, at the same price per share of Common Stock and pursuant to the same terms and conditions with respect to payment for the shares of Common Stock as agreed to by the Selling Stockholder, by sending written notice to the Selling Stockholder within 15 days of the date of the Selling Stockholder's Notice, indicating his election to sell up to the sum of the Pro Rata Portion plus the Excess Pro Rata Portion of his Shares in the same transaction. Following such 15 day period, the Selling Stockholder and each Other Stockholder shall be permitted to sell to the Purchaser on the terms and conditions set forth in the Selling Stockholder's Notice the sum of (X) the Pro Rata Portion and (Y) the Excess Pro Rata Portion of its Shares.

(iii) For purposes of Section 4(b) and 4(c) hereof, "Pro Rata Portion" shall mean, with respect to shares of Common Stock held by the Stockholder or Selling Stockholder,

as the case may be, a number equal to the product of (x) the total number of such shares then owned by the Stockholder or the Selling Stockholder, as the case may be, and (y) a fraction, the numerator of which shall be the total number of such shares proposed to be sold to the Purchaser as set forth in the Selling Stockholder's Notice or initially proposed to be registered by the Selling Stockholder, as the case may be, and the denominator of which shall be the total number of such shares then outstanding (including such shares proposed to be sold or registered by the Selling Stockholder); provided, however, that any fraction of a share resulting from such calculation shall be disregarded for purposes of determining the Pro Rata Portion. For purposes of Sections 4(b) and 4(c), "Excess Pro Rata Portion" shall mean, with respect to shares of Common Stock held by the Stockholder or the Selling Stockholder, as the case may be, a number equal to the product of (x) the number of Non-Elected Shares (as defined below) and (y) a fraction, the numerator of which shall be such Stockholder's Pro Rata Portion with respect to such shares, and the denominator of which shall be the sum of (1) the aggregate Pro Rata Portions with respect to the shares of Common Stock of all of the Other Stockholders that have elected to exercise in full their rights to sell their Pro Rata Portion of shares of Common Stock, and (2) the Selling Stockholder's Pro Rata Portion of shares of Common Stock (the aggregate amount of such denominator is hereinafter referred to as the "Elected Shares"). For purposes of this Agreement, "Non-Elected Shares" shall mean the excess, if any, of the total number of shares of Common Stock, proposed to be sold to a Purchaser as set forth in a Selling Stockholder's Notice or initially proposed to be registered by the Selling Stockholder, as the case may be, less the amount of Elected Shares.

(iv) Notwithstanding anything to the contrary contained herein, the provisions of this Section 4(b) shall not apply to any sale or transfer by TPG of shares of Common Stock unless and until TPG, after giving effect to the proposed sale or transfer, shall have sold or transferred in the aggregate (other than to Permitted Transferees) shares of Common Stock, representing 7.5% of shares of Common Stock owned by TPG on the date hereof.

(c) Piggyback Registration Rights.

(i) Notice to Stockholder. If the Company determines that it will file a registration statement under the Securities Act, other than a registration statement on Form S-4 or Form S-8 or any successor form, for an offering which includes shares of Common Stock held by TPG or its affiliates (hereinafter in this paragraph (c) of Section 4 referred to as a "Selling Stockholder"), then the Company shall give prompt written notice to the Stockholder that such filing is expected to be made (but in no event less than 30 days nor more than 60 days in advance of filing such registration statement), the jurisdiction or jurisdictions in which such offering is expected to be made, and the underwriter or underwriters (if any) that the Company (or the person requesting such registration) intends to designate for such offering. If the Company, within 15 days after giving such notice, receives a written request for registration of any Shares from the Stockholder, then the Company shall include in the same registration statement the number of Shares to be sold by the Stockholder as shall have been specified in his request, except that the Stockholder shall not be permitted to register more than the Pro Rata Portion plus the Excess Pro Rata portion of his Shares. The Company shall bear all costs of preparing and filing the registration statement, and shall indemnify and hold harmless, to the extent customary and

reasonable, pursuant to indemnification and contribution provisions to be entered into by the Company at the time of filing of the registration statement, the seller of any shares of Common Stock covered by such registration statement.

Notwithstanding anything herein to the contrary, the Company, on prior notice to the participating Stockholder, may abandon its intention to file a registration statement under this Section 4(c) at any time prior to such filing.

(ii) Allocation. If the managing underwriter shall inform the Company in writing that the number of shares of Common Stock requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering within a price range acceptable to TPG, then the Company shall include in such registration such number of shares of Common Stock which the Company is so advised can be sold in (or during the time of) such offering. All holders of shares of Common Stock proposing to sell shares of Common Stock shall share pro rata in the number of shares of Common Stock to be excluded from such offering, such sharing to be based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders.

