UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 23, 2004**

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	I.R.S. Employer Identification No.
333-42427	**J. CREW GROUP, INC.** **(Incorporated in New York)** **770 Broadway** **New York, New York 10003** **Telephone: (212) 209-2500**	22-2894486
333-107211	**J. CREW INTERMEDIATE LLC** **(Formed in Delaware)** **770 Broadway** **New York, New York 10003** **Telephone: (212) 209-2500**	N/A
333-42423	**J. CREW OPERATING CORP.** **(Incorporated in Delaware)** **770 Broadway** **New York, New York 10003** **Telephone: (212) 209-2500**	22-3540930

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 23, 2004 (the "Closing Date"), J. Crew Operating Corp. ("Operating") borrowed $275,000,000 in term loans ("Term Loans") under the Senior Subordinated Loan Agreement (the "Senior Subordinated Loan Agreement") dated as of November 21, 2004, among Operating, as borrower, and certain subsidiaries of Operating, as guarantors, entities managed by Black Canyon Capital LLC and Canyon Capital Advisors LLC (together, "Black Canyon") and certain other entities party thereto, as lenders, and U.S Bank National Association ("USBNA"), as administrative agent. The Term Loans will bear interest at a rate equal to 9.75% per annum, payable semiannually, and will mature on the tenth anniversary of the Closing Date. The proceeds of the Term Loans were used to redeem in full Operating's outstanding 10 3/8% Senior Subordinated Notes due 2007 and redeem in part J. Crew Intermediate LLC's 16% Senior Discount Contingent Principal Notes due 2008. (See Item 8.01 below) A copy of the Senior Subordinated Loan Agreement is attached as Exhibit 4.1 hereto.

Upon the occurrence of certain events, the Term Loans will be exchanged for new 9¾% Senior Subordinated Notes due 2014 (the "Notes"). The Notes will be issued by Operating and guaranteed by J. Crew Intermediate LLC ("Intermediate") and certain subsidiaries of Operating under an indenture to be executed by Operating, the guarantors and USBNA, as trustee (the "Indenture" and, together with the Senior Subordinated Loan Agreement, the "Black Canyon Documents"). A copy of the form of the Indenture is attached as Exhibit F to the Senior Subordinated Loan Agreement.

On the Closing Date, a Security Agreement, dated as of November 21, 2004, among Operating, Intermediate and certain subsidiaries of Operating, as grantors, and USBNA, as collateral agent (the "Security Agreement"), became effective. Pursuant to the Security Agreement, the Term Loans are (and the Notes upon issuance will be) secured by assets of Operating and certain subsidiaries of Operating (and Intermediate upon the issuance of the Notes). The secur ity interest granted under the Security Agreement is junior in priority to that securing certain first-lien obligations, including the obligations under the Amended and Restated Loan Agreement (as defined below). A copy of the Security Agreement is attached as Exhibit 4.2 hereto.

On the Closing Date, an Intercreditor Agreement, dated as of November 21, 2004, among Operating , Intermediate and certain subsidiaries of Operating, Congress Financial Corporation, as senior credit agent, and USBNA, as collateral agent (the "Intercreditor Agreement"), became effective. The Intercreditor

Agreement details the relative rights and obligations of the Congress Financial Corporation, as senior credit agent, and USBNA, as collateral agent. A copy of the Intercreditor Agreement is attached as Exhibit 4.3 hereto.

On the Closing Date, an Amendment No. 1, dated as of November 21, 2004 (the "Amendment No. 1"), to the Credit Agreement, dated as of February 4, 2003, among TPG-MD Investment LLC, J. Crew Group, Inc. ("Parent"), Operating and certain subsidiaries of Operating became effective. Pursuant to Amendment No. 1, TPG-MD Investment LLC agreed to subordinate a portion of its term loans under the TPG-MD Credit Agreement to the indebtedness to be incurred under the Black Canyon Documents. A copy of the Amendment No. 1 is attached as Exhibit 4.4 hereto.

To permit the proposed financing under the Black Canyon Documents, Parent, Intermediate, Operating and certain subsidiaries of Operating, Congress Financial Corporation, as agent and as lender, and certain other lenders party thereto entered into an Amendment No. 3, dated as of November 21, 2004 (the "Amendment No. 3"), to the Loan and Security Agreement, dated December 23, 2002 (the "Congress Secured Facility"), among Operating and certain subsidiaries thereof, as borrowers, the Parent and certain subsidiaries thereof, as guarantors, Wachovia Bank, National Association, as arranger, Congress Financial Corporation, as administrative Agent and collateral agent, and the lenders thereto. A copy of the Amendment No. 3 is attached as Exhibit 4.5 hereto.

Subsequently, on December 23, 2004, Parent, Intermediate, Operating and certain of their subsidiaries entered into an Amended and Restated Loan and Security Agreement (the "Amended and Restated Loan Agreement") with Wachovia Capital Markets LLC, as sole lead arranger and sole lead bookrunner, Wachovia Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, Congress Financial Corporation, as collateral agent and certain additional financial institutions as lenders. The Amended and Restated Loan Agreement refinances the previously existing $180,000,000 Congress Secured Facility. The Amended and Restated Loan Agreement has a five-year term and provides up to $170,000,000 of revolving loans and letters of credit to Operating and its subsidiaries on terms substantially similar to those contained in the Congress Secured Facility. The pricing and lending formulas used to determine availability under the Amended and Restated Loan Agreement are more favorable to Operating and its subsidiaries than the applicable provisions of the Congress Secured Facility. A copy of the Amended and Restated Loan Agreement is attached as Exhibit 4.6 hereto.

Item 8.01. Other Events.

On December 23, 2004, Operating redeemed in full its outstanding 10 3/8% Senior Subordinated Notes due 2007 issued under the Indenture dated as of October 17, 1997 among Operating, as issuer, the guarantors named therein and State Street Bank and Trust Company, as trustee. The redemption price was equal to 101.729% of the aggregate principal amount of the outstanding Senior Subordinated Notes to be redeemed, together with accrued and unpaid interest to the redemption date ($1,036.89 per $1,000 in principal amount of the Senior Subordinated Notes).

On December 23, 2004, Intermediate redeemed in part its outstanding 16% Senior Discount Contingent Principal Notes due 2008 issued under the Indenture dated as of May 6, 2003 between Intermediate, as issuer, and USBNA, as trustee. The aggregate principal amount at maturity of the Senior Discount Contingent Principal Notes redeemed was $143,377,684.83. The redemption price was equal to 107.5% of the accreted value of such Senior Discount Contingent Principal Notes to be redeemed as of the redemption date ($937.21 per $1,000 in principal amount at maturity of the Senior Discount Contingent Principal Notes). The Senior Discount Contingent Principal Notes that remain outstanding will be secured on an equal and ratable basis with the Term Loans and the Notes under the Security Agreement, as described in a letter from Intermediate to USBNA dated as of December 23, 2004. A copy of this letter is attached as Exhibit 99.1 hereto.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits (all Exhibits are filed electronically)

4.1 Senior Subordinated Loan Agreement, dated as of November 21, 2004, among J. Crew Operating Corp., as borrower, and certain subsidiaries of J. Crew Operating Corp., as guarantors, the lenders party thereto and U.S. Bank National Association, as administrative agent.

4.2 Security Agreement, dated as of November 21, 2004, among J. Crew Operating Corp., the grantors named therein and U.S. Bank National Association, as collateral agent.

4.3 Intercreditor Agreement, dated as of November 21, 2004, among J. Crew Operating Corp., J. Crew Intermediate LLC and certain subsidiaries of J. Crew Operating Corp., Congress Financial Corporation, as senior credit agent, and U.S. Bank National Association, as collateral agent.

4.4 Amendment No. 1, dated as of November 21, 2004, to the Credit Agreement, dated as of February 4, 2003, among TPG-MD Investment LLC, J. Crew Group, Inc., J. Crew Operating Corp. and certain subsidiaries of J. Crew Operating Corp.

4.5 Amendment No. 3, dated as of November 21, 2004, to the Loan and Security Agreement, dated as of December 23, 2002, among Operating and certain subsidiaries thereof, as borrowers, the Parent and certain subsidiaries thereof, as guarantors, Wachovia Bank, National Association, as arranger, Congress Financial Corporation, as administrative Agent and collateral agent, and the lenders thereto.

4.6 Amended and Restated Loan and Security Agreement, dated as of December 23, 2004, among J. Crew Group, Inc., J. Crew Intermediate LLC, J. Crew Operating Corp. and certain of their subsidiaries, Wachovia Capital Markets LLC, as sole lead arranger and sole lead bookrunner, Wachovia Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, Congress Financial Corporation, as collateral agent and certain additional financial institutions as lenders.

99.1 Letter from J. Crew Intermediate LLC to U.S. Bank National Association regarding imposition of a lien on an equal and ratable basis with the Term Loans and the Notes.

The information in this Current Report is being furnished under Items 2.03 and 8.01 of Form 8-K and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), nor shall such information be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly stated by specific reference in such filing.

Certain statements herein are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the current expectations or beliefs of Parent, Operating and Intermediate (collectively, the "Company") concerning future events and actual results of operations may differ materially from historical results or current expectations. Any such forward-looking statements are subject to various risks and uncertainties, including the strength of the economy, changes in the overall level of consumer spending or preferences in apparel, the performance of

the Company's products within the prevailing retail environment, trade restrictions, political or financial instability in countries where the Company's goods are manufactured, postal rate increases, paper and printing costs, availability of suitable store locations at appropriate terms and other factors which are set forth in the Company's Form 10-K and in all filings with the Securities and Exchange Commission made by the Company subsequent to the filing of the Form 10-K. The Company does not undertake to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

SIGNATURES

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

J. CREW GROUP, INC.
J. CREW OPERATING CORP.
J. CREW INTERMEDIATE LLC

By /s/ Amanda J. Bokman
Name: Amanda J. Bokman
Title: Chief Financial Officer

Date: December 28, 2004

Exhibit 4.1

CONFORMED COPY

SENIOR SUBORDINATED LOAN AGREEMENT

Dated as of November 21, 2004

among

J. CREW OPERATING CORP., as Borrower

and

the SUBSIDIARIES OF THE BORROWER party hereto,
as Guarantors,

and

the LENDERS party hereto

and

U.S. Bank National Association, as Administrative Agent

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EXHIBITS

SCHEDULES

SENIOR SUBORDINATED LOAN AGREEMENT dated as of November 21, 2004 (this "Agreement") among J. CREW OPERATING CORP., a Delaware corporation, as Borrower, the Guarantors (as defined below), the LENDERS party hereto and U.S. Bank National Association, as Administrative Agent.

WHEREAS, the Borrower seeks to borrow an amount in U.S. dollars it deems necessary to pursue its business purposes and the Lenders are willing to lend such amount to the Borrower, subject to the terms and conditions set forth herein; and

WHEREAS, in consideration for the Lender's willingness to lend such amount to the Borrower, upon the occurrence of the Exchange Triggering Event and subject to the terms and conditions set forth below, the Borrower shall exchange the Loans (as defined below) for the Borrower's 9¾% Senior Subordinated Notes due 2014, to be issued pursuant to the Indenture (as defined below).

NOW, THEREFORE, the Lenders, the Borrower and the Guarantors hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. Defined Terms.

"*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 Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Assets*" means any property or assets (other than Indebtedness and Capital Stock) to be used by the Borrower or a Restricted Subsidiary of the Borrower in a Permitted Business.

"*Additional Interest*" means all additional interest then owing pursuant to Section 2.10 hereof.

"*Additional Loans*" means additional Loans incurred after the Closing Date in connection with an increase in Term Loan Commitments pursuant to Section 2.02.

"*Additional Loan Guarantees*" means additional Loan Guarantees incurred after the Closing Date in connection with an increase in Term Loan Commitments pursuant to Section 2.02.

"*Additional Loan Notes*" means the Loan Notes originally issued after the Closing Date pursuant to Section 2.04, including any replacement Loan Notes.

"*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. Beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control. No Person in whom a Receivables Subsidiary makes an Investment in

connection with a Qualified Receivables Transaction will be deemed to be an Affiliate of the Borrower or any of its Subsidiaries solely by reason of such Investment.

"*Approved Fund*" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of business and that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers and manages a Lender.

"*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 (provided that the sale, lease (other than an operating lease), conveyance or other disposition of all or substantially all of the assets of the Borrower and its Restricted Subsidiaries taken as a whole will be governed by the provisions of this Agreement described in Section 4.12 and Section 5.01 and not by the provisions of Section 4.09 of this Agreement, and (ii) the issuance of Equity Interests in any of the Borrower's Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries (other than directors' qualifying Equity Interests or Equity Interests required by applicable law to be held by a Person other than the Borrower or a Restricted Subsidiary of the Borrower).

Notwithstanding the preceding, none of the following items shall be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $5.0 million;

(2) a transfer of assets between or among the Borrower and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Borrower to the Borrower or to a Restricted Subsidiary of the Borrower;

(4) the sale or lease of products, services or accounts receivable (including at a discount) in the ordinary course of business and any sale or other disposition of damaged, worn-out, negligible, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of Cash Equivalents;

(6) a Restricted Payment that does not violate Section 4.06 of this Agreement or is a Permitted Investment;

(7) a sale and leaseback transaction with respect to any assets within 180 days of the acquisition of such assets;

(8) any exchange of like-kind property of the type described in Section 1031 of the Internal Revenue Code of 1986 for use in a Permitted Business;

(9) the sale or disposition of any assets or property received as a result of a foreclosure by the Borrower or any of its Restricted Subsidiaries on any secured Investment or any other transfer of title with respect to any secured Investment in default;

(10) the licensing of intellectual property in the ordinary course of business or in accordance with industry practice;

(11) the sale, lease, conveyance, disposition or other transfer of (a) the Capital Stock of, or any Investment in, any Unrestricted Subsidiary or (b) Permitted Investments made pursuant to clause (xxii) of the definition of "Permitted Investments";

(12) surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(13) leases or subleases to third persons in the ordinary course of business that do not interfere in any material respect with the business of the Borrower or any of its Restricted Subsidiaries;

(14) sales of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction to a Receivables Subsidiary for the Fair Market Value thereof, less amounts required to be established as reserves and customary discounts pursuant to contractual agreements with entities that are not Affiliates of the Borrower entered into as part of a Qualified Receivables Transactions; and

(15) transfers of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction (or a fractional undivided interest therein) by a Receivables Subsidiary in a Qualified Receivables Transaction.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value 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. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in good faith by a responsible financial or accounting officer of the Borrower.

"*Bankruptcy Law*" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"*Board of Directors*" means, with respect to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"*Borrower*" means J. Crew Operating Corp., a Delaware corporation, and any and all successors thereto.

"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 prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*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, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership (whether general or limited) or membership interests 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 but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(i) U.S. dollars or any other currencies held from time to time in the ordinary course of business;

(ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than twelve (12) months from the date of acquisition;

(iii) direct obligations issued by any state of the United States of America or any political subdivision of any such state, or any public instrumentality thereof, in each case having maturities of not more than twelve (12) months from the date of acquisition;

(iv) certificates of deposit and eurodollar time deposits with maturities of twelve (12) months or less from the date of acquisition, bankers' acceptances with maturities not exceeding twelve (12) months and overnight bank deposits, in each case, with any lender party to the Congress Credit Facility or with any domestic commercial bank that is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and has Tier 1 Capital (as defined in such regulations) of not less than $250.0 million;

(v) repurchase obligations with a term of not more than one (1) year for underlying securities of the types described in clauses (ii) and (iv) above entered into with any financial institution meeting the qualifications specified in clause (iv) above;

(vi) commercial paper having one of the two highest ratings obtainable from Moody's Investors Service, Inc. or Standard & Poor's Rating Services and, in each case, maturing within twelve (12) months after the date of acquisition;

(vii) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from Standard & Poor's Rating Services or "A2" or higher from Moody's Investors Service, Inc. with maturities of twelve (12) months or less from the date of acquisition; and

(viii) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (i) through (vi) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(i) the direct or indirect 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 properties or assets of the Borrower 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 Permitted Holders;

(ii) the adoption of a plan relating to the liquidation or dissolution of the Borrower; or

(iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Permitted Holders, 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 50% or more of the Voting Stock of the Borrower (measured by voting power rather than number of shares) provided, however, for purposes of this clause (iii), each Person will be deemed to beneficially own any Voting Stock of another Person held by one or more of its Subsidiaries.

"*Closing Date*" means December 23, 2004, or such later date on which the conditions precedent to closing set forth in Section 9.02 shall have been satisfied or waived pursuant to Section 13.02.

"*Collateral*" means all property and assets of the Borrower and all property and assets of each Subsidiary of the Borrower that is a Guarantor hereunder, in each case, with respect to which from time to time a Lien is granted as security for the Loans pursuant to the applicable Security Documents.

"*Collateral Agent*" means U.S. Bank National Association in its capacity as the "Collateral Agent" under and as defined in the Security Documents and any successor thereto in such capacity.

"*Collateral Permitted Liens*" means:

(i) Liens existing as of the Effective Date plus renewals and extensions of such Liens;

(ii) Liens securing any First-Lien Obligations;

(iii) Liens securing the Loans (or the Loan Guarantees) and any Other Second-Lien Obligations;

(iv) Liens securing Permitted Refinancing Indebtedness permitted to be incurred under this Agreement; provided that such Liens securing Permitted Refinancing Indebtedness that ranks equal to or junior in right of payment with the Loans (A) are not materially less favorable to the Lenders 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) are limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof);

(v) 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 Borrower or its Restricted Subsidiaries shall have set aside on their books such reserves as may be required pursuant to GAAP;

(vi) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business;

(vii) Liens incurred or deposits or pledges 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 in connection therewith, or to secure the performance of tenders, public or statutory obligations, progress payments, surety and appeal bonds, bids, leases, contracts (other than contracts for the payment of money), performance and return-of-money bonds and other similar obligations;

(viii) Liens arising out of judgments, decrees, orders or awards in respect of which the Borrower shall in good faith be prosecuting an appeal or proceedings for review which appeal or proceedings shall not have been finally terminated, or if the period within which such appeal or proceedings may be initiated shall not have expired;

(ix) survey exceptions, easements, rights of way, zoning restrictions, licenses, reservations, provisions, encroachments, encumbrances, protrusion permits, servitudes, covenants, conditions, waivers, restrictions on the use of property or title defects (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without the consent of the lessee) and

other similar charges, restrictions or encumbrances in respect of real property that do not in the aggregate materially adversely affect the ordinary conduct of the business of the Borrower or any of its Restricted Subsidiaries;

(x) 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 asset which is not leased property subject to such lease;

(xi) Liens securing Capital Lease Obligations and purchase money Indebtedness incurred in accordance with Section 4.08(b) hereof; provided that the Indebtedness shall not be secured by any property or assets of the Borrower or any Restricted Subsidiary of the Borrower other than the property and assets being acquired or constructed or improved or financed by such Indebtedness;

(xii) 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;

(xiii) 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;

(xiv) Liens to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Borrower or any of its Restricted Subsidiaries, including rights of offset and set-off;

(xv) Liens securing Hedging Obligations;

(xvi) Liens on property or assets of a Person, plus renewals and extensions of such Liens, existing at the time such Person is merged with or into or consolidated with the Borrower or any Subsidiary of the Borrower; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Borrower or the Subsidiary;

(xvii) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Borrower or any Restricted Subsidiary of the Borrower; provided that such Liens were in existence prior to such acquisition and not incurred in contemplation of such acquisition;

(xviii) leases, subleases, licenses or sublicenses to third parties entered into in the ordinary course of business;

(xix) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Borrower or any Restricted Subsidiary in the ordinary course of business;

(xx) Liens in favor of the Borrower or the Guarantors;

(xxi) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(xxii) Liens of a bank, broker or securities intermediary on whose records a deposit account or securities account is maintained securing the payment of customary fees and commissions to the bank, broker or securities intermediary or, which respect to a deposit account, items deposited but returned unpaid;

(xxiii) Liens on the assets of Non-Guarantor Subsidiaries securing Indebtedness of the Borrower or its Restricted Subsidiaries that was permitted by the terms of this Agreement to be incurred;

(xxiv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(xxv) Liens incurred in the ordinary course of business of the Borrower or any Subsidiary of the Borrower with respect to obligations that do not exceed (A) $5.0 million at any one time outstanding prior to the Initial Call Termination Date and (B) thereafter, $15.0 million at any one time outstanding.

"*Commission*" means the Securities and Exchange Commission.

"*Congress Credit Facility*" means the Loan and Security Agreement, dated as of December 23, 2002 by and among the Borrower, J. Crew Inc., Grace Holmes, Inc. and H.F.D. No. 55, Inc., as borrowers, Congress Financial Corporation, as administrative and collateral agent, and certain other parties named therein, 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, whether or not by the same or any other agent, lender or group of lenders.

"*Congress Credit Facility Amendment No. 3*" means the Amendment No. 3, dated as of November 21, 2004 to the Congress Credit Facility.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication and to the extent deducted in determining such Consolidated Net Income, the amounts for such period of:

(i) the Fixed Charges of such Person and its Restricted Subsidiaries for such period;

(ii) the consolidated income tax expense of such Person and its Restricted Subsidiaries for such period;

(iii) fees, costs and expenses paid or payable in cash by the Borrower or any of its Subsidiaries during such period in connection with the incurrence of the Loans and the

Loan Guarantees or the exchange of the Loans and the Loan Guarantees for the Exchange Notes and the Exchange Note Guarantees;

(iv) any management fees to be paid or payable by the Borrower and any of its Subsidiaries during such period to any Permitted Holder not to exceed $2.0 million in any fiscal year;

(v) non-recurring redundancy and restructuring charges;

(vi) other non-cash expenses and charges for such period reducing Consolidated Net Income (excluding any such non-cash item to the extent representing an accrual or reserve for potential cash items in any future period or amortization of a prepaid cash item that was paid in a prior period);

(vii) any non-recurring out-of-pocket expenses or charges for such period relating to any offering of Equity Interests by the Borrower or any direct or indirect parent of the Borrower, any Asset Sale, Investment or merger, recapitalization or acquisition transactions made by the Borrower or any of its Restricted Subsidiaries or any direct or indirect parent of the Borrower, or any Indebtedness incurred by the Borrower or any of its Restricted Subsidiaries or any direct or indirect parent of the Borrower (in each case, whether or not successful);

(viii) Net Income attributable to minority interests of a Restricted Subsidiary of the Borrower that is not a Wholly Owned Subsidiary; and

(ix) all depreciation and amortization charges (including the amortization of any premiums, fees or expenses incurred in connection with the incurrence of the Loans and the Loan Guarantees or the exchange of the Loans and the Loan Guarantees for the Exchange Notes and the Exchange Note Guarantees and the amortization of any amounts required or permitted by Accounting Principles Board Opinions Nos. 16 (including non-cash write-ups and non-cash charges relating to inventory and fixed assets) and 17 (including non-cash charges relating to intangibles and goodwill)), other than in respect of the amortization of prepaid cash expenses that were paid in a prior period;

minus, without duplication, other non-cash items (other than the accrual of revenue in accordance with GAAP consistently applied in the ordinary course of business) increasing Consolidated Net Income for such items (excluding any such non-cash item to the extent it represents the reversal of an accrual or reserve for potential cash items in any prior period).

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted 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 specified Person or a Restricted

Subsidiary thereof;

(ii) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or other distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(iii) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with (A) any Asset Sale or (B) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries will be excluded;

(iv) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss will be excluded;

(v) all non-recurring or unusual gains and losses and all restructuring charges will be excluded;

(vi) income or losses attributable to discontinued operations and ownership interests therein (including, without limitation, operations disposed during such period whether or not such operations were classified as discontinued) will be excluded;

(vii) any non-cash impact of capitalized interest on Subordinated Shareholder Funding will be excluded;

(viii) any non-cash charges attributable to applying the purchase method of accounting will be excluded;

(ix) all non-cash charges relating to employee benefit or other management or stock compensation plans of the Borrower or a Restricted Subsidiary of the Borrower (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense incurred in a prior period) will be excluded to the extent that such non-cash charges are deducted in computing such Consolidated Net Income; provided, further, that if the Borrower or any Restricted Subsidiary of the Borrower makes a cash payment in respect of such non-cash charge in any period, such cash payment will (without duplication) be deducted from the Consolidated Net Income of the Borrower for such period;

(x) 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

(xi) the cumulative effect of a change in accounting principles shall be excluded.

"*Consolidated Total Indebtedness to Consolidated Cash Flow Ratio*" means, with respect to the Borrower as of any determination date, the ratio of the aggregate amount of Total Indebtedness for the Borrower as of such determination date to Consolidated Cash Flow for the

Borrower for the four most recent full fiscal quarters for which financial statements are available ending prior to such determination date.

In addition, for purposes of calculating Consolidated Total Indebtedness to Consolidated Cash Flow Ratio:

(i) Investments, acquisitions, mergers, consolidations and dispositions that have been made by the specified Person or any of its Restricted Subsidiaries, or any Person or any of its Restricted Subsidiaries acquired by, merged or consolidated with the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to such determination date shall be given *pro forma* effect and 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 reflect any *pro forma* expense and cost reductions attributable to any such transactions;

(ii) the Total Indebtedness and Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to such determination date, shall be excluded, and Total Indebtedness and Consolidated Cash Flow for such reference period shall reflect any *pro forma* expense or cost reductions relating to such discontinuance or disposition;

(iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to such determination date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries following such determination date;

(iv) any Person that is a Restricted Subsidiary on the determination date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter reference period;

(v) any Person that is not a Restricted Subsidiary on the determination date will be deemed not to have been a Restricted Subsidiary at any times during such four-quarter reference period; and

(vi) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the determination date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness).

For purposes of this definition, whenever *pro forma* effect is given to a transaction, the *pro forma* calculations shall be made in good faith by the chief financial officer of the Borrower in an Officer's Certificate. For purposes of determining whether any Indebtedness constituting a Guarantee may be incurred, the interest on the Indebtedness to be guaranteed shall be included in calculating the Consolidated Total Indebtedness to Consolidated Cash Flow Ratio on a *pro forma*

basis. Interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Borrower to be the rate of interest implicit in such Capital Lease Obligation in accordance with GAAP. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Borrower may designate.

"*Corporate Trust Office of the Administrative Agent*" shall be at the address of the Administrative Agent specified in Section 13.01 hereof or such other address as to which the Administrative Agent may give notice to the Borrower.

"*Credit Agent*" means Congress Financial Corporation, in its capacity as administrative and collateral agent for the lenders party to the Congress Credit Facility or any successor thereto, or any Person at any time becoming the "Senior Credit Agent" under the Intercreditor Agreement pursuant to the terms thereof.

"*Credit Documents*" means any of this Agreement, the Loan Notes, the Loan Guarantees, the Intercreditor Agreement, the Security Documents, the Congress Credit Facility Amendment No. 3, the Amendment No. 1, dated as of November 21, 2004 to the Credit Agreement, dated as of February 4, 2003 by and among TPG-MD INVESTMENT, LLC, as Lender, the Borrower, Holdings and the Guarantors (the "TPG-MD Credit Agreement Amendment"), the Letter Agreement dated as of November 21, 2004 by and among the Borrower, Private Capital Partners LLC and Canpartners Investment IV, LLC relating to certain fees payable, certain transfer restrictions and other matters described therein and all other documents, instruments or agreements executed and delivered by the Borrower or the Guarantors for the benefit of the Lenders in connection herewith.

"*Credit Facilities*" means one or more debt facilities (including, without limitation, the Congress Credit Facility and this Agreement) or commercial paper facilities, in each case, 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 or any other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities and including any amendment, restatement, modification, renewal, refunding, replacement or refinancing that increases the amount borrowed thereunder or extends the maturity thereof) in whole or in part from time to time, whether or not by the same or any other agent, lender or group of lenders.

"*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.

"*Designated Noncash Consideration*" means any non-cash consideration received by the Borrower or a Restricted Subsidiary of the Borrower in connection with an Asset Sale that is designated as Designated Noncash Consideration pursuant to an Officer's Certificate, executed by the president and the principal financial officer of the Borrower.

"*Designated Preferred Stock*" means preferred stock of the Borrower (other than Disqualified Stock), that is issued for cash (other than to a Restricted Subsidiary of the Borrower) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate executed on the date of such issuance.

"*Designated Senior Debt*" means (i) any Senior Debt outstanding under any Credit Facility and (ii) any other Senior Debt permitted under this Agreement the principal amount of which is $25.0 million or more and that has been designated as "Designated Senior Debt."

"*Discharge of First-Lien Obligations*" means payment in full in cash of the principal of and interest and premium, if any, on all Indebtedness in respect of the outstanding First-Lien Obligations or, with respect to Hedging Obligations or letters of credit outstanding thereunder, delivery of cash collateral or backstop letters of credit in respect thereof in compliance with such First-Lien Obligations, in each case after or concurrently with termination of all commitments to extend credit thereunder, and payment in full in cash of any other Obligations in respect of the First-Lien Obligations that are due and payable or otherwise accrued and owing.

"*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, in each case, at the option of the holder of the Capital Stock), 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 of the Capital Stock, in whole or in part, on or prior to the date that is ninety (90) days after the date on which the Loans mature.

Notwithstanding the preceding sentence, (i) any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Borrower or its Subsidiary that issued such Capital Stock to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock, (ii) any Capital Stock that would constitute Disqualified Stock solely as a result of any redemption feature that is conditioned upon, and subject to, compliance with Section 4.06 hereof shall not constitute Disqualified Stock and (iii) any Capital Stock issued to any plan for the benefit of employees will not constitute Disqualified Stock solely because it may be required to be repurchased by the Borrower or its Subsidiary that issued such Capital Stock in order to satisfy applicable statutory or regulatory obligations. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Agreement will be the maximum amount that the Borrower and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock.

"*Effective Date*" means the date of execution of this Agreement.

"*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 a public or private offering of Qualified Capital Stock of the Borrower or a direct or indirect parent or a Subsidiary of the Borrower.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Exchange Date*" means the date on which the Exchange Notes are exchanged for the outstanding Loans pursuant to Section 2.10.

"*Exchange Notes*" means any of the Borrower's 9¾% Senior Subordinated Notes to be issued, authenticated and delivered pursuant to the Indenture.

"*Exchange Note Guarantees*" means the Guarantee by each Guarantor of the Borrower's obligations under the Exchange Notes and the Indenture.

"*Exchange Triggering Event*" means the date on which Intermediate and its Restricted Subsidiaries are no longer subject to the terms of the indenture governing the Senior Discount Contingent Principal Notes as a result of defeasance, redemption, repurchase, retirement or repayment of the Senior Discount Contingent Principal Notes on or prior to their stated maturity.

"*Excluded Contributions*" means net cash proceeds, marketable securities or Qualified Proceeds received by the Borrower from (i) contributions to its common equity capital, including Subordinated Shareholder Funding and (ii) the sale (other than to a Subsidiary of the Borrower or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Borrower) of Equity Interests (other than Disqualified Stock and Designated Preferred Stock) of the Borrower, in each case designated as Excluded Contributions pursuant to an Officer's Certificate on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, that are excluded from the calculation set forth in clause (C) of Section 4.06(a)(iv) hereof.

"*Existing Debentures*" means the 13⅛% Senior Discount Debentures due 2008 issued by Holdings.

"*Existing Indebtedness*" means Indebtedness existing on the Effective Date, plus interest accruing thereon.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors, chief executive officer or chief financial officer of the Borrower.

"*Federal Funds Effective Rate*" means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three (3) Federal funds brokers of recognized standing selected by the Administrative Agent.

"*Final Maturity Date*" means the tenth anniversary of the Closing Date.

"*First-Lien Obligations*" means all Obligations under (i) the Congress Credit Facility and (ii) any other Indebtedness that constitutes Senior Debt permitted to be incurred under this Agreement that, pursuant to its terms, is secured by Liens on property and assets that constitute

Collateral hereunder and, except for the Congress Credit Facility, is designated by the Borrower as constituting "First-Lien Obligations" for the purposes of this Agreement.

"*Fixed Charge Coverage Ratio*" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock or Disqualified Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and 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, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock or Disqualified Stock, and the use of proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(i) Investments, acquisitions, mergers, consolidations and dispositions that have been made by the specified Person or any of its Restricted Subsidiaries, or any Person or any of its Restricted Subsidiaries acquired by, merged or consolidated with the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be given *pro forma* effect and 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 reflect any *pro forma* expense and cost reductions attributable to any such transactions;

(ii) the Consolidated Cash Flow and Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, shall be excluded, and Consolidated Cash Flow and Fixed Charges for such reference period shall reflect any *pro forma* expense or cost reductions relating to such discontinuance or disposition;

(iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) 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 specified Person or any of its Subsidiaries following the Calculation Date;

(iv) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter reference period;

(v) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any times during such four-quarter reference period; and

(vi) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness).

For purposes of this definition, whenever *pro forma* effect is given to a transaction, the *pro forma* calculations shall be made in good faith by the chief financial officer of the Borrower in an Officer's Certificate. For purposes of determining whether any Indebtedness constituting a Guarantee may be incurred, the interest on the Indebtedness to be guaranteed shall be included in calculating the Fixed Charge Coverage Ratio on a *pro forma* basis. Interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Borrower to be the rate of interest implicit in such Capital Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Borrower may designate.

"*Fixed Charges*" means, with respect to any specified 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, original issue discount, non-cash interest payments (but excluding capitalized interest in relation to Subordinated Shareholder Funding), 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 cash payments (if any) pursuant to Hedging Obligations in respect of interest rates); provided, however, that in no event shall any amortization of any deferred financing costs be included in Fixed Charges; plus

(ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period (but excluding capitalized interest in relation to Subordinated Shareholder Funding); plus

(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); plus

(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 to the Borrower or a Restricted Subsidiary of the Borrower), 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.

"*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 Effective Date.

"*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, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantor*" means each Subsidiary of the Borrower that executes a Loan Guarantee in accordance with the provisions of this Agreement, and their respective successors and assigns, in each case, until the Loan Guarantee of such Person has been released in accordance with the provisions of this Agreement.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under (i) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; (ii) other agreements or arrangements designed to manage interest rates or interest rate risk; and (iii) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Holdings*" means J. Crew Group, Inc., a New York corporation.

"*Indebtedness*" means, with respect to any specified Person, the principal and premium (if any) of any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(i) in respect of borrowed money;

(ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) (other than letters of credit issued in respect of trade payables);

(iii) in respect of banker's acceptances;

(iv) representing Capital Lease Obligations;

(v) representing the balance deferred and unpaid of the purchase price of any property or services due more than twelve (12) months after such property is acquired or such services are completed (except any such balance that constitutes a trade payable or similar obligation to a trade creditor); or

(vi) representing the net obligations under any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"*Indenture*" means the Indenture, to be dated as of the Exchange Date by and among the Borrower, the guarantors named therein, and US Bank National Association, as trustee, as amended or supplemented from time to time, relating to the Borrower's 9¾% Senior Subordinated Notes due 2014, substantially in the form of Exhibit F hereto.

"*Initial Call Termination Date*" means the earlier of (i) the date which is eighteen (18) months following the Closing Date and (ii) the date on which the Borrower elects to terminate its right to prepay the Loans pursuant to clause (i) of Section 3.07(a).

"*Intercreditor Agreement*" means (i) the Intercreditor Agreement, dated as of November 21, 2004, among the Borrower, the Guarantors, Intermediate, Congress Financial Corporation, as senior credit agent, and the Collateral Agent, as amended, supplemented or otherwise modified from time to time and (ii) any substantially identical agreement hereafter entered into pursuant to Section 11.07(c).

"*Intermediate*" means J. Crew Intermediate LLC, a Delaware limited liability company.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel, relocation 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 Borrower or any Restricted Subsidiary of the Borrower sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Borrower such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Borrower, the Borrower will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Borrower's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in Section 4.06(d) hereof. The acquisition by the Borrower or any Restricted Subsidiary of the Borrower of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Borrower or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired

Person in such third Person in an amount determined as provided in Section 4.06(d) hereof. The outstanding amount of any Investment shall be the original cost thereof, reduced by all returns on such Investment (including dividends, interest, distributions, returns of principal and profits on sale).

"*Lender*" means a Person in whose name a Loan is registered.

"*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 Administrative Agent 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).

"*Loan*" or "*Loans*" means one or more of the Loans made to the Borrower pursuant to Article 2, including any Additional Loans.

"*Loan Notes*" means any of the Borrower's notes issued pursuant to this Agreement, including any replacement Loan Notes and Additional Loan Notes.

"*Loan Guarantees*" means the Guarantee, substantially in the form of Exhibit B hereto, by each Guarantor of the Borrower's obligations under the Loans and this Agreement, executed pursuant to Article 2 and Article 12.

"*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.

"*Net Proceeds*" means the aggregate cash proceeds received by the Borrower 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, payments made in order to obtain a necessary consent or required by applicable law, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, including taxes resulting from the transfer of the proceeds of such Asset Sale to the Borrower, in each case, after taking into account:

(i) any available tax credits or deductions and any payments that are required to be made under tax sharing arrangements (including the Tax Sharing Agreement);

(ii) amounts required to be applied to the repayment of Indebtedness, other than Senior Debt, secured by a Lien on the asset or assets that were the subject of such Asset Sale;

(iii) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP;

(iv) any reserve for adjustment in respect of any liabilities associated with the asset disposed of in such transaction and retained by the Borrower or any Restricted Subsidiary of the Borrower after such sale or other disposition thereof;

(v) any distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale; and

(vi) in the event that a Restricted Subsidiary of the Borrower consummates an Asset Sale and makes a *pro rata* payment of dividends to all of its stockholders from any cash proceeds of such Asset Sale, the amount of dividends paid to any stockholder other than the Borrower or any other Restricted Subsidiary of the Borrower; provided that any net proceeds of an Asset Sale by a Non-Guarantor Subsidiary that are subject to restrictions on repatriation to the Borrower will not be considered Net Proceeds for so long as such proceeds are subject to such restrictions.

"*Non-Guarantor Subsidiary*" means, subject to Section 4.16, (A) any Unrestricted Subsidiary, (B) any Receivables Subsidiary and (C) any Subsidiary of the Borrower that does not guarantee any Indebtedness under the Congress Credit Facility. The Board of Directors of the Borrower may designate any Restricted Subsidiary as a Non-Guarantor Subsidiary by filing with the Administrative Agent a certified copy of a resolution of such Board of Directors giving effect to such designation and an Officer's Certificate certifying as to the applicable clause of the immediately preceding sentence that warrants such designation. In addition, if a Guarantor that is a guarantor under the Congress Credit Facility is released from its Guarantee of the Congress Credit Facility, it shall be released automatically from its Loan Guarantee and will be a Non-Guarantor Subsidiary.

"*Non-Recourse Debt*" means Indebtedness (i) as to which neither the Borrower nor any of its Restricted Subsidiaries (A) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (B) is directly or indirectly liable as a guarantor or otherwise, or (C) constitutes the lender; (ii) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Borrower or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its Stated Maturity; and (iii) as to which the lenders have been notified in writing or have agreed in writing (in the agreement relating thereto or otherwise) that they will not have any recourse to the stock or assets of the Borrower or any of its Restricted Subsidiaries.

"*Obligations*" means, with respect to any Indebtedness, any principal, interest, penalties, fees, indemnifications, reimbursements, damages, costs, expenses and other liabilities payable under the documentation governing any Indebtedness, including the payment of interest at the

rate provided in such documentation that would be applicable and other reasonable fees, costs or charges which would accrue and become due but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case.

"*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.

"*Officer's Certificate*" means, with respect of any Person, a certificate signed on behalf of such Person by one Officer of such Person, who must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of such Person that meets the requirements of Section 13.08 hereof.