(iii) Permitted Transfer. Notwithstanding anything to the contrary contained herein, sales of Shares pursuant to a registration statement filed by the Company may be made without compliance with any other provision of this Agreement.

5. Termination. This Agreement shall terminate immediately following the existence of a Public Market for the Common Stock except that (i) the requirements contained in Section 2 hereof shall survive the termination of this Agreement and (ii) the provisions contained in Section 3 hereof shall continue with respect to each Share during such period of time, if any, as the Stockholder is precluded from selling such Shares pursuant to Rule 144 of the Securities Act. For this purpose, a "Public Market" for the Common Stock shall be deemed to exist if the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act and trading regularly occurs in such Common Stock in, on or through the facilities of securities exchanges and/or inter-dealer quotation systems in the United States (within the meaning of Section 902(n) of the Securities Act) or any designated offshore securities market (within the meaning of Rule 902(a) of the Securities Act).

6. Distributions With Respect To Shares. As used herein, the term "Shares" includes securities of any kind whatsoever distributed with respect to the Common Stock acquired by the Stockholder pursuant to the Option Plan or any such securities resulting from a stock split or consolidation involving such Common Stock.

7. Amendment; Assignment. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance. No such written instrument shall be effective unless it expressly recites that it is intended to amend, supersede, cancel, renew or extend this Agreement or to waive compliance with one or more of the terms hereof, as the case may be. Except for the Stockholder's right to assign his or her rights under Section 3(a) or the

Company's right to assign its rights under Section 3(b), no party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other parties hereto.

8. Notices. All notices and other communications hereunder shall be in writing, shall be deemed to have been given if delivered in person or by certified mail, return receipt requested, and shall be deemed to have been given when personally delivered or three (3) days after mailing to the following address:

If to the Stockholder:

If to the Company:

If to TPG:

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but each of which together shall constitute one and the same document.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of NEW YORK, without reference to its principles of conflicts of law.

11. Binding Effect. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the heirs, personal representatives, successors and permitted assigns of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the parties to this Agreement, or their respective heirs, personal representatives, successors or assigns, any legal or equitable rights, remedy or claim under or in respect of this Agreement or any provision contained herein.

12. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

13. Severability. If any term, provision, covenant or restriction of this Agreement, is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

14. Miscellaneous. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

* * * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

_____

[Stockholder]

J. CREW GROUP, INC.

_____

By:
Title:

TPG PARTNERS II, L.P.

_____

By:
Title:

Conformed Copy

Exhibit 16.1

Securities and Exchange Commission
Mail Stop 9-5
450 Fifth Street, NW
Washington, DC 20549

Ladies and Gentlemen:

We have read and agree with the comments in Item 19 of the Registration Statement on Form S- 4 of J. Crew Group, Inc.to be filed with the Securities and Exchange Commission on December 16, 1997.

Yours Truly,

/s/ DELOITTE & TOUCHE LLP

New York, New York
December 15, 1997

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

J. CREW GROUP, INC.

Name of Subsidiary	State of Incorporation	Name Under Which Subsidiary Does Business
J. Crew Operating Corp.	Delaware	J. Crew Operating Corp.
J. Crew Inc.	New Jersey	J. Crew Inc.
Popular Club Plan, Inc.	New Jersey	Popular Club Plan, Inc.
Clifford & Wills, Inc.	New Jersey	Clifford & Wills, Inc.
Grace Holmes, Inc.	Delaware	(J. Crew Retail Stores?)
H.F.D. No. 55, Inc.	Delaware	(J. Crew Factory Outlet Stores?)
C & W Outlet, Inc.	New York	C & W Outlet, Inc.
J. Crew International, Inc.	Delaware	J. Crew International, Inc.
J. Crew Services, Inc.	Delaware	J. Crew Services, Inc.

Exhibit 23.1

Conformed Copy

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of J. Crew Group, Inc. on Form S-4 of our report dated March 31, 1997, appearing in the Prospectus, which is a part of this Registration Statement, and to the reference to us under the headings "Selected Financial Data" and "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

New York, New York
December 15, 1997

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE
TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an Application to Determine Eligibility
of a Trustee Pursuant to Section 305(b)(2) __

STATE STREET BANK AND TRUST COMPANY
(Exact name of trustee as specified in its charter)

Massachusetts	04-1867445
(Jurisdiction of Incorporation or organization if not a U.S. national bank)	(I.R.S. Employer Identification No.)

225 Franklin Street, Boston, Massachusetts	02110
(Address of principal executive offices)	(Zip Code)

John R. Towers, Esq., Executive Vice President and General Counsel
225 Franklin Street, Boston, Massachusetts 02110
(617) 654-3253
(Name, address and telephone number of agent for service)

J. Crew Group, Inc.
(Exact name of obligor as specified in its charter)

New York	22-2894486
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

(770 Broadway)
(New York, NY) (10003)

(13 1/8% Senior Discount Debentures Due 2008)
(Title of indenture securities)

GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervisory authority to which it is subject.

Department of Banking and Insurance of The Commonwealth of Massachusetts, 100 Cambridge Street, Boston, Massachusetts.

Board of Governors of the Federal Reserve System, Washington, D.C., Federal Deposit Insurance Corporation, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor.

If the Obligor is an affiliate of the trustee, describe each such affiliation.

The obligor is not an affiliate of the trustee or its parent, State Street Corporation.

(See note on page 2.)

Item 3. through Item 15. Not applicable.

Item 16. List of Exhibits.

List below all exhibits filed as part of this statement of eligibility.

1. A copy of the articles of association of the trustee as now in effect.

A copy of the Articles of Association of the trustee, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 1 to Amendment No. 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Morse Shoe, Inc. (File No. 22-17940) and is incorporated herein by reference thereto.

2. A copy of the certificate of authority of the trustee to commence business, if not contained in the articles of association.

A copy of a Statement from the Commissioner of Banks of Massachusetts that no certificate of authority for the trustee to commence business was necessary or issued is on file with the Securities and Exchange

Commission as Exhibit 2 to Amendment No. 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Morse Shoe, Inc. (File No. 22-17940) and is incorporated herein by reference thereto.

3. A copy of the authorization of the trustee to exercise corporate trust powers, if such authorization is not contained in the documents specified in paragraph (1) or (2), above.

A copy of the authorization of the trustee to exercise corporate trust powers is on file with the Securities and Exchange Commission as Exhibit 3 to Amendment No. 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Morse Shoe, Inc., (File No. 22-17940) and is incorporated herein by reference thereto.

4. A copy of the existing by-laws of the trustee, or instruments corresponding thereto.

A copy of the by-laws of the trustee, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 4 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with the Registration Statement of Eastern Edison Company (File No. 33-37823) and is incorporated herein by reference thereto.

5. A copy of each indenture referred to in item 4, if the obligor is in default.

Not applicable.

6. The consents of United States institutional trustees required by Section 321(b) of the Act.

The consent of the trustee required by Section 321(b) of the Act is annexed hereto as Exhibit 6 and made a part hereof.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority is annexed hereto a Exhibit 7 and made a part hereof.

NOTES

In answering any item of this Statement of Eligibility which relates to matters peculiarly within the knowledge of the obligor or any underwriter for the obligor, the trustee has relied upon information furnished to it by the obligor and the underwriters, and the trustee disclaims responsibility for the accuracy or completeness of such information.

The answer furnished to Item 2 of this statement will be amended, if necessary, to reflect any facts which differ from those stated and which would have been required to be stated if known at the date hereof.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, State Street Bank and Trust Company, a corporation organized and existing under the laws of The Commonwealth of Massachusetts, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Boston and The Commonwealth of Massachusetts, on the 15th day of December, 1997.

STATE STREET BANK AND TRUST COMPANY

By: /s/ Steven Cimalore
NAME: Steven Cimalore
TITLE: Vice President

EXHIBIT 6

CONSENT OF THE TRUSTEE

Pursuant to the requirements of Section 321(b) of the Trust Indenture Act of 1939, as amended, in connection with the proposed issuance by J. Crew Group, Inc. of its 13 1/8% Senior Discount Debentures due 2008 we hereby consent that reports of examination by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

STATE STREET BANK AND TRUST COMPANY

By: /s/ Steven Cimalore
NAME: Steven Cimalore
TITLE: Vice President

Dated:

EXHIBIT 7

Consolidated Report of Condition of State Street Bank and Trust Company, Massachusetts and foreign and domestic subsidiaries, a state banking institution organized and operating under the banking laws of this commonwealth and a member of the Federal Reserve System, at the close of business March 31, 1997, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act and in accordance with a call made by the Commissioner of Banks under General Laws, Chapter 172, Section 22(a).