"*Opinion of Counsel*" means an opinion from legal counsel that meets the requirements of Section 13.08 hereof. The counsel may be an employee of or counsel to the Borrower or any Subsidiary of the Borrower.

"*Other Second-Lien Obligations*" means all Obligations under (i) the Senior Discount Contingent Principal Notes and (ii) any Indebtedness permitted to be incurred under this Agreement that, pursuant to its terms, is secured by Liens on property and assets that constitute Collateral hereunder and is designated by the Borrower as "Other Second-Lien Obligations" for the purposes of this Agreement.

"*Permitted Business*" means (i) any business engaged in by the Borrower or any of its Restricted Subsidiaries on the Effective Date, (ii) any business or other activities that are reasonably similar, ancillary, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which the Borrower and its Restricted Subsidiaries are engaged on the Effective Date and (iii) the design, manufacture, importing, exporting, distribution, marketing, licensing and wholesale and retail sale of apparel, housewares, home furnishings and related items.

"*Permitted Holders*" means, collectively, (i) TPG Partners II, L.P. and its Affiliates, (ii) Millard S. Drexler and his immediate family members and (iii) trusts for the benefit of any of the foregoing Persons, or any of their heirs, executors, successors or legal representatives.

"*Permitted Investments*" means:

(i) any Investment in the Borrower or in a Restricted Subsidiary of the Borrower (other than a Receivables Subsidiary);

(ii) any Investment in cash and Cash Equivalents;

(iii) any Investment by the Borrower or any Restricted Subsidiary of the Borrower in a Person, if as a result of such Investment (A) such Person becomes a Restricted Subsidiary of the Borrower (other than a Receivables Subsidiary) or (B) such Person, in one transaction or a series of transactions, is merged, consolidated or

amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Borrower or a Restricted Subsidiary of the Borrower (other than a Receivables Subsidiary);

(iv) any 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 4.09 hereof;

(v) any Investment solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Borrower;

(vi) any Investments received in compromise, settlement or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Borrower or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, (B) litigation, arbitration or other disputes with Persons who are not Affiliates or (C) as a result of a foreclosure by the Borrower or any Restricted Subsidiary of the Borrower with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(vii) Investments represented by Hedging Obligations;

(viii) any Investment in payroll, travel and similar advances to cover business-related travel expenses, moving expenses or other similar expenses, in each case incurred in the ordinary course of business;

(ix) Investments in receivables owing to the Borrower or any Restricted Subsidiary of the Borrower if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Borrower or any such Restricted Subsidiary deems reasonable under the circumstances;

(x) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business;

(xi) obligations of one or more officers or other employees of the Borrower or any of its Restricted Subsidiaries in connection with such officer's or employee's acquisition of shares of common stock of the Borrower so long as no cash or other assets are paid by the Borrower or any of its Restricted Subsidiaries to such officers or employees in connection with the acquisition of any such obligations;

(xii) loans or advances to and Guarantees provided for the benefit of employees made in the ordinary course of business of the Borrower or the Restricted Subsidiary of the Borrower in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(xiii) Investments existing as of the Effective Date or an Investment consisting of any extension, modification or renewal of any Investment existing as of the Effective Date (excluding any such extension, modification or renewal involving additional advances, contributions or other investments of cash or property or other increases thereof unless it is a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms, as of the Effective Date, of the original Investment so extended, modified or renewed);

(xiv) prepayments of the Loans;

(xv) the acquisition by a Receivables Subsidiary in connection with a Qualified Receivables Transaction of Equity Interests of a trust or other Person established by such Receivables Subsidiary to effect such Qualified Receivables Transaction;

(xvi) any other Investment by the Borrower or a Subsidiary of the Borrower in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Transaction customary for such transactions;

(xvii) Guarantees permitted to be incurred by Section 4.08;

(xviii) joint ventures (A) engaged in a Permitted Business or (B) for the purpose of outsourcing the internal administrative functions of the Borrower or any of its Restricted Subsidiaries; provided, however, that all Investments permitted pursuant to this clause (xviii) shall not exceed, at any time outstanding, $15.0 million in the aggregate;

(xix) Investments held by a Person (other than an Affiliate) that becomes a Restricted Subsidiary, provided that (A) such Investments were not acquired in contemplation of the acquisition of such Person and (B) at the time such Person becomes a Restricted Subsidiary, such Investments would not, individually or in the aggregate, constitute a Significant Subsidiary of such acquired Person;

(xx) Investments made with Excluded Contributions;

(xxi) Investments in any Person where such Investment was acquired by the Borrower or any of its Restricted Subsidiaries in exchange for any other Investment or accounts receivable held by the Borrower or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable; and

(xxii) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (xxii) that are at the time outstanding not to exceed (A) $10.0 million prior to the Initial Call Termination Date and (B) thereafter, $25.0 million; provided, however, that if any Investment pursuant to this clause (xxii) is made in any Person that is not a Restricted Subsidiary of the Borrower at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Borrower after

such date, such Investment shall thereafter be deemed to have been made pursuant to clause (i) above and shall cease to have been made pursuant to this clause (xxii) for so long as such Person continues to be a Restricted Subsidiary of the Borrower (it being understood that if such Person thereafter ceases to be a Restricted Subsidiary of the Borrower, such Investment will again be deemed to have been made pursuant to this clause (xxii)) and provided, further, if any Investment made pursuant to this clause (xxii) is subsequently sold or repaid for cash or Cash Equivalents, the amount available under this clause (xxii) for future Investments will be increased by the amount of cash or Cash Equivalents received from such sale or repayment.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Borrower or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, prepay, replace, defease or discharge other Indebtedness of the Borrower or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(i) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, renewed, refunded, refinanced, prepaid, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees, commissions, discounts and expenses, including premiums, incurred in connection therewith);

(ii) if such Indebtedness is not Senior Debt, either (A) such Permitted Refinancing Indebtedness has a final maturity date 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, renewed, refunded, refinanced, prepaid, replaced, defeased or discharged or (B) all scheduled payments on or in respect of such Permitted Refinancing Indebtedness (other than interest payments) shall be at least ninety-one (91) days following the final scheduled maturity of the Loans; and if such Indebtedness is Senior Debt and has a final stated maturity later than the final stated maturity of the Loans, such Permitted Refinancing Indebtedness has a final stated maturity later than the final maturity of the Loans;

(iii) if the Indebtedness being extended, renewed, refunded, refinanced, prepaid, replaced, defeased or discharged is subordinated in right of payment to the Loans, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Loans on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged; and

(iv) if such Indebtedness is not Senior Debt, such Indebtedness is incurred

(A) by the Borrower or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(B) by any Guarantor if the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is a Guarantor; or

(C) by any Non-Guarantor Subsidiary if the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is a Non-Guarantor Subsidiary.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pro Rata Share*" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of the Term Loan Commitments of that Lender by (ii) the sum of the aggregate Term Loan Commitments of all Lenders, in any such case as the applicable percentage may be adjusted by assignments permitted pursuant to Section 13.04.

"*Purchase Money Note*" means a promissory note evidencing a line of credit, or evidencing other Indebtedness owed to the Borrower 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 Capital Stock*" means any Capital Stock that is not Disqualified Stock.

"*Qualified Proceeds*" means any of the following or any combination of the following: (i) Cash Equivalents; (ii) the Fair Market Value of assets that are used or useful in the Permitted Business; and (iii) the Fair Market Value of the Capital Stock of any Person engaged primarily in a Permitted Business if, in

connection with the receipt by the Borrower or any of its Restricted Subsidiaries of such Capital Stock, such Person becomes a Restricted Subsidiary of the Borrower or such Person is merged or consolidated into the Borrower or any of its Restricted Subsidiaries; provided that Qualified Proceeds shall not include Excluded Contributions.

"*Qualified Receivables Transaction*" means any transaction or series of transactions entered into by the Borrower or any of its Subsidiaries pursuant to which the Borrower or any of its Subsidiaries sells, conveys or otherwise transfers, or grants a security interest, to: (i) a Receivables Subsidiary (in the case of a transfer by the Borrower or any of its Subsidiaries, which transfer may be effected through the Borrower or one or more of its Subsidiaries); and (ii) if applicable, any other Person (in the case of a transfer by a Receivables Subsidiary), in each case, in any Receivables of the Borrower or any of its Subsidiaries, and any assets related thereto, including, without limitation, all collateral securing such Receivables, all contracts, contract rights and all Guarantees or other obligations in respect of such Receivables, proceeds of such Receivables and any other assets, which are customarily transferred or in respect of which security interests are customarily granted in connection with receivables financings and asset securitization transactions of such type, together with any related transactions customarily entered into in a receivables financings and asset securitizations, including servicing arrangements.

"*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 Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Transaction.

"*Receivables Subsidiary*" means a Subsidiary of the Borrower which engages in no activities other than in connection with the financing of accounts receivable and in businesses related or ancillary thereto and that is designated by the Board of Directors of the Borrower (as provided below) as a Receivables Subsidiary (i) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which: (A) is guaranteed by the Borrower or any Subsidiary of the Borrower (excluding Guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction), (B) is recourse to or obligates the Borrower or any Subsidiary of the Borrower in any way other than pursuant to representations, warranties, covenants and indemnities customarily entered into in connection with a Qualified Receivables Transaction or (C) subjects any property or asset of the Borrower or any Subsidiary of the Borrower (other than accounts receivable and related assets as provided in the definition of Qualified Receivables Transaction), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities customarily entered into in connection with a Qualified Receivables Transaction; (ii) with which neither the Borrower nor any Subsidiary of the Borrower has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Borrower or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Borrower, other than as may be customary in a Qualified Receivables Transaction including for fees payable in the ordinary course of business in connection with servicing accounts receivable; and (iii) with which neither the Borrower nor any Subsidiary of the Borrower has any obligation to maintain or preserve such Subsidiary's financial condition or cause such Subsidiary to achieve certain levels of operating results. Any such designation by the Board of Directors of the Borrower will be evidenced to the Administrative Agent by filing with the Administrative Agent a certified copy of the resolution of the Board of Directors of the Borrower giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Related Party*" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"*Replacement Preferred Stock*" means any Disqualified Stock or preferred stock of the Borrower or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge any other preferred stock of the Borrower or any of its Restricted Subsidiaries (other than intercompany preferred stock).

"*Required Lenders*" means, at any time, Lenders holding a majority in aggregate principal amount of the then outstanding Loans at such time.

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

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*Rule 144A*" means Rule 144A promulgated under the Securities Act or any successor rule.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Security Agreement*" means the Security Agreement dated as of November 21, 2004 among the Borrower, the Guarantors, Intermediate and the Collateral Agent.

"*Security Documents*" means the Security Agreement and any other document or instrument pursuant to which a Lien is granted by the Borrower or any Guarantor to secure any Obligations hereunder or under which rights or remedies with respect to such Lien are governed, as such agreements may be amended, modified or supplemented from time to time.

"*Senior Debt*" means:

(i) all Indebtedness of the Borrower or any Guarantor outstanding under the Congress Credit Facility (including post-petition interest at the rate provided in the documentation with respect thereto, whether or not allowed as a claim in any bankruptcy proceeding) and all Hedging Obligations and Treasury Management Obligations with respect thereto;

(ii) any other Indebtedness of the Borrower or any Guarantor permitted to be incurred under the terms of this Agreement, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Loans; and

(iii) all Obligations with respect to the foregoing.

Notwithstanding anything to the contrary in the foregoing, Senior Debt will not include (A) the Loans and the Loan Guarantees, (B) any liability for federal, state, local or other taxes owed or owing by the Borrower, (C) any Indebtedness of the Borrower to

any of its Subsidiaries or other Affiliates, (D) any trade payables, (E) Indebtedness which is classified as non-recourse in accordance with GAAP or any unsecured claim arising in respect thereof by reason of the application of Section 1111(b)(1) of the Bankruptcy Code or (F) that portion of any Indebtedness that is incurred in violation of the Agreement (but only to the extent so incurred); provided that Indebtedness outstanding under the Congress Credit Facility will not cease to be Senior Debt as a result of this clause (F) if the lenders or agents thereunder obtained a representation from the Borrower or any of its Subsidiaries on the date such Indebtedness was incurred to the effect that such Indebtedness was not prohibited by this Agreement.

"*Senior Discount Contingent Principal Notes*" means the 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate.

"*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 Effective Date.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Effective Date, 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.

"*Subordinated Shareholder Funding*" means any Indebtedness of the Borrower (and any security into with such Indebtedness is converted or for which it is exchangeable at the option of the holder) issued to and held by a direct or indirect parent of the Borrower or one or more shareholders of such parent that:

(i) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Loans (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Borrower or such parent or any Indebtedness meeting the requirements of this definition),

(ii) does not require, prior to the first anniversary of the Stated Maturity of the Loans, payment of cash interest, cash withholding amounts or other gross-ups, or any similar amounts,

(iii) does not provide for or require any security interest or encumbrance over any property and assets of the Borrower or any of its Restricted Subsidiaries,

(iv) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Shareholder Funding at maturity; and

(v) is fully subordinated and junior in right of payment to the Loans and the performance of all obligations under the Agreement and the Security Documents pursuant to customary subordination terms for similar Indebtedness and otherwise reflecting the terms above.

"*Subsidiary*" means, with respect to any specified Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that 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 that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Supplemental Senior Subordinated Loan Agreement*" means the agreement, substantially in the form of Exhibit D hereto, by each Guarantor of the Borrower's obligations under the Loans and this Agreement, executed pursuant to the provisions of this Agreement.

"*Tax Sharing Agreement*" means the tax sharing agreement in effect as of the Closing Date among the Borrower, Intermediate, Holdings and any one or more of subsidiaries of the Borrower, as amended from time to time, so long as the amount of the Borrower's (or any of its Restricted Subsidiaries') payments for which the Borrower and its Restricted Subsidiaries are responsible, or the time when such payments are required to be made thereunder or any other of the Borrower's rights, duties, and obligations thereunder are no less favorable to the Borrower than as provided in such agreement as in effect on the Effective Date, as determined in good faith by a majority of the members of the Board of Directors of the Borrower.

"*Term Loan Commitment*" means, as to each Lender, its obligation to make its portion of the Loan to the Borrower pursuant to Section 2.01, in the principal amount set forth opposite such Lender's name on Schedule 2.01, or in the Assignment and Assumption or New Commitment Agreement, as

applicable, pursuant to which such Lender becomes a party hereto. The aggregate principal amount of the Term Loan Commitments of all of the Lenders on the Closing Date is $275.0 million.

"*Total Indebtedness*" means, with respect to the Borrower, as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of the Borrower and its Restricted Subsidiaries outstanding as of such determination date, excluding Indebtedness incurred under clauses (vi), (viii), (ix), (x), (xi), (xiii), (xv), (xvi) and (xviii) of Section 4.08(b).

"*Treasury Management Obligations*" means obligations under any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearing house, zero balance accounts, returned check concentration, controlled disbursement, lock box, account reconciliation and reporting and trade finance services. Treasury Management Obligations shall not constitute Indebtedness.

"*Treasury Rate*" means, with respect to any redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two (2) Business Days prior to such redemption date (or, if such

Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the Final Maturity Date; provided that if the period from such redemption date to the Final Maturity Date is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate will be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from such redemption date to the Final Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

"*Unrestricted Subsidiary*" means any Subsidiary of the Borrower and any Subsidiary of an Unrestricted Subsidiary that is designated by the Board of Directors of the Borrower as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary (i) has no Indebtedness other than Non-Recourse Debt; (ii) except as permitted by Section 4.10 hereof, is not party to any agreement, contract, arrangement or understanding with the Borrower or any Restricted Subsidiary of the Borrower unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Borrower or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Borrower; (iii) is a Person with respect to which neither the Borrower nor any of its Restricted Subsidiaries has any direct or indirect obligation (A) to subscribe for additional Equity Interests or (B) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (iv) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Borrower or any of its Restricted Subsidiaries, except in the case of clauses (iii) and (iv), to the extent (1) that the Borrower or such Restricted Subsidiary could otherwise provide such a Guarantee or incur such Indebtedness (other than as Permitted Debt) pursuant to Section 4.08 hereof and (2) the provision of such Guarantee and the incurrence of such indebtedness otherwise would be permitted by Section 4.06 hereof.

"*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 of the Indebtedness, 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 specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interest of which (other than directors' qualifying shares) will as that time be owned by such Person or by one or more Wholly Owned Subsidiaries of such person.

Section 1.02. Other Definitions.

Term	Defined in Section
"*Affiliate Transaction*"	Section 4.10
"*Asset Sale Offer*"	Section 3.09
"*Change of Control Offer*"	Section 4.12
"*Change of Control Payment*"	Section 4.12
"*Change of Control Payment Date*"	Section 4.12
"*Custodian*"	Section 6.01
"*Event of Default*"	Section 6.01
"*Excess Proceeds*"	Section 4.09
"*incur*"	Section 4.08
"*Liens Securing Loan Note Obligations*"	Section 11.07
"*Liens Securing Other Second-Lien Obligations*"	Section 11.07
"*Offer Amount*"	Section 3.09
"*Offer Period*"	Section 3.09
"*Payment Default*"	Section 6.01
"*Payment Blockage Notice*"	Section 10.03
"*Permitted Debt*"	Section 4.08
"*Prepayment Date*"	Section 3.09
"*Representative*"	Section 10.03
"*Restricted Payments*"	Section 4.06

Section 1.03. Accounting Terms; GAAP.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time**.**

(b) Changes in GAAP. If the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.04. Rules of Construction.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) a term has the meaning assigned to it herein;

(b) "or" is not exclusive;

(c) words in the singular include the plural, and in the plural include the singular;

(d) "will" shall be interpreted to express a command;

(e) provisions apply to successive events and transactions;

(f) 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;

(g) "including" shall be interpreted to mean "including without limitation;" and

(h) references to the payment of principal of the Loans shall include applicable premium, if any.

ARTICLE 2
THE LOANS; THE EXCHANGE NOTES

Section 2.01. Term Loan Commitments.

(a) Subject to the terms and conditions of this Agreement, the Lenders jointly and severally agree to lend to the Borrower on the Closing Date an amount not exceeding their Pro Rata Share of the aggregate amount of the Term Loan Commitments, which Pro Rata Share is set forth opposite each Lender's name on Schedule 2.01 attached hereto. The amounts of each Lender's Term Loan Commitment are set forth opposite such Lender's name on Schedule 2.01 attached hereto. The aggregate amount of the Term Loan Commitments on the Closing Date shall not exceed $275.0 million. The Borrower may make only one borrowing under the Term Loan Commitments on the Closing Date. Amounts borrowed under this Section 2.01 and subsequently repaid or prepaid may not be reborrowed.

(b) Loans made on the Closing Date shall be in minimum denominations of $1,000 and integral multiples thereof. The Borrower shall deliver to the Administrative Agent a Notice of Borrowing in the form of Exhibit E hereto no later than 3:00 p.m. (New York time) one (1) Business Day before the proposed Closing Date. The Notice of Borrowing shall specify (i) the proposed Closing Date (which shall be a Business Day) and (ii) the amount of Loans requested.

(c) All Loans shall be made by Lenders simultaneously and proportionately to their respective Pro Rata Share of the Term Loan Commitments. Promptly after receipt by the Administrative Agent of the Notice of Borrowing pursuant to Section 2.01(b), the Administrative Agent shall notify each Lender of the proposed borrowing. Upon notification by the Administrative Agent to the Lenders as to satisfaction or waiver of the conditions precedent specified in Article 9, each Lender shall make the amount of its Loan available by wire transfer to the account or accounts designated by the Borrower in the Notice of Borrowing not later than 12:00 noon (New York time) on the Closing Date, in same day funds in U.S. dollars.

Section 2.02. Additional Loans.

(a) The Borrower shall have the right from time to time on one or more occasions to incur Additional Loans by an increase or increases of the Term Loan Commitments in an amount not to exceed $50.0 million in the aggregate for all such increases to the Term Loan Commitments, subject, however, to satisfaction of the following conditions precedent:

(i) the Borrower's Consolidated Cash Flow for the Borrower's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Term Loan Commitments are increased is greater than $75.0 million;

(ii) no Default or Event of Default exists under this Agreement on the date on which such increase is to become effective and will not occur as a result of such increase of the Term Loan Commitments;

(iii) each such increase of the Term Loan Commitment shall be in a minimum aggregate principal amount of $10.0 million;

(iv) on or before the date such Additional Loans are funded, (A) each lender providing the Additional Loans shall have executed an agreement in the form of Exhibit C hereto (each such agreement, a "New Commitment Agreement"), accepted in writing therein by the Administrative Agent (and, with respect to any lender that is not at such time a Lender hereunder, the Borrower) and (B) the Administrative Agent shall have received from the Borrower a Notice of Borrowing with respect to the funding of such Additional Loans;

(v) the Administrative Agent shall have received a Secretary's Certificate of the Borrower and the Guarantors substantially in the form attached hereto as Exhibit I, attaching (i) any amendments to the copies of the organizational documents of the Borrower and the Guarantors delivered on the Closing Date pursuant to Section 9.02; (ii) executed incumbency certificates of the officer of the Borrower and the Guarantors party to this Agreement; (iii) any amendments to the copies of the resolutions of the governing body of the Borrower and each Guarantor approving and authorizing the Loans and the Additional Loans delivered on the Closing Date pursuant to Section 9.02, certified by its secretary or an assistant secretary as being in full force and effect without modification or amendment; and (iv) a good standing certificate from the applicable governmental authority of each of the Borrower and Guarantors' jurisdiction of incorporation, organization or formation, dated a recent date prior to the date on which such increase is to become effective; and

(vi) The Administrative Agent shall have received an Officer's Certificate of the Borrower and the Guarantors substantially in the form attached hereto as Exhibit J stating that (i) no Default or Event of Default exists under this

Agreement on the date on which such increase is to become effective and will not occur as a result of such increase of the Term Loan Commitments and (ii) the representations and warranties provided in Section 8.01(a), (b), (c), (d), (e), (f), (g) (other than the representations and warranties set forth in clause (iii) thereof), (i) and (k) shall be true and correct in all material respects as of the date on which such increase is to become effective.

(b) Any increase in the Loans pursuant to Section 2.02(a) shall become effective on the date set forth in the applicable New Commitment Agreement. Upon the effectiveness of each such increase, each Lender's Pro Rata Share of the Term Loan Commitments shall be automatically adjusted to give effect to such increase; provided that the amount of each Lender's Term Loan Commitment (other than a Lender whose Term Loan Commitment shall have been increased in connection with such increase) shall remain unchanged.

Section 2.03. Loan Notes and Evidence of Debt.

(a) The credit extensions made by each Lender pursuant to such Lender's Term Loan Commitments shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the credit extensions made by the Lenders pursuant to their Term Loan Commitments to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to such obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(b) The Borrower shall execute and deliver to each Lender (through the Administrative Agent) a Loan Note in the form of Exhibit A, with blanks appropriately completed in conformity herewith, and each Guarantor shall execute and deliver to each Lender a Loan Guarantee in the form of Exhibit B, with blanks appropriately completed in conformity herewith, which shall evidence such Lender's Loans in addition to those accounts or records maintained by each Lender and the Administrative Agent. The Loan Notes initially shall be issued in minimum denominations of $1,000 and integral multiples thereof.

(c) The terms and provisions of the Loan Notes and the Loan Guarantees shall constitute, and are hereby expressly made, a part of this Agreement, and, to the extent applicable, the Borrower, the Guarantors and the Lenders, by their execution and delivery of this Agreement expressly agree to such terms and provisions and to be bound thereby. Except as otherwise expressly permitted in this Agreement and with blanks appropriately completed in conformity herewith, all Loan Notes shall be identical in all respects. Notwithstanding any differences among them, all Loan Notes issued under this Agreement shall vote and consent together on all matters as one class pursuant to the terms of this Agreement.

Section 2.04. Additional Loan Notes.

Upon the effectiveness of each increase in the Loans pursuant to Section 2.02(a), the Borrower shall execute and deliver to each Lender (through the Administrative Agent) an Additional Loan Note substantially in the form of Exhibit A, with blanks appropriately completed in conformity herewith, and each Guarantor shall execute and deliver to each Lender an Additional Loan Guarantee in the form of Exhibit B, with blanks appropriately completed in conformity herewith, which shall evidence such Lender's Additional Loans in addition to those accounts or records maintained by each Lender and the Administrative Agent. The Additional Loan Notes initially shall be issued in minimum denominations of $1,000 and integral multiples thereof. Additional Loan Notes issued pursuant to this Section 2.04 shall have terms and conditions identical to those of the Loan Notes issued on the Closing Date, except with respect to:

(a) the date of issuance;

(b) the amount of interest payable on the first interest payment date; and

(c) the aggregate principal amount of each such Additional Loan Note.

The Loan Notes issued on the Closing Date and any Additional Loan Notes shall be treated as a single class for all purposes under this Agreement.

Section 2.05. Payment of Loans; Pro Rata Treatment; Sharing of Setoffs.

(a) The Borrower shall pay or cause to be paid the principal of, premium, if any, and interest on the Loans on the dates and in the manner provided in the Loan Notes. Principal, premium, if any, and interest shall be considered paid for all purposes hereunder on the date due if the Administrative Agent holds, as of 10:00 a.m. (New York City time) money deposited by or on behalf of the Borrower in immediately available funds and designated for and sufficient to pay all such principal, premium, if any, and interest then due.

(b) The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. In the event that the Administrative Agent fails to distribute to any Lender such Lender's share of any such payments within one (1) Business Day of the Administrative Agent's receipt thereof, the Administrative Agent shall pay to such Lender forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is received by the Administrative Agent to but excluding the date of payment to such Lender, at the Federal Funds Effective Rate. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day. All payments hereunder shall be made in U.S. dollars.

(c) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such

parties, and (ii) second, towards payment of principal and then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(d) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate principal amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate principal amount of and accrued interest on their respective Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply).

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(d), then the Administrative Agent may, in consultation with such Lender (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.06. Interest on the Loans.

(a) Subject to the provisions of Section 2.07 and Section 2.10, each Loan shall bear interest on the unpaid principal amount thereof from the Closing Date until the payment thereof at a rate equal to 9.75% per annum.

(b) Subject to the provisions of Section 2.07, interest on each Loan shall be payable in arrears, pursuant to Section 2.08, (i) on each interest payment date, (ii) upon any prepayment of that Loan (to the extent accrued on the amount being prepaid), (iii) at maturity (whether by acceleration or otherwise) and (iv) after maturity, on demand.

(c) Under certain circumstances, the Borrower may be obligated to pay Additional Interest to Lenders, all as and to the extent set forth in Section 2.10. The Borrower shall advise the Administrative Agent promptly and, if requested by the Administrative Agent, confirm such advice in writing, of whether the Exchange Triggering Event has occurred as set forth in Section 2.10. The Administrative Agent may rely on such notices without further inquiry. Unless the Administrative Agent receives a notice from the Borrower to the effect that the Exchange Date occurred within the deadlines set forth in Section 2.10, the Administrative Agent may assume that the deadline has been missed, in which case the Administrative Agent will impose Additional Interest in accordance with Section 2.10.

Section 2.07. Default Rate.

(a) If the Borrower defaults in a payment of interest on the Loan 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 Lenders on a subsequent special record date, which date shall be the earliest practicable date but in all events at least ten (10) Business Days prior to the interest payment date, in each case at the rate provided in the Loans and in Section 2.06 hereof. The Borrower shall fix or cause to be fixed each such special record date and interest payment date, and shall promptly thereafter, notify the Administrative Agent of any such date and of the amount of defaulted interest proposed to be paid on each Loan. At least fifteen (15) days before the special record date, the Borrower (or, upon the written request of the Borrower, the Administrative Agent, in the name and at the expense of the Borrower) shall mail or cause to be mailed to Lenders a notice that states the special record date, the related interest payment date and the amount of such interest to be paid.

(b) Payment or acceptance of the increased rates of interest provided for in this Section 2.07 is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Administrative Agent or any Lender.

Section 2.08. Computation of Interest.

Interest on the Loans shall be computed on the basis of a 360-day year, consisting of twelve 30-day months and in each case shall be payable for the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of such Loan shall be included, and the date of payment of such Loan (if payment is received prior to 1:00 p.m. (New York time)) shall be excluded, provided that if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

Section 2.09. Fees.

The Borrower agrees to pay to the Administrative Agent and Lenders such other fees in the amounts and at the times separately agreed upon between the Borrower, the Administrative Agent and Lenders.

Section 2.10. Exchange Notes.

(a) Upon the occurrence of the Exchange Triggering Event, the Borrower shall furnish to the Administrative Agent, at least ten (10) Business Days before the Exchange Date (unless a shorter period is acceptable to the Administrative Agent), an Officer's Certificate setting forth (i) that the Exchange Triggering Event has occurred and (ii) the Exchange Date. At any time prior to giving the notice to the Lenders pursuant to Section 2.10(b) below, the Borrower may withdraw, revoke or rescind any notice delivered to the Administrative Agent pursuant to this Section 2.10(a).

(b) At least ten (10) Business Days before the Exchange Date (unless a shorter period is acceptable to the Required Lenders), the Borrower shall mail or cause to be mailed by first class

mail a notice of the Exchange Date to each Lender at its registered address. The notice shall identify the Loan Notes and Loan Guarantees to be surrendered and shall state:

(1) the Exchange Date;

(2) the date by which the Loan Notes and Loan Guarantees shall be surrendered to the Administrative Agent;

(3) the name and address of the Administrative Agent;

(4) that the Loan Notes must be surrendered to the Administrative Agent in order to exchange the Loan Notes and Loan Guarantees for the Exchange Notes and Exchange Note Guarantees, issued pursuant to the Indenture;

(5) that interest on Loan Notes ceases to accrue on and after the Exchange Date; and

(6) the aggregate principal amount of the Exchange Notes and Exchange Note Guarantees the Lender shall receive on the Exchange Date upon properly tendering its Loan Notes and Loan Guarantees.

At the Borrower's request, the Administrative Agent shall give this notice in the Borrower's name and at the Borrower's expense; provided, however, that the Borrower shall have delivered to the Administrative Agent, at least fifteen (15) Business Days prior to the Exchange Date (or such shorter period as shall be acceptable to the Administrative Agent and the Required Lenders), an Officer's Certificate requesting that the Administrative Agent give such notice and setting forth the information to be stated in the notice as provided in this Section 2.10(b). The notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not each Lender receives such notice. In any case, failure to give such notice by mail or any defect in the notice to any Lender shall not affect the validity of the proceeding for the exchange of any other Loan Notes and Loan Guarantees.

(c) On or before 3:00 p.m. (New York City time) on the Exchange Date,

(i) the Borrower, the Guarantors, Intermediate and the Administrative Agent, in its capacity as trustee under the Indenture, shall enter into the Indenture relating to the Exchange Notes and the Exchange Note Guarantees with blanks appropriately completed;

(ii) the Borrower shall execute the Exchange Notes and the Guarantors and Intermediate shall execute the Exchange Note Guarantees and the trustee under the Indenture shall authenticate and transfer book-entry positions for such Exchange Notes in accordance with the terms of the Indenture to the Lenders who surrendered their Loan Notes and Loan Guarantees in accordance with the notice delivered pursuant to Section 2.10(b); and

(iii) the Administrative Agent shall have received, dated as of the Exchange Date, a Secretary's Certificate of the Borrower, the Guarantors and

Intermediate, as a guarantor under the Indenture, substantially in the form attached hereto as Exhibit I (provided, however, that such Secretary's Certificate shall only pertain to (A) the execution, delivery and performance of the Indenture, (B) the authorization, issuance, execution and delivery of the Exchange Notes and (C) the execution delivery and performance of the Exchange Note Guarantees), attaching (1) copies of organizational documents of Intermediate and any amendments to the copies of the organizational documents of the Borrower and the Guarantors delivered on the Closing Date pursuant to Section 9.02; (2) executed incumbency certificates of the officer of the Borrower, Intermediate and the Guarantors; (3) any amendments to the

copies of the resolutions of the governing body of the Borrower, Intermediate and each Guarantor approving and authorizing the Indenture delivered on the Closing Date pursuant to Section 9.02, certified by its secretary or an assistant secretary as being in full force and effect without modification or amendment; and (4) a good standing certificate from the applicable governmental authority of each of the Borrower, Intermediate and Guarantors' jurisdiction of incorporation, organization or formation, dated a recent date prior to the date on which such increase is to become effective.

(d) If the Borrower complies with the provisions of this Section 2.10, on and after the Exchange Date, whether or not such Loan Notes and Loan Guarantees are surrendered for exchange, interest shall cease to accrue on the Loan Notes.

(e) If the Exchange Date has not occurred by the date which is eighteen (18) months following the Closing Date, then the Borrower hereby agrees to pay Additional Interest (in addition to interest paid on the Loans pursuant to Section 2.06) to each Lender in an amount equal to 0.25% per annum until the occurrence of the Exchange Date. If the Exchange Date has not occurred by the date which is thirty (30) months following the Closing Date, then the Borrower hereby agrees to pay further Additional Interest (in addition to interest paid on the Loans pursuant to Section 2.06 and the immediately preceding sentence) to each Lender in an amount equal to 0.25% per annum until the occurrence of the Exchange Date. The maximum Additional Interest payable pursuant to this Section 2.10 shall not exceed 0.50% per annum. The Additional Interest shall cease to accrue and be payable on the Exchange Date. All references to interest in this Agreement shall include such applicable Additional Interest.

Section 2.11. Replacement Loan Notes.

(a) If any mutilated Loan Note is surrendered to the Administrative Agent, or the Borrower and the Administrative Agent receives evidence to their satisfaction of the destruction, loss or theft of any Loan Note, the Borrower shall issue a replacement Loan Note if the Administrative Agent's requirements are met. If required by the Administrative Agent or the Borrower, an indemnity bond must be supplied by the Lender that is sufficient in the judgment of the Administrative Agent and the Borrower to protect the Borrower and the Administrative Agent from any loss that any of them may suffer if a Loan Note is replaced. The Borrower and the Administrative Agent may charge for their expenses in replacing a Loan Note.

(b) Every replacement Loan Note is an additional obligation of the Borrower and the Guarantors and shall be entitled to all of the benefits of this Agreement equally and proportionately with all other Loan Notes duly issued hereunder.

ARTICLE 3
PREPAYMENT OF LOANS

Section 3.01. Notice of Prepayment to Administrative Agent.

If the Borrower elects to prepay Loans pursuant to the voluntary prepayment provisions of Section 3.07 hereof, it shall furnish to the Administrative Agent at least thirty (30) days but not more than sixty (60) days (unless a shorter period is acceptable to the Administrative Agent) prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Loans. Each such notice shall specify (a) the Section of this Agreement pursuant to which the prepayment shall occur, (b) the date of prepayment, (c) the principal amount of Loans to be prepaid and (d) the prepayment price. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof.

Section 3.02. Selection of Loans to be Prepaid.

(a) If less than all of the Loans are to be prepaid at any time, the Administrative Agent shall select Loans for prepayment on a *pro rata* basis**.**

(b) Loans and portions of Loans selected for prepayment shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Loans of a Lender are to be prepaid, the entire outstanding amount of Loans held by such Lender, even if not a multiple of $1,000, shall be prepaid. Except as provided in the preceding sentence, provisions of this Agreement that apply to Loans called for prepayment also apply to portions of Loans called for prepayment.

Section 3.03. Notice of Prepayment to Lenders.

(a) Subject to provisions of Section 3.09 and Section 4.12, at least thirty (30) days but not more than sixty (60) days before a before a date of prepayment, the Borrower shall mail or cause to be mailed by first class mail a notice of prepayment to each Lender whose Loans are to be prepaid at its registered address.

(b) The notice shall identify the Loans to be redeemed and shall state:

(1) the date of prepayment;

(2) the prepayment price;

(3) if any Loan is being prepaid in part, the portion of the principal amount of such Loans to be prepaid and that, after the date of prepayment, upon surrender of such Loan Note evidencing the Loans, a new Loan Note or Loan Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Loan Note;

(4) the name and address of the Administrative Agent;

(5) that Loan Notes evidencing the Loans called for prepayment must be surrendered to the Administrative Agent to collect the prepayment price;

(6) that, unless the Borrower defaults in making such redemption payment, interest on Loans called for prepayment ceases to accrue on and after the date of prepayment; and

(7) the paragraph of the Loan Notes and/or Section of this Agreement pursuant to which the Loan Notes called for prepayment are being prepaid.

(c) At the Borrower's request, the Administrative Agent shall give the notice of prepayment in the Borrower's name and at the Borrower's expense; provided, however, that the Borrower shall have delivered to the Administrative Agent, at least forty-five (45) days prior to the date of prepayment (or such shorter period as shall be acceptable to the Administrative Agent), an Officer's Certificate requesting that the Administrative Agent give such notice and setting forth the information to be stated in the notice as provided in Section 3.03(b). The notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Lender receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Lender of any Loan shall not affect the validity of the proceeding for the prepayment of any other Loan.

Section 3.04. Effect of Notice of Prepayment.

At any time prior to giving notice of prepayment to the Lenders pursuant to Section 3.03, the Borrower may withdraw, revoke or rescind any notice of prepayment delivered to the Administrative Agent without any continuing obligation to prepay the Loans. Notwithstanding the foregoing, a notice of prepayment given to the Lenders may not be conditional or subject to revocation.

Section 3.05. Deposit of Prepayment Price.

(a) On or before 10:00 a.m. (New York City time) on each date of prepayment or the date on which Loans must be accepted for prepayment pursuant to Section 4.09 or Section 4.12, the Borrower shall deposit with the Administrative Agent money sufficient to pay the prepayment price of and accrued and unpaid interest on all Loans to be prepaid on that date. The Administrative Agent shall promptly return to the Borrower any money deposited with the Administrative Agent by the Borrower in excess of the amounts necessary to pay the prepayment price of (including any applicable premium) and accrued interest on all Loans to be prepaid.

(b) If the Borrower complies with the provisions of Section 3.05(a), on and after the date of prepayment, whether or not such Loan Notes evidencing the Loans are presented for payment, interest shall cease to accrue on the Loans or the portions of Loans called for prepayment. If a Loan is prepaid on or after a record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Loan was registered at the close of business on such record date. If any Loan called for prepayment is not so paid because of the failure of the Borrower to comply with the preceding paragraph, interest

shall be paid on the unpaid principal, from the prepayment date until such principal 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 Loans and in Section 2.06 hereof.

Section 3.06. Loans Prepaid in Part.

Upon surrender of a Loan Note evidencing the Loans that is prepaid in part, the Borrower shall issue a new Loan Note equal in principal amount to the unpaid portion of the Loan Note surrendered.

Section 3.07. Voluntary Prepayment.

(a) Voluntary Prepayment.

(i) Prior to the date which is eighteen (18) months following the Closing Date, the Borrower may prepay the Loans, at its option, in whole at any time or in part from time to time at a prepayment price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon, to the date of prepayment; provided, however, the Borrower may, at its option at any time prior to such date, irrevocably elect to terminate its right to voluntarily prepay the Loans pursuant to this clause (i) by delivering a written notice to the Administrative Agent and upon delivering such notice, the Initial Call Termination Date shall be deemed to have occurred.