ASSETS		Thousands of Dollars
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		1,665,142
Interest-bearing balances		8,193,292
Securities		10,238,113
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and its Edge subsidiary		5,853,144
Loans and lease financing receivables:		
Loans and leases, net of unearned income	4,936,454	
Allowance for loan and lease losses	70,307	
Allocated transfer risk reserve	0	
Loans and leases, net of unearned income and allowances		4,866,147
Assets held in trading accounts		957,478
Premises and fixed assets		380,117
Other real estate owned		884
Investments in unconsolidated subsidiaries		25,835
Customer's liability to this bank on acceptances outstanding		45,548
Intangible assets		158,080
Other assets		1,066,957
Total assets		33,450,737
LIABILITIES		
Deposits:		
In domestic offices		8,270,845
Noninterest-bearing	6,318,360	
Interest-bearing	1,952,485	
In foreign offices and Edge subsidiary		12,760,086
Noninterest-bearing	53,052	
Interest-bearing	12,707,034	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge subsidiary		8,216,641
Demand notes issued to the U.S. Treasury and Trading Liabilities		926,821
Other borrowed money		671,164
Subordinated notes and debentures		0
Bank's liability on acceptances executed and outstanding		46,137
Other liabilities		745,529
Total liabilities		31,637,223
EQUITY CAPITAL		
Perpetual preferred stock and related surplus		0
Common stock		29,931
Surplus		360,717
Undivided profits and capital reserves/Net unrealized holding gains (losses)		1,426,881
Cumulative foreign currency translation adjustments		(4,015)
Total equity capital		1,813,514
Total liabilities and equity capital		33,450,737

I, Rex S. Schuette, Senior Vice President and Comptroller of the above named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Rex S. Schuette

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

David A. Spina
Marshall N. Carter
Charles F. Kaye

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AT JANUARY 31, 1997 AND NOVEMBER 7, 1997 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED JANUARY 31, 1997 AND THE NINE MONTH PERIOD ENDED NOVEMBER 7, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

12-MOS	9-MOS
JAN-31-1997	JAN-31-1997
JAN-31-1997	NOV-7-1997
7	13
0	0
62	22
4	5
198	261
321	365
136	172
49	61
411	493
189	226
95	295
0	0
2	0
0	1
100	(195)
411	493
796	557
809	567
429	311
777	564
0	20
0	0
10	11
21	(29)
9	(5)
13	(24)
0	0
0	(5)
0	0
13	(29)
0	0
0	0

FORM OF LETTER OF TRANSMITTAL

J. CREW GROUP, INC.

Offer to Exchange

Series B 13 1/8% Senior Discount Debentures due 2008,

which have been registered under the Securities Act of 1933, as amended,

for any and all Outstanding

Series A 13 1/8% Senior Discount Debentures due 2008

Pursuant to the Prospectus, dated _____ __, 1998.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON _____ __, 1998, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON _____ __, 1998.

Delivery to: State Street Bank and Trust Company, Exchange Agent

By Mail:
P.O. Box 778
Boston, Massachusetts 02102
Attention: Corporate Trust Department
Kellie Mullen

By Overnight Mail or Courier:
Two International Place
Boston, Massachusetts 02110
Attention: Corporate Trust Department
Kellie Mullen

By Hand in New York to 5:00 p.m.
(as drop agent):
61 Broadway
15th Floor
Corporate Trust Window
New York, NY 10006

By Hand in Boston to 5:00 p.m.
Two International Place
Fourth Floor
Corporate Trust
Boston, Massachusetts 02110

For information call:
(617) 664-5587

Delivery of this instrument to an address other than as set forth above will not constitute a valid delivery.

The undersigned acknowledges receipt of the Prospectus, dated _____ __, 1997 (the "Prospectus"), of J. Crew Group, Inc., a New York corporation, (the "Issuer"), and this Letter of Transmittal (this "Letter"), which together constitute the offer (the "Exchange Offer") to exchange an aggregate principal amount at maturity of up to $142,000,000 of Series B 13 1/8% Senior Discount Debentures due 2008 (the "New Debentures") for an equal principal amount at maturity of the outstanding Series A 13 1/8% Senior Discount Debentures due 2008 (the "Old Debentures"). State Street Bank and Trust Company is the exchange agent for the Exchange Offer (the "Exchange Agent").

For each Old Debenture accepted for exchange, the holder of such Old Debenture will receive a New Debenture having a principal amount at maturity equal to that of the surrendered Old Debenture. The New Debentures will accrue interest at 13 1/8% per annum. Interest on the New Debentures is payable semi-annually in arrears on April 15 and October 15 of each year commencing October 15, 2002.

Notwithstanding the foregoing, liquidated damages ("Liquidated Damages") shall become payable in respect of the Old Debentures as follows:

If (a) the Issuer fails to file a registration statement with respect to the New Debentures (the "Exchange Offer Registration Statement") or a shelf registration statement covering resales of the Old Debentures (the "Shelf Registration Statement", and, collectively, the "Registration Statements") as required by the Registration Rights Agreement on or before the date specified for such filing, (b) any of such Registration Statements is not declared effective by the Commission on or prior to the date specified for such effectiveness (the "Effectiveness Target Date"), (c) the Issuer fails to consummate the Exchange Offer within 180 days after the date at which the Old Debentures were issued (the "Issue Date") as required by the Regulation Rights Agreement, or (d) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities (as defined in "The Exchange Offer -- Terms of the Exchange Offer" section of the Prospectus) during the periods

specified in the Registration Rights Agreement (each such event referred to in clauses (a) through (d) above a "Registration Default"), then the Issuer will pay Liquidated Damages as follows: to each holder of Transfer Restricted Securities, with respect to such 90-day period immediately following the occurrence of the first Registration Default in an amount equal to $0.05 per week per $1,000 principal amount of Transfer Restricted Securities held by such holder. The amount of the Liquidated Damages will increase by an additional $0.05 per week per $1,000 principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of $0.25 per week per $1,000 principal amount of Transfer Restricted Securities. Following the cure of all Registration Defaults, the accrual of Liquidated Damages will cease.

The Issuer reserves the right (i) to delay acceptance of any Old Debentures, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Old Debentures not previously accepted if any of the conditions set forth in "The Exchange Offer-- Conditions" section of the Prospectus shall have occurred and shall not have been waived by the Issuer, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Old Debentures. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by the Issuer to constitute a material change, the Issuer will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Old Debentures of such amendment.

This Letter is to be completed by a holder of Old Debentures either if Old Debentures are to be forwarded herewith or if a tender of Old Debentures, if available, is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in "The Exchange Offer" section of the Prospectus. Holders of Old Debentures whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Debentures into the Exchange Agent's account at the

Book-Entry Transfer Facility (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Old Debentures according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures" section of the Prospectus. See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Debentures to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Old Debentures should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD DEBENTURES	1	2	3
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate Number(s)*	Aggregate Principal Amount at Maturity of Old Debenture(s)	Principal Amount at Maturity Tendered**
Total			

* Need not be completed if Old Debentures are being tendered by book-entry transfer.

** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Old Debentures represented by the Old Debentures indicated in column 2. See Instruction 2. Old Debentures tendered hereby must be in denominations of principal amount at maturity of $1,000 and any integral multiple thereof. See Instruction 1.

|_| CHECK HERE IF TENDERED OLD DEBENTURES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution_____

Account Number_____ Transaction Code Number_____

|_| CHECK HERE IF TENDERED OLD DEBENTURES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s)_____

Window Ticket Number (if any)_____

Date of Execution of Notice of Guaranteed Delivery_____

Name of Institution which guaranteed delivery_____

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number_____ Transaction Code Number_____

|_| CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:_____

Address:_____

_____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Issuer the aggregate principal amount at maturity of Old Debentures indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Debentures tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Issuer all right, title and interest in and to such Old Debentures as are being tendered hereby.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Debentures tendered hereby and that the Issuer will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Issuer. The undersigned hereby further represents that any New Debentures acquired in exchange for Old Debentures tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Debentures, whether or not such person is the undersigned, that neither the holder of such Old Debentures nor any such other person is engaged in, or intends to engage in a distribution of such New Debentures, or has an arrangement or understanding with any person to participate in the distribution of such New Debentures, and that neither the holder of such Old Debentures nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Issuer.

The undersigned also acknowledges that this Exchange Offer is being made based upon the Issuer's understanding of an interpretation by the staff of the Securities and Exchange Commission (the "Commission") as set forth in no-action letters issued to third parties, including Exxon Capital Holdings Corporation, SEC No-Action Letter (available May 13, 1988), Morgan Stanley & Co. Incorporated, SEC No- Action Letter (available June 5, 1991) and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993), that the New Debentures issued in exchange for the Old Debentures pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by each holder thereof (other than a broker-dealer who acquires such New Debentures directly from the Issuer for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any such holder that is an "affiliate" of the Issuer within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Debentures are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such New Debentures and has no arrangement with any person to participate in the distribution of such New Debentures. If a holder of Old Debentures is engaged in or intends to engage in a distribution of the New Debentures or has any arrangement or understanding with respect to the distribution of the New Debentures to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. If the undersigned is a broker-dealer that will receive New Debentures for its own account in exchange for Old Debentures, it represents that the Old Debentures to be exchanged for the New Debentures were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus in connection with any resale of such New Debentures; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Issuer to be necessary or desirable to complete the sale, assignment and transfer of the Old Debentures tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the

undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer--Withdrawal of Tenders" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the New Debentures (and, if applicable, substitute certificates representing Old Debentures for any Old Debentures not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Debentures, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Debentures (and, if applicable, substitute certificates representing Old Debentures for any Old Debentures not exchanged) to the undersigned at the address shown above in the box entitled "Description of Old Debentures".