(ii) Commencing from the date which is the fifth anniversary of the Closing Date, the Borrower may voluntarily prepay the Loans, at its option, in whole at any time or in part from time to time, at the following prepayment prices, expressed as percentages of the principal amount thereof, plus accrued and unpaid interest thereon to the date of prepayment, if prepaid during the twelve-month period commencing on the anniversary of the Closing Date in any year set forth below:

Year	Percentage
2009	104.875%
2010	102.438%
2011	101.219%
2012 and thereafter	100.0%

(b) Voluntary Prepayment upon a Change of Control. Upon the occurrence of a Change of Control, at any time after the consummation of the Change of Control Offer in accordance with the provisions of Section 4.12 and prior to the date which is fifty-four (54) months following the Closing Date, the Borrower may prepay Loans not tendered in the Change of Control Offer, in whole at any time or in part from time to time, at the Borrower's option at a prepayment price equal to 100% of the principal amount thereof plus the excess of:

(i) the present value at such date of prepayment of (A) the prepayment price of such Loans on the date which is fifty-four (54) months following the

Closing Date (as determined pursuant to Section 3.07(a); plus (B) all required remaining scheduled interest payments due on such Loans through the date which is fifty-four (54) months following the Closing Date, other than accrued interest to such date of prepayment, computed using a discount rate equal to the Treasury Rate plus 75 basis points per annum discounted on a semi-annual bond equivalent basis; over

(ii) the principal amount of such Loans on such date of prepayment; plus

accrued and unpaid interest on such Loans to the date of prepayment. The Treasury Rate shall be calculated by the Borrower or on behalf of the Borrower by such Persons as the Borrower shall designate (and will not be a duty or obligation of the Administrative Agent) on the third Business Day preceding the date of prepayment and notice thereof shall promptly be given by the Borrower to the Administrative Agent.

(c) Voluntary Prepayment upon Equity Offerings. At any time prior to the third anniversary of the Initial Call Termination Date, the Borrower may, at its option, use the net cash proceeds of one or more Equity Offerings or a contribution to the common equity capital of the Borrower from the net proceeds of one or more Equity Offerings by a direct or indirect parent of the Borrower (in each case, other than Excluded Contributions and the net proceeds of a sale of Designated Preferred Stock) to prepay up to 40% of the aggregate principal amount of the Loans at a prepayment price equal to 109.75% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of prepayment; provided that the Borrower shall make such prepayment not more than ninety (90) days after the closing of such Equity Offering or equity contribution.

Section 3.08. Mandatory Prepayment.

Except as set forth under Section 3.09, Section 4.09 and Section 4.12 hereof, the Borrower shall not be required to make mandatory prepayments or sinking fund payments with respect to the Loans.

Section 3.09. Asset Sale Offers.

(a) In the event that the Borrower shall be required to commence an offer to all Lenders to prepay Loans pursuant to Section 4.09 hereof (an "Asset Sale Offer"), the Borrower shall follow the procedures specified below.

(b) The Asset Sale Offer shall be made to all Lenders and if the Borrower elects (or is required by the terms of other *pari passu* Indebtedness), to all holders of other Indebtedness that is *pari passu* with the Loans. The Asset Sale Offer shall remain open for a period of at least twenty (20) Business Days following its commencement and not more than thirty (30) Business Days, 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 "Prepayment Date"), the Borrower shall apply all Excess Proceeds (the "Offer Amount") to the prepayment of the Loans and such other *pari passu* Indebtedness, if any, required to be purchased pursuant to Section 4.09 hereof, on a *pro rata* basis, if applicable, or, if less than the Offer Amount has been

tendered, to all Loans and other *pari passu* Indebtedness tendered in response to the Asset Sale Offer. Payment for any Loans so prepaid shall be made pursuant to Section 2.05 hereof.

(c) If the Prepayment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Loan is registered at the close of business on such record date, and no additional interest shall be payable to Lenders who tender Loans pursuant to the Asset Sale Offer.

(d) Upon the commencement of an Asset Sale Offer, the Borrower shall send, by first class mail, a notice to the Administrative Agent and each of the Lenders, with a copy to the Administrative Agent. The notice shall contain all instructions and materials necessary to enable such Lenders to tender Loans pursuant to the Asset Sale Offer. The notice, which shall govern the terms of the Asset Sale Offer, shall describe the transaction or transactions giving rise to the Asset Sale Offer and shall state:

(i) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.09 hereof and the length of time the Asset Sale Offer shall remain open;

(ii) the Offer Amount, the prepayment price and the Prepayment Date;

(iii) that any Loan not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Borrower defaults in making such prepayment, any Loan accepted for prepayment pursuant to the Asset Sale Offer shall cease to accrue interest after the Prepayment Date;

(v) that Lenders electing to have a Loan prepaid pursuant to an Asset Sale Offer may elect to have Loans prepaid in integral multiples of $1,000 only;

(vi) that Lenders electing to have Loans prepaid pursuant to any Asset Sale Offer shall be required to surrender the Loan Notes evidencing such Loans, with the form entitled "Option of Holder to Elect Prepayment" attached to the Loan Notes completed, to the Borrower or the Administrative Agent at the address specified in the notice at least three (3) Business Days before the Prepayment Date;

(vii) that Lenders shall be entitled to withdraw their election if the Borrower or the Administrative Agent, as the case may be, receives, not later than on the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Lender, the principal amount of the Loan the Lender delivered for prepayment and a statement that such Lender is withdrawing his election to have such Loan prepaid;

(viii) that, if the aggregate principal amount of Loans and other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount,

the Borrower shall select the Loans and other *pari passu* Indebtedness to be preapid on a *pro rata* basis based on the principal amount of Loans and such other *pari passu* Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Borrower so that only Loans in denominations of $1,000, or integral multiples thereof, shall be prepaid); and

(ix) that Lenders whose Loans were prepaid only in part shall be issued new Loan Notes equal in principal amount to the unpaid portion of the Loan Notes surrendered evidencing the Loans.

(e) On the Prepayment Date, the Borrower shall, to the extent lawful, accept for prepayment, on a *pro rata* basis to the extent necessary, the Loan Notes or portions thereof evidencing the Loans tendered pursuant to the Asset Sale Offer in an aggregate principal amount up to and including the Offer Amount, or if less than the Offer Amount has been tendered, all Loan Notes evidencing the Loans that have been tendered and shall deliver or cause to be delivered to the Administrative Agent the Loan Notes evidencing the Loans properly accepted, together with an Officer's Certificate stating that such Loan Notes evidencing the Loans or portions thereof were accepted for prepayment by the Borrower in accordance with the terms of this Section 3.09. The Borrower shall promptly (but in any case not later than five (5) Business Days after the Prepayment Date) mail or deliver to each tendering Lender an amount equal to the prepayment price of the Loans tendered by such Lender and accepted by the Borrower for prepayment, and the Borrower shall promptly issue a new Loan Note, and the Administrative Agent, upon written request from the Borrower, shall mail or deliver such new Loan Note to such Lender, in principal amount equal to any unpaid portion of the Loan Notes surrendered. Any Loan Note not so accepted by the Borrower shall be promptly mailed or delivered by the Borrower to such Lender. The Borrower shall publicly announce the results of the Asset Sale Offer on the Prepayment Date.

(f) Other than as specifically provided in this Section 3.09, any prepayment by the Borrower pursuant to this Section 3.09 shall be made pursuant to the provisions of Section 3.01, Section 3.02, Section 3.05 and Section 3.06 hereof.

ARTICLE 4
COVENANTS

Section 4.01. Maintenance of Office or Agency.

(a) The Borrower shall maintain in the Borough of Manhattan, the City of New York an office or agency (which may be an office of the Administrative Agent or an Affiliate of the Administrative Agent) where the Loan Notes evidencing the Loans may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Borrower in respect of the Loans and this Agreement may be served. The Borrower shall give prompt written notice to the Administrative Agent of the location, and any change in the location, of such office or agency. If at any time the Borrower shall fail to maintain any such required office or agency or shall fail to furnish the Administrative Agent with the address thereof, such

presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Administrative Agent.

(b) The Borrower may also from time to time designate one or more other offices or agencies where the Loans 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 Borrower of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Borrower shall give prompt written notice to the Administrative Agent of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.02. Commission Reports.

(a) Whether or not required by the rules and regulations of the Commission, so long as any Loans are outstanding, the Borrower shall be required to file with the Commission and shall furnish to the Lenders (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, 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 Borrower and its consolidated Subsidiaries and, with respect to the annual information only, a report on the Borrower's consolidated financial statements by the Borrower's certified independent accountants and (ii) all current reports on Form 8-K, in each case within the time periods set forth in the Commission's rules and regulations.

(b) In addition, the Borrower and the Guarantors have agreed that, for so long as any Loans remain outstanding, at any time when the Borrower is not current in its reporting obligations or the Commission does not accept such filings provided for in Section 4.02(a), they shall furnish to the Lenders 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 Lenders shall be filed with the Administrative Agent and mailed to the Lenders at their addresses appearing in the Register maintained by the Administrative Agent, within ninety (90) days after the end of the Borrower's fiscal years and within forty-five (45) days after the end of each of the first three quarters of each such fiscal year.

(c) The Borrower shall provide the Administrative Agent with a sufficient number of copies of all reports and other documents and information and, if requested by the Borrower and at the Borrower's expense, the Administrative Agent will deliver such reports to the Lenders under this Section 4.02.

(d) Notwithstanding the foregoing, the availability of the foregoing materials on either the Commission's Electronic Data Gathering, Analysis and Retrieval System (or any successor system) or on the Borrower's website, as the case may be, will be deemed to satisfy the Borrower's delivery obligations.

Section 4.03. Compliance Certificate.

(a) The Borrower and each Guarantor shall deliver to the Administrative Agent, within 105 days after the end of each fiscal year, an Officer's Certificate stating that a review of the activities of the Borrower, and the Borrower's 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 Agreement, 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 Agreement and is not in default in the performance or observance of any of the terms, provisions and conditions of this Agreement (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 Borrower 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 interest on the Loans is prohibited or if such event has occurred, a description of the event and what action the Borrower is taking or proposes to take with respect thereto.

(b) The Borrower shall, so long as any of the Loans are outstanding, deliver to the Administrative Agent, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Borrower is taking or proposes to take with respect thereto.

Section 4.04. Taxes.

The Borrower 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 or where the failure to effect such payment is not adverse in any material respect to the Lenders.

Section 4.05. Stay, Extension and Usury Laws.

The Borrower and the Guarantors covenant (to the extent that they may lawfully do so) that they 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 Agreement; and the Borrower and the Guarantors (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Administrative Agent, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.06. Restricted Payments.

(a) The Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly take any of the following actions (each, a "Restricted Payment"):

(i) declare or pay any dividend or make any other payment or distribution on account of the Borrower's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Borrower or any of its Restricted Subsidiaries), other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Borrower or dividends or distributions payable to the Borrower or any Wholly Owned Subsidiary of the Borrower or payments of cash interest on Subordinated Shareholder Funding;

(ii) purchase, redeem, retire or otherwise acquire for value (including, without limitation, in connection with any merger or consolidation involving the Borrower) any Equity Interests or Subordinated Shareholder Funding of the Borrower held by any Person (other than a Restricted Subsidiary) including in connection with any merger or consolidation and including the exercise of any option to exchange any Equity Interests (other than into Equity Interests of the Borrower that do not constitute Disqualified Stock);

(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 Loans or Loan Guarantees (excluding any intercompany Indebtedness between or among the Borrower and any of its Restricted Subsidiaries), except (A) a payment of interest or principal at the Stated Maturity thereof or (B) the purchase, repurchase or other acquisition of any such subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or payment at final maturity, in each case within one year of the date of acquisition; or

(iv) make any Restricted Investment, 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 of such Restricted Payment;

(B) the Borrower would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a); and

(C) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Borrower and its Restricted Subsidiaries after the Effective Date (excluding Restricted Payments permitted by clauses (ii), (iii), (iv), (v), (vi), (vii), (viii),

(ix), (x), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix), (xx), (xxi), (xxii), (xxiii) and (xxiv) of Section 4.06(b)), is less than the sum (without duplication) of:

(1) 50% of the Consolidated Net Income of the Borrower for the period (taken as one accounting period) from the beginning of the fiscal quarter which includes the Effective Date to the end of the Borrower'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 loss, less 100% of such loss), plus

(2) 100% of the aggregate Qualified Proceeds received by the Borrower since the Effective Date as a contribution to its common equity or from the issue or sale of Equity Interests of the Borrower (other than Disqualified Stock, Excluded Contributions and the net proceeds from a sale of Designated Preferred Stock) or from Subordinated Shareholder Funding (to the extent not designated as an Excluded Contribution) subsequent to the Effective Date or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Borrower that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Borrower), plus

(3) 100% of the aggregate Qualified Proceeds from (x) the sale or other disposition (other than to the Borrower or a Restricted Subsidiary) of any Restricted Investment that was made after the Effective Date and (y) repurchases, redemptions and repayments of such Restricted Investments and the receipt of any dividends or distributions from such Restricted Investments, plus

(4) to the extent that any Unrestricted Subsidiary of the Borrower designated as such after the Effective Date is redesignated as a Restricted Subsidiary after the Effective Date, the Fair Market Value of the Borrower's Investment in such Subsidiary as of the date of such redesignation, plus

(5) in the event the Borrower and/or any Restricted Subsidiary of the Borrower makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary of the Borrower, an amount equal to the existing Investment of the Borrower and/or any of its Restricted Subsidiaries in such Person that was previously treated as a Restricted Payment, plus

(6) (A) $10.0 million prior to the date which is eighteen (18) months following the Closing Date and (B) thereafter, $25.0 million.

(b) The provisions of paragraph (a) above of this Section 4.06 will not prohibit:

(i) the payment of any dividend or other distribution or the consummation of any irrevocable prepayment within sixty (60) days after the date of declaration of the dividend or giving of the prepayment notice, as the case may be, if at the date of declaration or notice, the dividend or prepayment would have complied with the provisions of this Agreement;

(ii) the making of any Restricted Payment in exchange for, or out of net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Borrower) of, Equity Interests of the Borrower (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Borrower, provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of Section 4.06(a)(iv);

(iii) the defeasance, redemption, repurchase, retirement or other acquisition for value of any Indebtedness of the Borrower or any Guarantor that is contractually subordinated to the Loans or any Loan Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(iv) the declaration and payment of any regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Borrower or any Restricted Subsidiary of the Borrower issued on or after the Effective Date in accordance with the provisions of Section 4.08;

(v) the repurchase, redemption or other acquisition or retirement for value of Disqualified Stock of the Borrower or any Restricted Subsidiary of the Borrower made by exchange for, or out of the proceeds of the substantially concurrent sale of Replacement Preferred Stock that is permitted to be incurred in accordance with the provisions of Section 4.08;

(vi) the payment of any dividend or other distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued by the Borrower after the Effective Date;

(vii) the payment of any dividend (or any similar distribution) by a Restricted Subsidiary of the Borrower to the holders of its Equity Interests on a *pro rata* basis;

(viii) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Borrower or any Restricted Subsidiary of the Borrower, held by any current or former officer, director, employee or consultant of the Borrower or any of its Restricted Subsidiaries, and any dividend payment or other distribution by the Borrower or any of its Restricted Subsidiaries to a direct or indirect parent holding company of the Borrower utilized for the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of such direct or indirect

parent holding company held by any current or former officer, director, employee or consultant of the Borrower or any of its Restricted Subsidiaries, in each case, pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement or benefit plan of any kind; provided that the aggregate price paid for all such repurchased,

redeemed, acquired or retired Equity Interests may not exceed $7.5 million in any fiscal year (it being understood, however, that any unused amounts permitted to be paid pursuant to this clause are available to be carried over to subsequent fiscal years); provided, however, notwithstanding clause (C) of Section 4.06(a)(iv), the amount of any such Restricted Payments made prior to the Initial Call Termination Date will be included in the calculation of the amount of Restricted Payments; provided, further, that such amount in any fiscal year may be increased by an amount not to exceed:

(A) the cash proceeds from the sale of Equity Interests of the Borrower and, to the extent contributed to the Borrower as common equity capital, Equity Interests of the Borrower's direct or indirect parent entities, in each case to members of management, directors or consultants of the Borrower, and any of its Subsidiaries or any of its direct or indirect parent entities that occurs after the Effective Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (C)(ii) of Section 4.06(a)(iv), and excluding Excluded Contributions, plus

(B) the cash proceeds of key man life insurance policies received by the Borrower and its Restricted Subsidiaries after the Effective Date; provided, however, such proceeds are used to repurchase, redeem, acquire or retire for value Equity Interests of the Borrower or any of its Restricted Subsidiaries held by (1) the estate, executors, administrators, testamentary trustees, legatees or beneficiaries of any such officer, director, employee or consultant of the Borrower or any of its Restricted Subsidiaries or (2) any trust or custodianship a beneficiary of which was such officer, director, employee or consultant of the Borrower or any of its Restricted Subsidiaries or any such Person's spouse or lineal descendants (by blood or adoption), less

(C) the amount of any Restricted Payments previously made pursuant to clauses (A) and (B) of this clause (viii);

and provided, further, that cancellation of Indebtedness owing to the Borrower from members of management, directors or consultants of the Borrower or any of its Restricted Subsidiaries, or any direct or indirect parent holding company of the Borrower, in connection with a repurchase of Equity Interests of the Borrower or any direct or indirect parent holding

company of the Borrower shall not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of this Agreement;

(ix) the repurchase of Equity Interests deemed to occur upon the exercise of options, rights or warrants to the extent such Equity Interests represent a portion of the exercise price of those options, rights or warrants;

(x) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Borrower or any Guarantor that is contractually subordinated to the Loans or to the Loan Guarantees with any Excess Proceeds that remain after consummation of an Asset Sale Offer;

(xi) so long as no Default has occurred and is continuing or would be caused thereby, after the occurrence of a Change of Control and within sixty (60) days after the completion of the offer to prepay the Loans pursuant to Section 4.12 of this Agreement (including the prepayment of the Loans tendered), any prepayment of Indebtedness that is contractually subordinated to the Loans or to the Loan Guarantees required pursuant to the terms thereof as a result of such Change of Control at a prepayment price not to exceed 101% of the outstanding principal amount or accreted value thereof, plus any accrued and unpaid interest; provided, however, that the Borrower would be able to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a) after giving *pro forma* effect to such Restricted Payment;

(xii) cash payments in lieu of fractional shares issuable as dividends on preferred stock or upon the conversion of any convertible debt securities of the Borrower or any of its Restricted Subsidiaries;

(xiii) so long as no Default has occurred and is continuing or would be caused thereby, the payment:

(A) by the Borrower or any Restricted Subsidiary of the Borrower to any direct or indirect parent of the Borrower, which payment is used by the Person receiving such payment, following the first initial public offering of common Equity Interests by such Person, to pay dividends of up to 6% per annum of the net proceeds received by such Person in such public offering that are contributed to the Borrower as common equity capital, or

(B) by the Borrower, following the first initial public offering of common Equity Interests by the Borrower, to pay dividends of up to 6% per annum of the net proceeds received by the Borrower in such public offering,

(excluding, in the case of both clause (A) and clause (B), public offerings of common Equity Interests registered on Form S-8 and any other public sale to the extent the proceeds thereof are Excluded Contributions);

(xiv) Investments that are made with Excluded Contributions;

(xv) Distributions or payments of Receivables Fees;

(xvi) so long as no Default or Event of Default will have occurred and be continuing, payments required to be made under the Tax Sharing Agreement;

(xvii) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends or the making of loans or advances to a direct or indirect parent of the Borrower not to exceed $1.0 million in any fiscal year for costs and expenses incurred by such direct or indirect parent of the Borrower in its capacity as a holding company or for services rendered by such direct or indirect parent of the Borrower on behalf of the Borrower;

(xviii) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Borrower in order to enable such direct or indirect parent of the Borrower to make payments of interest required to be made in respect of the Existing Debentures in accordance with the terms thereof in effect on the Effective Date;

(xix) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Borrower in order to enable such direct or indirect parent of the Borrower to defease, redeem, repurchase or retire the Existing Debentures;

(xx) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Borrower in order to enable such direct or indirect parent of the Borrower to make payments of interest required to be made in respect of the Senior Discount Contingent Principal Notes;

(xxi) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Borrower in order to enable such direct or indirect parent of the Borrower to defease, redeem, repurchase or retire the Senior Discount Contingent Principal Notes;

(xxii) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Borrower, from Net Cash Proceeds from Asset Sales remaining after the application thereof as required by the provisions of Section 4.09

(including after making any Asset Sale Offer required to be made pursuant to Section 4.09 and the application of the entire Offer Amount to prepay all Loan Notes tendered pursuant to such Asset Sale Offer) in an aggregate principal amount not to exceed $25.0 million;

(xxiii) payments of cash dividends to any direct or indirect parent of the Borrower in order to pay any out-of-pocket expenses or charges for such period relating to any offering of Equity Interests by any direct or indirect parent of the Borrower, any Asset Sale, Investment or merger, recapitalization or acquisition transactions made by any direct or indirect parent of the Borrower, or any Indebtedness incurred by any direct or indirect parent of the Borrower (in each case, whether or not successful); and

(xxiv) purchases of shares of Capital Stock for contribution to an employee stock ownership plan of the Borrower or the direct or indirect parent company of the Borrower not in excess of (A) $5.0 million in the aggregate prior to the Initial Call Termination Date and (B) thereafter, $15.0 million in the aggregate.

(c) 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 Borrower 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 Section 4.06(a). 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.

(d) The amount of 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 Borrower or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by Section 4.06 shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Administrative Agent.

For purposes of determining compliance with the provisions of this Section 4.06, in the event that a Restricted Payment meets the criteria of more than one of the types of Restricted Payments described in clauses (i) through (xxiv) above or is entitled to be made pursuant to Section 4.06(a), the Borrower may, in its sole discretion, classify such Restricted Payment on the date of such Restricted Payment or later reclassify all or a portion of such Restricted Payment, in any manner that complies with this covenant. Restricted Payments permitted by this Section 4.06 need not be permitted solely by reference to one provision permitting such Restricted

Payments but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Restricted Payments.

Section 4.07. Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries.

The Borrower 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 consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) (1) pay dividends or make any other distributions to the Borrower or any of its Restricted Subsidiaries on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits or (2) pay any Indebtedness owed to the Borrower or any of its Restricted Subsidiaries;

(b) make loans or advances to the Borrower or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to the Borrower or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of:

(i) agreements governing Existing Indebtedness and Credit Facilities as in effect on the Effective Date, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to dividend and other payment restrictions contained in those agreements on the Effective Date;

(ii) the Agreement, the Loans and the Loan Guarantees;

(iii) applicable law or any applicable rule, regulation, order or governmental permit or concession;

(iv) any agreement or instrument governing Indebtedness or Capital Stock of a Restricted Subsidiary acquired by the Borrower 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 or any of its Subsidiaries, so acquired, provided that in the case of Indebtedness, such Indebtedness was permitted by the terms of this Agreement to be incurred;

(v) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(vi) customary restrictions in leases (including capital leases), security agreements or mortgages or other purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property purchased or leased of the nature described in clause (c) above;

(vii) any Purchase Money Note, or other Indebtedness or contractual requirements incurred with respect to a Qualified Receivables Transaction relating to a Receivables Subsidiary;

(viii) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(ix) any agreement for the sale or other disposition of all or substantially all the Capital Stock or the assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(x) Liens permitted to be incurred under the provisions of Section 4.11 that limit the right of the debtor to dispose of the assets subject to such Liens;

(xi) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements, which limitation is applicable only to the assets that are the subject of such agreements;

(xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(xiii) customary provisions imposed on the transfer of copyrighted or patented materials;

(xiv) customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Borrower or any Restricted Subsidiary;

(xv) contracts entered into in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Borrower or any Restricted Subsidiary of the Borrower in any manner material to the Borrower or any Restricted Subsidiary of the Borrower; and

(xvi) restrictions on the transfer of property or assets required by any regulatory authority having jurisdiction over the Borrower or any Restricted Subsidiary of the Borrower or any of their businesses.

Section 4.08. Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) Except as otherwise provided in this Section 4.08, the Borrower 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 the Borrower shall not issue any Disqualified Stock and shall not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Borrower or any of its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue shares of Disqualified Stock or preferred stock if the Fixed Charge Coverage Ratio for the Borrower'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 or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom as determined in good faith by the chief financial officer of the Borrower in an Officer's Certificate), as if the additional Indebtedness had been incurred, or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

(b) Except as otherwise provided in Section 4.08(c), the provisions of Section 4.08(a) will not apply to the incurrence of any of the following items of Indebtedness or the issuance of any of the following items of Disqualified Stock or preferred stock (collectively, "Permitted Debt"):

(i) the incurrence by the Borrower and/or its Restricted Subsidiaries (and the Guarantee thereof by the Guarantors and the Non-Guarantor Subsidiaries) of Indebtedness under the 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 Borrower 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 (A) an amount equal to $250.0 million prior to the Initial Call Termination Date and thereafter (B) the greater of (x) $250.0 million and (y) 85% of the total tangible assets of the Borrower and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal quarter prior to such incurrence, as determined in accordance with GAAP, in each case, less the aggregate principal amount of all principal payments thereunder constituting permanent reductions of such Indebtedness pursuant to and in accordance with Section 4.09.

(ii) the incurrence by the Borrower and those Restricted Subsidiaries that are Guarantors of Indebtedness in respect of the Loans, replacement Loans, if any, and the Loan Guarantees and upon the occurrence of the Exchange Triggering Event, in respect of Indebtedness under the Indenture (including the Exchange Notes and Exchange Note Guarantees);

(iii) the incurrence by the Borrower or any of its Restricted Subsidiaries of Indebtedness (including Capital Lease Obligations, mortgage financings, Attributable Debt arising out of sale and leaseback transactions or purchase money obligations), Disqualified Stock or preferred stock, in each case (A) incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, lease, installation or improvements of property, plant or equipment used or useful in the business of the Borrower or such Restricted Subsidiary or (B) otherwise constituting Attributable Debt arising out of sale and leaseback transactions in an aggregate principal amount not to exceed (A) $20.0 million at any time outstanding prior to the Initial Call Termination Date and (B) thereafter, $30.0 million at any time outstanding;

(iv) the incurrence by the Borrower and its Restricted Subsidiaries of Existing Indebtedness;

(v) the incurrence by the Borrower or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness or Replacement Preferred Stock in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) or any Disqualified Stock or preferred stock that was permitted by this Agreement to exist or be incurred;

(vi) the incurrence by the Borrower or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Borrower and any of its Restricted Subsidiaries; provided, however, that (1) if the Borrower or any Restricted Subsidiary that is a Guarantor is the obligor on such Indebtedness and the payee is not the Borrower or such Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Loans, in the case of the Borrower, or Loan Guarantees, in the case of such Guarantor, and (2) (x) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Borrower or a Restricted Subsidiary of the Borrower and (y) any sale or other transfer of any such Indebtedness to a Person that is not either the Borrower or a Restricted Subsidiary of the Borrower shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Borrower or such Restricted Subsidiary, as the case may be, which new incurrence is not permitted by this clause (vi);

(vii) the issuance by any of the Borrower's Restricted Subsidiaries to the Borrower or to any of its Restricted Subsidiaries of shares of preferred stock; provided, however, that (1) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Borrower or a Restricted Subsidiary of the Borrower and (2) any sale or other transfer of any such preferred stock to a Person that is not either the Borrower or a Restricted Subsidiary of the Borrower

will be deemed, in each case, to constitute a new issuance of such preferred stock by such Restricted Subsidiary, which new issuance is not permitted by this clause (vii);

(viii) the incurrence by the Borrower or any of the Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(ix) the guarantee: (1) by the Borrower or any Restricted Subsidiary of the Borrower of Indebtedness of the Borrower or any Restricted Subsidiary of the Borrower that was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Loans, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed and (2) by any Non-Guarantor Subsidiary of Indebtedness of a Non-Guarantor Subsidiary;

(x) the incurrence by the Borrower or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, letters of credit, performance, surety bonds, appeal bonds or other similar bonds and completion guarantees provided by the Borrower or a Restricted Subsidiary in the ordinary course of business;

(xi) 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 (5) Business Days of incurrence;

(xii) the incurrence of Indebtedness arising from Guarantees of Indebtedness of the Borrower or any Restricted Subsidiary or the agreements of the Borrower or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, holdback, contingency payment obligations or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of the Borrower or any Restricted Subsidiary; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Borrower and its Restricted Subsidiaries in connection with such disposition;

(xiii) the incurrence of Indebtedness resulting from endorsements of negotiable instruments for collection in the ordinary course of business;

(xiv) Indebtedness (which may include Disqualified Stock or preferred stock) of Persons that are acquired by the Borrower or any Restricted Subsidiary (including by way of merger or consolidation) in accordance with the terms of this Agreement; provided that such Indebtedness, Disqualified

Stock or preferred stock is not incurred in contemplation of such acquisition or merger; and provided, further, that after giving effect to such acquisition or merger, either (A) the Borrower would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio; or (B) the Borrower's Fixed Charge Coverage Ratio after giving *pro forma* effect to such acquisition or merger would be greater than the Borrower's actual Fixed Charge Coverage Ratio immediately prior to such acquisition or merger;

(xv) Indebtedness of the Borrower or a Restricted Subsidiary in respect of netting services, overdraft protection and otherwise in connection with deposit accounts; provided that such Indebtedness remains outstanding for ten (10) Business Days or less;

(xvi) the incurrence by a Receivables Subsidiary of Indebtedness in a Qualified Receivables Transaction;

(xvii) the incurrence by the Borrower of Additional Loans and Additional Loan Notes evidencing such Additional Loans pursuant to Section 2.02 and Section 2.04;

(xviii) the incurrence by the Borrower of Indebtedness consisting of Subordinated Shareholder Funding; and

(xix) the incurrence or issuance by the Borrower or any Restricted Subsidiary of additional Indebtedness, Disqualified Stock or preferred stock in an aggregate principal amount (or accreted value or liquidation preference, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness and all Replacement Preferred Stock incurred to renew, refund, refinance, replace, defease or discharge any such Indebtedness, Disqualified Stock and preferred stock incurred or issued pursuant to this clause (xix), not to exceed (A) $15.0 million prior to the Initial Call Termination Date and (B) thereafter, $40.0 million.

(c) Notwithstanding the provisions of Section 4.08(a) and (b), prior to the date which is eighteen (18) months following the Closing Date, neither the Borrower nor any Restricted Subsidiary of the Borrower shall incur any Senior Debt if, at the time of the incurrence of such Senior Debt, the Borrower's Consolidated Total Indebtedness to Consolidated Cash Flow Ratio (after giving *pro forma* effect thereto) would have been greater than 3.75 to 1.00; provided, however, that this Section 4.08(c) shall not apply to:

(i) the incurrence by the Company or any Restricted Subsidiary of the Company of Senior Debt otherwise permitted to be incurred under the Congress Credit Facility; and

(ii) the incurrence by the Company or any Restricted Subsidiary of the Company of Indebtedness otherwise permitted to be incurred under clause (viii), (ix), (x), (xi), (xii), (xiii), (xv) or (xvi) of Section 4.08(b).

(d) Notwithstanding the provisions of Section 4.08(a), prior to the Initial Call Termination Date, neither the Borrower nor any Restricted Subsidiary of the Borrower shall incur any Indebtedness permitted to be incurred pursuant to Section 4.08(a) if, at the time of the incurrence of such Indebtedness, the Borrower's Consolidated Total Indebtedness to Consolidated Cash Flow Ratio (after giving a *pro forma* effect thereto) would have been greater than 3.75 to 1.00.

(e) 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 (xix) above or is entitled to be incurred pursuant to Section 4.08(a), the Borrower may, in its sole discretion, classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. Indebtedness permitted by this Section 4.08 need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such clause and in part by one or more other provisions of this Section 4.08 permitting such Indebtedness. The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any Guarantee, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this Section 4.08; provided that, in each such case, the amount thereof is included in Fixed Charges of the Borrower as accrued (other than the reclassification of preferred stock as Indebtedness due to a change in accounting principles).

(f) The amount of any Indebtedness outstanding on any date will be (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of (x) the Fair Market Value of such assets at the date of determination and (y) the amount of the Indebtedness of the other Person.

Section 4.09. Asset Sales.

(a) The Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) the Borrower (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(ii) at least 75% of the consideration received in the Asset Sale by the Borrower or such Restricted Subsidiary is in the form of cash. For

purposes of this provision, each of the following shall be deemed to be cash:

(A) Cash Equivalents;

(B) any liabilities, as shown on the Borrower's most recent consolidated balance sheet, of the Borrower or any Restricted Subsidiary of the Borrower (other than contingent liabilities and liabilities that are by their terms subordinated to the Loans or the Loan Guarantees) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Borrower or such Restricted Subsidiary from further liability;

(C) any securities, notes or other obligations received by the Borrower or any such Restricted Subsidiary from such transferee that are converted by the Borrower or such Restricted Subsidiary into cash within 180 days of receipt, to the extent of the cash received in that conversion;

(D) any Designated Noncash Consideration the Fair Market Value of which, when taken together with all other Designated Noncash Consideration received pursuant to this clause (D) (and not subsequently converted into Cash Equivalents that are treated as Net Proceeds of an Asset Sale) does not exceed $15.0 million since the Effective Date, with the Fair Market Value of each item of Designated Noncash Consideration being measured at the time received and without giving effect to subsequent changes in value; and

(E) any stock or assets of the kind referred to in clauses (ii) or (iv) of Section 4.09(b) hereof.

(b) Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Borrower (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds at its option:

(i) to repay Senior Debt and if the Senior Debt repaid is revolving credit Indebtedness, to (A) correspondingly reduce commitments with respect thereto or (B) acquire Additional Assets;

(ii) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Borrower;

(iii) to buy out or purchase a release from lease obligations on existing retail stores or distribution centers;

(iv) to make a capital expenditure; or

(v) to acquire Additional Assets.

Pending the final application of any Net Proceeds, the Borrower may temporarily reduce revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by this Agreement.

(c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.09(b) hereof shall constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $15.0 million, within ten (10) Business Days thereof, the Borrower shall make an Asset Sale Offer to all Lenders and if the Borrower elects (or is required by the terms of such other *pari passu* Indebtedness), all holders of other Indebtedness that is *pari passu* with the Loans. The offer price in any Asset Sale Offer shall be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of prepayment (or, in respect of any *pari passu* Indebtedness, such lesser price, if any, as may be provided for by its terms), and shall be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Borrower may use such Excess Proceeds for any purpose not otherwise prohibited by this Agreement. If the aggregate principal amount of Loans and such other *pari passu* Indebtedness tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Administrative Agent shall select the Loans and such other *pari passu* Indebtedness to be prepaid on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

Section 4.10. Transactions with Affiliates.

(a) The Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to, 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 of the Borrower involving aggregate consideration in excess of $5.0 million (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that, taken as a whole, are not materially less favorable to the Borrower or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Borrower or such Restricted Subsidiary with an unrelated Person and (ii) the Borrower delivers to the Administrative Agent (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the Board of Directors of the Borrower and (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion as to the fairness to Borrower or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

(b) The following items shall not be deemed to be Affiliate Transactions and, therefore, shall not be subject to the provisions of Section 4.10(a):

(i) transactions with customers, suppliers, contractors, joint venture partners or purchasers or sellers 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 Agreement, which are fair to the Borrower, in the reasonable determination of the Board of Directors of the Borrower or the senior management of the Borrower and are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(ii) any employment agreement, stock option or other compensation agreement or employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business and payments or the issuance of securities thereunder;

(iii) transactions between or among the Borrower and/or its Restricted Subsidiaries;

(iv) transactions with a Person (other than an Unrestricted Subsidiary of the Borrower) that is an Affiliate of the Borrower solely because the Borrower owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(v) payment of reasonable directors' fees;

(vi) any issuance of Equity Interests (other than Disqualified Stock) of the Borrower to Affiliates of the Borrower;

(vii) loans (or cancellation of loans) or advances to employees in the ordinary course of business;

(viii) 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;

(ix) Permitted Investments or Restricted Payments that do not violate the provisions of Section 4.06;

(x) the existence of, or the performance by the Borrower or any Restricted Subsidiary of their obligations under the terms of, any stockholders agreement, partnership agreement or limited liability company agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a part as of the Effective Date and any similar agreements which it may enter into thereafter; provided, however, that the existence of, or the performance by the Borrower or any Restricted

Subsidiary of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Effective Date will only be permitted by this clause (x) to the extent that the terms of any such amendment or new agreement, taken as a whole, are not materially disadvantageous to the Lenders, as determined in good faith by the Board of Directors of the Borrower or the senior management of the Borrower;

(xi) any management, financial advisory, financing, underwriting or placement services or any other investment banking, banking or similar services involving the Borrower and any of its Restricted Subsidiaries (including, without limitation, any payments in cash, Equity Interests or other consideration made by the Borrower or any of its Restricted Subsidiaries in connection therewith) on the one hand and the Permitted Holders on the other hand, which services (and payments and other transactions in connection therewith) are approved by a majority of the members of the Board of Directors of the Borrower in good faith;

(xii) the issuance of Equity Interests (other than Disqualified Stock) in the Borrower or any Restricted Subsidiary for compensation purposes;

(xiii) the issuance of any Subordinated Shareholder Funding;

(xiv) intellectual property licenses between or among the Borrower and/or any Subsidiary of the Borrower in the ordinary course of business;

(xv) tax sharing arrangements (including the Tax Sharing Agreement);

(xvi) the issuance or sale of any Capital Stock by the Borrower; and

(xvii) Existing Indebtedness and any other obligations pursuant to an agreement existing on the Effective Date, including any amendment thereto (so long as such amendment is not disadvantageous to the Lenders in any material respect).

Section 4.11. Liens.

The Borrower shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien against or upon any of the Collateral or any proceeds therefrom or assign or convey any right to receive income therefrom for purposes of security, except Collateral Permitted Liens.

Section 4.12. Offer to Prepay Upon a Change of Control.

(a) Upon the occurrence of a Change of Control and subject to Section 3.07(c), each Lender shall have the right to require the Borrower to make an offer (the "Change of Control Offer") to prepay all or any part (equal to $1,000 or any integral multiple thereof) of such Lender's Loans at a prepayment price equal to 101% of the principal amount thereof, plus

accrued and unpaid interest on the Loans prepaid, if any, to the date of prepayment subject to the rights of the Lenders on the relevant record date to receive interest due on the relevant interest payment date (the "Change of Control Payment"). Within thirty (30) days following any Change of Control, the Borrower shall mail, by first class mail, a notice to each Lender, with a copy to the Administrative Agent, describing the transaction or transactions that constitute the Change of Control and stating:

(i) that the Change of Control Offer is being made pursuant to this Section 4.12 and that all Loan Notes tendered shall be accepted for payment;

(ii) the prepayment price and the date of prepayment, which shall be no earlier than thirty (30) days and no later than sixty (60) days from the date such notice is mailed (the "Change of Control Payment Date");

(iii) that any Loan Note not tendered shall continue to accrue interest;

(iv) that, unless the Borrower defaults in making the Change of Control Payment, all Loan Notes accepted for prepayment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(v) that Lenders electing to have any Loan Notes prepaid pursuant to a Change of Control Offer shall be required to surrender the Loan Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Loan Notes completed, to the Administrative Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(vi) that Lenders shall be entitled to withdraw their election if the Administrative Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Lender, the principal amount of Loan Notes evidencing the Loans delivered for prepayment, and a statement that such Lender is withdrawing his election to have the Loan Notes prepaid;

(vii) that Lenders whose Loan Notes are being prepaid only in part shall be issued new Loan Notes equal in principal amount to the unpaid portion of the Loan Notes surrendered, which unpaid portion must be equal to $1,000 in principal amount or an integral multiple thereof; and

(viii) that Lenders electing to have a Loan Note prepaid pursuant to a Change of Control Offer may elect to have Loan Notes prepaid in integral multiples of $1,000 only.

(b) On the Change of Control Payment Date, the Borrower shall, to the extent lawful,

(i) accept for prepayment all Loans or portions thereof properly tendered pursuant to the Change of Control Offer,

(ii) deposit with the Administrative Agent an amount equal to the Change of Control Payment in respect of all Loans or portions thereof properly tendered, and

(iii) deliver or cause to be delivered to the Administrative Agent the Loans so accepted, together with an Officer's Certificate stating the aggregate principal amount of Loans or portions thereof being prepaid by the Borrower.