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD DEBENTURES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD DEBENTURES AS SET FORTH IN SUCH BOX ABOVE.

- ----------

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Debentures not exchanged and/or New Debentures are to be issued in the name of and sent to someone other than the person(s) whose signature(s) appear(s) on this Letter above, or if Old Debentures delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue New Debentures and/or Debentures to:

Name(s):_____
(Please Type or Print)

_____
(Please Type or Print)

Address:_____

_____
(Including Zip Code)
(Complete accompanying Substitute Form W-9)
Credit unexchanged Old Debentures delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

_____
(Book-Entry Transfer Facility
Account Number, if applicable)

- ----------

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Debentures not exchanged and/or New Debentures are to be sent to someone other than the person(s) whose signature(s) appear(s) on this Letter above or to such person(s) at an address other than shown in the box entitled "Description of Old Debentures" on this Letter above.

Mail New Debentures and/or Old Debentures to:

Name(s):_____
(Please Type or Print)

_____
(Please Type or Print)

Address:_____

_____
(Including Zip Code)

- ----------

IMPORTANT: THIS LETTER (TOGETHER WITH THE CERTIFICATES FOR OLD DEBENTURES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS LETTER OF TRANSMITTAL
CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

- ---

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(Complete accompanying Substitute Form W-9)

Dated:..... , 1998

.....x

.....x
(Signature(s) of Owner) (Date)

Area Code and Telephone Number:.....

If a holder is tendering any Old Debentures, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Debentures or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):.....
.....
(Please Type or Print)

Capacity:.....

Address:.....
.....
(Including Zip Code)

SIGNATURE GUARANTEE
(if required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution:.....
(Authorized Signature)

.....
(Title)

.....
(Name and Firm)

Dated:....., 1998

- ---

INSTRUCTIONS

J. Crew Group, Inc.

Forming Part of the Terms and Conditions of the Offer to Exchange
Series B 13 1/8% Senior Discount Debentures due 2008,
which have been registered under the Securities Act of 1933, as amended,
for any and all Outstanding
Series A 13 1/8% Senior Discount Debentures due 2008.

1. Delivery of this Letter and Old Debentures; Guaranteed Delivery Procedures.

This Letter is to be completed by holders of Old Debentures either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer -- Book-Entry Transfer" section of the Prospectus. Certificates for all physically tendered Old Debentures, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter of Transmittal and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Old Debentures tendered hereby must be in denominations of principal amount at maturity of $1,000 and any integral multiple thereof.

Holders of Old Debentures whose certificates for Old Debentures are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Debentures pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter of Transmittal and Notice of Guaranteed Delivery, substantially in the form provided by the Issuer (by mail or hand delivery), setting forth the name and address of the holder of Old Debentures and the amount of Old Debentures tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Debentures, or a Book-Entry Confirmation, as the case may be, and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Debentures, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and all other documents required by this Letter, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Old Debentures and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Old Debentures are sent by mail, it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

2. Partial Tenders (not applicable to holders of Old Debentures who tender by book-entry transfer).

If less than all of the Old Debentures evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount at maturity of Old Debentures to be tendered in the box above entitled "Description of Old Debentures--Principal Amount at Maturity Tendered." A reissued certificate representing the balance of nontendered Old Debentures will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. All of the Old Debentures delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures of this Letter; Bond Powers and Endorsements; Guarantee of Signatures.

If this Letter is signed by the registered holder of the Old Debentures tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Debentures are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Debentures are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder of the Old Debentures specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Debentures are to be issued, or any untendered Old Debentures are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder of any certificates specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name of the registered holder appears on the certificates and the signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Issuer, proper evidence satisfactory to the Issuer of their authority to so act must be submitted.

Endorsements on certificates for Old Debentures or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., by a commercial bank or trust company having an office or correspondent in the United States or by an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934 (an "Eligible Institution").

Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Old Debentures are tendered: (i) by a registered holder of Old Debentures (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Old Debentures) tendered who

has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.

4. Special Issuance and Delivery Instructions.

Tendering holders of Old Debentures should indicate in the applicable box the name and address to which New Debentures issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Debentures not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. A holder of Old Debentures tendering Old Debentures by book-entry transfer may request that Old Debentures not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such holder of Old Debentures may designate hereon. If no such instructions are given, such Old Debentures not exchanged will be returned to the name or address of the person signing this Letter.