(c) The Administrative Agent will promptly mail to each Lender who properly tendered their Loans, the Change of Control Payment for such Loans, and the Administrative Agent shall promptly mail to each Lender a new Loan Note equal in principal amount to any unpaid portion of the Loans surrendered, if any. The Borrower shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) Prior to complying with any of the provisions of this Section 4.12, but in any event within ninety (90) days following a Change of Control, the Borrower shall either repay all of its outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing its outstanding Senior Debt to permit the repayment of Loans required by this Section 4.12.

(e) The Change of Control provisions described above will be applicable whether or not any other provisions of this Agreement are applicable. Except as described above with respect to a Change of Control, this Agreement does not contain provisions that permit the Lenders to require that the Borrower prepay the Loans in the event of a takeover, recapitalization, leveraged buy out or similar transaction which is not a Change of Control.

(f) Notwithstanding anything to the contrary contained in this Section 4.12, the Borrower shall not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements in this Section 4.12 and prepays all Loans validly tendered and not withdrawn under the Change of Control Offer or (ii) notice of voluntary prepayment has been given pursuant to Section 3.07 hereof, unless and until there is a Default in payment of the applicable prepayment price.

Section 4.13. Corporate Existence.

Subject to Section 4.12 and Article 5 hereof, as the case may be, the Borrower 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 Restricted Subsidiaries in accordance with the respective organizational documents (as the same may be amended from time to time) of the Borrower or any such Restricted Subsidiary and the rights (charter and statutory), licenses and franchises of the Borrower and its Restricted Subsidiaries; provided that the Borrower shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Restricted Subsidiaries, if the Board of Directors of the Borrower shall determine that the preservation thereof is no longer desirable in

the conduct of the business of the Borrower and its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Lenders.

Section 4.14. Business Activities.

The Borrower shall not, and shall not permit any Restricted Subsidiary to engage in any business other than Permitted Businesses, except to such extent as would not be material to the Borrower and its Restricted Subsidiaries taken as a whole.

Section 4.15. No Layering of Debt.

Notwithstanding the provisions of Section 4.08 hereof, (a) the Borrower shall not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to any Senior Debt and senior in any respect in right of payment to the Loans and (b) no Guarantor shall incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to Senior Debt of such Guarantor and senior in any respect in right of payment to such Guarantor's Loan Guarantee. No such Indebtedness will be considered to be senior by virtue of being secured on a first or junior priority basis and Indebtedness that is not guaranteed by a particular Person shall not be deemed to be subordinate or junior to Indebtedness that is so guaranteed solely because it is not so guaranteed.

Section 4.16. Additional Loan Guarantees.

If (a) the Borrower or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the date of this Agreement that guarantees Indebtedness under the Congress Credit Facility or (b) any Subsidiary of the Borrower or any of its Restricted Subsidiaries existing as of the date hereof becomes a guarantor of Indebtedness under the Congress Credit Facility, then such newly acquired or created Subsidiary or such Subsidiary guarantor of Indebtedness under the Congress Credit Facility, as the case may be, shall become a Guarantor and execute a Loan Guarantee, the form of which is attached as Exhibit B, pursuant to a Supplemental Senior Subordinated Loan Agreement (the form of which is attached as Exhibit D) and deliver an Opinion of Counsel in form and substance satisfactory to the Administrative Agent within thirty (30) Business Days of the date on which it was acquired or created.

ARTICLE 5
SUCCESSORS

Section 5.01. Merger, Consolidation of Sale of Assets.

(a) The Borrower shall not consolidate or merge with or into (whether or not the Borrower is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Borrower and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person unless (i) either the Borrower is the surviving Person or the Person formed by or surviving any such consolidation or merger (if other than the Borrower) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Borrower) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Borrower under the Loans and this Agreement pursuant to agreements reasonably satisfactory to the Administrative Agent; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) except in the case of a merger of the Borrower with or into a Wholly Owned Subsidiary of the Borrower (other than a Receivables Subsidiary), the Borrower or the Person formed by or surviving any such consolidation or merger (if other than the Borrower), or to which such sale, assignment, transfer, lease, conveyance or other disposition has 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, would (1) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a) or (2) have a Fixed Charge Coverage Ratio that is greater than the actual Fixed Charge Coverage Ratio of the Borrower immediately prior to such transaction.

(b) Section 5.01(a) will not prohibit (A) a merger of the Borrower into a Wholly Owned Subsidiary of the Borrower created for the purpose of holding the Capital Stock of the Borrower, (B) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Borrower and its Restricted Subsidiaries, (C) a merger between the Borrower and an Affiliate incorporated solely for the purpose of

reincorporating the Borrower in another State of the United States, (D) any merger of a Restricted Subsidiary into the Borrower or (E) transfers of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction (or a fractional undivided interest therein) by a Receivables Subsidiary) in a Qualified Receivables Transaction, so long as, in each case, the amount of Indebtedness of the Borrower and its Restricted Subsidiaries, taken as a whole 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 Borrower in a transaction that is subject to, and that complies with the provisions of Section 5.01 hereof, the successor Person formed by such consolidation or into or with which the Borrower 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, assignment, transfer, merger, sale, lease, conveyance or other disposition, the provisions of this Agreement or the Loans referring to the "Borrower" shall refer instead to the successor Person and not to the Borrower), and shall exercise every right and power of the Borrower under this Agreement and the Loans with the same effect as if such successor Person had been named as the Borrower herein; provided, however, that the predecessor Borrower, if any, shall not be relieved from the obligation to pay the principal of and interest on the Loans except in the case of a sale of all or substantially all of the properties or assets of the Borrower and its Restricted Subsidiaries taken as whole in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01. Events of Default.

Each of the following constitutes an "Event of Default":

(i) default for thirty (30) days in the payment when due of interest on the Loans;

(ii) default in payment when due (at maturity, upon redemption or otherwise) of principal of or premium, if any, on the Loans;

(iii) failure by the Borrower or any of its Restricted Subsidiaries for thirty (30) days after notice by the Administrative Agent or by the Lenders holding at least 25% in principal amount of the Loans then outstanding voting as a single class to comply with the provisions described under Section 4.06, Section 4.08, Section 4.09 or Section 4.12;

(iv) failure by the Borrower or any of its Restricted Subsidiaries for sixty (60) days after notice to the Borrower by the Administrative Agent or by the Required Lenders voting as a single class to comply with any of its other agreement in this Agreement or the Loans;

(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 Borrower or any of its Significant Subsidiaries (or the payment of which is guaranteed by the Borrower or any of its Significant Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the Effective Date, 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 $25.0 million or more;

(vi) failure by the Borrower or any of its Subsidiaries to pay final, non-appealable judgments aggregating in excess of $25.0 million (net of any amounts covered by a reputable and credit worthy insurance company that has not contested coverage or reserved rights with respect to an underlying claim), which judgments are not paid, discharged, waived or stayed for a period of more than sixty (60) consecutive days after such judgments become final and non-appealable;

(vii) the Borrower or any of its Restricted Subsidiaries that is 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; or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Borrower or any of its Restricted Subsidiaries that is a Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Borrower or any of its Restricted Subsidiaries that is a Significant Subsidiary for all or substantially all of the property of the Borrower or any of its Restricted Subsidiaries that is a Significant Subsidiary; or

(C) orders the liquidation of the Borrower or any of its Restricted Subsidiaries that is a Significant Subsidiary; and the order or decree remains unstayed and in effect for sixty (60) consecutive days;

(ix) except as permitted herein, any Loan Guarantee is held to be unenforceable or invalid by any final and non-appealable judgment or decree or ceases for any reason to be in full force and effect or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, denies or disaffirms such Guarantor's obligations under its Loan Guarantee and such Default continues for ten (10) days after receipt of the notice specified in this Agreement; or

(x) except as permitted herein, any Security Document or any security interest granted thereby is held to be unenforceable or invalid by any final and non-appealable judgment or decree or ceases for any reason to be in full force and effect and such Default continues for ten (10) days after receipt of the notice specified in this Agreement, or the Borrower or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of such Person, denies or disaffirms the Borrower's or the Guarantor's obligations under any Security Document.

The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 6.02. Acceleration.

In the case of an Event of Default specified in clause (vii) or (viii) of Section 6.01 hereof, all outstanding Loans shall become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Administrative Agent or the Lenders holding at least 25% in aggregate principal amount of the then outstanding Loans may declare all the Loans to be due and payable immediately; provided that so long as any Indebtedness permitted to be incurred pursuant to the Credit Facilities is outstanding, such acceleration shall not be effective until the earlier of (a) the acceleration of such Indebtedness under the Credit Facilities or (b) five (5) Business Days after receipt by the Borrower of written notice of such acceleration. Lenders may not enforce this Agreement or the Loans except as provided in this Agreement.

Upon any such declaration, the Loan Notes shall become due and payable immediately. The Required Lenders by written notice to the Administrative Agent may, on behalf of all of the Lenders, rescind an acceleration or waive any existing Default or Event of Default and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium that has become due solely because of the acceleration) have been cured or waived.

Section 6.03. Other Remedies.

(a) If an Event of Default occurs and is continuing, the Administrative Agent may pursue any available remedy to collect the payment of principal, premium, if any, interest on the Loans or to enforce the performance of any provision of the Loan Notes evidencing the Loans or this Agreement.

(b) The Administrative Agent may maintain a proceeding even if it does not possess any of the Loans or does not produce any of them in the proceeding. A delay or omission by the Administrative Agent or any Lender 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.

Section 6.04. Waiver of Past Defaults.

Required Lenders, by notice to the Administrative Agent, may on behalf of the Lenders of all of the Loans waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Loans (including in connection with an offer to prepay); provided, however, that the Required Lenders may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Agreement; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05. Control by Majority.

The Required Lenders may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Administrative Agent or exercising any trust power conferred on it. However, (a) the Administrative Agent may refuse to follow any direction that conflicts with law or this Agreement that the Administrative Agent determines may be unduly prejudicial to the rights of other Lenders or that may involve the Administrative Agent in personal liability and (b) the Administrative Agent may take any other action deemed proper by the Administrative Agent which is not inconsistent with such direction.

Section 6.06. Limitation on Suits.

A Lender may pursue a remedy with respect to this Agreement, the Loans or the Loan Guarantees only if:

(i) the Lender gives to the Administrative Agent written notice of a continuing Event of Default;

(ii) the Lenders holding at least 25% in aggregate principal amount of the then outstanding Loans make a written request to the Administrative Agent to pursue the remedy;

(iii) such Lender or Lenders offer and, if requested, provide to the Administrative Agent reasonable security or indemnity against any loss, liability or expense;

(iv) the Administrative Agent does not comply with the request within sixty (60) days after receipt of the request and the offer and, if requested, the provision of security or indemnity; and

(v) during such 60-day period the Required Lenders do not give the Administrative Agent a direction inconsistent with the request.

A Lender may not use this Agreement to prejudice the rights of another Lender or to obtain a preference or priority over another Lender.

Section 6.07. Rights of Lenders to Receive Payment.

Notwithstanding any other provision of this Agreement, the right of any Lender to receive payment of principal, premium, if any, and interest on such Loan, on or after the respective payment due dates (including in connection with an offer to prepay), 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 Lender.

Section 6.08. Collection Suit by Administrative Agent.

If an Event of Default specified in Section 6.01(i) or (ii) hereof occurs and is continuing, the Administrative Agent is authorized to recover judgment in its own name for the whole

amount of principal of, premium, if any, and interest remaining unpaid on the Loans 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 Administrative Agent, its agents and counsel.

Section 6.09. Administrative Agent May File Proofs of Claim.

The Administrative Agent 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 Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent, its agents and counsel) and the Lenders allowed in any judicial proceeding relative to the Borrower (or any other obligor upon the Loans), 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 on any such claims and any Custodian in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent, and in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent, its agents and counsel, and any other amounts due the Administrative Agent under Article 7 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Administrative Agent, its agents and counsel, and any other amounts due the Administrative Agent under Article 7 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 Lenders 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 Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Loans or the rights of any Lender, or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 6.10. Priorities.

If the Administrative Agent collects any money pursuant to this Article 6, it shall pay out the money in the following order:

(1) First: to the Administrative Agent, its agents and attorneys for amounts due under Article 7 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Administrative Agent and the costs and expenses of collection;

(2) Second: to Lenders for amounts due and unpaid on the Loans for principal, premium, if any, interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Loans for principal, premium, if any, and interest, respectively; and

(3) Third: to the Borrower or, to the extent the Administrative Agent collects any amount pursuant to Article 7 from the Guarantors, to such Guarantors, or to such party as a court of competent jurisdiction shall direct.

The Administrative Agent may fix a record date and payment date for any payment to Lenders 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 Agreement or in any suit against the Administrative Agent for any action taken or omitted by it as a Administrative Agent, 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 Administrative Agent, a suit by a Lender pursuant to Section 6.07 hereof, or a suit by Lenders holding more than 10% in principal amount of the then outstanding Loans.

ARTICLE 7
ADMINISTRATIVE AGENT

Section 7.01. Administrative Agent.

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 13.02) and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of the Subsidiaries that is communicated to or obtained by the Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it in good faith with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 13.02) or in the absence of its own willful misconduct, bad faith or negligence. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent at the Corporate Trust Office of the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be

responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article 9 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the Borrower's consent (such consent not to be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent or apply to a court of competent jurisdiction to appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article 7 and Section 13.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Section 7.02. Additional Rights and Duties of the Administrative Agent.

(a) No provision of this Agreement shall require the Administrative Agent to expend or risk its own funds or incur any liability.

(b) Before the Administrative Agent acts or refrains from acting in connection with a request from the Borrower, it may require an Officer's Certificate or an Opinion of Counsel or both from the Borrower. The Administrative Agent shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Administrative Agent may consult with counsel 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 Administrative Agent 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 Agreement; provided, however, that the Administrative Agent's conduct does not constitute willful misconduct, bad faith or negligence.

(d) The Administrative Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Lenders unless such Lenders shall have offered to the Administrative Agent reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

Section 7.03. Successor Administrative Agent by Merger, Etc.

If the Administrative 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 Administrative Agent, as applicable.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES

Section 8.01. Representations and Warranties of the Borrower and the Guarantors.

On and as of the date hereof, each of the Borrower and the Guarantors represents and warrants to and agrees with each of the Lenders as follows:

(a) Organization. Each of the Borrower and the Guarantors has been duly organized and is validly existing as a corporation or limited liability company, as applicable, in good standing under the laws of its respective jurisdiction of incorporation or formation, except where the failure to be so duly organized, validly existing and in good standing would not have a material adverse effect on the business, financial condition or results of operations of the Borrower and the Guarantors taken as a whole (a "Material Adverse Effect"), with corporate or limited liability company power and authority to own or lease its properties and conduct its business, except where the failure to have such power and authority would not have a Material Adverse Effect, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except in jurisdictions where the failure to be so qualified or in good standing has not had, and would not be reasonably expected to have, a Material Adverse Effect;

(b) Authority. Each of the Borrower and the Guarantors has all requisite corporate or limited liability company power and authority to execute, deliver and perform its obligations under the Credit Documents to which it is a party and the Indenture, Exchange Notes and Exchange Note Guarantees to which it will become a party;

(c) Title to Properties. The Borrower and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except Collateral Permitted Liens; and any real property and buildings held under lease by the Borrower and its Subsidiaries are held by them under valid, subsisting and enforceable leases, in each case with such exceptions as do not result in a Material Adverse Effect;

(d) Capitalization. All of the issued equity interests of the Borrower are duly and validly authorized and issued and fully paid and non-assessable and not subject to any preemptive or similar rights; and all of the issued shares of capital stock or other equity interests of each Subsidiary of the Borrower are validly authorized and issued, are fully paid, non-assessable and are owned directly or indirectly by the Borrower free and clear of any liens, encumbrances, equities or claims except Collateral Permitted Liens;

(e) Execution and Validity. (i) Each of the Credit Documents has been duly authorized, executed and delivered by the Borrower and the Guarantors party thereto and, assuming due authorization, execution and delivery by the other parties thereto, will constitute a valid and binding agreement of the Borrower and such Guarantors, enforceable against the Borrower and such Guarantors in accordance with their respective terms, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(ii) The Indenture has been duly authorized and, if and when duly executed and delivered by the Borrower and the Guarantors and the trustee thereunder, will constitute a valid and binding instrument, enforceable in accordance with its terms, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(iii) The Exchange Notes have been duly authorized and, if and when duly issued and authenticated by the trustee in accordance with the Indenture, upon delivery in accordance with the Indenture, will constitute valid and binding obligations of the Borrower entitled to the benefits provided by the Indenture, enforceable against the Borrower in accordance with their terms, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and

(iv) The Exchange Note Guarantees have been duly authorized and, when duly issued, executed and delivered by the Guarantors in accordance with the Indenture, will constitute valid and binding obligations of the Guarantors entitled to the benefits provided by the Indenture, enforceable against them in accordance with their terms, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(f) No Conflict. The execution, delivery and performance by the Borrower and the Guarantors of the Credit Documents, the Indenture, the Exchange Notes and the Exchange Note Guarantees to which they are parties will not (i) result in any violation of the provisions of the certificate of incorporation or formation or by-laws or limited liability company agreement or other organizational documents of the Borrower or any of the Guarantors, (ii) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument that is material to the Borrower and the Guarantors taken as a whole and to which the Borrower or any of the Guarantors is a party or to which any of the property or assets of the Borrower or any of the Guarantors is subject or (iii) result in any violation of the

provisions of any law or statute or any order, rule or regulation, judgment or decree of any court or governmental agency or body having jurisdiction over the Borrower or any of the Guarantors or any of their respective properties or assets, except for breaches or violations that in the case of clauses (ii) and (iii) only, individually or in the aggregate, would not have a Material Adverse Effect; no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for execution, delivery and performance of, or the consummation of the transactions contemplated by, the Credit Documents, the Indenture, the Exchange Notes and the Exchange Note Guarantees, except any consent, approval, authorization, order, registration or qualification (A) the failure of which to obtain would not have a Material Adverse Effect, (B) that is not required to be obtained prior to the Closing Date and that the Borrower reasonably believes will be obtained in the ordinary course of business or (C) as may be required under state securities or blue sky laws in connection with the exchange and issuance of the Exchange Notes and the Exchange Note Guarantees to the Lenders;

(g) Compliance with Other Agreements, Organizational Documents and Laws. Neither the Borrower nor any of the Guarantors is (i) in default in the performance or observance of any obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument that is material to the Borrower and the Guarantors taken as a whole to which it is a party or by which it or any of its properties may be

bound, (ii) in violation of its certificate of incorporation or formation or by-laws or limited liability company agreement or other organizational documents or (iii) in violation of any provisions of law or statute or any order, rule or regulation, judgment or decree of any court or governmental agency or body having jurisdiction over the Borrower or any of the Guarantors or any of their respective properties or assets**;** except, in the case of clauses (i) and (iii)**,** for such defaults, violations and failures as would not reasonably be expected to have a Material Adverse Effect;

(h) Financial Statements. The historical consolidated financial statements, a copy of which has been delivered to the Lenders, fairly present, in all material respects, the consolidated financial position, results of operations and cash flows of the Borrower and its Subsidiaries at the respective dates or for the respective periods to which they apply, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments; such financial statements have been prepared in accordance with generally accepted accounting principles and commonly followed industry accounting practices at the time such financial statements were prepared consistently applied throughout the periods specified, except as disclosed therein;

(i) Margin Stock. No part of the proceeds of the Loans made to the Borrower will be used to purchase or carry any Margin Stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of said Board of Governors;

(j) Litigation. Except as set forth in Schedule 8.01(j), there are no legal or governmental proceedings pending to which the Borrower or any of the Guarantors is a party or of which any property or assets of the Borrower or any of the Guarantors is the subject that would reasonably be expected to have a Material Adverse Effect; and, to the best of the Borrower's knowledge, no such proceedings are threatened by governmental authorities or others;

(k) Investment Company Status. The Borrower is not, and after giving effect to the transactions contemplated by this Agreement will not be, an "investment company," or an entity "controlled by an investment company," as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the "Investment Company Act");

(l) Solvency. As of the date hereof, the fair saleable value of the assets of the Borrower and its Subsidiaries, taken as a whole, exceeds the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including identified contingent liabilities at any time, which shall be computed to be an amount that, in light of the facts and circumstances existing at such time, represent the amount that can reasonably be expected to become an actual or matured liability) of the Borrower and its Subsidiaries, taken as a whole, as they mature; the assets of the Borrower and its Subsidiaries, taken as a whole, do not constitute unreasonably small capital for the Borrower and its Subsidiaries to carry out their respective businesses as now conducted or as proposed to be conducted including the capital needs of the Borrower and its Subsidiaries, taken as a whole, and projected capital requirements and capital availability

thereof; and the Borrower does not intend to, and does not intend to permit any of its Subsidiaries to, incur debts beyond their respective ability to pay such debts as they mature;

(m) No Material Adverse Change. Since July 31, 2004, and except as disclosed in any filing by the Borrower with the Commission prior to the Closing Date or in Schedule 8.01(m), (i) there has not occurred any material adverse change in the condition, financial or otherwise, or the earnings, business, management or operations of the Borrower and the Guarantors, taken as a whole, (ii) there has not been any material adverse change in the capital stock or other equity interests or in the long-term debt of the Borrower or any of the Guarantors and (iii) neither the Borrower nor any of the Guarantors has entered into any transaction or agreement not in the ordinary course of business material to the Borrower and the Guarantors, taken as a whole;

(n) Insurance. Each of the Borrower and the Guarantors carries, or is covered by, insurance in such amounts and covering such risks as is customary for companies engaged in similar businesses and owning similar properties in localities where the Borrower and the Guarantors operate;

(o) Environmental Matters. The Borrower and the Guarantors (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to (x) the protection of the environment or (y) hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not have a Material Adverse Effect;

(p) Intellectual Property. The Borrower and each of the Guarantors own or possess adequate rights to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses necessary for and material to the conduct of their respective businesses and the Borrower has no knowledge that the conduct of their respective businesses will conflict with, and the Borrower and the

Guarantors have not received any notice of any claim of conflict with any such rights of others, except in each case as set forth in Schedule 8.01(j) or as would not have a Material Adverse Effect;

(q) Employment Matters. There are no existing or, to the best knowledge of the Borrower, threatened labor disputes with the employees of the Borrower or any of the Guarantors that would reasonably be expected to have a Material Adverse Effect; and

(r) ERISA. To the Borrower's knowledge, neither the Borrower nor any of the Guarantors has violated any foreign, federal, state or local law or regulation relating to any provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any provisions of the Foreign Corrupt Practices Act or the rules and regulations promulgated thereunder, except for such violations which would not have a Material Adverse Effect.

Section 8.02. Representations and Warranties of the Lenders.

On and as of the date hereof, each of the Lenders represents and warrants to and agrees with each of the Borrower and the Guarantors as follows:

(a) Authority. Each of the Lenders has all requisite corporate or limited liability company power and authority to execute, deliver and perform its obligations under the Credit Documents to which it is a party;

(b) Execution and Validity. Each of the Credit Documents has been duly authorized, executed and delivered by each Lender and, assuming due authorization, execution and delivery by the other parties thereto, will constitute a valid and binding agreement of each of the Lenders, enforceable against each Lender in accordance with their respective terms, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(c) Funding of Loans. Each Lender has sufficient funds available to make the Loans in accordance with its Pro Rata Share of the Term Loan Commitments as set forth in this Agreement and each Lender shall maintain such funds in a segregated account until each Lender makes the amount of its Loan available to the Administrative Agent on the Closing Date upon receipt of a Notice of Borrowing in accordance with Section 2.01 hereof.

ARTICLE 9
CONDITIONS PRECEDENT TO CREDIT EXTENTIONS

Section 9.01. Conditions Precedent to Execution of this Agreement.

The obligations of the Lenders to enter into this Agreement to make Loans hereunder as of the date hereof is subject to satisfaction (or waiver in accordance with Section 13.02) of the following conditions precedent:

(a) The Administrative Agent shall have received from each party hereto either (i) a counterpart of the Credit Documents signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of the Credit Documents.

Section 9.02. Conditions Precedent to Credit Extensions.

The obligations of the Lenders to make Loans hereunder on the Closing Date is subject to the satisfaction (or waiver in accordance with Section 13.02) of the following conditions precedent:

(a) The Administrative Agent shall have received, dated as of the Closing Date, (i) a legal opinion of Cleary Gottlieb Steen & Hamilton, special counsel for the Borrower and the Guarantors, substantially in the form attached hereto as Exhibit G-1; (ii) a legal opinion of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, special New Jersey counsel for J. Crew Inc., a Guarantor, substantially in the form attached hereto as Exhibit G-2; (iii) a legal opinion of

Richards, Layton & Finger, P.A., special Delaware counsel for the Borrower and the Guarantors, substantially in the form attached hereto as Exhibit G-3; and (iv) a legal in-house opinion of the General Counsel of the Borrower and the Guarantors, substantially in the form attached hereto as Exhibit G-4; provided that opinions delivered pursuant to clauses (ii) and (iv) shall be in a form reasonably satisfactory to the Lenders.

(b) The Administrative Agent shall have received, dated as of the Closing Date, a Secretary's Certificate of the Borrower and the Guarantors substantially in the form attached hereto as Exhibit I, attaching (i) copies of the organizational documents of the Borrower and each Guarantor executed and delivered by the Borrower and each Guarantor, as applicable, and, to the extent applicable, certified by the appropriate governmental official; (ii) executed incumbency certificates of the officers of such Person executing the Credit Documents to which it is a party; (iii) resolutions of the governing body of the Borrower and each Guarantor approving and authorizing the execution, delivery and performance of this Agreement and the other Credit Documents to which it is a party or by which it or its assets may be bound as of the Closing Date, certified as of the Closing Date by its secretary or an assistant secretary as being in full force and effect without modification or amendment; and (iv) a good standing certificate from the applicable governmental authority of each of the Borrower and Guarantors' jurisdiction of incorporation, organization or formation dated a recent date prior to the Closing Date.

(c) The Administrative Agent shall have received, dated as of the Closing Date, an Officer's Certificate of the Borrower and the Guarantors substantially in the form attached hereto as Exhibit J stating that, as of the Closing Date, the conditions specified in Section 9.02(f) and Section 9.02(g) have been satisfied.

(d) The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all reasonable and documented out-of-pocket costs and expenses required to be reimbursed or paid by the Borrower under the Credit Documents.

(e) The Borrower shall have executed and delivered the Loan Notes and Loan Guarantees in favor of the Lenders who have committed to make Loans (or affiliates of such Lenders designated by them) in accordance with each such Lender's Pro Rata Share of such Loans.

(f) The representations and warranties set forth in Article 8 shall be true and correct in all material respects on and as of the date specifically referred to within Article 8, except that the representations and warranties provided in Section 8.01(a), (b), (c), (d), (e), (f), (g) (other than the representations and warranties set forth in clause (iii) thereof)**,** (i) and (k) shall be true and correct in all material respects as of the Closing Date.

(g) There shall be no Default or Event of Default existing under this Agreement other than any Default or Event of Default resulting from failure by the Borrower or any of its Restricted Subsidiaries to comply with the provisions described under Section 4.03, Section 4.04 or Section 4.14.

(h) The Lenders shall have received UCC financing statements with respect to the Collateral to be filed on the Closing Date, which shall be reasonably acceptable to the Lenders.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date, and such notice shall be conclusive and binding.

ARTICLE 10
SUBORDINATION

Section 10.01. Agreement to Subordinate.

The Borrower agrees, and each Lender by accepting a Loan Note agrees, that all Obligations evidenced by the Loans are subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full in cash of all Senior Debt (whether outstanding on the Effective Date or created, incurred, assumed or guaranteed thereafter), and that the subordination is for the benefit of the holders of Senior Debt of the Borrower.

Section 10.02. Liquidation; Dissolution; Bankruptcy.

The holders of Senior Debt of the Borrower will be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate that would be applicable under the terms of the documentation governing the applicable Senior Debt and other reasonable fees, costs or charges provided for under the applicable Senior Debt which would accrue and become due under the terms of the applicable Senior Debt but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case) before the Lenders will be entitled to receive any payment (by setoff or otherwise) with respect to the Loans:

(a) in a liquidation or dissolution of the Borrower;

(b) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Borrower or its property;

(c) in an assignment for the benefit of the Borrower's creditors; or

(d) in any marshaling of the Borrower's assets and liabilities;

and, if any of the foregoing shall have occurred, until all Obligations with respect to Senior Debt are paid in full in cash, any payment or distribution to which the Lenders would be entitled shall be made to the holders of Senior Debt.

Section 10.03. Default On Designated Senior Debt.

(a) The Borrower shall not make any payment (by setoff or otherwise) or in respect of the Loans if (i) a default in the payment of the principal or premium, if any, or interest on Designated Senior Debt occurs and is continuing beyond any applicable grace period or (ii) any other default occurs and is continuing with respect to Designated Senior Debt that permits holders of the Designated Senior Debt to accelerate its maturity, and the Administrative Agent receives a notice of such default (a "Payment Blockage Notice") from the holders of any

Designated Senior Debt or any agent or trustee for such holders. Payments on the Loans may and shall be resumed (a) in the case of a payment default, upon the date on which such default is cured or waived and (b) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless a payment default has occurred and is continuing (as a result of the maturity of any Designated Senior Debt having been accelerated). No new period of payment blockage (other than for a payment default) may be commenced unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Loans that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Administrative Agent shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been cured or waived for a period of not less than ninety (90) days.

(b) Whenever the Borrower is prohibited from making any payment in respect of the Loans, the Borrower also shall be prohibited from making, directly or indirectly, any payment of any kind on account of the purchase or other acquisition of the Loans. If any Lender receives any payment or distribution that such Lender is not entitled to receive with respect to the Loans, such Lender shall be required to pay the same over to the holders of Designated Senior Debt or, in the event there are not any such holders, to the holders of Senior Debt, or any representative of such holders under the indenture or other agreement (if any) pursuant to which such Designated Senior Debt or Senior Debt, as the case may be, may have been issued (the "Representative").

Section 10.04. Acceleration of Loans.

If payment of the Loans is accelerated because of an Event of Default, the Borrower shall promptly notify holders of Senior Debt of the acceleration.

Section 10.05. When Distribution Must Be Paid Over.

(a) In the event that the Administrative Agent or any Lender receives any payment (including a payment by a Guarantor under its Loan Guarantee) of any Obligations with respect to the Loans at a time when the Administrative Agent or such Lender, as applicable, has actual knowledge that such payment is prohibited by Section 10.03 hereof, such payment shall be held by the Administrative Agent or such Lender, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Designated Senior Debt, or in the event there are not any such holders, to the holders of Senior Debt, in each case as their interests may appear, or their Representative, as their respective interests may appear, for application to the payment of all Obligations with respect to such Designated Senior Debt or such Senior Debt, as the case may be, remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of such Designated Senior Debt or such Senior Debt, as the case may be.

(b) With respect to the holders of Designated Senior Debt and Senior Debt, the Administrative Agent undertakes to perform only such obligations on the part of the Administrative Agent as are specifically set forth in this Article 10, and no implied covenants or

obligations with respect to the holders of Designated Senior Debt or Senior Debt shall be read into this Agreement against the Administrative Agent. The Administrative Agent shall not be deemed to owe any fiduciary duty to the holders of Designated Senior Debt or Senior Debt and shall not be liable to any such holders if the Administrative Agent shall pay over or distribute to or on behalf of Lenders or the Borrower or any other Person money or assets to which any holders of Designated Senior Debt or Senior Debt shall be entitled by virtue of this Article 10, except if such payment is made as a result of the willful misconduct or gross negligence of the Administrative Agent.

Section 10.06. Notice by the Borrower.

The Borrower shall promptly notify the Administrative Agent of any facts known to the Borrower that would cause a payment of any Obligations with respect to the Loans to violate this Article 10, but failure to give such notice shall not affect the subordination of the Loans to the Senior Debt as provided in this Article 10.

Section 10.07. Subrogation.

After all Senior Debt is paid in full in cash and all commitments to make loans under such Senior Debt have been terminated and until the Loans are paid in full, Lenders shall be subrogated (equally and ratably with all other Indebtedness *pari passu* with the Loans) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Lenders have been applied to the payment of Senior Debt. A distribution made under this Article 10 to holders of Senior Debt that otherwise would have been made to Lenders is not, as between the Borrower and Lenders, a payment by the Borrower on the Loans.

Section 10.08. Relative Rights.

(a) This Article 10 defines the relative rights of Lenders and holders of Senior Debt. Nothing in this Agreement shall:

(i) impair, as between the Borrower and Lenders, the obligations of the Borrower, which are absolute and unconditional, to pay principal of and interest on the Loans in accordance with their terms;

(ii) affect the relative rights of Lenders and creditors of the Borrower other than their rights in relation to holders of Senior Debt; or

(iii) prevent the Administrative Agent or any Lender from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders of Senior Debt to receive distributions and payments otherwise payable to Lenders.

(b) If the Borrower fails because of this Article 10 to pay principal of or interest on a Loan on the due date, the failure is still a Default or Event of Default.

Section 10.09. Subordination May Not Be Impaired by the Borrower.

No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Loans shall be impaired by any act or failure to act by the Borrower, any Subsidiary of the Borrower, the Administrative Agent or any Lender or by the failure of the Borrower, any Subsidiary of the Borrower, the Administrative Agent or any Lender to comply with this Agreement.

Section 10.10. Distribution or Notice of Representative.

(a) Whenever a distribution is to be made or a notice given to holders of Designated Senior Debt or Senior Debt, as the case may be, the distribution may be made and the notice given to the Representative of such holders.

(b) Upon any payment or distribution of assets of the Borrower referred to in this Article 10, the Administrative Agent and the Lenders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Administrative Agent or to the Lenders for the purpose of ascertaining the Persons entitled to

participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Borrower, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

Section 10.11. Rights of Administrative Agent.

(a) Notwithstanding the provisions of this Article 10 or any other provision of this Agreement, the Administrative Agent shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Administrative Agent, and the Administrative Agent may continue to make payments on the Loans unless the Administrative Agent shall have received at its Corporate Trust Office at least three (3) Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Loans to violate this Article 10. Only the Borrower or a Representative may give the notice. Nothing in this Article 10 shall impair or subordinate the claims of or payments to, the Administrative Agent under or pursuant to Article 7 hereof.

(b) The Administrative Agent in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Administrative Agent. Any Agent may do the same with like rights.

Section 10.12. Authorization to Effect Subordination.

Each Lender by the Lender's acceptance thereof authorizes and directs the Administrative Agent on the Lender's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Administrative Agent to act as the Lender's attorney-in-fact for any and all such purposes. If the Administrative Agent does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least thirty (30) days before the expiration

of the time of such claim, the Representatives of the Designated Senior Debt, including the Credit Agent, are hereby authorized to file an appropriate claim for and on behalf of the Lenders.

Section 10.13. Amendments.

Any amendment to the provisions of this Article 10 shall require (a) the consent of the Required Lenders if such amendment would adversely affect the rights of the Lenders and (b) the holders of Senior Debt if such amendment would adversely affect the rights of the holders of such Senior Debt then outstanding (or any group or representative thereof authorized to give such consent).

Section 10.14. Reliance by Holders of Senior Debt on Subordination Provisions.

Each Lender by accepting a Loan Note acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Debt, whether such Senior Debt was created or acquired before or after the issuance of the Loan Notes, to acquire and continue to hold, or to continue to hold, such Senior Debt and such holder of such Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt.

ARTICLE 11
COLLATERAL AND SECURITY

Section 11.01. Security Documents.

The due and punctual payment of the principal of and interest on the Loans when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, prepayment, repayment, or otherwise, and interest on the overdue principal of and interest on the Loans and performance of all other obligations of the Borrower and the Guarantors to the Lenders or the Administrative Agent under this Agreement, the Loans and the Loan Guarantees, according to the terms hereunder or thereunder, are secured as provided in the Security Documents which the Borrower and the Guarantors have entered into prior to and simultaneously with the execution of this Agreement, subject to the terms of the Intercreditor Agreement. Each Lender, by its acceptance thereof, consents and agrees to the terms of the Security Documents and the Intercreditor Agreement (including the provisions providing for foreclosure and release of Collateral) as the same may be in effect or may be amended from time to time in accordance with the terms thereof and authorizes and directs the Collateral Agent to enter into the Security Documents and the Intercreditor Agreement and other documents referenced in the Intercreditor Agreement in connection therewith, confirms and ratifies each prior entry by the Collateral Agent into any Security Documents and the Intercreditor Agreement executed prior to the date hereof, and authorizes and directs the Collateral Agent to perform its obligations and exercise its rights thereunder in accordance therewith. The Borrower and the Guarantors shall deliver to the Administrative Agent (if it is not itself then the Collateral Agent) copies of all documents delivered to the Collateral Agent pursuant to the Security Documents, and will do or cause to be done all such acts and things as may be required by the next sentence of this Section 11.01, to assure and confirm to the Administrative Agent and the Collateral Agent

the security interest in the Collateral contemplated hereby, by the Security Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Agreement and of the Loans secured hereby, according to the intent and purposes herein expressed. Each of the Borrower and the Guarantors shall take, and shall cause the Restricted Subsidiaries to take, any and all actions reasonably required to cause the Security Documents to create and maintain, as security for the Obligations of the Borrower and the Guarantors hereunder, a valid and enforceable perfected second-priority Lien and security interest in and on all the Collateral, in favor of the Collateral Agent for the benefit of the Holders, second in priority (subject to Collateral Permitted Liens) to any and all security interests at any time granted in the Collateral to secure the First-Lien Obligations.

Section 11.02. Release of Collateral.

(a) Subject to paragraphs (b), (c) and (d) of this Section 11.02, Collateral may be released from the Lien and security interest created by the Security Documents at any time or from time to time in accordance with the provisions of the Security Documents, the Intercreditor Agreement or as

provided hereby. Whether prior to or after the Discharge of First-Lien Obligations, upon the request of the Borrower pursuant to an Officer's Certificate certifying that all conditions precedent hereunder have been met and without the consent of any Lender, the Borrower and the Guarantors will be entitled to releases of assets included in the Collateral from the Liens securing the Loans under any one or more of the following circumstances:

(i) if all other Liens on that asset securing Obligations under First-Lien Obligations and any Other Second-Lien Obligations then secured by that asset (including all commitments thereunder) are released; provided that after giving effect to the release, obligations secured by the first-priority Liens on the remaining Collateral remain outstanding;

(ii) to enable the Borrower or Guarantors to consummate any sale, lease, conveyance or other disposition of any assets or rights permitted or not prohibited under Section 4.09 hereof;

(iii) if the Borrower or any Guarantor, as the case may be, provides substitute collateral with at least an equivalent fair value, as determined in good faith by its Board of Directors;

(iv) in respect of assets subject to a Lien securing purchase money Indebtedness permitted under Section 4.08(b) hereof;

(v) if any Guarantor is released from the Loan Guarantees, any of its assets comprising Collateral will also be released;

(vi) in respect of assets included in the Collateral with a fair value, as determined in good faith by the Board of Directors, of up to $2.0 million in any calendar year, subject to a cumulative carryover for any amount not used in any prior calendar year; or

(vii) pursuant to an amendment, waiver or supplement in accordance with Section 13.02 hereof.

Upon receipt of such Officer's Certificate, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Agreement or the Security Documents.

(b) Except as otherwise provided in the Intercreditor Agreement, no Collateral may be released from the Lien and security interest created by the Security Documents pursuant to the provisions of the Security Documents unless the Officer's Certificate required by this Section 11.02 has been delivered to the Collateral Agent.

(c) At any time when a Default or Event of Default has occurred and is continuing and the maturity of the Loans has been accelerated (whether by declaration or otherwise) and the Administrative Agent has delivered a notice of acceleration to the Collateral Agent, no release of Collateral pursuant to the provisions of the Security Documents will be effective as against the Lenders, except as otherwise provided in the Intercreditor Agreement.

Section 11.03. Certificates of the Administrative Agent.

In the event that the Borrower or any Guarantor wishes to release Collateral in accordance with the Security Documents at a time when the Administrative Agent is not itself also the Collateral Agent and has delivered the certificates and documents required by the Security Documents and Section 11.02 hereof, the Administrative Agent will determine whether it has received all documentation required by the Security Documents in connection with such release and, based on such determination, will deliver a certificate to the Collateral Agent setting forth such determination.

Section 11.04. Authorization of Actions to Be Taken by the Administrative Agent Under the Security Documents.

Subject to the provisions of Article 7 hereof and the Intercreditor Agreement, the Administrative Agent may, if requested by the Required Lenders, direct, on behalf of the Lenders, the Collateral Agent to, take all actions it deems necessary or appropriate in order to:

(a) enforce any of the terms of the Security Documents; and

(b) collect and receive any and all amounts payable in respect of the Obligations of the Borrower hereunder.

Subject to the provisions of the Intercreditor Agreement, the Administrative Agent will have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Security Documents or this Agreement, and such suits and proceedings as the Administrative Agent may deem expedient to preserve or protect its interests and the interests of the Lenders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or

order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Lenders or of the Administrative Agent).

Section 11.05. Authorization of Receipt of Funds by the Administrative Agent Under the Security Documents.

The Administrative Agent is authorized to receive any funds for the benefit of the Lenders distributed under the Security Documents and the Intercreditor Agreement, and to make further distributions of such funds to the Lenders according to the provisions of this Agreement.

Section 11.06. Termination of Security Interest.

The Administrative Agent will, at the request of the Borrower, deliver a certificate to the Collateral Agent stating that the Obligations under the Credit Documents have been paid in full, and instruct the Collateral Agent to release the Liens pursuant to this Agreement and the Security Documents upon

payment in full of the principal of and accrued and unpaid interest on the Loans and all other Obligations under the Credit Documents that are due and payable at or prior to the time such principal and accrued and unpaid interest are paid. Upon receipt of such instruction, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of all such Liens.

Section 11.07. Collateral Agent.

(a) U.S. Bank National Association shall act as Collateral Agent and shall be authorized to appoint co-Collateral Agents as necessary in its sole discretion. Except as otherwise explicitly provided herein or in the Security Documents, neither the Collateral Agent nor any of its respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Collateral Agent nor any of its officers, directors, employees or agents shall be responsible for any act or failure to act hereunder, except for its own willful misconduct, negligence or bad faith.

(b) The Administrative Agent, as Collateral Agent, is authorized and directed to (i) enter into the Security Documents, (ii) enter into the Intercreditor Agreement, (iii) bind the Lenders on the terms as set forth in the Security Documents and the Intercreditor Agreement and (iv) perform and observe its obligations under the Security Documents and the Intercreditor Agreement.

(c) If the Borrower (i) incurs Indebtedness constituting Senior Debt at any time when no Intercreditor Agreement is in effect or at any time when Indebtedness constituting First-Lien Obligations entitled to the benefit of an existing Intercreditor Agreement is concurrently retired, and (ii) delivers to the Collateral Agent an Officer's Certificate so stating and designating such Senior Debt as First-Lien Obligations and requesting the Collateral Agent to enter into an Intercreditor Agreement in favor of a designated agent or representative for the holders of the

Indebtedness so incurred, the Collateral Agent shall (and is hereby authorized and directed to) enter into such Intercreditor Agreement and other documents referenced in the Intercreditor Agreement in connection therewith, bind the Lenders on the terms set forth therein, and perform and observe its obligations thereunder.

(d) If (i) the Borrower at any time incurs any Indebtedness constituting Other Second-Lien Obligations, (ii) the indenture or agreement governing such Indebtedness provides that, notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to the Collateral Agent under the Security Documents (the "Liens Securing Loan Note Obligations") or granted to the holders of Other Second-Lien Obligations or any agent or representative for the holders of Other Second-Lien Obligations (the "Liens Securing Other Second-Lien Obligations"), the Liens Securing Loan Note Obligations and the Liens Securing Other Second-Lien Obligations shall be of equal dignity, priority and rank, (iii) the Borrower delivers to the Collateral Agent an Officer's Certificate so stating and requesting that the Collateral Agent serve as collateral agent and enter into security documents with respect thereto and (iv) the Borrower delivers to the Collateral Agent an Opinion of Counsel stating that, in the opinion of such counsel, the Collateral Agent is empowered and obligated (on substantially the terms applicable to the Collateral Agent pursuant to the Credit Documents) to hold the Liens Securing Loan Note Obligations and all Liens Securing Other-Second Lien Obligations and all proceeds of all such Liens for the equal and ratable benefit of the holders of all Obligations secured thereby, giving effect to the assignment or transfer requested in such Officer's Certificate, then (A) the Liens Securing Loan Note Obligations shall be of equal dignity, priority and rank with all such Liens Securing Other Second-Lien Obligations and (B) the Collateral Agent shall enter into such security documents as requested in such Officer's Certificate.

Section 11.08. Designations.

For purposes of the provisions hereof and the Intercreditor Agreement requiring the Borrower to designate Indebtedness for the purposes of the terms "First-Lien Obligations," "Other Second-Lien Obligations" or any other such designations hereunder or under the Intercreditor Agreement, any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of the Borrower by an Officer and delivered to the Administrative Agent, the Collateral Agent and the Credit Agent.

ARTICLE 12
LOAN GUARANTEES

Section 12.01. Loan Guarantees.

(a) Subject to Section 12.05 hereof, each Guarantor hereby unconditionally guarantees to each Lender and to the Administrative Agent and its successors and assigns, irrespective of the validity and enforceability of this Agreement, the Loans and the Obligations of the Borrower hereunder and thereunder, that: (i) the principal of, premium, if any, and interest on the Loans will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, prepayment or otherwise, and interest on the overdue principal, premium, if any, (to the extent permitted by law) and interest on any interest, if any, on the Loans, and all other payment Obligations of the Borrower to the Lenders or the Administrative

Agent hereunder or thereunder will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Loans or any of such other Obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, prepayment or otherwise. Failing payment when so due of any amount so guaranteed for whatever reason each Guarantor will be obligated to pay the same immediately. An Event of Default under this Agreement or the Loans shall constitute an event of default under the Loan Guarantees, and shall entitle the Lenders to accelerate the Obligations of the Guarantors hereunder in the same manner and to the same extent as the Obligations of the Borrower.

(b) Each Guarantor hereby agrees that its Obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Loans or this Agreement or by release in accordance with the provisions of this Agreement, the absence of any action to enforce the same, any waiver or consent by any Lender with respect to any provisions hereof or thereof, the recovery of any judgment against the Borrower, any action to enforce the same

or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Borrower, any right to require a proceeding first against the Borrower, protest, notice and all demands whatsoever and covenants that the Loan Guarantees will not be discharged except by complete performance of the Obligations contained in the Loans and this Agreement. If any Lender or the Administrative Agent is required by any court or otherwise to return to the Borrower, the Guarantors, or any Administrative Agent, liquidator or other similar official acting in relation to either the Borrower or the Guarantors, any amount paid by either to the Administrative Agent or such Lender, the Loan Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to, and hereby waives, any right of subrogation in relation to the Lenders in respect of any Obligations guaranteed hereby.

(c) Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Lenders and the Administrative Agent, on the other hand, (i) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of the Loan Guarantees, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Obligations as provided in Article 6 hereof, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Loan Guarantees.

(d) The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Lenders under the Loan Guarantees.

Section 12.02. Execution and Delivery of the Loan Guarantees.

(a) To evidence the Loan Guarantees set forth in Section 12.01, each Guarantor hereby agrees that a notation of its Loan Guarantee substantially in the form of Exhibit B shall be endorsed by an Officer of such Guarantor on each Loan Note delivered by the Administrative

Agent and that this Agreement shall be executed on behalf of such Guarantor, by manual or facsimile signature, by an Officer of such Guarantor.

(b) Each Guarantor hereby agrees that its Loan Guarantees set forth in Section 12.01 shall remain in full force and effect notwithstanding any failure to endorse on each Loan Note a notation of such Loan Guarantee.

(c) If an Officer whose signature is on this Agreement or on a Loan Guarantee no longer holds that office at the time the Administrative Agent delivers the Loan Note on which such Loan Guarantee is endorsed, the Loan Guarantee shall be valid nevertheless.

(d) The delivery of any Loan Note by the Administrative Agent shall constitute due delivery of the Loan Guarantee set forth in this Agreement on behalf of the Guarantors.

(e) In the event that the Borrower or any of its Restricted Subsidiaries creates or acquires any Subsidiary after the date of this Agreement, if required by Section 4.16 hereof, the Borrower shall cause such Subsidiary to comply with the provisions of Section 4.16 hereof and this Article 12, to the extent applicable.

Section 12.03. Guarantors May Consolidate, etc., on Certain Terms

(a) Except as set forth in Article 4 and Article 5 hereof, nothing contained in this Agreement shall prohibit any consolidation or merger of Guarantor with or into the Borrower or another Guarantor, or shall prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Borrower or another Guarantor.

(b) Subject to Section 12.04 hereof, no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another corporation, Person or entity whether or not affiliated with the Guarantor unless, subject to the provisions of the following paragraph, (i) the Person formed by or surviving any such consolidation or merger (if other than the Guarantor) assumes all the obligations of the Guarantor pursuant to a Supplemental Senior Subordinated Loan Agreement, under this Agreement and the Loan Guarantees and (ii) immediately after giving effect to such transaction, no Default or Event of Default exists.

(c) In the case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by Supplemental Senior Subordinated Loan Agreement, executed and delivered to the Administrative Agent of the Loan Guarantee endorsed upon the Loan Notes and the due and punctual performance of all of the covenants and conditions of this Agreement to be performed by the Guarantor, such successor Person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed the Loan Guarantee to be endorsed upon all of the Loan Notes issuable hereunder which theretofore shall not have been signed by the Borrower and delivered to the Administrative Agent. Any Loan Guarantee so issued shall in all respects have the same legal rank and benefit under this Agreement as the Loan Guarantees theretofore and thereafter issued in accordance with the terms of this Agreement as though such Loan Guarantee had been issued at the date of the execution hereof.

Section 12.04. Releases of Loan Guarantees.

The Loan Guarantee of each Guarantor shall be released:

(i) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Borrower or a Restricted Subsidiary of the Borrower, if the sale or other disposition does not violate Section 4.09 hereof;

(ii) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Borrower or a Restricted Subsidiary of the Borrower, if the sale or other disposition does not violate Section 4.09 hereof;

(iii) if the Borrower designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary;

(iv) if that Guarantor is released from its Guarantee under this Agreement; or

(v) if that Guarantor is designated as a Non-Guarantor Subsidiary in accordance with the definition of Non-Guarantor Subsidiary.

If any Guarantor is released from its Loan Guarantee, any of its Subsidiaries that are Guarantors shall be released from their Loan Guarantees, if any.

Section 12.05. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Loan Notes, each Lender, hereby confirms that it is the intention of all such parties that the Loan Guarantee of each Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to such Loan Guarantee. To effectuate the foregoing intention, the Administrative Agent, the Lenders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor shall be limited to the maximum amount that shall, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 12, result in the obligations of such Guarantor under its Loan Guarantee not constituting a fraudulent transfer or conveyance.

Section 12.06. Subordination of Loan Guarantees.

The Obligations of each Guarantor under its Loan Guarantee pursuant to this Article 12 shall be junior and subordinated to the Senior Debt of such Guarantor on the same basis as the Loans are junior and subordinated to Senior Debt of the Borrower. For the purposes of the foregoing sentence, the Administrative Agent and the Lenders shall have the right to receive

and/or retain payments by any of the Guarantors only at such times as they may receive and/or retain payments in respect of the Loans pursuant to this Agreement, including Article 12 hereof.

ARTICLE 13
MISCELLANEOUS

Section 13.01. Notices.

(a) Any notice or communication by the Borrower, any Guarantor or the Administrative Agent 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 Borrower and/or any Guarantor:

J. Crew Operating Corp.
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: Michael L. Ryan

If to the Administrative Agent:

U.S. Bank National Association
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Telecopier No.: 860-241-6897
Attention: Corporate Trust Department / Michael Hopkins

(b) The Borrower, any Guarantor or the Administrative Agent, by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) All notices and communications (other than those sent to Lenders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) 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 guaranteeing next day delivery.

(d) Any notice or communication to a Lender shall be mailed by first class mail or by overnight air courier guaranteeing next day delivery to its address shown on the Register kept by the Administrative Agent. Failure to mail a notice or communication to a Lender or any defect in it shall not affect its sufficiency with respect to other Lenders.

(e) 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.

(f) If the Borrower mails a notice or communication to Lenders, it shall mail a copy to the Administrative Agent and each Agent at the same time.

(g) Any notice or communication delivered to the Borrower under the provisions herein shall constitute notice to the Guarantors.

Section 13.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power 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 Administrative Agent and the Lenders hereunder 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 the Borrower therefrom shall in any event be effective unless the same shall be permitted by Section 13.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(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 Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Term Loan Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any date for the payment of any interest or fees payable hereunder, or reduce the amount of, waive or excuse any such scheduled payment, or postpone the scheduled date of expiration of any Term Loan Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.05(c) or (d) in a manner that would alter the *pro rata* sharing of payments required thereby without the written consent of each Lender or (v) change any of the provisions of this Section 13.02 or the percentage set forth in the definition of Required Lenders or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or

duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

Section 13.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable documented out-of-pocket costs and expenses incurred by the Administrative Agent and its Affiliates, including the reasonable and documented fees, charges and disbursements of one counsel in each applicable jurisdiction for the Administrative Agent in connection with preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all reasonable and documented out-of-pocket costs and expenses incurred by the Administrative Agent or any Lender, including the all reasonable and documented fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section 13.03, or in connection with the Loans made hereunder, including all such all reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including all reasonable and documented fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any other agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the this Agreement or any other transactions contemplated hereby or (ii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether 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 or any Related Party of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under Section 13.03(a) or (b) above, each Lender severally agrees to pay to the Administrative Agent, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby.

(e) All amounts due under this Section 13.03 shall be payable promptly after written demand therefor.

Section 13.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 13.04. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Term Loan Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of the Administrative Agent; provided that no assignment shall be made to an assignee that is not a QIB.

(ii) Assignments shall be subject to the following additional conditions:

(A) the amount of the Term Loan Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $1,000,000 or, if smaller, the entire remaining amount of the assigning Lender's Term Loan Commitment or Loans unless each of the Borrower and the Administrative Agent shall otherwise consent, provided that in the event of concurrent assignments to two or more assignees that are Affiliates of one another, or to two or more Approved Funds managed by the same investment advisor or by affiliated investment advisors, all such concurrent assignments shall be aggregated in determining compliance with this subsection;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption substantially in the form of Exhibit H attached hereto; provided that in the event

of concurrent assignments to two or more assignees that are Affiliates of one another, or to two or more Approved Funds managed by the same investment advisor or by affiliated investment advisors, only one such fee shall be payable; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent such information and applicable tax forms as the Administrative Agent shall reasonably request to effect such assignment.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(v) of this Section 13.04, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 13.03).

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Term Loan Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, such information and applicable tax forms as the Administrative Agent shall reasonably request pursuant to Section 13.04(b)(ii)(D) (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 13.04(b) and any written consent to such assignment required by Section 13.04(b), the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

Section 13.05. No Personal Liability of Directors, Officers, Employees, Organizers and Members.

No director, officer, employee, incorporator, stockholder, member or other holders of Equity Interests of the Borrower or the Guarantors, as such, shall have any liability for any obligations of the Borrower or the Guarantors under this Agreement, the Loans or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Lender by accepting a Loan Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Loan Notes.

Section 13.06. Survival.

All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any Loan is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Term Loan Commitments have not expired or terminated. The provisions of Section 13.03 and Article 7 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the Term Loan Commitments or the termination of this Agreement or any provision hereof.

Section 13.07. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Borrower or the Guarantors to the Administrative Agent to take any action under this Agreement, the Borrower or the Guarantors shall furnish to the Administrative Agent upon request:

(a) an Officer's Certificate in form and substance reasonably satisfactory to the Administrative Agent (which shall include the statements set forth in Section 13.08 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Agreement relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Administrative Agent (which shall include the statements set forth in Section 13.08 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 13.08. Statements Required in Certificate or Opinion

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement 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 13.09. Governing Law.

(a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE BORROWER, THE GUARANTORS AND THE LENDERS HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTURED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW EXCEPT SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, 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 applicable 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 applicable law. Nothing in this Agreement shall affect any right that the Administrative Agent, or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower 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 in any court referred to Section 13.09(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 13.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable law.

Section 13.10. 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 ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). 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 13.10.

Section 13.11. No Adverse Interpretation of Other Agreements.

This Agreement may not be used to interpret any other indenture, loan or debt agreement of the Borrower or any of its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Agreement.

Section 13.12. Severability.

Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 13.13. Counterpart Originals; Integration; Effectiveness.

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. The Credit Documents (including any separate letter agreements with respect to fees payable to the Administrative Agent and all other agreements and documents required for execution, delivery and performance of, or the consummation of the transactions contemplated by, the Credit Documents, the Indenture, the Exchange Notes and the Exchange Note Guarantees) constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Article 9, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 13.14. Table of Contents, Headings, Etc.

The Table of Contents and Headings of the Articles and Sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part of this Agreement and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of November 21, 2004

J. CREW OPERATING CORP.
as Borrower

By: /s/Amanda J. Bokman
Name: Amanda J. Bokman
Title: Chief Financial Officer

GRACE HOLMES, INC. d/b/a
J. CREW RETAIL
as Guarantor

By: /s/Amanda J. Bokman
Name: Amanda J. Bokman
Title: Chief Financial Officer

H.F.D. NO 55, INC. d/b/a J. CREW
FACTORY
as Guarantor

By: /s/Amanda J. Bokman

Name: Amanda J. Bokman
Title: Chief Financial Officer

J. CREW, INC.
as Guarantor

By: /s/Amanda J. Bokman
Name: Amanda J. Bokman
Title: Chief Financial Officer

J. CREW INTERNATIONAL, INC.
as Guarantor

By: /s/ Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: VP Controller

U.S. Bank National Association
as Administrative Agent

By: /s/ Michael M. Hopkins
Name: Michael M. Hopkins
Title: Vice President

Private Capital Partners LLC, a Delaware Limited Liability Company
BY BLACK CANYON CAPITAL LLC,
as Lender

By: /s/ Mark W. Lanigan
Name: Mark W. Lanigan
Title: Managing Director

Canpartners Investments IV, LLC, a California Limited Liability Company,
as Lender

By: /s/ Joshua S. Friedman
Name: Joshua S. Friedman
Title: Authorized Signatory

EXHIBIT A

FORM OF LOAN NOTE

New York, New York

$_____

[Issue Date]

FOR VALUE RECEIVED, J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), promises to pay to _____ or registered assigns (the "Lender"), the principal amount of _____ Dollars ($_____) on [_____], 2014.

The Borrower also promises to pay interest on the unpaid principal amount of this Loan Note at the rate of 9.75% per annum and the applicable Additional Interest, if any. The Borrower will pay interest in U.S. dollars (except as otherwise provided herein) semi-annually in arrears on [_____] and [_____], commencing on [_____], 200_, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment

Date"). Interest on this Loan Note shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from [_____], 200_. The Borrower 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 this Loan Note to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (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.

The Borrower will pay interest on this Loan Note (except defaulted interest) on the applicable Interest Payment Date to the registered Lender at the close of business on the [_____] or [_____] next preceding the Interest Payment Date, even if this Loan Note is cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.07 of the Loan Agreement with respect to defaulted interest. This Loan Note shall be payable as to principal, premium and interest at the office or agency of the Borrower maintained for such purpose within or without the City and State of New York, or, at the option of the Borrower, payment of interest may be made by check mailed to the Lender at its addresses set forth in the register of Lenders. 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.

This Loan Note evidences a portion of the Term Loan Commitments and is issued pursuant to and entitled to the benefits of the Senior Subordinated Loan Agreement dated as of November 21, 2004 (the "Loan Agreement") among the Borrower, the Guarantors and the Lenders. The terms of this Loan Note include those stated in the Loan Agreement. This Loan Note is subject to all such terms, and Lenders are referred to the Loan Agreement for a statement

of such terms. Subject to the conditions set forth in the Loan Agreement and without the consent of the Lenders, the Borrower may issue Additional Loan Notes. All Loan Notes will be treated as a single class of securities under the Loan Agreement.

This Loan Note is subject to mandatory prepayments and voluntary prepayments, each as provided in the Loan Agreement.

This Loan Note is subordinated in right of payment, as set forth in the Loan Agreement, to the prior payment in full of all existing and future Senior Debt of the Borrower. This Loan Note in all respects ranks *pari passu* with, or senior to, all other Indebtedness of the Borrower. By accepting the Loan Note, the Lender agrees to the subordination provisions set forth in the Loan Agreement, authorizes the Administrative Agent to acknowledge such subordination provisions and give them effect and appoints the Administrative Agent as attorney-in-fact for such purpose.

The terms of this Loan Note may be amended only in the manner provided in the Loan Agreement.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Loan Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Loan Agreement.

THIS LOAN NOTE AND THE RIGHTS AND OBLIGATIONS OF THE BORROWER AND THE LENDER HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTURED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW EXCEPT SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

IN WITNESS WHEREOF, the Borrower has caused this Loan Note to be duly executed and delivered by its officer thereunto duly authorized as of the date and at the place first written above.

J. CREW OPERATING CORP.

By: _____
Name:
Title:

OPTION OF LENDER TO ELECT PREPAYMENT

If you want to elect to have this Loan Note purchased by the Borrower pursuant to Section 3.09 or Section 4.12 of the Loan Agreement, check the box below:

o Section 3.09 o Section 4.12

If you want to elect to have only part of the Loan Note purchased by the Borrower pursuant to Section 3.09 or Section 4.12 of the Loan Agreement, state the amount you elect to have purchased:

$_____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the face of this Loan Note)

Tax Identification No.:_____

EXHIBIT B

FORM OF LOAN GUARANTEES

Subject to Section 12.05 of the Loan Agreement, each Guarantor hereby unconditionally guarantees to each Lender and the Administrative Agent and its successors and assigns, irrespective of the validity and enforceability of the Loan Agreement, the Loan Notes and the Obligations of the Borrower under the Loan Notes or under the Loan Agreement, that: (a) the principal of, premium, if any, and interest on the Loan Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on overdue principal, premium, if any, (to the extent permitted by law) and interest on any interest, if any, on the Loan Notes and all other payment Obligations of the Borrower to the Lenders or the Administrative Agent under the Loan Agreement or under the Loan Notes will be promptly paid in full and performed, all in accordance with the terms thereof; and (b) in case of any extension of time of payment or renewal of any Loan Notes or any of such other payment Obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when so due of any amount so guaranteed or any performance so guaranteed for whatever reason, each Guarantor will be jointly and severally obligated to pay the same immediately.

The obligations of each Guarantor to the Lenders and to the Administrative Agent pursuant to this Loan Guarantee and the Loan Agreement are expressly set forth in Article 12 of the Loan Agreement, and reference is hereby made to such Loan Agreement for the precise terms of this Loan Guarantee. The terms of Article 12 of the Loan Agreement are incorporated herein by reference. This Loan Guarantee is subject to release as and to the extent provided in Section 12.04 of the Loan Agreement.

This is a continuing Guarantee and shall remain in full force and effect and shall be binding upon each Guarantor and its respective successors and assigns to the extent set forth in the Loan Agreement until full and final payment of all of the Borrower's Obligations under the Loan Notes and the Loan Agreement and shall inure to the benefit of the successors and assigns of the Administrative Agent and the Lenders and, in the event of any transfer or assignment of rights by any Lender or the Administrative Agent, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This is a Loan Guarantee of payment and not a guarantee of collection.

This Loan Guarantee is subordinated in right of payment, as set forth in the Loan Agreement, to the prior payment in full of all existing and future Senior Debt of any Guarantor. This Loan Guarantee in all respects ranks *pari passu* with, or senior to, all other Indebtedness of the Guarantors. By accepting the Loan Guarantee, the Lender agrees to the subordination provisions set forth in the Loan Agreement, authorizes the Administrative Agent to acknowledge such subordination provisions and give them effect and appoints the Administrative Agent as attorney-in-fact for such purpose.

Capitalized terms used herein have the same meanings given in the Loan Agreement unless otherwise indicated.

Dated as of _____, 200 __

GRACE HOLMES, INC. d/b/a
J. CREW RETAIL
as Guarantor

By: _____
Name:
Title:

H.F.D. NO 55, INC. d/b/a J. CREW
FACTORY
as Guarantor

By: _____
Name:
Title:

J. CREW, INC.
as Guarantor

By: _____
Name:
Title:

J. CREW INTERNATIONAL, INC.
as Guarantor

By: _____
Name:

EXHIBIT C

FORM OF NEW COMMITMENT AGREEMENT

Reference is made to the Senior Subordinated Loan Agreement dated as of November 21, 2004 (as amended, modified, extended or restated from time to time, the "Loan Agreement") among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), the Guarantors party thereto, the Lenders party thereto and U.S. Bank National Association, in its capacity as administrative agent (in such capacity, the "Administrative Agent") for the lenders from time to time party to the Loan Agreement. All of the defined terms in the Loan Agreement are incorporated herein by reference.

1. Effective as of the Effective Date set forth below, the undersigned Lender hereby confirms its Term Loan Commitment, in an aggregate principal amount of up to the amount of set forth below, to make Loans in accordance with the provisions of Section 2.01 of the Loan Agreement. If the undersigned Lender is already a Lender under the Loan Agreement, such Lender acknowledges and agrees that such Term Loan Commitment is in addition to any existing Term Loan Commitment of such Lender under the Loan Agreement. If the undersigned Lender is not already a Lender under the Loan Agreement, such Lender hereby acknowledges, agrees and confirms that, by its execution of this New Commitment Agreement, such Lender will, as of the Effective Date, be a party to the Loan Agreement and be bound by the provisions of the Loan Agreement and, to the extent of its new Term Loan Commitment, have the rights and obligations of a Lender thereunder.

2. This New Commitment Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Amount of Term Loan Commitment $

Effective Date of Term Loan Commitment ,

The terms set forth above
are hereby agreed to:

[Lender]

By: _____
Name: _____
Title: _____

CONSENTED TO AND AGREED:

U.S. Bank National Association,
as Administrative Agent

By: _____
Name: _____
Title: _____

J. CREW OPERATING CORP.,
a Delaware corporation

By: _____
Name: _____
Title: _____

EXHIBIT D

FORM OF SUPPLEMENTAL SENIOR SUBORDINATED LOAN AGREEMENT

THIS SUPPLEMENTAL SENIOR SUBORDINATED LOAN AGREEMENT (the "Agreement"), dated as of _____, 20___, is by and between _____, a _____ (the "Subsidiary"), and U.S. Bank National Association, in its capacity as Administrative Agent under that certain Senior Subordinated Loan Agreement (as it may be amended, modified, restated or supplemented from time to time, the "Loan Agreement"), dated as of November 21, 2004, by and among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), the Guarantors party thereto, the Lenders party thereto and U.S. Bank National Association, as Administrative Agent. All of the defined terms in the Loan Agreement are incorporated herein by reference.

The Loan Parties are required by Section 4.16 of the Loan Agreement to cause the Subsidiary to become a "Guarantor."

Accordingly, the Subsidiary hereby agrees as follows with the Administrative Agent, for the benefit of the Lenders:

1. The Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Subsidiary will be deemed to be a party to the Loan Agreement and a Guarantor for all purposes of the Loan Agreement, and shall have all of the obligations of a Guarantor thereunder as if it had executed the Loan Agreement. The Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Guarantors contained in the Loan Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, the Subsidiary

hereby jointly and severally together with the other Guarantors, guarantees to each Lender and the Administrative Agent the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof.

2. The Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Subsidiary will be deemed to be a party to the Security Agreement, and shall have all the obligations of an Obligor (as such term is defined in the Security Agreement) thereunder as if it had executed the Security Agreement. The Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Security Agreement.

3. The address of the Subsidiary for purposes of all notices and other communications is _____, _____, Attention of _____ (Facsimile No. _____).

4. The Subsidiary hereby waives acceptance by the Administrative Agent and the Lenders of the guaranty by the Subsidiary under Article 12 of the Loan Agreement upon the execution of this Agreement by the Subsidiary.

5. 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 one contract.

6. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Subsidiary has caused this Supplemental Senior Subordinated Loan Agreement to be duly executed by its authorized officers, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[SUBSIDIARY]

By: _____
Name: _____
Title: _____

Acknowledged and accepted:

U.S. Bank National Association,
as Administrative Agent

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF NOTICE OF BORROWING

Date: _____, _____

To: U.S. Bank National Association, as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Senior Subordinated Loan Agreement, dated as of November 21, 2004, (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Loan Agreement;" the terms defined therein being used herein as therein defined), among J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and U.S. Bank National Association, as Administrative Agent.

The undersigned hereby requests the following:

- a borrowing of Loans in the amount of $_____;
- the Loans to be funded on _____, 200_ (the proposed Closing Date); and

- the funds to be wire transferred as indicated:
  - $_____ amount to be wire transferred into Account Number _____ (Account Name _____);
  - $_____ amount to be wire transferred into Account Number _____ (Account Name _____).

J. CREW OPERATING CORP.

By: _____
Name: _____
Title: _____

EXHIBIT F

FORM OF INDENTURE

J. Crew Operating Corp.

9¾% SENIOR SUBORDINATED NOTES DUE 2014

INDENTURE
DATED AS OF [ ]

U.S. Bank National Association

TRUSTEE

EXHIBITS

Indenture, dated as of [_____] among J. Crew Operating Corp., a Delaware corporation, as issuer, the Guarantors (as defined herein), and U.S. Bank National Association, as trustee.

The parties hereto agree as follows for the benefit of each other and for the equal and ratable benefit of the holders of the J. Crew Operating Corp.'s 9¾% Senior Subordinated Notes due 2014:

ARTICLE 1
DEFINITIONS AND INCORPORATION
BY REFERENCE

Section 1.01. Definitions.

"*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 Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Assets*" means any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary of the Company in a Permitted Business.

"*Additional Note Board Resolutions*" means resolutions duly adopted by the Board of Directors of the Company and delivered to the Trustee in an Officer's Certificate providing for the issuance of Additional Notes.

"*Additional Notes*" means the Company's 9¾% Senior Subordinated Notes originally issued after the Issue Date pursuant to Section 2.18, including any replacement Notes as specified in the relevant Additional Note Board Resolutions.

"*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. Beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control. No Person in whom a Receivables Subsidiary makes an Investment in connection with a Qualified Receivables Transaction will be deemed to be an Affiliate of the Company or any of its Subsidiaries solely by reason of such Investment.

"*Agent*" means any Registrar, Paying Agent, co-registrar or additional paying agent.

"*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 (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 Section 4.13 and Section 5.01 and not by the provisions of Section 4.10 of this Indenture, and (ii) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries (other than directors' qualifying Equity Interests or Equity Interests required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary of the Company).

Notwithstanding the preceding, none of the following items shall be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $5.0 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;

(4) the sale or lease of products, services or accounts receivable (including at a discount) in the ordinary course of business and any sale or other disposition of damaged, worn-out, negligible, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of Cash Equivalents;

(6) a Restricted Payment that does not violate Section 4.07 of this Indenture or is a Permitted Investment;

(7) a sale and leaseback transaction with respect to any assets within 180 days of the acquisition of such assets;

(8) any exchange of like-kind property of the type described in Section 1031 of the Internal Revenue Code of 1986 for use in a Permitted Business;

(9) the sale or disposition of any assets or property received as a result of a foreclosure by the Company or any of its Restricted Subsidiaries on any secured Investment or any other transfer of title with respect to any secured Investment in default;

(10) the licensing of intellectual property in the ordinary course of business or in accordance with industry practice;

(11) the sale, lease, conveyance, disposition or other transfer of (a) the Capital Stock of, or any Investment in, any Unrestricted Subsidiary or (b) Permitted Investments made pursuant to clause (xxii) of the definition of "Permitted Investments";

(12) surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(13) leases or subleases to third persons in the ordinary course of business that do not interfere in any material respect with the business of the Company or any of its Restricted Subsidiaries;

(14) sales of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction to a Receivables Subsidiary for the Fair Market Value thereof, less amounts required to be established as reserves and customary discounts pursuant to contractual agreements with entities that are not Affiliates of the Company entered into as part of a Qualified Receivables Transactions; and

(15) transfers of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction (or a fractional undivided interest therein) by a Receivables Subsidiary in a Qualified Receivables Transaction.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value 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. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in good faith by a responsible financial or accounting officer of the Company.

"*Bankruptcy Law*" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"*Black Canyon Credit Facility*" means the Loan Agreement, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case, as amended, extended, modified, renewed, refunded, replaced or refinanced from time to time, whether or not by the same or any other agent, lender or group of lenders.

"*Board of Directors*" means, with respect to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"*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 prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*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, participations, rights or other

equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership (whether general or limited) or membership interests 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 but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(i) United States dollars or any other currencies held from time to time in the ordinary course of business;

(ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than 12 months from the date of acquisition;

(iii) direct obligations issued by any state of the United States of America or any political subdivision of any such state, or any public instrumentality thereof, in each case having maturities of not more than 12 months from the date of acquisition;

(iv) certificates of deposit and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any lender party to the Congress Credit Facility or with any domestic commercial bank that is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and has Tier 1 Capital (as defined in such regulations) of not less than $250.0 million;

(v) repurchase obligations with a term of not more than one year for underlying securities of the types described in clauses (ii) and (iv) above entered into with any financial institution meeting the qualifications specified in clause (iv) above;

(vi) commercial paper having one of the two highest ratings obtainable from Moody's Investors Service, Inc. or Standard & Poor's Rating Services and, in each case, maturing within 12 months after the date of acquisition;

(vii) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from Standard & Poor's Rating Services or "A2" or higher from Moody's Investors Service, Inc. with maturities of 12 months or less from the date of acquisition; and

(viii) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (i) through (vi) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(i) the direct or indirect 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 properties or 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 Permitted Holders;

(ii) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Permitted Holders, 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 50% or more of the Voting Stock of the Company (measured by voting power rather than number of shares); provided, however, for purposes of this clause (iii), each Person will be deemed to beneficially own any Voting Stock of another Person held by one or more of its Subsidiaries.

"*Closing Date*" means December 23, 2004, or such later date on which the conditions precedent set forth in Section 9.02 of the Loan Agreement shall be satisfied or waived pursuant to Section 13.02 of the Loan Agreement.

"*Collateral*" means the Capital Stock of the Company held by Intermediate, all property and assets of the Company, and all property and assets of each Subsidiary of the Company that is a Guarantor hereunder, in each case, with respect to which from time to time a Lien is granted as security for the Notes pursuant to the applicable Security Documents.

"*Collateral Agent*" means U.S. Bank National Association in its capacity as the "Collateral Agent" under and as defined in the Security Documents and any successor thereto in such capacity.

"*Collateral Permitted Liens*" means:

(i) Liens existing as of the Effective Date plus renewals and extensions of such Liens;

(ii) Liens securing any First-Lien Obligations;

(iii) Liens securing the Notes (or the Note Guarantees) and any Other Second-Lien Obligations;

(iv) Liens securing Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; provided that such Liens securing Permitted Refinancing Indebtedness that ranks equal to or junior in right of payment with the Notes (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) are limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure

the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof);

(v) 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 their books such reserves as may be required pursuant to GAAP;

(vi) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business;

(vii) Liens incurred or deposits or pledges 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 in connection therewith, or to secure the performance of tenders, public or statutory obligations, progress payments, surety and appeal bonds, bids, leases, contracts (other than contracts for the payment of money), performance and return-of-money bonds and other similar obligations;

(viii) Liens arising out of judgments, decrees, orders or awards in respect of which the Company shall in good faith be prosecuting an appeal or proceedings for review which appeal or proceedings shall not have been finally terminated, or if the period within which such appeal or proceedings may be initiated shall not have expired;

(ix) survey exceptions, easements, rights of way, zoning restrictions, licenses, reservations, provisions, encroachments, encumbrances, protrusion permits, servitudes, covenants, conditions, waivers, restrictions on the use of property or title defects (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without the consent of the lessee) and other similar charges, restrictions or encumbrances in respect of real property that do not in the aggregate materially adversely affect the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries;

(x) 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 asset which is not leased property subject to such lease;

(xi) Liens securing Capital Lease Obligations and purchase money Indebtedness incurred in accordance with Section 4.09(b) hereof; provided that the Indebtedness shall not be secured by any property or assets of the Company or any Restricted Subsidiary of the Company other

than the property and assets being acquired or constructed or improved or financed by such Indebtedness;

(xii) 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;

(xiii) 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;

(xiv) Liens 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;

(xv) Liens securing Hedging Obligations;

(xvi) Liens on property or assets of a Person, plus renewals and extensions of such Liens, existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary;

(xvii) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to such acquisition and not incurred in contemplation of such acquisition;

(xviii) leases, subleases, licenses or sublicenses to third parties entered into in the ordinary course of business;

(xix) 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;

(xx) Liens in favor of the Company or the Guarantors;

(xxi) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(xxii) Liens of a bank, broker or securities intermediary on whose records a deposit account or securities account is maintained securing the payment of customary fees and commissions to the bank, broker or securities intermediary or, which respect to a deposit account, items deposited but returned unpaid;

(xxiii) Liens on the assets of Non-Guarantor Subsidiaries securing Indebtedness of the Company or its Restricted Subsidiaries that was permitted by the terms of this Indenture to be incurred;

(xxiv) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(xxv) Liens incurred in the ordinary course of business of the Company or any Subsidiary of the Company with respect to obligations that do not exceed (A) $5.0 million at any one time outstanding prior to the Initial Call Termination Date and (B) thereafter $15.0 million at any one time outstanding.

"*Commission*" means the Securities and Exchange Commission.

"*Company*" means J. Crew Operating Corp., a Delaware corporation, and any and all successors thereto.

"*Congress Credit Facility*" means the Loan and Security Agreement, dated as of December 23, 2002 by and among the Company, J. Crew Inc., Grace Holmes, Inc. and H.F.D. No. 55, Inc., as borrowers, Congress Financial Corporation, as administrative and collateral agent, and certain other parties named therein, 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, whether or not by the same or any other agent, lender or group of lenders.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication and to the extent deducted in determining such Consolidated Net Income, the amounts for such period of:

(i) the Fixed Charges of such Person and its Restricted Subsidiaries for such period;

(ii) the consolidated income tax expense of such Person and its Restricted Subsidiaries for such period;

(iii) fees, costs and expenses paid or payable in cash by the Company or any of its Subsidiaries during such period in connection with the issuance of the Notes and the Note Guarantees;

(iv) any management fees to be paid or payable by the Company and any of its Subsidiaries during such period to any Permitted Holder not to exceed $2.0 million in any fiscal year;

(v) non-recurring redundancy and restructuring charges;

(vi) other non-cash expenses and charges for such period reducing Consolidated Net Income (excluding any such non-cash item to the extent representing an accrual or reserve for potential cash items in any future period or amortization of a prepaid cash item that was paid in a prior period);

(vii) any non-recurring out-of-pocket expenses or charges for such period relating to any offering of Equity Interests by the Company or any direct or indirect parent of the Company, any Asset Sale, Investment or merger, recapitalization or acquisition transactions made by the Company or any of its Restricted Subsidiaries or any direct or indirect parent of the Company, or any Indebtedness incurred by the Company or any of

its Restricted Subsidiaries or any direct or indirect parent of the Company (in each case, whether or not successful);

(viii) Net Income attributable to minority interests of a Restricted Subsidiary of the Company that is not a Wholly Owned Subsidiary; and

(ix) all depreciation and amortization charges (including the amortization of any premiums, fees or expenses incurred in connection with the issuance of the Notes and the Note Guarantees and the amortization of any amounts required or permitted by Accounting Principles Board Opinions Nos. 16 (including non-cash write-ups and non-cash charges relating to inventory and fixed assets) and 17 (including non-cash charges relating to intangibles and goodwill)), other than in respect of the amortization of prepaid cash expenses that were paid in a prior period;

minus, without duplication, other non-cash items (other than the accrual of revenue in accordance with GAAP consistently applied in the ordinary course of business) increasing Consolidated Net Income for such items (excluding any such non-cash item to the extent it represents the reversal of an accrual or reserve for potential cash items in any prior period).