5. Tax Identification Number.

Federal income tax law generally requires that a tendering holder whose Old Debentures are accepted for exchange must provide the Issuer (as payor) with such Holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which, in the case of a tendering holder who is an individual, is his or her social security number. If the Issuer is not provided with the current TIN or an adequate basis for an exemption, such tendering holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, delivery of New Debentures to such tendering holder may be subject to backup withholding in an amount equal to 31% of all reportable payments made after the exchange. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders of Old Debentures (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering holder of Old Debentures must provide its correct TIN by completing the "Substitute Form W-9" set forth below, certifying that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, (ii) the holder has not been notified by the Internal Revenue Service that such holder is subject to a backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Old Debentures is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Issuer a completed Form W-8, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Old Debentures are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9 and write "applied for" in lieu of its TIN. Debenture: checking this box and writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If such holder does not provide its TIN to the Issuer within 60 days, backup withholding will begin and continue until such holder furnishes its TIN to the Issuer.

6. Transfer Taxes.

The Issuer will pay all transfer taxes, if any, applicable to the transfer of Old Debentures to it or its order pursuant to the Exchange Offer. If, however, New Debentures and/or substitute Old Debentures

not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Debentures tendered hereby, or if tendered Old Debentures are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Debentures to the Issuer or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 6, it is not necessary for transfer tax stamps to be affixed to the Old Debentures specified in this Letter.

7. Waiver of Conditions.

The Issuer reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

8. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Debentures, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Debentures for exchange.

Neither the Issuer, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Old Debentures nor shall any of them incur any liability for failure to give any such notice.

9. Mutilated, Lost, Stolen or Destroyed Old Debentures.

Any holder whose Old Debentures have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, may be directed to the Exchange Agent, at the address and telephone number indicated above.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(See Instruction 5)

PAYOR'S NAME: J. CREW GROUP, INC.

SUBSTITUTE Form W-9	Part 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	TIN:_____ (Social Security Number or Employer Identification Number)
Department of the Treasury	Part 2 -- TIN Applied For	
Internal Revenue Service	CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT:	
Payor's Request For Taxpayer Identification Number ("TIN") and Certification	(1) the number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me).	
	(2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup witholding, and	
	(3) any other information provided on this form is true and correct.	
	SIGNATURE..... DATE.....	

You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax return and you have not been notified by the IRS that you are no longer subject to backup withholding.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of the exchange, 31 percent of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature Date

Exhibit 99.2

FORM OF NOTICE OF GUARANTEED DELIVERY FOR

J. CREW GROUP, INC.

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of J. Crew Group, Inc. (the "Issuer") made pursuant to the Prospectus, dated _____ __, 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if certificates for Old Debentures are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Issuer prior to 5:00 P.M., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered by mail or hand delivery to State Street Bank and Trust Company (the "Exchange Agent") as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Old Debentures pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal must also be received by the Exchange Agent prior to 5:00 P.M., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

Delivery to: State Street Bank and Trust Company, Exchange Agent

By Mail:
P.O. Box 778
Boston, Massachusetts 02102
Attention: Corporate Trust Department
Kellie Mullen

By Overnight Mail or Courier:
Two International Place
Boston, Massachusetts 02110
Attention: Corporate Trust Department
Kellie Mullen

By Hand in New York to 5:00 p.m.
(as drop agent):
61 Broadway
15th Floor
Corporate Trust Window
New York, NY 10006

By Hand in Boston to 5:00 p.m.
Two International Place
Fourth Floor
Corporate Trust
Boston, Massachusetts 02110

For information call:
(617) 664-5587

Delivery of this instrument to an address other than as set forth above will not constitute a valid delivery.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Issuer the principal amount at maturity of Old Debentures set forth below, pursuant to the guaranteed delivery procedure described in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of Old Debentures Tendered:

$----------

Certificate Nos. (if available):

- ----------

- ----------

If Old Debentures will be delivered by book-entry transfer to The Depositary Trust Company, provide Depositary account number.

Account Number_____

Name(s) of Record Holders(s):

Address(es):

Area Code and Telephone Number(s):

Signature(s):

THE ACCOMPANYING GUARANTEE MUST BE COMPLETED.

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a firm that is a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office correspondent in the United States or any "eligible guarantor" institution within the meaning of Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, hereby (a) guarantees to deliver to the Exchange Agent, at one its address set forth above, the certificates representing all tendered Old Debentures, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal, with any required signature guarantees, and any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the date of execution of this Notice of Guaranteed Delivery.