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted 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 specified Person or a Restricted Subsidiary thereof;

(ii) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or other distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(iii) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with (A) any Asset Sale or (B) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries will be excluded;

(iv) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss will be excluded;

(v) all non-recurring or unusual gains and losses and all restructuring charges will be excluded;

(vi) income or losses attributable to discontinued operations and ownership interests therein (including, without limitation, operations disposed during such period whether or not such operations were classified as discontinued) will be excluded;

(vii) any non-cash impact of capitalized interest on Subordinated Shareholder Funding will be excluded;

(viii) any non-cash charges attributable to applying the purchase method of accounting will be excluded;

(ix) all non-cash charges relating to employee benefit or other management or stock compensation plans of the Company or a Restricted Subsidiary of the Company (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense incurred in a prior period) will be excluded to the extent that such non-cash charges are deducted in computing such Consolidated Net Income; provided, further that if the Company or any Restricted Subsidiary of the Company makes a cash payment in respect of such non-cash charge in any period, such cash payment will (without duplication) be deducted from the Consolidated Net Income of the Company for such period;

(x) 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

(xi) the cumulative effect of a change in accounting principles shall be excluded.

"*Consolidated Total Indebtedness to Consolidated Cash Flow Ratio*" means, with respect to the Company as of any determination date, the ratio of the aggregate amount of Total Indebtedness for the Company as of such determination date to Consolidated Cash Flow for the Company for the four most recent full fiscal quarters for which financial statements are available ending prior to such determination date.

In addition, for purposes of calculating Consolidated Total Indebtedness to Consolidated Cash Flow Ratio:

(i) Investments, acquisitions, mergers, consolidations and dispositions that have been made by the specified Person or any of its Restricted Subsidiaries, or any Person or any of its Restricted Subsidiaries acquired by, merged or consolidated with the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to such determination date shall be given pro forma effect and 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 reflect any pro forma expense and cost reductions attributable to any such transactions;

(ii) the Total Indebtedness and Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to such determination date,

shall be excluded, and Total Indebtedness and Consolidated Cash Flow for such reference period shall reflect any pro forma expense or cost reductions relating to such discontinuance or disposition;

(iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to such determination date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries following such determination date;

(iv) any Person that is a Restricted Subsidiary on the determination date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter reference period;

(v) any Person that is not a Restricted Subsidiary on the determination date will be deemed not to have been a Restricted Subsidiary at any times during such four-quarter reference period; and

(vi) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the determination date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness).

For purposes of this definition, whenever pro forma effect is given to a transaction, the pro forma calculations shall be made in good faith by the chief financial officer of the Company in an Officer's Certificate. For purposes of determining whether any Indebtedness constituting a Guarantee may be incurred, the interest on the Indebtedness to be guaranteed shall be included in calculating the Consolidated Total Indebtedness to Consolidated Cash Flow Ratio on a pro forma basis. Interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capital Lease Obligation in accordance with GAAP. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

"*Corporate Trust Office of the Trustee*" shall be at the address of the Trustee specified in Section 14.02 hereof or such other address as to which the Trustee may give notice to the Company.

"*Credit Agent*" means Congress Financial Corporation, in its capacity as administrative and collateral agent for the lenders party to the Congress Credit Facility or any successor thereto, or any Person at any time becoming the "Senior Credit Agent" under the Intercreditor Agreement pursuant to the terms thereof.

"*Credit Facilities*" means one or more debt facilities (including, without limitation, the Congress Credit Facility and the Black Canyon Credit Facility) or commercial paper facilities, in each case, 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 or any other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities and including any amendment, restatement, modification, renewal, refunding, replacement or refinancing that increases the amount borrowed thereunder or extends the maturity thereof) in whole or in part from time to time, whether or not by the same or any other agent, lender or group of lenders.

"*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 issued in fully-registered certificated form (other than a Global Note), which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.07 and Exhibit A.

"*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 this Indenture, and, thereafter, "Depositary" shall mean or include such successor.

"*Designated Noncash Consideration*" means any non-cash consideration received by the Company or a Restricted Subsidiary of the Company in connection with an Asset Sale that is designated as Designated Noncash Consideration pursuant to an Officer's Certificate, executed by the president and the principal financial officer of the Company.

"*Designated Preferred Stock*" means preferred stock of the Company (other than Disqualified Stock), that is issued for cash (other than to a Restricted Subsidiary of the Company) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate executed on the date of such issuance.

"*Designated Senior Debt*" means (i) any Senior Debt outstanding under any Credit Facility and (ii) any other Senior Debt permitted under this Indenture the principal amount of which is $25.0 million or more and that has been designated as "Designated Senior Debt."

"*Discharge of First-Lien Obligations*" means payment in full in cash of the principal of and interest and premium, if any, on all Indebtedness in respect of the outstanding First-Lien Obligations or, with respect to Hedging Obligations or letters of credit outstanding thereunder, delivery of cash collateral or backstop letters of credit in respect thereof in compliance with such First-Lien Obligations, in each case after or concurrently with termination of all commitments to extend credit thereunder, and payment in full in cash of any other Obligations in respect of the First-Lien Obligations that are due and payable or otherwise accrued and owing.

"*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, in each case, at the option of the holder of the Capital Stock), 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 of the Capital Stock, in whole or in part, on or prior to the date that is 90 days after the date on which the Notes mature.

Notwithstanding the preceding sentence, (i) any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company or its Subsidiary that issued such Capital Stock to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock, (ii) any Capital Stock that would constitute Disqualified Stock solely as a result of any redemption feature that is conditioned upon, and subject to, compliance with Section 4.07 hereof shall not constitute Disqualified Stock and (iii) any Capital Stock issued to any plan for the benefit of employees will not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or its Subsidiary that issued such Capital Stock in order to satisfy applicable statutory or regulatory obligations. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock.

"*Effective Date*" means the date of execution of the Loan Agreement.

"*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 a public or private offering of Qualified Capital Stock of the Company or a direct or indirect parent or a Subsidiary of the Company.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Excluded Contributions*" means net cash proceeds, marketable securities or Qualified Proceeds received by the Company from (i) contributions to its common equity capital, including Subordinated Shareholder Funding and (ii) the sale (other than to a Subsidiary of the Company or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Company) of Equity Interests (other than Disqualified Stock and Designated Preferred Stock) of the Company, in each case designated as Excluded Contributions pursuant to an Officer's Certificate on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, that are excluded from the calculation set forth in clause (C) of Section 4.07(a)(iv) hereof.

"*Existing Debentures*" means the $13^{1}/_{8}$% Senior Discount Debentures due 2008 issued by Holdings.

"*Existing Indebtedness*" means Indebtedness existing on the Effective Date, plus interest accruing thereon.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors, chief executive officer or chief financial officer of the Company.

"*Final Maturity Date*" means the tenth anniversary of the Closing Date.

"*First-Lien Obligations*" means all Obligations under (i) the Congress Credit Facility and (ii) any other Indebtedness that constitutes Senior Debt permitted to be incurred under this Indenture that, pursuant to its terms, is secured by Liens on property and assets that constitute Collateral hereunder and, except for the Congress Credit Facility, is designated by the Company as constituting "First-Lien Obligations" for the purposes of this Indenture.

"*Fixed Charge Coverage Ratio*" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock or Disqualified Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and 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, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock or Disqualified Stock, and the use of proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(i) Investments, acquisitions, mergers, consolidations and dispositions that have been made by the specified Person or any of its Restricted Subsidiaries, or any Person or any of its Restricted Subsidiaries acquired by, merged or consolidated with the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be given pro forma effect and 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 reflect any pro forma expense and cost reductions attributable to any such transactions;

(ii) the Consolidated Cash Flow and Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, shall be excluded, and Consolidated Cash Flow and Fixed Charges for such reference period shall reflect any pro forma expense or cost reductions relating to such discontinuance or disposition;

(iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) 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 specified Person or any of its Subsidiaries following the Calculation Date;

(iv) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter reference period;

(v) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any times during such four-quarter reference period; and

(vi) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness).

For purposes of this definition, whenever pro forma effect is given to a transaction, the pro forma calculations shall be made in good faith by the chief financial officer of the Company in an Officer's Certificate. For purposes of determining whether any Indebtedness constituting a Guarantee may be incurred, the interest on the Indebtedness to be guaranteed shall be included in calculating the Fixed Charge Coverage Ratio on a pro forma basis. Interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capital Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

"*Fixed Charges*" means, with respect to any specified 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, original issue discount, non-cash interest payments (but excluding capitalized interest in relation to Subordinated Shareholder Funding), 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 cash payments (if any) pursuant to Hedging Obligations in respect of interest rates); provided, however, that in no event shall any amortization of any deferred financing costs be included in Fixed Charges; *plus*

(ii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period (but excluding capitalized interest in relation to Subordinated Shareholder Funding); *plus*

(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); *plus*

(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 to the Company or a Restricted Subsidiary 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.

"*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 Effective Date.

"*Global Note Legend*" means the legend set forth in Exhibit A, which is required to be placed on all Global Notes issued under this Indenture.

"*Global Notes*" means any Note issued in fully-registered certificated form to DTC (or its nominee), as depositary for the beneficial owners thereof, which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.07 and Exhibit A.

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America (including any agency or instrumentality thereof) and the payment for which the United States pledges its full faith and credit.

"*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, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantor*" means Intermediate, each Subsidiary of the Company that executes a Note Guarantee in accordance with the provisions of this Indenture and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under (i) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; (ii) other agreements or arrangements designed to manage interest rates or interest rate risk; and (iii) other

agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Holder*" means a Person in whose name a Note is registered.

"*Holdings*" means J. Crew Group, Inc., a New York corporation.

"*Indebtedness*" means, with respect to any specified Person, the principal and premium (if any) of any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(i) in respect of borrowed money;

(ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) (other than letters of credit issued in respect of trade payables);

(iii) in respect of banker's acceptances;

(iv) representing Capital Lease Obligations;

(v) representing the balance deferred and unpaid of the purchase price of any property or services due more than twelve months after such property is acquired or such services are completed (except any such balance that constitutes a trade payable or similar obligation to a trade creditor); or

(vi) representing the net obligations under any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*Initial Call Termination Date*" means the earlier of (i) the date which is eighteen (18) months following the Closing Date and (ii) the date on which the Company elects to terminate its right to redeem the Notes pursuant to clause (i) of Section 3.07(a).

"*Intercreditor Agreement*" means (i) the Intercreditor Agreement, dated as of November 21, 2004, among the Company, the Guarantors, Congress Financial Corporation, as senior credit agent, and the Collateral Agent, as amended, supplemented or otherwise modified from time to time and (ii) any substantially identical agreement hereafter entered into pursuant to Section 11.07(c).

"*Intermediate*" means J. Crew Intermediate LLC, a Delaware limited liability company.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel, relocation 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 Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in Section 4.07(d) hereof. The acquisition by the Company or any Restricted Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Section 4.07(d) hereof. The outstanding amount of any Investment shall be the original cost thereof, reduced by all returns on such Investment (including dividends, interest, distributions, returns of principal and profits on sale).

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

"*Issue Date Notes*" means the Notes originally issued on the Issue Date having an aggregate principal amount of $[___,000,000], and any replacement Notes issued therefor in accordance with this Indenture.

"*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).

"*Loan Agreement*" means the Senior Subordinated Loan Agreement, dated as of November 21, 2004, among the Company, as borrower, the guarantors named therein, the lenders party thereto and U.S. Bank National Association, as administrative agent.

"*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.

"*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, payments made in order to obtain a necessary consent or required by applicable law, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, including taxes resulting from the transfer of the proceeds of such Asset Sale to the Company, in each case, after taking into account:

(i) any available tax credits or deductions and any payments that are required to be made under tax sharing arrangements (including the Tax Sharing Agreement);

(ii) amounts required to be applied to the repayment of Indebtedness, other than Senior Debt, secured by a Lien on the asset or assets that were the subject of such Asset Sale;

(iii) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP;

(iv) any reserve for adjustment in respect of any liabilities associated with the asset disposed of in such transaction and retained by the Company or any Restricted Subsidiary of the Company after such sale or other disposition thereof;

(v) any distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale; and

(vi) in the event that a Restricted Subsidiary of the Company consummates an Asset Sale and makes a *pro rata* payment of dividends to all of its stockholders from any cash proceeds of such Asset Sale, the amount of dividends paid to any stockholder other than the Company or any other Restricted Subsidiary of the Company; provided that any net proceeds of an Asset Sale by a Non-Guarantor Subsidiary that are subject to restrictions on repatriation to the Company will not be considered Net Proceeds for so long as such proceeds are subject to such restrictions.

"*Non-Guarantor Subsidiary*" means, subject to the provisions of Section 4.17, (A) any Unrestricted Subsidiary, (B) any Receivables Subsidiary and (C) any Subsidiary of the Company that does not guarantee any Indebtedness under the Congress Credit Facility. The Board of Directors of the Company may designate any Restricted Subsidiary as a Non-Guarantor Subsidiary by filing with the Trustee a certified copy of a resolution of such Board of Directors giving effect to such designation and an Officer's Certificate certifying as to the applicable clause of the immediately preceding sentence that warrants such designation. In addition, if a Guarantor that is a guarantor under the Congress Credit Facility is released from its Guarantee of the Congress Credit Facility, it shall be released automatically from its Note Guarantee and will be a Non-Guarantor Subsidiary.

"*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), (B) is directly or indirectly liable as a guarantor or otherwise, or (C) constitutes the lender; (ii) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its Stated Maturity; and (iii) as to which the lenders have been notified in writing or have agreed in writing (in the agreement relating thereto or otherwise) that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*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.

"*Note Guarantee*" means the Guarantee, substantially in the form of Exhibit B hereto, by each Guarantor of the Company's obligations under the Notes and this Indenture, executed pursuant to the provisions of this Indenture.

"*Notes*" means any of the Company's 9¾% Senior Subordinated Notes issued and authenticated pursuant to this Indenture, including any Additional Notes.

"*Obligations*" means, with respect to any Indebtedness, any principal, interest, penalties, fees, indemnifications, reimbursements, damages, costs, expenses and other liabilities payable under the documentation governing any Indebtedness, including the payment of interest at the rate provided in such documentation that would be applicable and other reasonable fees, costs or charges which would accrue and become due but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case.

"*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.

"*Officer's Certificate*" means, with respect of any Person, a certificate signed on behalf of such Person by one Officer of such Person, who must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of such Person that meets the requirements of Section 14.04 hereof.

"*Opinion of Counsel*" means an opinion from legal counsel that meets the requirements of Section 14.04 hereof. The counsel may be an employee of or counsel to the Company or any Subsidiary of the Company.

"*Other Second-Lien Obligations*" means all Obligations under (i) the Senior Discount Contingent Principal Notes and (ii) any Indebtedness permitted to be incurred under this Indenture that, pursuant to its terms, is secured by Liens on property and assets that constitute Collateral hereunder and is designated by the Company as "Other Second-Lien Obligations" for the purposes of this Indenture.

"*Permitted Business*" means (i) any business engaged in by the Company or any of its Restricted Subsidiaries on the Effective Date, (ii) any business or other activities that are reasonably similar, ancillary, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which the Company and its Restricted Subsidiaries are engaged on the Effective Date and (iii) the design, manufacture, importing, exporting, distribution, marketing, licensing and wholesale and retail sale of apparel, housewares, home furnishings and related items.

"*Permitted Holders*" means, collectively, (i) TPG Partners II, L.P. and its Affiliates, (ii) Millard S. Drexler and his immediate family members and (iii) trusts for the benefit of any of the foregoing Persons, or any of their heirs, executors, successors or legal representatives.

"*Permitted Investments*" means:

(i) any Investment in the Company or in a Restricted Subsidiary of the Company (other than a Receivables Subsidiary);

(ii) any Investment in cash and Cash Equivalents;

(iii) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment (A) such Person becomes a Restricted Subsidiary of the Company (other than a Receivables Subsidiary) or (B) such Person, in one transaction or a series of transactions, 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);

(iv) any 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;

(v) any Investment solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(vi) any Investments received in compromise, settlement or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, (B) litigation, arbitration or other disputes with Persons who are not Affiliates or (C) as a result of a foreclosure by the Company or any Restricted Subsidiary of the Company with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(vii) Investments represented by Hedging Obligations;

(viii) any Investment in payroll, travel and similar advances to cover business-related travel expenses, moving expenses or other similar expenses, in each case incurred in the ordinary course of business;

(ix) Investments in receivables owing to the Company or any Restricted Subsidiary of the Company if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(x) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business;

(xi) obligations of one or more officers or other employees of the Company or any of its Restricted Subsidiaries in connection with such officer's or employee's acquisition of shares of common stock of the Company so long as no cash or other assets are paid by the Company or any of its Restricted Subsidiaries to such officers or employees in connection with the acquisition of any such obligations;

(xii) loans or advances to and Guarantees provided for the benefit of employees made in the ordinary course of business of the Company or the Restricted Subsidiary of the Company in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(xiii) Investments existing as of the Effective Date or an Investment consisting of any extension, modification or renewal of any Investment existing as of the Effective Date (excluding any such extension, modification or renewal involving additional advances, contributions or other investments of cash or property or other increases thereof unless it is a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms, as of the Effective Date, of the original Investment so extended, modified or renewed);

(xiv) repurchases of the Notes;

(xv) the acquisition by a Receivables Subsidiary in connection with a Qualified Receivables Transaction of Equity Interests of a trust or other Person established by such Receivables Subsidiary to effect such Qualified Receivables Transaction;

(xvi) any other Investment by the Company or a Subsidiary of the Company in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Transaction customary for such transactions;

(xvii) Guarantees permitted to be incurred by Section 4.09;

(xviii) joint ventures (A) engaged in a Permitted Business or (B) for the purpose of outsourcing the internal administrative functions of the Company or any of its Restricted Subsidiaries; provided, however, that all Investments permitted pursuant to this clause (xviii) shall not exceed, at any time outstanding, $15.0 million in the aggregate;

(xix) Investments held by a Person (other than an Affiliate) that becomes a Restricted Subsidiary, provided, that (A) such Investments were not acquired in contemplation of the acquisition of such Person and (B) at the time such Person becomes a Restricted Subsidiary, such Investments would not, individually or in the aggregate, constitute a Significant Subsidiary of such acquired Person;

(xx) Investments made with Excluded Contributions;

(xxi) Investments in any Person where such Investment was acquired by the Company or any of its Restricted Subsidiaries in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable; and

(xxii) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (xxii) that are at the time outstanding not to exceed (A) $10.0 million prior to the Initial Call Termination Date and (B) thereafter $25.0 million; provided, however, that if any Investment pursuant to this clause (xxii) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (i) above and shall cease to have been made pursuant to this clause (xxii) for so long as such Person continues to be a Restricted Subsidiary of the Company (it being understood that if such Person thereafter ceases to be a Restricted Subsidiary of the Company, such Investment will again be deemed to have been made pursuant to this clause (xxii)) and provided, further, if any Investment made pursuant to this clause (xxii) is subsequently sold or repaid for cash or Cash Equivalents, the amount available under this clause (xxii) for future Investments will be increased by the amount of cash or Cash Equivalents received from such sale or repayment.

"*Permitted Junior Securities*" means Equity Interests in the Company or any Guarantor or debt securities that are subordinated to all Senior Debt (and any debt securities issued in exchange for Senior Debt) to substantially the same extent as, or to a greater extent than, the Notes and the Note Guarantees are subordinated to Senior Debt under this Indenture (including, in the case of Senior Debt under the Credit Facilities, with respect to payment blockage and turnover, and the maturity and weighted average life to maturity of which are six months greater than that of the Senior Debt and debt securities issued in exchange for Senior Debt).

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, prepay, replace, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(i) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if

applicable) of the Indebtedness extended, renewed, refunded, refinanced, prepaid, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees, commissions, discounts and expenses, including premiums, incurred in connection therewith);

(ii) if such Indebtedness is not Senior Debt, either (A) such Permitted Refinancing Indebtedness has a final maturity date 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, renewed, refunded, refinanced, prepaid, replaced, defeased or discharged or (B) all scheduled payments on or in respect of such Permitted Refinancing Indebtedness (other than interest payments) shall be at least 91 days following the final scheduled maturity of the Notes; and if such Indebtedness is Senior Debt and has a final stated maturity later than the final stated maturity of the Notes, such Permitted Refinancing Indebtedness has a final stated maturity later than the final maturity of the Notes;

(iii) if the Indebtedness being extended, renewed, refunded, refinanced, prepaid, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the

Holders as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged; and

(iv) if such Indebtedness is not Senior Debt, such Indebtedness is incurred

(A) by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(B) by any Guarantor if the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is a Guarantor; or

(C) by any Non-Guarantor Subsidiary if the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is a Non-Guarantor Subsidiary.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*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 Capital Stock*" means any Capital Stock that is not Disqualified Stock.

"*Qualified Proceeds*" means any of the following or any combination of the following: (i) Cash Equivalents; (ii) the Fair Market Value of assets that are used or useful in the Permitted Business; and (iii) the Fair Market Value of the Capital Stock of any Person engaged primarily in a Permitted Business if, in connection with the receipt by the Company or any of its Restricted Subsidiaries of such Capital Stock, such Person becomes a Restricted Subsidiary of the Company or such Person is merged or consolidated into the Company or any of its Restricted Subsidiaries; provided that Qualified Proceeds shall not include Excluded Contributions.

"*Qualified Receivables Transaction*" means any transaction or series of transactions entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries sells, conveys or otherwise transfers, or grants a security interest, to: (i) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries, which transfer may be effected through the Company or one or more of its Subsidiaries); and (ii) if applicable, any other Person (in the case of a transfer by a Receivables Subsidiary), in each case, in any Receivables of the Company or any of its Subsidiaries, and any assets related thereto, including, without limitation, all collateral securing such Receivables, all contracts, contract rights and all Guarantees or other obligations in respect of such Receivables, proceeds of such Receivables and any other assets, which are customarily transferred or in respect of which security interests are customarily granted in connection with receivables financings and asset securitization transactions of such type, together with any related transactions customarily entered into in a receivables financings and asset securitizations, including servicing arrangements.

"*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 Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Transaction.

"*Receivables Subsidiary*" means a Subsidiary of the Company which engages in no activities other than in connection with the financing of accounts receivable and in businesses related or ancillary thereto and that is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary (i) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which: (A) is guaranteed by the Company or any Subsidiary of the Company (excluding Guarantees of Obligations (other than the principal of,

and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction); (B) is recourse to or obligates the Company or any Subsidiary of the Company in any way other than pursuant to representations, warranties, covenants and indemnities customarily entered into in connection with a Qualified Receivables Transaction; or (c) subjects any property or asset of the Company or any Subsidiary of the Company (other than accounts receivable and related assets as provided in the definition of Qualified Receivables Transaction), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities customarily entered into in connection with a Qualified Receivables Transaction; and (ii) with which neither the Company nor any Subsidiary of the Company has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company, other than as may be customary in a Qualified Receivables Transaction including for fees payable in the ordinary course of business in connection with servicing accounts receivable; and (iii) with which neither the Company nor any Subsidiary of the Company has any obligation to maintain or preserve such Subsidiary's

financial condition or cause such Subsidiary to achieve certain levels of operating results. Any such designation by the Board of Directors of the Company will be evidenced to the Trustee 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 Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Replacement Preferred Stock*" means any Disqualified Stock or preferred stock of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge any other preferred stock of the Company or any of its Restricted Subsidiaries (other than intercompany preferred stock).

"*Resale Restriction Termination Date*" means for any Restricted Note (or beneficial interest therein), two years (or such other period specified in Rule 144(k)) from the Issue Date or, if any Additional Notes that are Restricted Notes have been issued before the Resale Restriction Termination Date for any Restricted Notes, from the latest such original issue date of such Additional Notes.

"*Responsible Officer*" when used with respect to the Trustee, means any officer in the Corporate Trust Services Division 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 and who shall have responsibility for the administration of this Indenture.

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

"*Restricted Note*" means any Issue Date Note (or beneficial interest therein) or any Additional Note (or beneficial interest therein) not originally issued and sold pursuant to an effective registration statement under the Securities Act until such time as:

(i) the Resale Restriction Termination Date therefor has passed; or

(ii) the Private Placement Legend therefor has otherwise been removed pursuant to Section 2.08 or, in the case of a beneficial interest in a Global Note, such beneficial interest has been exchanged for an interest in a Global Note not bearing a Private Placement Legend.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*Rule 144*" means Rule 144 promulgated under the Securities Act or any successor rule.

"*Rule 144A*" means Rule 144A promulgated under the Securities Act or any successor rule.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Security Agreement*" means the Security Agreement, dated as of November 21, 2004, among the Company, the Guarantors and the Collateral Agent.

"*Security Documents*" means the Security Agreement and any other document or instrument pursuant to which a Lien is granted by the Company or any Guarantor to secure any Obligations hereunder or under which rights or remedies with respect to such Lien are governed, as such agreements may be amended, modified or supplemented from time to time.

"*Senior Debt*" means (i) all Indebtedness of the Company or any Guarantor outstanding under the Congress Credit Facility (including post-petition interest at the rate provided in the documentation with respect thereto, whether or not allowed as a claim in any bankruptcy proceeding) and all Hedging Obligations and Treasury Management Obligations with respect thereto; (ii) any other Indebtedness of the Company or any Guarantor permitted to be incurred under the terms of this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes; and (iii) all Obligations with respect to the foregoing. Notwithstanding anything to the contrary in the foregoing, Senior Debt will not include (A) the Notes and the Note Guarantees, (B) any liability for federal, state, local or other taxes owed or owing by the Company, (C) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (D) any trade payables, (E) Indebtedness which is classified as non-recourse in accordance with GAAP or any unsecured claim arising in respect thereof by reason of the application of Section 1111(b)(1) of the Bankruptcy Code, or (F) that portion of any Indebtedness that is incurred in violation of the Indenture (but only to the extent so incurred); provided that Indebtedness outstanding under the Congress Credit Facility will not cease to be Senior Debt as a result of this clause (F) if the lenders or agents thereunder obtained a representation from the Company or any of its Subsidiaries on the date such Indebtedness was incurred to the effect that such Indebtedness was not prohibited by this Indenture.

"*Senior Discount Contingent Principal Notes*" means the 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate.

"*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 Effective Date.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Effective Date, 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.

"*Subordinated Shareholder Funding*" means any Indebtedness of the Company (and any security into with such Indebtedness is converted or for which it is exchangeable at the option of the holder) issued to and held by a direct or indirect parent of the Company or one or more shareholders of such parent that:

(i) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Company or such parent or any Indebtedness meeting the requirements of this definition),

(ii) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other gross-ups, or any similar amounts,

(iii) does not provide for or require any security interest or encumbrance over any property and assets of the Company or any of its Restricted Subsidiaries,

(iv) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Shareholder Funding at maturity; and

(v) is fully subordinated and junior in right of payment to the Notes and the performance of all obligations under the Indenture and the Security Documents pursuant to customary subordination terms for similar Indebtedness and otherwise reflecting the terms above.

"*Subsidiary*" means, with respect to any specified Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that 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 that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Tax Sharing Agreement*" means the tax sharing agreement in effect as of the Effective Date among the Company, Intermediate, Holdings and any one or more of subsidiaries of the Company, as amended from time to time, so long as the amount of the Company's (or any of its Restricted Subsidiaries') payments for which the Company and its Restricted Subsidiaries are responsible, or the time when such payments are required to be made thereunder or any other of the Company's rights, duties, and obligations thereunder are no less favorable to the Company than as provided in such agreement as in effect on the Effective Date, as determined in good faith by a majority of the members of the Board of Directors of the Company.

"*TIA*" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of this Indenture.

"*Total Indebtedness*" means, with respect to the Company, as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of the Company and its Restricted Subsidiaries outstanding as of such determination date, excluding Indebtedness incurred under clauses (vi), (viii), (ix), (x), (xi), (xiii), (xv), (xvi) and (xviii) of Section 4.09(b).

"*Transaction Documents*" means any of this Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, the Security Documents, the Loan Agreement, the Loan Notes (as defined in the Loan Agreement), the Loan Guarantees (as defined in the Loan Agreement), the Congress Credit Facility Amendment No. 3 (as defined in the Loan Agreement), the Amendment No. 1, dated as of November 21, 2004, to the Credit Agreement, dated as of February 4, 2003, by and among TPG-MD INVESTMENT, LLC, as Lender, the Company, Holdings and certain of the Guarantors party thereto, the Letter Agreement, dated as of November 21, 2004, by and among the Company, Private Capital Partners LLC and Canpartners Investment IV, LLC, relating to certain fees payable, certain transfer restrictions and other matters described therein and all other documents, instruments or agreements executed and delivered by the Company or the Guarantors for the benefit of the Holders in connection herewith.

"*Treasury Management Obligations*" means obligations under any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearing house, zero balance accounts, returned check concentration, controlled disbursement, lock box, account reconciliation and reporting and trade finance services. Treasury Management Obligations shall not constitute Indebtedness.

"*Treasury Rate*" means, with respect to any redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the Final Maturity Date; provided that if the period from such redemption date to the Final Maturity Date is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate will be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from such redemption date to the Final Maturity Date is less

than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

"*Trustee*" means U.S. Bank National Association until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter means the successor serving hereunder.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company and any Subsidiary of an Unrestricted Subsidiary that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary (i) has no Indebtedness other than Non-Recourse Debt; (ii) except as permitted by Section 4.11 hereof, is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company 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; (iii) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (A) to subscribe for additional Equity Interests or (B) to maintain or preserve such Person's financial condition or to cause such Person to achieve

any specified levels of operating results; and (iv) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries, except in the case of clauses (iii) and (iv), to the extent (1) that the Company or such Restricted Subsidiary could otherwise provide such a Guarantee or incur such Indebtedness (other than as Permitted Debt) pursuant to Section 4.09 hereof, and (2) the provision of such Guarantee and the incurrence of such indebtedness otherwise would be permitted by Section 4.07 hereof.

"*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 of the Indebtedness, 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 specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interest of which (other than directors' qualifying shares) will as that time be owned by such Person or by one or more Wholly Owned Subsidiaries of such person.

Section 1.02. Other Definitions.

Term	***Defined in Section***
"Affiliate Transaction"	Section 4.11
"Agent Members"	Section 2.06
"Asset Sale Offer"	Section 3.09
"Authenticating Agent"	Section 2.02
"Change of Control Offer"	Section 4.13
"Change of Control Payment"	Section 4.13
"Change of Control Payment Date"	Section 4.13
"Company Order"	Section 2.02
"Covenant Defeasance"	Section 8.03
"Custodian"	Section 6.01
"DTC"	Section 2.01
"Event of Default"	Section 6.01
"Excess Proceeds"	Section 4.10
"incur"	Section 4.09
"Legal Defeasance"	Section 8.02
"Liens Securing Note Obligations"	Section 11.07
"Liens Securing Other Second-Lien Obligations"	Section 11.07
"Offer Amount"	Section 3.09
"Offer Period"	Section 3.09
"Paying Agent"	Section 2.03
"Payment Default"	Section 6.01
"Payment Blockage Notice"	Section 10.03
"Permitted Debt"	Section 4.09
"Private Placement Legend"	Section 2.07
"Purchase Date"	Section 3.09
"Registrar"	Section 2.03
"Representative"	Section 10.03
"Restricted Payments"	Section 4.07

Section 1.03. Rules of Construction.

Unless the context otherwise requires:

(a) a term has the meaning assigned to it herein;

(b) an accounting term not otherwise defined herein has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular;

(e) "will" shall be interpreted to express a command;

(f) provisions apply to successive events and transactions;

(g) 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;

(h) "including" shall be interpreted to mean "including without limitation"; and

(i) references to the payment of principal of the Notes shall include applicable premium, if any.

ARTICLE 2
THE NOTES

Section 2.01. Form and Dating.

(a) The Notes and the Trustee's certificate of authentication to be borne by the Notes shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements as specified in Section 2.07 or as otherwise required by law, stock exchange rule or The Depository Trust Company ("DTC") rule or usage. The Company and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its authentication. The Notes initially shall be issued in minimum denominations of $1,000 and integral multiples thereof.

(b) The terms and provisions of the Notes shall constitute, and are hereby expressly made, a part of this Indenture, and, to the extent applicable, the Company, the Guarantors and the Trustee, by their execution and delivery of this Indenture expressly agree to such terms and provisions and to be bound thereby. Except as otherwise expressly permitted in this Indenture, all Notes shall be identical in all respects. Notwithstanding any differences among them, all Notes issued under this Indenture shall vote and consent together on all matters as one class.

(c) Notes originally issued to QIBs in reliance on Rule 144A will be issued in the form of one or more permanent Global Notes.

(d) Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, repurchases, and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal 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 2.08 hereof and shall be made on the records of the Trustee and the Depositary.

Section 2.02. Execution and Authentication.

(a) One Officer of the Company shall sign the Notes for the Company by manual or facsimile signature. 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.

(b) 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 duly authenticated under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Trustee shall authenticate and make available for delivery Notes upon a written order of the Company signed by an Officer of the Company (the "Company Order"). A Company Order shall specify the amount of the Notes to be authenticated and the date on which the original issue of Notes is to be authenticated.

(d) The Trustee may appoint an authenticating agent (the "Authenticating Agent") acceptable to the Company to authenticate Notes. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by the Authenticating 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.

(a) 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 co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and 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, the Guarantors or any of the Company's Subsidiaries may act as Paying Agent or Registrar.

(b) The Company initially appoints 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 interest on the Notes, and shall notify the Trustee of any default by the Company or the Guarantors 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, the

Guarantors or a Subsidiary) shall have no further liability for the money. If the Company, the Guarantors 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. If the Trustee is not the Registrar, the Company and the Guarantors 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.

Section 2.06. Global Note Provisions.

(a) Each Global Note initially shall (i) be registered in the name of DTC or the nominee of DTC, (ii) be delivered to the Note Custodian, and (iii) bear the appropriate legend, as set forth in Section 2.07 and Exhibit A. Any Global Note may be represented by more than one certificate. The aggregate principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the records of the Note Custodian, as provided in this Indenture.

(b) Members of, or participants in, DTC ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by DTC or by the Note Custodian under such Global Note, and DTC may be treated by the Company, the Trustee, the Paying Agent and the Registrar and any of their agents as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee, the Paying Agent or the Registrar or any of their agents from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and its Agent Members, the operation of customary practices of DTC governing the exercise of the rights of an owner of a beneficial interest in any Global Note. The registered Holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

(c) Except as provided below, owners of beneficial interests in Global Notes will not be entitled to receive Definitive Notes. Definitive Notes shall be issued to all owners of beneficial interests in a Global Note in exchange for such interests if:

(i) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be

so registered in order to act as depositary, and in each case a successor depositary is not appointed by the Company within 120 days of such notice;

(ii) the Company executes and delivers to the Trustee and Registrar an Officer's Certificate stating that such Global Note shall be so exchangeable; or

(iii) an Event of Default has occurred and is continuing and the Registrar has received a request from DTC.

In connection with the exchange of an entire Global Note for Definitive Notes pursuant to this subsection (c), such Global Note shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Definitive Notes of authorized denominations.

Section 2.07. Legends.

(a) Each Global Note shall bear the legend specified therefor in Exhibit A on the face thereof.

(b) Each Restricted Note shall bear the private placement legend specified therefor in Exhibit A on the face thereof (the "Private Placement Legend").

Section 2.08. Transfer and Exchange.

(a) Transfers. If the owner of a Restricted Note that is a Definitive Note wishes to transfer such Restricted Note (or any portion thereof) to a Person that it reasonably believes is a QIB, it shall provide to the Registrar:

(i) such Note,

(ii) instructions directing the Registrar to deliver to the transferee a Note in an equivalent principal amount to the Note (or portion thereof) being transferred and, if the entire principal amount of such Note is not being transferred, to the transferor in an amount equal to the principal amount not transferred and

(iii) a certificate in the form of Exhibit D duly executed by the transferor.

Any other transfer of Restricted Notes (other than a transfer of a beneficial interest in a Global Note that does not involve an exchange of such interest for a Definitive Note or a beneficial interest in another Global Note, which must be effected in accordance with applicable law and the rules and procedures of DTC, but is not subject to any procedure required by this Indenture) shall be made only upon receipt by the Registrar of such opinions of counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with Section 2.08(b).

(b) Use and Removal of Private Placement Legends. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) not bearing (or not required to bear upon such transfer, exchange or replacement) a Private Placement Legend, the Note Custodian and Registrar shall exchange such Notes (or beneficial interests) for beneficial interests in a Global Note (or Definitive Notes if they have been issued pursuant to Section 2.06(c)) that does not bear a Private Placement Legend. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) bearing a Private Placement Legend, the Note Custodian and Registrar shall deliver only Notes (or beneficial interests in a Global Note) that bear a Private Placement Legend unless:

(i) such Notes (or beneficial interests) are transferred pursuant to Rule 144 upon delivery to the Registrar of a certificate of the transferor in the form

of Exhibit E and an Opinion of Counsel reasonably satisfactory to the Registrar;

(ii) such Notes (or beneficial interests) are transferred, replaced or exchanged after the Resale Restriction Termination Date therefor; or

(iii) in connection with such transfer, exchange or replacement the Registrar shall have received an Opinion of Counsel and other evidence reasonably satisfactory to it to the effect that neither such Private Placement Legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

The Private Placement Legend on any Note shall be removed at the request of the Holder on or after the Resale Restriction Termination Date therefor. The Holder of a Global Note may exchange an interest therein for an equivalent interest in a Global Note not bearing a Private Placement Legend upon transfer of such interest pursuant to any of clauses (i) through (iii) of Section 2.08(b).

(c) Retention of Documents. The Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Article 2. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(d) Execution, Authentication of Notes, etc.

(i) Subject to the other provisions of this Section 2.08, when Notes are presented to the Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; provided that any Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing and such additional information and documents as may be reasonably requested by the Registrar to document compliance with the provisions of this Section 2.08 of the Indenture. To permit registrations of transfers and exchanges and subject to the other terms and conditions of this Article 2, the Company will execute and, upon Company Order, the Trustee will authenticate Definitive Notes and Global 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 transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or

transfer pursuant to Section 3.07, Section 4.10, Section 4.13 or Section 9.04).

(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 and the Company 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.

(vii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.08 to effect a registration of transfer or exchange may be submitted by facsimile.

Section 2.09. Replacement Notes.

(a) 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.

(b) Every replacement Note is an additional obligation of the Company and the Guarantors and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.10. Outstanding Notes.

(a) 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 2.10 as not outstanding. Except as set forth in Section 2.11 hereof, a Note does not cease to be outstanding because the Company, the Guarantors or any of their Affiliates holds the Note. If a Note is replaced pursuant to Section 2.09 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.

(b) 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.

(c) If the Paying Agent (other than the Company, the Guarantors, 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 2.11. 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, the Guarantors or any of their respective Affiliates 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 so owned shall be so disregarded.

Section 2.12. Temporary Notes.

Until certificates representing 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 certificated Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate Definitive Notes in exchange for temporary Notes. Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.13. 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 and shall destroy cancelled Notes (subject to the record retention requirement of the Exchange Act). Upon request, certification of the destruction of all cancelled Notes shall be

delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.14. 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 ten (10) 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 and of the amount of defaulted interest proposed to be paid on each Note. At least fifteen (15) days before the special record date, the Company (or, upon the written request of the Company, 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 2.15. Record Date.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action required or permitted to be taken pursuant to this Indenture. If a record date is fixed, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 2.16. 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 2.17. CUSIP Number.

The Company in issuing the Notes may use a "CUSIP" number (if then generally in use), 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, and that any such redemption or exchange will not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the CUSIP number.

Section 2.18. Additional Notes.

(a) The Company may, from time to time, in each case in a minimum aggregate principal amount of $10.0 million, subject to compliance with any applicable provisions of this Indenture, without the consent of the Holders, create and issue pursuant to this Indenture Additional Notes,

if the Company's Consolidated Cash Flow 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 Notes are issued is greater than $75.0 million. Additional Notes issued pursuant to this Section 2.18 shall have terms and conditions identical to those of the Notes issued on the Issue Date, except with respect to:

(i) the date of issuance;

(ii) the amount of interest payable on the first interest payment date;

(iii) issue price; and

(iv) any adjustments in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws).

The Notes issued on the Issue Date and any Additional Notes shall be treated as a single class for all purposes under this Indenture. The aggregate principal amount of Notes and Additional Notes that may be issued under this Indenture is limited to $325.0 million.

(b) With respect to any Additional Notes, the Company will set forth in an Officer's Certificate pursuant to a resolution of the Board of Directors of the Company, copies of which will be delivered to the Trustee, the following information:

(i) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(ii) the issue price, the issue date and the CUSIP number of such Additional Notes; provided that no Additional Notes may be issued at a price that would cause such Additional Notes to have "original issue discount" within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended; and

(iii) whether such Additional Notes will be subject to transfer restrictions under the Securities Act (or other applicable securities laws).

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 30 days but not more than 60 days before a redemption date (unless a shorter period is acceptable to the Trustee) an Officer's Certificate setting forth (a) the Section of this Indenture pursuant to which the redemption shall occur, (b) the redemption date, (c) the principal amount of Notes to be redeemed and (d) the redemption price.

Section 3.02. Selection of Notes to be Redeemed or Purchased.

(a) If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee shall select Notes for redemption or purchase on a pro rata basis except (a) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or (b) if otherwise required by law.

(b) In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

(c) The Trustee shall promptly notify the Company in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03. Notice of Redemption.

(a) Subject to the provisions of Section 3.09 and Section 4.13 hereof, 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 at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Article 8 or Article 13 of this Indenture.

(b) The notice shall identify the Notes to be redeemed and shall state:

(i) the redemption date;

(ii) the redemption price;

(iii) 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 cancellation of the original Note;

(iv) the name and address of the Paying Agent;

(v) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(vi) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(vii) the paragraph of the Notes and/or section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(viii) 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.

(c) 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 Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in the notice as provided in Section 3.03(b). 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.

Except in connection with a defeasance pursuant to Article 8 of this Indenture, at any time prior to giving notice of redemption to the Holders pursuant to Section 3.03, the Company may withdraw, revoke or rescind any notice of redemption delivered to the Trustee without any continuing obligation to redeem the Notes. Notwithstanding the foregoing, a notice of redemption given to the Holders may not be conditional or subject to revocation.

Section 3.05. Deposit of Redemption or Purchase Price.

(a) 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 Section 4.13, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued and unpaid interest on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption or purchase price of (including any applicable premium) and accrued interest on all Notes to be redeemed or purchased.

(b) If the Company complies with the provisions of Section 3.05(a), on and after the redemption or purchase date, whether or not such Notes are presented for payment, interest shall cease to accrue on the Notes or the portions of Notes called for redemption or purchase. 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 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 or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal 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 or Purchased in Part.

Upon surrender of a Note that is redeemed or purchased 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 or unpurchased portion of the Note surrendered.

Section 3.07. Optional Redemption.

(a) Optional Redemption.

(i) Prior to the date which is eighteen (18) months following the Closing Date, the Company may redeem the Notes, at its option, in whole at any time or in part from time to time, at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date; provided, however, the Company may, at its option at any time prior to such date, irrevocably elect to terminate its right to redeem the Notes pursuant to this clause (i) by delivering a written notice to the Trustee and upon delivering such notice, the Initial Call Termination Date shall be deemed to have occurred.

(ii) Commencing from the date which is the fifth anniversary of the Closing Date, the Company may redeem the Notes, at its option, in whole at any time or in part from time to time, at the following redemption prices, expressed as percentages of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, if redeemed during the twelve-month period commencing on the anniversary of the Closing Date in any year set forth below:

Year	Percentage
2009	104.875%
2010	102.438%
2011	101.219%
2012 and thereafter	100.0%

(b) Optional Redemption upon a Change of Control. Upon the occurrence of a Change of Control, at any time after the consummation of the Change of Control Offer in accordance with the provisions of Section 4.13 and prior to the date which is fifty-four (54) months following the Closing Date, the Company may redeem the Notes not tendered in the Change of Control Offer, in whole at any time or in part from time to time, at the Company's option at a redemption price equal to 100% of the principal amount thereof plus the excess of:

(i) the present value at such redemption date of (A) the redemption price of such Notes on the date which is fifty-four (54) months following the Closing Date (as determined pursuant to Section 3.07(a); plus (B) all

required remaining scheduled interest payments due on such Notes through the date which is fifty-four (54) months following the Closing Date, other than accrued interest to such redemption date, computed using a discount rate equal to the Treasury Rate plus 75 basis points per annum discounted on a semi-annual bond equivalent basis; over

(ii) the principal amount of such Notes on such redemption date; plus

accrued and unpaid interest on such Notes to the redemption date. The Treasury Rate shall be calculated by the Company or on behalf of the Company by such Persons as the Company shall designate (and will not be a duty or obligation of the Trustee) on the third Business Day preceding the redemption date and notice thereof shall promptly be given by the Company to the Trustee.

(c) Optional Redemption upon Equity Offerings. At any time prior to the third anniversary of the Initial Call Termination Date, the Company may, at its option, use the net cash proceeds of one or more Equity Offerings or a contribution to the common equity capital of the Company from the net proceeds of one or more Equity Offerings by a direct or indirect parent of the Company (in each case, other than Excluded Contributions and the net proceeds of a sale of Designated Preferred Stock) to redeem up to 40% of the aggregate principal amount of the Notes at a redemption price equal to 109.75% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of redemption; provided that the Company shall make such redemption not more than 90 days after the closing of such Equity Offering or equity contribution.

Section 3.08. Mandatory Redemption.

Except as set forth under Section 3.09, Section 4.10 and Section 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. Asset Sale Offers.

(a) In the event that the Company shall be required to commence an offer to all Holders to repurchase Notes pursuant to Section 4.10 hereof (an "Asset Sale Offer"), the Company shall follow the procedures specified below.

(b) The Asset Sale Offer shall be made to all Holders and if the Company elects (or is required by the terms of other pari passu Indebtedness), to all holders of other Indebtedness that is *pari passu* with the Notes. The Asset Sale Offer shall remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall apply all Excess Proceeds (the "Offer Amount") to the purchase of Notes and such other *pari passu* Indebtedness, if any, required to be purchased pursuant to Section 4.10 hereof, on a *pro rata* basis, if applicable, or, if less than the Offer Amount has been tendered, all Notes and other *pari passu* Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased shall be made pursuant to Section 4.01 hereof.

(c) 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 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 shall be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

(d) Upon the commencement of an Asset Sale 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 the

Asset Sale Offer. The notice, which shall govern the terms of the Asset Sale Offer, shall describe the transaction or transactions giving rise to the Asset Sale Offer and shall state:

(i) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer shall remain open;

(ii) the Offer Amount, the purchase price and the Purchase Date;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Purchase Date;

(v) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of $1,000 only;

(vi) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Company, the Depositary, or the Paying Agent at the address specified in the notice at least three (3) Business Days before the Purchase Date;

(vii) 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 on 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;

(viii) that, if the aggregate principal amount of Notes and other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Company shall select the Notes and other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (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

(ix) 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).

(e) On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, Notes or portions thereof tendered pursuant to the Asset Sale Offer in an aggregate principal amount up to and including the Offer Amount, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's 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 five 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, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted by the Company shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Asset Sale Offer on the Purchase Date.

(f) 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 Section 3.01, Section 3.02, Section 3.05 and Section 3.06 hereof.

ARTICLE 4
COVENANTS

Section 4.01. Payment of Notes.

(a) 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. Principal, premium, if any, and interest shall be considered paid for all purposes hereunder on the date due if the Paying Agent if other than the Company, the Guarantors or a Subsidiary of the Company holds, as of 10:00 a.m. (New York City time) money deposited by or on behalf of the Company in immediately available funds and designated for and sufficient to pay all such principal, premium, if any, and interest then due.

(b) 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 (without regard to any applicable grace period) at the same rate to the extent lawful.

Interest on the Notes shall accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Section 4.02. Maintenance of Office or Agency.

(a) 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.

(b) 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.

(c) The Company hereby designates the office of U.S. Bank Trust National Association, 100 Wall Street, 16th Floor, in the Borough of Manhattan, City of New York, as one such office or agency of the Company in accordance with Section 2.03 hereof.

Section 4.03. Commission Reports.

(a) Whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company shall be required to file with the Commission and 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, 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 on the Company's consolidated financial statements by the Company's certified independent accountants and (ii) all current reports Form 8-K, in each case within the time periods set forth in the Commission's rules and regulations.

(b) In addition, the Company and the Guarantors have agreed that, for so long as any Notes remain outstanding, at any time when the Company is not current in its reporting obligations or the Commission does not accept the filings provided for in Section 4.03(a), they 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.

(c) 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.

(d) Notwithstanding the foregoing, the availability of the foregoing materials on either the Commission's Electronic Data Gathering, Analysis and Retrieval System (or any successor system) or on the Company's website, as the case may be, will be deemed to satisfy the Company's delivery obligations.

Section 4.04. Compliance Certificate.

(a) The Company and each Guarantor shall deliver to the Trustee, within 105 days after the end of each fiscal year, an Officer's Certificate stating that a review of the activities of the Company, and the Company's 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, 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 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.

(b) 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 Officer's 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 or where the failure to effect such payment is not adverse in any material respect to the Holders.

Section 4.06. Stay, Extension and Usury Laws.

The Company and each Guarantor covenant (to the extent that they may lawfully do so) that they 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 and each Guarantor (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they 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.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly take any of the following actions (each, a "Restricted Payment"):

(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 payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries), 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 or payments of cash interest on Subordinated Shareholder Funding;

(ii) purchase, redeem, retire or otherwise acquire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests or Subordinated Shareholder Funding of the Company held by any Person (other than a Restricted Subsidiary), including in connection with any merger or consolidation and including the exercise of any option to exchange any Equity Interests (other than into Equity Interests of the Company that do not constitute Disqualified Stock);

(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 or any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except (A) a payment of interest or principal at the Stated Maturity thereof or (B) the purchase, repurchase or other acquisition of any such subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or payment at final maturity, in each case within one year of the date of acquisition; or

(iv) make any Restricted Investment, 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 of such Restricted Payment;

(B) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00

of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a); 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 Effective Date (excluding Restricted Payments permitted by clauses (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix), (xx), (xxi), (xxii), (xxiii) and (xxiv) of Section 4.07(b)), is less than the sum (without duplication) of:

(1) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the fiscal quarter which includes the Effective Date 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 loss, less 100% of such loss), plus

(2) 100% of the aggregate Qualified Proceeds received by the Company since the Effective Date as a contribution to its common equity or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock, Excluded Contributions and the net proceeds from a sale of Designated Preferred Stock) or from Subordinated Shareholder Funding (to the extent not designated as an Excluded Contribution) subsequent to the Effective Date or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company), plus

(3) 100% of the aggregate Qualified Proceeds from (x) the sale or other disposition (other than to the Company or a Restricted Subsidiary) of any Restricted Investment that was made after the Effective Date and (y) repurchases, redemptions and repayments of such Restricted Investments and the receipt of any dividends or distributions from such Restricted Investments, plus

(4) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Effective Date is redesignated as a Restricted Subsidiary after the Effective Date, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation, plus

(5) in the event the Company and/or any Restricted Subsidiary of the Company makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary of the Company, an amount equal to the existing Investment of the Company and/or any of its Restricted Subsidiaries in such Person that was previously treated as a Restricted Payment, plus

(6) (x) $10.0 million prior to the date which is eighteen (18) months following the Closing Date and (y) thereafter $25.0 million.

(b) The provisions of Section 4.07(a) will not prohibit:

(i) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Indenture;

(ii) the making of any Restricted Payment in exchange for, or out of net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company, provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of Section 4.07(a)(iv);

(iii) the defeasance, redemption, repurchase, retirement or other acquisition for value of any Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(iv) the declaration and payment of any regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary of the Company issued on or after the Effective Date in accordance with the provisions of Section 4.09;

(v) the repurchase, redemption or other acquisition or retirement for value of Disqualified Stock of the Company or any Restricted Subsidiary of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of Replacement Preferred Stock that is permitted to be incurred in accordance with the provisions of Section 4.09;

(vi) the payment of any dividend or other distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued by the Company after the Effective Date;

(vii) the payment of any dividend (or any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a pro rata basis;

(viii) 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 current or former officer, director, employee or consultant of the Company or any of its Restricted Subsidiaries, and any

dividend payment or other distribution by the Company or any of its Restricted Subsidiaries to a direct or indirect parent holding company of the Company utilized for the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of such direct or indirect parent holding company held by any current or former officer, director, employee or consultant of the Company or any of its Restricted Subsidiaries, in each case, pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement or benefit plan of any kind; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $7.5 million in any fiscal year (it being understood, however, that any unused amounts permitted to be paid pursuant to this clause are available to be carried over to subsequent fiscal years); provided, however, notwithstanding clause (C) of Section 4.07(a)(iv), the amount of any such Restricted Payments made prior to the Initial Call Termination Date will be included in the calculation of the amount of Restricted Payments; provided, further, that such amount in any fiscal year may be increased by an amount not to exceed:

(A) the cash proceeds from the sale of Equity Interests of the Company and, to the extent contributed to the Company as common equity capital, Equity Interests of the Company's direct or indirect parent entities, in each case to members of management, directors or consultants of the Company, and any of its Subsidiaries or any of its direct or indirect parent entities that occurs after the Effective Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (C)(2) of Section 4.07(a)(iv), and excluding Excluded Contributions *plus*

(B) the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries after the Effective Date; provided, however, such proceeds are used to repurchase, redeem, acquire or retire for value Equity Interests of the Company or any of its Restricted Subsidiaries held by (1) the estate, executors, administrators, testamentary trustees, legatees or beneficiaries of any such officer, director, employee or consultant of the Company or any of its Restricted Subsidiaries or (2) any trust or custodianship a beneficiary of which was such officer, director, employee or consultant of the Company or any of its Restricted Subsidiaries or any such Person's spouse or lineal descendants (by blood or adoption), *less*

(C) the amount of any Restricted Payments previously made pursuant to clauses (A) and (B) of this clause (viii);

and *provided further* that cancellation of Indebtedness owing to the Company from members of management, directors or consultants of the Company or any of its Restricted Subsidiaries, or any direct or indirect parent holding company of the Company, in connection with a repurchase of Equity Interests of the Company or any direct or indirect parent holding company of the Company shall not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of this Indenture;

(ix) the repurchase of Equity Interests deemed to occur upon the exercise of options, rights or warrants to the extent such Equity Interests represent a portion of the exercise price of those options, rights or warrants;

(x) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to the Note Guarantees with any Excess Proceeds that remain after consummation of an Asset Sale Offer;

(xi) so long as no Default has occurred and is continuing or would be caused thereby, after the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the Notes pursuant to Section 4.13 of this Indenture (including the purchase of the Notes tendered), any purchase or redemption of Indebtedness that is contractually subordinated to the Notes or to the Note Guarantees required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed 101% of the outstanding principal amount or accreted value thereof, plus any accrued and unpaid interest; provided, however, that the Company would be able to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) after giving pro forma effect to such Restricted Payment;

(xii) cash payments in lieu of fractional shares issuable as dividends on preferred stock or upon the conversion of any convertible debt securities of the Company or any of its Restricted Subsidiaries;

(xiii) so long as no Default has occurred and is continuing or would be caused thereby, the payment:

(A) by the Company or any Restricted Subsidiary of the Company to any direct or indirect parent of the Company, which payment is used by the Person receiving such payment, following the first initial public offering of common Equity Interests by such Person, to pay dividends of up to 6% per annum of the net proceeds received by such Person in such public offering that are contributed to the Company as common equity capital, or

(B) by the Company, following the first initial public offering of common Equity Interests by the Company, to pay dividends of up to 6% per annum of the net proceeds received by the Company in such public offering,

(excluding, in the case of both clause (A) and clause (B), public offerings of common Equity Interests registered on Form S-8 and any other public sale to the extent the proceeds thereof are Excluded Contributions);

(xiv) Investments that are made with Excluded Contributions;

(xv) Distributions or payments of Receivables Fees;

(xvi) so long as no Default or Event of Default will have occurred and be continuing, payments required to be made under the Tax Sharing Agreement;

(xvii) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends or the making of loans or advances to a direct or indirect parent of the Company not to exceed $1.0 million in any fiscal year for costs and expenses incurred by such direct or indirect parent of the Company in its capacity as a holding company or for services rendered by such direct or indirect parent of the Company on behalf of the Company;

(xviii) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Company in order to enable such direct or indirect parent of the Company to make payments of interest required to be made in respect of the Existing Debentures in accordance with the terms thereof in effect on the Effective Date;

(xix) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Company in order to enable such direct or indirect parent of the Company to defease, redeem, repurchase or retire the Existing Debentures;

(xx) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Company in order to enable such direct or indirect parent of the Company to make payments of interest required to be made in respect of the Senior Discount Contingent Principal Notes;

(xxi) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Company in order to enable such direct or indirect parent of the Company to defease, redeem, repurchase or retire the Senior Discount Contingent Principal Notes;

(xxii) so long as no Default or Event of Default will have occurred and be continuing, payments of cash dividends to a direct or indirect parent of the Company, from Net Cash Proceeds from Asset Sales remaining after the application thereof as required by the provisions of Section 4.10 (including after making any Asset Sale Offer required to be made pursuant to Section 4.10 and the application of the entire Offer Amount to purchase all Notes tendered pursuant to such Asset Sale Offer) in an aggregate principal amount not to exceed $25.0 million;

(xxiii) payments of cash dividends to any direct or indirect parent of the Company in order to pay any out-of-pocket expenses or charges for such period relating to any offering of Equity Interests by any direct or indirect parent of the Company, any Asset Sale,

Investment or merger, recapitalization or acquisition transactions made by any direct or indirect parent of the Company, or any Indebtedness incurred by any direct or indirect parent of the Company (in each case, whether or not successful); and

(xxiv) purchases of shares of Capital Stock for contribution to an employee stock ownership plan of the Company or the direct or indirect parent company of the Company not in excess of (A) $5.0 million in the aggregate prior to the Initial Call Termination Date and (B) thereafter $15.0 million in the aggregate.

(c) 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 Section 4.07(a). 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.

(d) The amount of 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. The Fair Market Value of any assets or securities that are required to be valued by Section 4.07 shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee.

(e) For purposes of determining compliance with the provisions of this Section 4.07, in the event that a Restricted Payment meets the criteria of more than one of the types of Restricted Payments described in clauses (i) through (xxiv) above or is entitled to be made pursuant to Section 4.07(a), the Company, in its sole discretion, may classify such Restricted Payment on the

date of such Restricted Payment or later reclassify all or a portion of such Restricted Payment, in any manner that complies with this covenant. Restricted Payments permitted by this Section 4.07 need not be permitted solely by reference to one provision permitting such Restricted Payments but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Restricted Payments.

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 consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) (i) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits or (ii) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(b) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(c) sell, lease or 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:

(i) agreements governing Existing Indebtedness and Credit Facilities as in effect on the Effective Date, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements, provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to dividend and other payment restrictions contained in those agreements on the Effective Date;

(ii) the Indenture, the Notes and the Note Guarantees;

(iii) applicable law or any applicable rule, regulation, order or governmental permit or concession;

(iv) any agreement or instrument governing Indebtedness or Capital Stock of a Restricted Subsidiary 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 or any of its Subsidiaries, so acquired, provided that in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(v) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(vi) customary restrictions in leases (including capital leases), security agreements or mortgages or other purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property purchased or leased of the nature described in clause (iii) above;

(vii) any Purchase Money Note, or other Indebtedness or contractual requirements incurred with respect to a Qualified Receivables Transaction relating to a Receivables Subsidiary;

(viii) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(ix) any agreement for the sale or other disposition of all or substantially all the Capital Stock or the assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(x) Liens permitted to be incurred under the provisions of Section 4.12 that limit the right of the debtor to dispose of the assets subject to such Liens;

(xi) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements, which limitation is applicable only to the assets that are the subject of such agreements;

(xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(xiii) customary provisions imposed on the transfer of copyrighted or patented materials;

(xiv) customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(xv) contracts entered into in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary of the Company in any manner material to the Company or any Restricted Subsidiary of the Company; and

(xvi) restrictions on the transfer of property or assets required by any regulatory authority having jurisdiction over the Company or any Restricted Subsidiary of the Company or any of their businesses.

Section 4.09. Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) Except as otherwise provided in this Section 4.09, 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 the Company shall not issue any Disqualified Stock and shall 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 or preferred 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 or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom as determined in good faith by the chief financial officer of the Company in an Officer's Certificate) as if the additional Indebtedness had been incurred, or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

(b) Except as otherwise provided in Section 4.09(c), the provisions of Section 4.09(a) will not apply to the incurrence of any of the following items of Indebtedness or the issuance of any of the following items of Disqualified Stock or preferred stock (collectively, "Permitted Debt"):

(i) the incurrence by the Company and/or its Restricted Subsidiaries (and the Guarantee thereof by the Guarantors and the Non-Guarantor Subsidiaries) of Indebtedness under the 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 (A) an amount equal to $250.0 million prior to the Initial Call Termination Date and thereafter (B) the greater of (x) $250.0 million and (y) 85% of the total tangible assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal quarter prior to such incurrence, as determined in accordance with GAAP, in each case, less the aggregate principal amount 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 and those Restricted Subsidiaries that are Guarantors of Indebtedness in respect of the Notes, replacement Notes, if any, and the Note Guarantees;

(iii) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness (including Capital Lease Obligations, mortgage financings, Attributable Debt arising out of sale and leaseback transactions or purchase money obligations), Disqualified Stock or preferred stock, in each case (x) incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, lease, installation or improvements of property, plant or equipment used or useful in the business of the Company or such Restricted Subsidiary, or (y) otherwise constituting Attributable Debt arising out of sale and leaseback transactions, in an aggregate principal amount not to exceed (A) $20.0 million at any time outstanding prior to the Initial Call Termination Date and (B) thereafter $30.0 million at any time outstanding;

(iv) the incurrence by the Company and its Restricted Subsidiaries of Existing Indebtedness;

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

(vi) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that (1) if the Company or any Restricted Subsidiary that is a Guarantor is the obligor on such Indebtedness and the payee is not the Company or such Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantees, in the case of such Guarantor, and (2) (x) 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 Restricted Subsidiary of the Company and (y) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, which new incurrence is not permitted by this clause (vi);

(vii) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; provided, however, that (1) any subsequent issuance or transfer of

Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company and (2) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company will be deemed, in each case, to constitute a new issuance of such preferred stock by such Restricted Subsidiary, which new issuance is not permitted by this clause (vii);

(viii) the incurrence by the Company or any of the Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(ix) the guarantee: (1) by the Company or any Restricted Subsidiary of the Company of Indebtedness of the Company or any Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed and (2) by any Non-Guarantor Subsidiary of Indebtedness of a Non-Guarantor Subsidiary;

(x) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, letters of credit, performance, surety bonds, appeal bonds or other similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business;

(xi) 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;

(xii) the incurrence of Indebtedness arising from Guarantees of Indebtedness of the Company or any Restricted Subsidiary or the agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, holdback, contingency payment obligations or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of the Company or any Restricted Subsidiary; 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;

(xiii) the incurrence of Indebtedness resulting from endorsements of negotiable instruments for collection in the ordinary course of business;

(xiv) Indebtedness (which may include Disqualified Stock or preferred stock) of Persons that are acquired by the Company or any Restricted Subsidiary (including by way of merger or consolidation) in accordance with the terms of this Indenture; provided that such Indebtedness, Disqualified Stock or preferred stock is not incurred in contemplation of such acquisition or merger; and provided, further, that after giving effect to such acquisition or merger, either (A) the Company would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio or (B) the Company's Fixed Charge Coverage Ratio after giving pro forma effect to such acquisition or merger would be greater than the Company's actual Fixed Charge Coverage Ratio immediately prior to such acquisition or merger;

(xv) Indebtedness of the Company or a Restricted Subsidiary in respect of netting services, overdraft protection and otherwise in connection with deposit accounts; provided that such Indebtedness remains outstanding for ten Business Days or less;

(xvi) the incurrence by a Receivables Subsidiary of Indebtedness in a Qualified Receivables Transaction;

(xvii) the incurrence by the Company of Additional Notes pursuant to Section 2.18;

(xviii) the incurrence by the Company of Indebtedness consisting of Subordinated Shareholder Funding; and

(xix) the incurrence or issuance by the Company or any Restricted Subsidiary of additional Indebtedness, Disqualified Stock or preferred stock in an aggregate principal amount (or accreted value or liquidation preference, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness and all Replacement Preferred Stock incurred to renew, refund, refinance, replace, defease or discharge any such Indebtedness, Disqualified Stock and preferred stock incurred or issued pursuant to this clause (xix), not to exceed (A) $15.0 million prior to the Initial Call Termination Date and (B) thereafter $40.0 million.

(c) Notwithstanding the provisions of Section 4.09(a) and Section 4.09(b), prior to the date which is eighteen (18) months following the Closing Date, neither the Company nor any Restricted Subsidiary of the Company shall incur any Senior Debt if, at the time of the incurrence of such Senior Debt, the Company's Consolidated Total Indebtedness to Consolidated Cash Flow Ratio (after giving a pro forma effect thereto) would have been greater than 3.75 to 1.00; provided, however, that this Section 4.09(c) shall not apply to:

(i) the incurrence by the Company or any Restricted Subsidiary of the Company of Senior Debt otherwise permitted to be incurred under the Congress Credit Facility; and

(ii) the incurrence by the Company or any Restricted Subsidiary of the Company of Indebtedness otherwise permitted to be incurred under clause (viii), (ix), (x), (xi), (xii), (xiii), (xv) or (xvi) of Section 4.09(b).

(d) Notwithstanding the provisions of Section 4.09(a), prior to the Initial Call Termination Date, neither the Company nor any Restricted Subsidiary of the Company shall incur any Indebtedness permitted to be incurred pursuant to Section 4.09(a) if, at the time of the incurrence of such Indebtedness, the Company's Consolidated Total Indebtedness to Consolidated Cash Flow Ratio (after giving a pro forma effect thereto) would have been greater than 3.75 to 1.00.

(e) 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 (xix) above or is entitled to be incurred pursuant to Section 4.09(a), the Company may, in its sole discretion, classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. Indebtedness permitted by this Section 4.09 need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such clause and in part by one or more other provisions of this Section 4.09 permitting such Indebtedness. The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any Guarantee, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this Section 4.09; provided that, in each such case, the amount thereof is included in Fixed Charges of the Company as accrued (other than the reclassification of preferred stock as Indebtedness due to a change in accounting principles).

(f) The amount of any Indebtedness outstanding on any date will be (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of (x) the Fair Market Value of such assets at the date of determination and (y) the amount of the Indebtedness of the other Person.

Section 4.10. Asset Sales.

(a) 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 the Asset Sale at least equal to the Fair Market

Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(ii) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash. For purposes of this provision, each of the following shall be deemed to be cash:

(A) Cash Equivalents;

(B) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary of the Company (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Note Guarantees) 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;

(C) 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 within 180 days of receipt, to the extent of the cash received in that conversion;

(D) any Designated Noncash Consideration the Fair Market Value of which, when taken together with all other Designated Noncash Consideration received pursuant to this clause (D) (and not subsequently converted into Cash Equivalents that are treated as Net Proceeds of an Asset Sale) does not exceed $15.0 million since the Effective Date, with the Fair Market Value of each item of Designated Noncash Consideration being measured at the time received and without giving effect to subsequent changes in value; and

(E) any stock or assets of the kind referred to in clauses (ii) or (iv) of Section 4.10(b) hereof.

(b) Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds at its option:

(i) to repay Senior Debt and, if the Senior Debt repaid is revolving credit Indebtedness, to (A) correspondingly reduce commitments with respect thereto or (B) acquire Additional Assets;

(ii) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition

of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Company;

(iii) to buy out or purchase a release from lease obligations on existing retail stores or distribution centers;

(iv) to make a capital expenditure; or

(v) to acquire Additional Assets.

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture.

(c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.10(b) hereof shall constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $15.0 million, within ten Business Days thereof, the Company shall make an Asset Sale Offer to all Holders and if the Company elects (or is required by the terms of such other *pari passu* Indebtedness), all holders of other Indebtedness that is *pari passu* with the Notes. The offer price in any Asset Sale Offer shall be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase (or, in respect of any *pari passu* Indebtedness, such lesser price, if any, as may be provided for by its terms), and shall be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

(d) The Company shall 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 each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 or Section 4.10 of this Indenture, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under Section 3.09 or this Section 4.10 by virtue of such compliance.

Section 4.11. Transactions with Affiliates.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to, 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 of the Company involving aggregate consideration in excess of $5.0 million (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that, taken as a whole, are not materially 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 $10.0 million, a resolution of the Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the Board of Directors of the Company and (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion as to the fairness to Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

(b) The following items shall not be deemed to be Affiliate Transactions and, therefore, shall not be subject to the provisions of Section 4.11(a):

(i) transactions with customers, suppliers, contractors, joint venture partners or purchasers or sellers 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 reasonable 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;

(ii) any employment agreement, stock option or other compensation agreement or employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments or the issuance of securities thereunder;

(iii) transactions between or among the Company and/or its Restricted Subsidiaries;

(iv) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(v) payment of reasonable directors' fees;

(vi) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;

(vii) loans (or cancellation of loans) or advances to employees in the ordinary course of business;

(viii) 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;

(ix) Permitted Investments or Restricted Payments that do not violate the provisions of Section 4.07;

(x) the existence of, or the performance by the Company or any Restricted Subsidiary of their obligations under the terms of, any stockholders agreement, partnership agreement or limited liability company agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a part as of the Effective Date and any similar agreements which it may enter into thereafter; provided, however, that the existence of, or the performance by the Company or any Restricted Subsidiary of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Effective Date will only be permitted by this clause (x) to the extent that the terms of any such amendment or new agreement, taken as a whole, are not materially disadvantageous to the Holders of the Notes, as determined in good faith by the Board of Directors of the Company or the senior management of the Company;

(xi) any management, financial advisory, financing, underwriting or placement services or any other investment banking, banking or similar services involving the Company and any of its Restricted Subsidiaries (including, without limitation, any payments in cash, Equity Interests or other consideration made by the Company or any of its Restricted Subsidiaries in connection therewith) on the one hand and the Permitted Holders on the other hand, which services (and payments and other transactions in connection therewith) are approved by a majority of the members of the Board of Directors of the Company in good faith;

(xii) the issuance of Equity Interests (other than Disqualified Stock) in the Company or any Restricted Subsidiary for compensation purposes;

(xiii) the issuance of any Subordinated Shareholder Funding;

(xiv) intellectual property licenses between or among the Company and/or any Subsidiary of the Company in the ordinary course of business;

(xv) tax sharing arrangements (including the Tax Sharing Agreement);

(xvi) the issuance or sale of any Capital Stock by the Company; and

(xvii) Existing Indebtedness and any other obligations pursuant to an agreement existing on the Effective Date, including any amendment thereto (so long as such amendment is not disadvantageous to the Holders of the Notes in any material respect).

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 against or upon any of the Collateral or any proceeds therefrom or assign or convey any right to receive income therefrom for purposes of security, except Collateral Permitted Liens.

Section 4.13. Offer to Purchase Upon a Change of Control.

(a) Upon the occurrence of a Change of Control and subject to Section 3.07(c), each Holder shall have the right to require the Company to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of that Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, on the Notes repurchased to the date of purchase subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date, (the "Change of Control Payment"). Within 30 days following any Change of Control, the Company shall mail a notice to each Holder, with a copy to the Trustee, describing the transaction or transactions that constitute the Change of Control and stating:

(i) that the Change of Control Offer is being made pursuant to this Section 4.13 and that all Notes tendered shall be accepted for payment;

(ii) the purchase price and the purchase date, which shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date");

(iii) that any Note not tendered shall continue to accrue interest;

(iv) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(v) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer shall be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(vi) that Holders shall be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased;

(vii) that Holders whose Notes are being purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof; and

(viii) that Holders electing to have a Note purchased pursuant to a Change of Control Offer may elect to have Notes purchased in integral multiples of $1,000 only.

(b) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those 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 of this Section 4.13, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.13 by virtue of such compliance.

(c) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(d) The Paying Agent shall promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. 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.

(e) Prior to complying with any of the provisions of this Section 4.13, but in any event within 90 days following a Change of Control, the Company shall either repay all its outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing its outstanding Senior Debt to permit the repurchase of Notes required by this Section 4.13.

(f) 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, leveraged buy out or similar transaction which is not a Change of Control.

(g) Notwithstanding anything to the contrary in this Section 4.13, the Company shall not be required to make a Change of Control Offer upon a Change of Control if (i) 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 this Section 4.13 and purchases all Notes validly tendered and not withdrawn under the Change of Control Offer or (ii) notice of redemption has been given pursuant to Section 3.07 of this Indenture unless and until there is a Default in payment of the applicable redemption price.

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 Restricted Subsidiaries in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Restricted 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 Restricted 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 Restricted 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 Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

Section 4.16. No Layering of Debt.

Notwithstanding the provisions of Section 4.09 hereof, (a) the Company shall not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to any Senior Debt and senior in any respect in right of payment to the Notes, and (b) no Guarantor shall incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to Senior Debt of such Guarantor and senior in any respect in right of payment to such Guarantor's Note Guarantee. No such Indebtedness will be considered to be senior by virtue of being secured on a first or junior priority basis and Indebtedness that is not guaranteed by a particular Person shall not be deemed to be subordinate or junior to Indebtedness that is so guaranteed solely because it is not so guaranteed.

Section 4.17. Additional Note Guarantees.

If (a) the Company or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the date of this Indenture that guarantees Indebtedness under the Congress Credit Facility or (b) any Subsidiary of the Company or any of its Restricted Subsidiaries existing as of the date hereof becomes a guarantor of Indebtedness under the Congress Credit Facility, then such newly acquired or created Subsidiary or such Subsidiary guarantor of

Indebtedness under the Congress Credit Facility, as the case may be, shall become a Guarantor and execute a Note Guarantee, the form of which is attached as Exhibit B, pursuant to a supplemental indenture, the form of which is attached as Exhibit C, and deliver an Opinion of Counsel in form and substance satisfactory to the Trustee within 30 Business Days of the date on which it was acquired or created.

ARTICLE 5
SUCCESSORS

Section 5.01. Merger, Consolidation of Sale of Assets.

(a) 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 the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person unless (i) either the Company is the surviving Person 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 an entity organized or existing under the laws of the United States, any state of the United States 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 has been made assumes all the obligations of the Company under the Notes and this Indenture pursuant to agreements 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 Subsidiary of the Company (other than a Receivables Subsidiary), the Company 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 has 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, would (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) or (ii) have a Fixed Charge Coverage Ratio that is greater than the actual Fixed Charge Coverage Ratio of the Company immediately prior to such transaction.

(b) Section 5.01(a) will not prohibit (A) a merger of the Company into a Wholly Owned Subsidiary of the Company created for the purpose of holding the Capital Stock of the Company, (B) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries (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, (D) any merger of a Restricted Subsidiary into the Company or (E) transfers of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction (or a fractional undivided interest therein) by a Receivables Subsidiary in a Qualified Receivables Transaction, so long as, in each case, the amount of Indebtedness of the Company and its Restricted Subsidiaries, taken as a whole, 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 a transaction that is subject to, and that complies with the provisions of Section 5.01 hereof, the successor Person 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, assignment, transfer, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture or the Notes referring to the "Company" shall refer instead to the successor Person and not to the Company), and shall exercise every right and power of the Company under this Indenture and the Notes with the same effect as if such successor Person had been named as the Company herein; provided, however, that the predecessor Company, if any, shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as whole in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

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 the Notes;

(ii) default in payment when due (at maturity, upon redemption or otherwise) 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 voting as a single class to comply with the provisions described under Section 4.07, Section 4.09, Section 4.10 or Section 4.13;

(iv) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the Holders of at least a majority in principal amount of the then outstanding voting as a single class to comply with any 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 Significant Subsidiaries (or the payment of which is guaranteed by the Company or any of its Significant Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, 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 $25.0 million or more;

(vi) failure by the Company or any of its Subsidiaries to pay final, non-appealable judgments aggregating in excess of $25.0 million (net of any amounts covered by a reputable and credit worthy insurance company that has not contested coverage or reserved rights with respect to an underlying claim), which judgments are not paid, discharged, waived or stayed for a period of more than 60 consecutive days after such judgments become final and non-appealable;

(vii) the Company or any of its Restricted Subsidiaries that is 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; or

(D) makes a general assignment for the benefit of its creditors;

(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 Restricted Subsidiaries that is a Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary for all or substantially all of the property of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary; or

(C) orders the liquidation of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days;

(ix) except as permitted herein, any Note Guarantee is held to be unenforceable or invalid by any final and non-appealable judgment or decree or ceases for any reason to be in full force and effect or any

Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, denies or disaffirms such Guarantor's obligations under its Note Guarantee and such Default continues for 10 days after receipt of the notice specified in this Indenture; or

(x) except as permitted herein, any Security Document or any security interest granted thereby is held to be unenforceable or invalid by any final and non-appealable judgment or decree or ceases for any reason to be in full force and effect and such Default continues for 10 days after receipt of the notice specified in this Indenture, or the Company or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of such Person, denies or disaffirms the Company's or such Guarantor's obligations under any Security Document.

The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 6.02. Acceleration.

In the case of an Event of Default specified in clause (vii) or (viii) of Section 6.01 hereof, all outstanding Notes shall become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided that so long as any Indebtedness permitted to be incurred pursuant to the Credit Facilities is outstanding, such acceleration shall not be effective until the earlier of (a) the acceleration of such Indebtedness under the Credit Facilities or (b) five Business Days after receipt by the Company of written notice of such acceleration. Holders of the Notes may not enforce this Indenture or the Notes except as provided in this Indenture.

Upon any such declaration, the Notes shall become due and payable immediately. The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration or waive any existing Default or Event of Default and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium that has become due solely because of the acceleration) have been cured or waived.

Section 6.03. Other Remedies.