Name of Firm: _____

_____
(Authorized Signature)

Address:_____

_____

Area Code and
Telephone Number:_____

Title:_____

Name:_____

Date:_____

Exhibit 99.3

FORM OF LETTER
J. CREW GROUP, INC.

Offer to Exchange

Series B 13 1/8% Senior Discount Debentures due 2008,

which have been registered under the Securities Act of 1933, as amended,

for any and all Outstanding

Series A 13 1/8% Senior Discount Debentures due 2008

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Upon and subject to the terms and conditions set forth in the Prospectus, dated _____ __, 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), an offer to exchange (the "Exchange Offer") the registered Series B 13 1/8% Senior Discount Debentures due 2008 (the "New Debentures") for any and all outstanding Series A 13 1/8% Senior Discount Debentures due 2008 (the "Old Debentures") (CUSIP No. _____) is being made pursuant to such Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of J. Crew Group, Inc. (the "Issuer") contained in the Registration Rights Agreement, dated as of October 17, 1997, between the Issuer and Donaldson, Lufkin and Jenrette Securities Corporation and Chase Securities Inc. (the "Initial Purchasers").

We are requesting that you contact your clients for whom you hold Old Debentures regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Old Debentures registered in your name or in the name of your nominee, or who hold Old Debentures registered in their own names, we are enclosing the following documents:

1. Prospectus dated _____ __, 1998;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Old Debentures are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis; and

4. A form of letter which may be sent to your clients for whose account you hold Old Debentures registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer.

Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., New York City time, on _____ __, 1998 (the "Expiration Date") (30 calendar days following the commencement of the Exchange Offer), unless extended by the Issuer. Old Debentures tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal, with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Old Debentures should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Old Debentures wish to tender, but it is impracticable for them to forward their certificates for Old Debentures prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer - - Guaranteed Delivery Procedures."

Additional copies of the enclosed material may be obtained from the Exchange Agent, State Street Bank and Trust Company, 61 Broadway, 15th Floor, Corporate Trust Window, New York, NY 10006, telephone: (617) 664-5587.

J. CREW GROUP, INC.

Exhibit 99.4

FORM OF LETTER
J. CREW GROUP, INC.

Offer to Exchange

Series B 13 1/8% Senior Discount Debentures due 2008,

which have been registered under the Securities Act of 1933, as amended,

for any and all Outstanding

Series A 13 1/8% Senior Discount Debentures due 2008

To Our Clients:

Enclosed for your consideration is a Prospectus of J. Crew Group, Inc., a New York corporation (the "Issuer"), dated _____ __, 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") relating to the offer to exchange (the "Exchange Offer") of registered Series B 13 1/8% Senior Discount Debentures due 2008 (the "New Debentures") for any and all outstanding Series A 13 1/8% Senior Discount Debentures due 2008 (the "Old Debentures") (CUSIP No. _____), upon the terms and subject to the conditions described in the Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of the Issuer contained in the Registration Rights Agreement, dated as of October 17, 1997, between the Issuer and Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc. (the "Initial Purchasers").

This material is being forwarded to you as the beneficial owner of the Old Debentures carried by us in your account but not registered in your name. A tender of such Old Debentures may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Old Debentures held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal. We also request that you confirm that we may, on your behalf, make the representations and warranties contained in the Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Old Debentures on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on _____ __, 1998 (the "Expiration Date") (30 calendar days following the commencement of the Exchange Offer), unless extended by the Issuer. Any Old Debentures tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time on the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Old Debentures.

2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer -- Conditions."

3. Any transfer taxes incident to the transfer of Old Debentures from the holder to the Issuer will be paid by the Issuer, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5:00 p.m., New York City time, on the Expiration Date unless extended by the Issuer.

If you wish to have us tender your Old Debentures, please so instruct us by completing, executing and returning to us the instruction form set forth below. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Old Debentures.

Instructions with Respect to the Exchange Offer

The undersigned acknowledge(s) receipt of your letter enclosing the Prospectus, dated _____ __, 1998, of J. Crew Group, Inc., a New York corporation, and the related specimen Letter of Transmittal.

- ----------

This will instruct you to tender the number of Old Debentures indicated below held by you for the account of the undersigned, pursuant to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal. (Check one).

Box 1 |_| Please tender my Old Debentures held by you for my account. If I do not wish to tender all of the Old Debentures held by you for my account, I have identified on a signed schedule attached hereto the number of Old Debentures that I do not wish tendered.

Box 2 |_| Please do not tender any Old Debentures held by you for my account.

- ---

Date_____,1998

_____
Signature(s)

_____

_____
Please print name(s) here

_____
Area Code and Telephone No.

Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all Old Debentures.