(a) 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 on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

(b) 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.

Section 6.04. Waiver of Past Defaults.

Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Notes (including in connection with an offer to purchase); provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

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.

Section 6.06. Limitation on Suits.

A Holder of a Note may pursue a remedy with respect to this Indenture, the Notes or the Note Guarantees only if:

(i) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(iii) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee reasonable security or indemnity against any loss, liability or expense;

(iv) 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 security or indemnity; and

(v) during such 60-day period the Holders of a majority in aggregate 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, and interest 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 and each Guarantor for the whole amount of principal of, premium, 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 proceeding 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 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 ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, respectively; and

Third: to the Company or, to the extent the Trustee collects any amount pursuant to Article 12 from the Guarantors, to such Guarantors, 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, 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 person would exercise or use under the circumstances in the conduct of such person's 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 and the Trustee need perform only those duties that are specifically set forth in this Indenture 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 or gross negligence 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 Section 7.01(c) does not limit the effect of Section 7.01(b);

(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), (c) and (e) 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.

(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 Officer's 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 Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel 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; provided, however, that the Trustee's conduct does not constitute willful misconduct, bad faith or negligence.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company or any Guarantor shall be sufficient if signed by an Officer of the Company or such Guarantor, as applicable.

(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 against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(h) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder.

Section 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company, the Guarantors or any Affiliate of the Company or the Guarantors 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 or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Section 7.10 and Section 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, the Notes or the Note Guarantees, 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 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) as if it were applicable to this Indenture (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no such report need be transmitted). The Trustee also shall comply with TIA Section 313(b) and transmit by mail all reports as required by TIA Section 313(c), as if TIA Section 313(b) and TIA Section 313(c) were applicable to this Indenture. 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.

(a) 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.

(b) The Company and the Guarantors, jointly and severally, 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 and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Company and the Guarantors 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, willful misconduct or bad faith. The Trustee shall notify the Company and the Guarantors promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company and the Guarantors shall not relieve the Company or the Guarantors of their obligations hereunder. The Company and the Guarantors shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company and the Guarantors shall pay the reasonable fees

and expenses of such counsel. The Company and the Guarantors need not pay for any settlement made without their consent, which consent shall not be unreasonably withheld.

(c) The obligations of the Company and the Guarantors under this Section 7.07 shall survive the satisfaction and discharge of this Indenture. To secure the Company's and the Guarantors' 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 and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

(d) 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.

Section 7.08. Replacement of Trustee.

(a) 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.

(b) 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:

(i) the Trustee fails to comply with Section 7.10 hereof;

(ii) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(iii) a Custodian or public officer takes charge of the Trustee or its property; or

(iv) the Trustee becomes incapable of acting.

(c) 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.

(d) 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.

(e) 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.

(a) 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 and that has a combined capital and surplus of at least $100.0 million as set forth in its most recent annual report of condition.

(b) This Indenture shall always have a Trustee that satisfies the requirements of TIA Section 310(a)(1), (2) and (5), as if such provisions were applicable to this Indenture. The Trustee shall comply with TIA Section 310(b) as if it were applicable to this Indenture; provided, however, that for purposes of this Indenture, all references in TIA Section 310(b) to actions by or application to the Commission shall be deemed deleted; and provided, further, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

Section 7.11. Preferential Collection of Claims Against the Company.

The Trustee shall comply with TIA Section 311(a) as if it were applicable to this Indenture, excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall comply with the requirements of TIA Section 311(a) to the extent indicated therein, as if they were applicable to this Indenture.

ARTICLE 8
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at any time, elect to have either Section 8.02 or Section 8.03 hereof be applied to all outstanding Notes and all obligations of the Guarantors with respect to the Note

Guarantees 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 and each of the Guarantors 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 and the Note Guarantees then outstanding on the date the conditions set forth below are satisfied ("Legal Defeasance"). For this purpose, Legal Defeasance means that the Company and each Guarantor shall be deemed to have paid and discharged the entire Indebtedness represented by the Notes and the Note Guarantees 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 (i) and (ii) below, and to have satisfied all their respective other obligations under such Notes, the Note Guarantees 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: (i) the rights of Holders of outstanding Notes to receive payments in respect of the principal amount, premium, if any, and interest on such Notes when such payments are due from the trust referred to in Section 8.04; (ii) the Company's obligations with respect to such Notes under Section 2.03, Section 2.04, Section 2.05, Section 2.08, Section 2.09, Section 2.12 and Section 4.02 hereof; (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and the Guarantors' obligations in connection therewith; and (iv) the provisions of this Section 8.02. Subject to compliance with this Section 8.02, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

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 and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from their respective obligations under the covenants contained in Article 5 and in Section 4.03, Section 4.05, Section 4.07, Section 4.08, Section 4.09, Section 4.10, Section 4.11, Section 4.12, Section 4.13, Section 4.15, Section 4.16, Section 4.17 and Section 12.01 hereof with respect to the outstanding Notes and the Note Guarantees on and after the date the conditions set forth in Section 8.04 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 and the Note Guarantees, the Company and the Guarantors 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 and the Note Guarantees 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, Section 6.01(iii) through (v) hereof and, to the extent relating to a Significant Subsidiary, Section 6.01(vii) and Section 6.01(viii) 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 and the Note Guarantees:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) 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 investment bank, appraisal firm or firm of independent public accountants, to pay the principal amount of, premium, if any, and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(ii) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel 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 Issue Date, 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;

(iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel 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;

(iv) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under any material agreement (including, without limitation, the Congress Credit Facility) 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;

(v) the Company shall have delivered to the Trustee an Officer's 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

(vi) the Company shall have delivered to the Trustee an Officer's 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.

(a) 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, and interest but such money need not be segregated from other funds except to the extent required by law.

(b) 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.

(c) 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 request 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 investment bank, appraisal firm or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under clause (i) of Section 8.04 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, or interest on any Note and remaining unclaimed for one year after such principal, and premium, if any, or interest, if any, have become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter be permitted to 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 and the Guarantors under this Indenture, and the Notes and the Note Guarantees 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, or interest 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 cash or Government Securities held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01. Without Consent of Holders of the Notes.

(a) Notwithstanding Section 9.02 of this Indenture, without the consent of any Holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes or the Note Guarantees:

(i) to cure any ambiguity, defect or inconsistency;

(ii) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(iii) to provide for the assumption of the Company's or a Guarantor's obligations to the Holders of the Notes in the case of a merger, or consolidation pursuant to Article 5 or Section 12.03 hereof;

(iv) 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;

(v) to provide for the issuance of Additional Notes as permitted by Section 2.18; or

(vi) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes.

(b) 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 receipt by the Trustee of the documents described in Section 7.02(b) hereof, the Trustee shall join with the Company and the Guarantors 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.

(a) Except as provided below in this Section 9.02, this Indenture, the Notes and the Note Guarantees issued hereunder may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount 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, subject to Section 6.04 and Section 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Notes or the Note Guarantees 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, Notes).

(b) 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 the documents described in Section 7.02(b) hereof, the Trustee shall join with the Company and the Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly 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.

(c) 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.

(d) Subject to Section 6.04 and Section 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding, voting as a single class, may amend or waive compliance in a particular instance by the Company or the Guarantors with any provision of this Indenture or the Notes or the Note Guarantees. 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):

(i) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) 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 Section 3.09, Section 4.10 and Section 4.13 hereof);

(iii) reduce the rate of or change the time for payment of interest on any Note;

(iv) 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 of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(v) make any Note payable in money other than that stated in the Notes;

(vi) make any change in Section 6.04 or Section 6.07 hereof;

(vii) waive a redemption or repurchase payment with respect to any Note (other than a payment required by Section 3.09, Section 4.10 or Section 4.13 hereof);

(viii) except as otherwise permitted herein, release any Guarantor from any of its obligations under its Note Guarantee or this Indenture, or amend the provisions herein relating to the release of any Guarantor; or

(ix) make any change in the amendment and waiver provisions of this Article 9.

Section 9.03. Revocation and Effect of Consents.

(a) 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.

(b) 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 9.04. Notation on or Exchange of Notes.

(a) 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.

(b) 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 9.05. 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 and the Guarantors may not sign an amendment or supplemental indenture until their respective Board of Directors approves it. In executing 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 Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10
SUBORDINATION

Section 10.01. Agreement to Subordinate.

The Company agrees, and each Holder of Notes by accepting a Note agrees, that all Obligations evidenced by the Notes are subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full in cash of all Senior Debt (whether outstanding on the Effective Date or created, incurred, assumed or guaranteed thereafter), and that the subordination is for the benefit of the holders of Senior Debt of the Company.

Section 10.02. Liquidation; Dissolution; Bankruptcy.

The holders of Senior Debt of the Company will be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate that would be applicable under the terms of the documentation governing the applicable Senior Debt and other reasonable fees, costs or charges provided for under the applicable Senior Debt which would accrue and become due under the terms of the applicable Senior Debt but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case) before the Holders of Notes will be entitled to receive any payment (by setoff or otherwise) with respect to the Notes:

(a) in a liquidation or dissolution of the Company;

(b) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property;

(c) in an assignment for the benefit of the Company's creditors; or

(d) in any marshaling of the Company's assets and liabilities,

and, if any of the foregoing shall have occurred, until all Obligations with respect to Senior Debt are paid in full in cash, any payment or distribution to which the Holders of Notes would be entitled shall be made to the holders of Senior Debt (except that Holders of Notes may receive and retain Permitted Junior Securities and payments made from any trust created pursuant to Section 8.04 or Article 13 hereof).

Section 10.03. Default On Designated Senior Debt.

(a) The Company shall not make any payment (by setoff or otherwise) in respect of the Notes (except in Permitted Junior Securities or from the trust created pursuant to Section 8.04 or Article 13 hereof) if (i) a default in the payment of the principal or premium, if any, or interest on Designated Senior Debt occurs and is continuing beyond any applicable grace period or (ii) any other default occurs and is continuing with respect to Designated Senior Debt that permits holders of the Designated Senior Debt to accelerate its maturity, and the Trustee receives a notice of such default (a "Payment Blockage Notice") from the holders of any Designated Senior Debt or any agent or trustee for such holders. Payments on the Notes may and shall be resumed (a) in the case of a payment default, upon the date on which such default is cured or waived and (b) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless a payment default has occurred and is continuing (as a result of the maturity of any Designated Senior Debt having been accelerated). No new period of payment blockage (other than for a payment default) may be commenced unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been cured or waived for a period of not less than 90 days.

(b) Whenever the Company is prohibited from making any payment in respect of the Notes, the Company also shall be prohibited from making, directly or indirectly, any payment of any kind on account of the purchase or other acquisition of the Notes. If any Holder receives any payment or distribution that such Holder is not entitled to receive with respect to the Notes, such Holder shall be required to pay the same over to the holders of Designated Senior Debt or, in the event there are not any such holders, to the holders of Senior Debt, or any representative of such holders under the indenture or other agreement (if any) pursuant to which such Designated Senior Debt or Senior Debt, as the case may be, may have been issued (the "Representative").

Section 10.04. Acceleration of Notes.

If payment of the Notes is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Debt of the acceleration.

Section 10.05. When Distribution Must Be Paid Over.

(a) In the event that the Trustee or any Holder of a Note receives any payment (including a payment by a Guarantor under its Note Guarantee) of any Obligations with respect to the Notes (other than Permitted Junior Securities and payments made from any trust created pursuant to Section 8.04 or Article 13 hereof) at a time when the Trustee or such Holder, as applicable, has actual knowledge that such payment is prohibited by Section 10.03 hereof, such payment shall be held by the Trustee or such Holder, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Designated Senior Debt or, in the event there are not any such holders, to the holders of Senior Debt, in each case as their interests may appear, or their respective Representative, as their respective interests may appear, for application to the payment of all Obligations with respect to such Designated Senior Debt or such Senior Debt, as the case may be, remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of such Designated Senior Debt or such Senior Debt, as the case may be.

(b) With respect to the holders of Designated Senior Debt and Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Designated Senior Debt or Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Designated Senior Debt or Senior Debt and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders of the Notes or the Company or any other Person money or assets to which any holders of Designated Senior Debt or Senior Debt shall be entitled by virtue of this Article 10, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

Section 10.06. Notice by the Company.

The Company shall promptly notify the Trustee and the Paying Agent of any facts known to the Company that would cause a payment of any Obligations with respect to the Notes to violate this Article 10, but failure to give such notice shall not affect the subordination of the Notes to the Senior Debt as provided in this Article 10.

Section 10.07. Subrogation.

After all Senior Debt is paid in full in cash and all commitments to make loans under such Senior Debt have been terminated and until the Notes are paid in full, Holders of the Notes shall be subrogated (equally and ratably with all other Indebtedness *pari passu* with the Notes) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Holders of the Notes have been applied to the payment of Senior Debt. A distribution made under this Article 10 to holders of Senior Debt that

otherwise would have been made to Holders of the Notes is not, as between the Company and Holders of the Notes, a payment by the Company on the Notes.

Section 10.08. Relative Rights.

(a) This Article 10 defines the relative rights of Holders of the Notes and holders of Senior Debt. Nothing in this Indenture shall:

(i) impair, as between the Company and Holders of the Notes, the obligations of the Company, which are absolute and unconditional, to pay principal of and interest on the Notes in accordance with their terms;

(ii) affect the relative rights of Holders of the Notes and creditors of the Company other than their rights in relation to holders of Senior Debt; or

(iii) prevent the Trustee or any Holder of the Notes from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders of Senior Debt to receive distributions and payments otherwise payable to Holders of the Notes.

(b) If the Company fails because of this Article 10 to pay principal of or interest on a Note on the due date, the failure is still a Default or Event of Default.

Section 10.09. Subordination May Not Be Impaired by the Company.

No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Notes shall be impaired by any act or failure to act by the Company, any Subsidiary of the Company, the Trustee or any Holder or by the failure of the Company, any Subsidiary of the Company, the Trustee or any Holder to comply with this Indenture.

Section 10.10. Distribution or Notice of Representative.

(a) Whenever a distribution is to be made or a notice given to holders of Designated Senior Debt or Senior Debt, as the case may be, the distribution may be made and the notice given to the Representative of such holders.

(b) Upon any payment or distribution of assets of the Company referred to in this Article 10, the Trustee and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders of the Notes for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

Section 10.11. Rights of Trustee and Paying Agent.

(a) Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the Trustee shall have received at its Corporate Trust Office at least three Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Notes to violate this Article 10. Only the Company or a Representative may give the notice. Nothing in this Article 10 shall impair or subordinate the claims of or payments to, the Trustee under or pursuant to Section 7.07 hereof.

(b) The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 10.12. Authorization to Effect Subordination.

Each Holder of a Note by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time of such claim, the Representatives of the Designated Senior Debt, including the Credit Agent, are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

Section 10.13. Amendments.

Any amendment to the provisions of this Article 10 shall require the consent of (a) the Holders of a majority in principal amount of the then outstanding Notes if such amendment would adversely affect the rights of the Holders of Notes and (b) the holders of Senior Debt if such amendment would adversely affect the rights of the holders of such Senior Debt then outstanding (or any group or representative thereof authorized to give such consent).

Section 10.14. Reliance by Holders of Senior Debt on Subordination Provisions.

Each Holder by accepting a Note acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Debt, whether such Senior Debt was created or acquired before or after the issuance of the Notes, to acquire and continue to hold, or to continue to hold, such Senior Debt and such holder of such Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt.

ARTICLE 11
COLLATERAL AND SECURITY

Section 11.01. Security Documents.

The due and punctual payment of the principal of and interest on the Notes when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise, and interest on the overdue principal of and interest on the Notes and performance of all other obligations of the Company and the Guarantors to the Holders or the Trustee under this Indenture, the Notes and the Note Guarantees, according to the terms hereunder or thereunder, are secured as provided in the Security Documents which the Company and the Guarantors have entered into prior to and simultaneously with the execution of this Indenture, subject to the terms of the Intercreditor Agreement. Each Holder, by its acceptance thereof, consents and agrees to the terms of the Security Documents and the Intercreditor Agreement (including the provisions providing for foreclosure and release of Collateral) as the same may be in effect or may be amended from time to time in accordance with the terms thereof and authorizes and directs the Collateral Agent to enter into the Security Documents and the Intercreditor Agreement and other documents referenced in the Intercreditor Agreement in connection therewith, confirms and ratifies each prior entry by the Collateral Agent into any Security Documents and the Intercreditor Agreement executed prior to the date hereof, and authorizes and directs the Collateral Agent to perform its obligations and exercise its rights thereunder in accordance therewith. The Company and the Guarantors shall deliver to the Trustee (if it is not itself then the Collateral Agent) copies of all documents delivered to the Collateral Agent pursuant to the Security Documents, and will do or cause to be done all such acts and things as may be required by the next sentence of this Section 11.01, to assure and confirm to the Trustee and the Collateral Agent the security interest in the Collateral contemplated hereby, by the Security Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured hereby, according to the intent and purposes herein expressed. Each of the Company and the Guarantors shall take, and shall cause the Restricted Subsidiaries to take, any and all actions reasonably required to cause the Security Documents to create and maintain, as security for the Obligations of the Company and the Guarantors hereunder, a valid and enforceable perfected second-priority Lien and security interest in and on all the Collateral, in favor of the Collateral Agent for the benefit of the Holders, second in priority (subject to Collateral Permitted Liens) to any and all security interests at any time granted in the Collateral to secure the First-Lien Obligations.

Section 11.02. Release of Collateral.

(a) Subject to paragraphs (b), (c) and (d) of this Section 11.02, Collateral may be released from the Lien and security interest created by the Security Documents at any time or from time to time in accordance with the provisions of the Security Documents, the Intercreditor Agreement, or as provided hereby. Whether prior to or after the Discharge of First-Lien Obligations, upon the request of the Company pursuant to an Officer's Certificate certifying that all conditions precedent hereunder have been met and without the consent of any Holder, the Company and the Guarantors will be entitled to releases of assets included in the Collateral from the Liens securing the Notes under any one or more of the following circumstances:

(i) if all other Liens on that asset securing Obligations under First-Lien Obligations and any Other Second-Lien Obligations then secured by that asset (including all commitments thereunder) are released; provided, that after giving effect to the release, obligations secured by the first-priority Liens on the remaining Collateral remain outstanding;

(ii) to enable the Company or Guarantors to consummate any sale, lease, conveyance or other disposition of any assets or rights permitted or not prohibited under Section 4.10 hereof;

(iii) if the Company or any Guarantor, as the case may be, provides substitute collateral with at least an equivalent fair value, as determined in good faith by its Board of Directors;

(iv) in respect of assets subject to a Lien securing purchase money Indebtedness permitted under Section 4.09(b) hereof;

(v) if any Guarantor is released from its Note Guarantee, any of its assets comprising Collateral will also be released;

(vi) in respect of assets included in the Collateral with a fair value, as determined in good faith by the Board of Directors, of up to $2.0 million in any calendar year, subject to a cumulative carryover for any amount not used in any prior calendar year; or

(vii) pursuant to an amendment, waiver or supplement in accordance with Article 9 hereof.

Upon receipt of such Officer's Certificate, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Indenture or the Security Documents.

(b) Except as otherwise provided in the Intercreditor Agreement, no Collateral may be released from the Lien and security interest created by the Security Documents pursuant to the provisions of the Security Documents unless the Officer's Certificate required by this Section 11.02 has been delivered to the Collateral Agent.

(c) At any time when a Default or Event of Default has occurred and is continuing and the maturity of the Notes has been accelerated (whether by declaration or otherwise) and the Trustee has delivered a notice of acceleration to the Collateral Agent, no release of Collateral pursuant to the provisions

of the Security Documents will be effective as against the Holders, except as otherwise provided in the Intercreditor Agreement.

Section 11.03. Certificates of the Trustee.

In the event that the Company or any Guarantor wishes to release Collateral in accordance with the Security Documents at a time when the Trustee is not itself also the

Collateral Agent and has delivered the certificates and documents required by the Security Documents and Section 11.02 hereof, the Trustee will determine whether it has received all documentation required hereunder in connection with such release and, based on such determination, will deliver a certificate to the Collateral Agent setting forth such determination.

Section 11.04. Authorization of Actions to Be Taken by the Trustee Under the Security Documents.

Subject to the provisions of Section 7.01 and Section 7.02 hereof and the Intercreditor Agreement, the Trustee may, in its sole discretion and without the consent of the Holders, direct, on behalf of the Holders, the Collateral Agent to, take all actions it deems necessary or appropriate in order to:

(a) enforce any of the terms of the Security Documents; and

(b) collect and receive any and all amounts payable in respect of the Obligations of the Company hereunder.

Subject to the provisions of the Intercreditor Agreement, the Trustee will have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Security Documents or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders or of the Trustee).

Section 11.05. Authorization of Receipt of Funds by the Trustee Under the Security Documents.

The Trustee is authorized to receive any funds for the benefit of the Holders distributed under the Security Documents and the Intercreditor Agreement, and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

Section 11.06. Termination of Security Interest.

The Trustee will, at the request of the Company, deliver a certificate to the Collateral Agent stating that the Obligations under the Transaction Documents have been paid in full, and instruct the Collateral Agent to release the Liens pursuant to this Indenture and the Security Documents upon (a) payment in full of the principal of and accrued and unpaid interest on the Notes and all other Obligations under the Transaction Documents that are due and payable at or prior to the time such principal and accrued and unpaid interest are paid, (b) satisfaction and discharge of this Indenture as described in Article 8 or (c) legal defeasance or covenant defeasance as described in Article 8. Upon receipt of such instruction, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of all such Liens.

Section 11.07. Collateral Agent.

(a) The Trustee shall act as Collateral Agent and shall be authorized to appoint co-Collateral Agents as necessary in its sole discretion. Except as otherwise explicitly provided herein or in the Security Documents, neither the Collateral Agent nor any of its respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Collateral Agent nor any of its officers, directors, employees or agents shall be responsible for any act or failure to act hereunder, except for its own willful misconduct, negligence or bad faith.

(b) The Trustee, as Collateral Agent, is authorized and directed to (i) enter into the Security Documents, (ii) enter into the Intercreditor Agreement, (iii) bind the Holders on the terms as set forth in the Security Documents and the Intercreditor Agreement and (iv) perform and observe its obligations under the Security Documents and the Intercreditor Agreement.

(c) If the Company (i) incurs Indebtedness constituting Senior Debt at any time when no Intercreditor Agreement is in effect or at any time when Indebtedness constituting First-Lien Obligations entitled to the benefit of an existing Intercreditor Agreement is concurrently retired, and (ii) delivers to the Collateral Agent an Officer's Certificate so stating and designating such Senior Debt as First-Lien Obligations and requesting the Collateral Agent to enter into an Intercreditor Agreement in favor of a designated agent or representative for the holders of the Indebtedness so incurred, the Collateral Agent shall (and is hereby authorized and directed to) enter into such Intercreditor Agreement and other documents referenced in the Intercreditor Agreement in connection therewith, bind the Holders on the terms set forth therein, and perform and observe its obligations thereunder.

(d) If (i) the Company at any time incurs any Indebtedness constituting Other Second-Lien Obligations, (ii) the indenture or agreement governing such Indebtedness provides that, notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to the Collateral Agent under the Security Documents (the "Liens Securing Note Obligations") or granted to the holders of Other Second-Lien Obligations or any agent or representative for the holders of Other Second-Lien Obligations (the "Liens Securing Other Second-Lien Obligations"), the Liens Securing Note Obligations and the Liens Securing Other Second-Lien Obligations shall be of equal dignity, priority and rank, (iii) the Company delivers to the Collateral Agent an Officer's Certificate so stating and requesting that the Collateral Agent serve as collateral agent and enter into security documents with respect thereto and

(iv) the Company delivers to the Collateral Agent an Opinion of Counsel stating that, in the opinion of such counsel, the Collateral Agent is empowered and obligated (on substantially the terms applicable to the Collateral Agent pursuant to the Indenture Documents) to hold the Liens Securing Note Obligations and all Liens Securing Other-Second Lien Obligations and all proceeds of all such Liens for the equal and ratable benefit of the holders of all Obligations secured thereby, giving effect to the assignment or transfer requested in such Officer's Certificate, then (A) the Liens Securing Note Obligations shall be of equal dignity, priority and rank with all such Liens

Securing Other Second-Lien Obligations and (B) the Collateral Agent shall enter into such security documents as requested in such Officer's Certificate.

Section 11.08. Designations.

For purposes of the provisions hereof and the Intercreditor Agreement requiring the Company to designate Indebtedness for the purposes of the terms "First-Lien Obligations," "Other Second-Lien Obligations" or any other such designations hereunder or under the Intercreditor Agreement, any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of the Company by an Officer and delivered to the Trustee, the Collateral Agent and the Credit Agent.

ARTICLE 12
NOTE GUARANTEES

Section 12.01. Note Guarantees.

(a) Subject to Section 12.05 hereof, each Guarantor hereby unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes and the Obligations of the Company hereunder and thereunder, that: (i) the principal of, premium, if any, and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal, premium, if any, (to the extent permitted by law) and interest on any interest, if any, on the Notes, and all other payment Obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when so due of any amount so guaranteed for whatever reason each Guarantor will be obligated to pay the same immediately. An Event of Default under this Indenture or the Notes shall constitute an event of default under the Note Guarantees, and shall entitle the Holders to accelerate the Obligations of the Guarantors hereunder in the same manner and to the same extent as the Obligations of the Company.

(b) Each Guarantor hereby agrees that its Obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture or by release in accordance with the provisions of this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that its Note Guarantee will not be discharged except by complete performance of the Obligations contained in the Notes and this Indenture. If any Holder or the Trustee is required

by any court or otherwise to return to the Company, the Guarantors, or any Note Custodian, Trustee, liquidator or other similar official acting in relation to either the Company or the Guarantors, any amount paid by either to the Trustee or such Holder, the Note Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to, and hereby waives, any right of subrogation in relation to the Holders in respect of any Obligations guaranteed hereby.

(c) Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of the Note Guarantees, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Obligations as provided in Article 6 hereof, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantees.

(d) The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

Section 12.02. Execution and Delivery of the Note Guarantees.

(a) To evidence the Note Guarantees set forth in Section 12.01, each Guarantor hereby agrees that a notation of its Note Guarantee substantially in the form of Exhibit B shall be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of such Guarantor, by manual or facsimile signature,by an Officer of such Guarantor.

(b) Each Guarantor hereby agrees that its Note Guarantee set forth in Section 12.01 shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

(c) If an Officer whose signature is on this Indenture or on a Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which such Note Guarantee is endorsed, the Note Guarantee shall be valid nevertheless.

(d) The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Note Guarantees set forth in this Indenture on behalf of the Guarantors.

(e) In the event that the Company or any of its Restricted Subsidiaries creates or acquires any Subsidiary after the date of this Indenture, if required by Section 4.17 hereof, the Company shall cause such Subsidiary to comply with the provisions of Section 4.17 hereof and this Article 12, to the extent applicable.

Section 12.03. Guarantors May Consolidate, etc., on Certain Terms

(a) Except as set forth in Article 4 and Article 5 hereof, nothing contained in this Indenture shall prohibit any consolidation or merger of a Guarantor with or into the Company or another Guarantor, or shall prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Company or another Guarantor.

(b) Subject to Section 12.04 hereof, no Guarantor may consolidate with or merge with or into (whether or not the Guarantor is the surviving Person) another corporation, Person or entity whether or not affiliated with the Guarantor unless, subject to the provisions of the following paragraph, (i) the Person formed by or surviving any such consolidation or merger (if other than the Guarantor) assumes all the obligations of the Guarantor pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee, under this Indenture and the Note Guarantee; and (ii) immediately after giving effect to such transaction, no Default or Event of Default exists.

(c) In the case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and in a form reasonably satisfactory to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed the Note Guarantee to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. Any Note Guarantee so issued shall in all respects have the same legal rank and benefit under this Indenture as the Note Guarantee theretofore and thereafter issued in accordance with the terms of this Indenture as though such Note Guarantee had been issued at the date of the execution hereof.

Section 12.04. Releases of Note Guarantees.

The Note Guarantee of each Guarantor shall be released:

(i) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate Section 4.10 hereof;

(ii) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate Section 4.10 hereof;

(iii) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary;

(iv) if that Guarantor is released from its Guarantee under the Black Canyon Credit Facility;

(v) if that Guarantor is designated as a Non-Guarantor Subsidiary in accordance with the definition of Non-Guarantor Subsidiary; or

(vi) upon legal defeasance in accordance with Article 8 hereof or satisfaction and discharge in accordance with Article 13 hereof.

If any Guarantor is released from its Note Guarantee, any of its Subsidiaries that are Guarantors shall be released from their Note Guarantees, if any.

Section 12.05. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of each Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to such Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor shall be limited to the maximum amount that shall, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 12, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section 12.06. "Trustee" to Include Paying Agent.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 12 shall in each case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article 12 in place of the Trustee.

Section 12.07. Subordination of Note Guarantees.

The Obligations of each Guarantor under its Note Guarantee pursuant to this Article 12 shall be junior and subordinated to the Senior Debt of such Guarantor on the same basis as the Notes are junior and subordinated to the Senior Debt of the Company. For the purposes of the foregoing sentence, the Trustee and the Holders shall have the right to receive and/or retain payments by any of the Guarantors only at such times as they may receive and/or retain payments in respect of the Notes pursuant to this Indenture, including Article 12 hereof.

ARTICLE 13
SATISFACTION AND DISCHARGE

Section 13.01. Satisfaction and Discharge.

(a) This Indenture shall be discharged and shall cease to be of further effect as to all Notes issued hereunder, when:

(i) either:

(A) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for which payment money has theretofore been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(B) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or shall become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non- callable Government Securities, in amounts as shall be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(ii) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit shall not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(iii) the Company or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(iv) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

(b) In addition, the Company must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

(c) Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to clause (B) of Section 13.01(a), the provisions of Section 13.02 and Section 8.06 shall survive. In addition, nothing in this Section 13.01 shall be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 13.02. Application of Trust Money.

(a) Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 13.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

(b) To the extent that and so long as the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 13.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's and any Guarantor's obligations under this Indenture, the Notes and the Note Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to Section 13.01 hereof; provided, however, that if the Company has made any payment of principal of, premium, if any, or interest on any Notes following the reinstatement of their obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 14
MISCELLANEOUS

Section 14.01. Trust Indenture Act.

This Indenture shall in no event be qualified under the TIA.

Section 14.02. Notices.

(a) Any notice or communication by the Company, any Guarantor 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:

If to the Company and/or any Guarantor, to:

J. Crew Operating Corp.
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: Michael L. Ryan

If to the Trustee, to:

U.S. Bank National Association
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103

(b) The Company, any Guarantor or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) 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 guaranteeing next day delivery.

(d) Any notice or communication to a Holder shall be mailed by first class mail or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. 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.

(e) 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.

(f) 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.

(g) Any notice or communication delivered to the Company under the provisions herein shall constitute notice to the Guarantors.

Section 14.03. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company or the Guarantor to the Trustee to take any action under this Indenture (other than the initial issuance of the Notes), the Company or the Guarantors shall furnish to the Trustee upon request:

(i) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 14.04 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

(ii) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 14.04 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 14.04. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that the Person making such certificate or opinion has read such covenant or condition;

(ii) 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;

(iii) 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

(iv) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 14.05. 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 14.06. No Personal Liability of Directors, Officers, Employees, Organizers and Members.

No director, officer, employee, incorporator, stockholder, member or other holders of Equity Interests of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or the Guarantors under this Indenture, the Notes or the Note Guarantees 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. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 14.07. Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 14.08. 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 14.09. Successors.

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors. All agreements of each Guarantor in this Indenture shall bind its successors, except as otherwise provided in Section 12.03.

Section 14.10. Severability.

In case any provision in this Indenture, the Notes or the Note Guarantees 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 14.11. 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 14.12. Table of Contents, Headings, Etc.

The Table of Contents 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.

Section 14.13. Entire Agreement.

The Transaction Documents constitute the entire agreement among the parties hereto and supersede any prior understandings, agreements or representations by or among such parties, written or oral, that may have related in any way to the subject matter hereof.

[Signatures on following page]

SIGNATURES

Dated as of _____

J. CREW OPERATING CORP.
as Issuer

By: _____
Name:
Title:

J. CREW INTERMEDIATE LLC
as Guarantor

By: _____
Name:
Title:

GRACE HOLMES, INC. d/b/a
J. CREW RETAIL
as Guarantor

By: _____
Name:
Title:

H.F.D. NO 55, INC. d/b/a J. CREW
FACTORY
as Guarantor

By: _____
Name:
Title:

J. CREW, INC.
as Guarantor

By: _____
Name:
Title:

J. CREW INTERNATIONAL, INC.
as Guarantor

By: _____
Name:
Title:

U.S. Bank National Association
as Trustee

By: _____
Name:
Title:

EXHIBIT A

FORM OF NOTE

[Include the following legend for Global Notes only:

"THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS 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 INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."]

[Include the following legend on all Notes that are Restricted Notes:

"THIS NOTE AND ANY RELATED NOTE GUARANTEE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, THE SECURITIES ACT, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE UNDER WHICH THIS NOTE AND ANY RELATED GUARANTEE WAS ISSUED. IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR SUCH OPINIONS OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE IN FORM REASONABLY SATISFACTORY TO IT AS PROVIDED FOR IN THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS AS PROVIDED FOR IN THE INDENTURE."]

[FORM OF FACE OF NOTE]
9¾% Senior Subordinated Notes due 2014

No.___ Principal Amount $_____

[If the Note is a Global Note include the following two lines:
as revised by the Schedule of Increases and
Decreases in Global Note attached hereto]

[CUSIP][ISIN] NO. _____]

J. CREW OPERATING CORP., a Delaware corporation, promises to pay to _____ or registered assigns, the principal amount of _____ Dollars ($_____) [*If the Note is a Global Note, add the following*: as revised by the Schedule of Increases and Decreases in Global Note attached hereto] on [_____], 2014.

Interest Payment Dates: [_____] and [_____]

Record Dates: [_____] and [_____]

Additional provisions of this Note are set forth on the other side of this Note, which provisions shall for all purposes have the same effect as if fully set forth at this place.

J. CREW OPERATING CORP.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 9¾% Senior Subordinated Notes due 2014 referred to in the within-mentioned Indenture:

Dated: _____

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Name:
Title:

[FORM OF BACK OF NOTE]
9¾% Senior Subordinated Notes due 2014

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST.

J. Crew Operating Corp., a Delaware corporation, or its successor (the "Company"), promises to pay interest on the principal amount of this Note at the rate of 9¾% per annum. The Company will pay interest in United States dollars (except as otherwise provided herein) semi-annually in arrears on [_____] and [_____], commencing on [_____], 200_, 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 [_____], 200_; provided that if there is no existing Default or Event of Default on 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 [_____], 200_), 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 [_____], 200_. 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 (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) on the applicable Interest Payment Date to the Persons who are registered Holders of Notes at the close of business on the [_____] or [_____] 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_2.14 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, premium 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 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 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, U.S. Bank National Association, 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, the Guarantors or any of the Company's Subsidiaries may act in any such capacity.

4. INDENTURE.

The Company issued the Notes under an Indenture dated as of [_____], 200_ ("Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. The Notes are subordinated secured Obligations of the Company having an initial aggregate principal amount of $[___,000,000]. Subject to the conditions set forth in the Indenture and without the consent of the Holders, the Company may issue Additional Notes in an aggregate principal amount not to exceed $[___,000,000]. All Notes will be treated as a single class of securities under the Indenture.

To guarantee the due and punctual payment of the principal of and interest on the Notes and all other amounts payable by the Company under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, J. Crew Intermediate LLC and certain Subsidiaries of the Company have unconditionally guaranteed such obligations pursuant to the terms of the Indenture. The Note Guarantees will be subject to release as provided in the Indenture. The obligations of any Guarantor in respect of its Note Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from, rights to receive contributions from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under the Indenture, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law.

5. OPTIONAL REDEMPTION.

(a) Optional Redemption.

(i) Prior to the date which is eighteen (18) months following the Closing Date, the Company may redeem the Notes, at its option, in whole at any time or in part from time to time, at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date; provided, however, the Company may, at its option at any time prior to such date, irrevocably elect to terminate its right to redeem the Notes pursuant to this clause (i) by delivering a written notice to the Trustee and upon delivering such notice, the Initial Call Termination Date shall be deemed to have occurred.

(ii) Commencing from the date which is the fifth anniversary of the Closing Date, the Company may redeem the Notes, at its option, in whole at any time or in part from time to time, at the following redemption prices, expressed as percentages of the principal amount thereof, plus accrued and

unpaid interest thereon to the redemption date, if redeemed during the twelve-month period commencing on the anniversary of the Closing Date in any year set forth below:

Year	Percentage
2009	104.875%

2010	102.438%
2011	101.219%
2012 and thereafter	100.0%

(b) Optional Redemption upon a Change of Control. Upon the occurrence of a Change of Control, at any time after the consummation of the Change of Control Offer in accordance with the provisions of Section 4.13 and prior to the date which is fifty-four (54) months following the Closing Date, the Company may redeem the Notes not tendered in the Change of Control Offer, in whole at any time or in part from time to time, at the Company's option at a redemption price equal to 100% of the principal amount thereof plus the excess of:

(i) the present value at such redemption date of (A) the redemption price of the Notes on the date which is fifty-four (54) months following the Closing Date (as determined pursuant to Section 3.07(a)); plus (B) all required remaining scheduled interest payments due on the Notes through the date which is fifty-four (54) months following the Closing Date, other than accrued interest to such redemption date, computed using a discount rate equal to the Treasury Rate plus 75 basis points per annum discounted on a semi-annual bond equivalent basis; over

(ii) the principal amount of the Notes on such redemption date; plus

accrued and unpaid interest on the Notes to the redemption date. The Treasury Rate shall be calculated by the Company or on behalf of the Company by such Persons as the Company shall designate (and will not be a duty or obligation of the Trustee) on the third Business Day preceding the redemption date and notice thereof shall promptly be given by the Company to the Trustee.

(c) Optional Redemption upon Equity Offerings. At any time prior to the third anniversary of the Initial Call Termination Date, the Company may, at its option, use the net cash proceeds of one or more Equity Offerings or a contribution to the common equity capital of the Company from the net proceeds of one or more Equity Offerings by a direct or indirect parent of the Company (in each case, other than Excluded Contributions and the net proceeds of a sale of Designated Preferred Stock) to redeem up to 40% of the aggregate principal amount of the Notes at a redemption price equal to 109.75% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of redemption; provided that the Company shall make such redemption not more than 90 days after the closing of such Equity Offering or equity contribution.

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 make an offer to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at a purchase price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase. Within 30 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 and setting forth the procedures governing the Change of Control Offer required by the Indenture.

(b) When the aggregate amount of Excess Proceeds exceeds $15.0 million, the Company will be required to make an offer to all Holders of Notes and, to the extent the Company elects or is 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 a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase (or, in respect of any pari passu Indebtedness, such lesser price, if any, as may be provided by its terms) in accordance with the procedures set forth in the Indenture or such *pari passu* Indebtedness. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, 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 pursuant to the terms of the Indenture to each Holder whose Notes are to be redeemed at its registered address. On and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption as long as the Company has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

9. SUBORDINATION.

This Note and the Note Guarantees are subordinated in right of payment, as set forth in the Indenture, to the prior payment in full in cash of all existing and future Senior Debt of the Company or any Guarantor, as the case may be. This Note and the Note Guarantees in all respects rank *pari passu* with, or senior to, all other Indebtedness of the Company or the Guarantors, as the case may be. By accepting a Note, each Holder agrees to the subordination provisions set forth in the Indenture, authorizes the Trustee to effectuate such subordination provisions and appoints the Trustee as attorney-in-fact for such purpose.

10. DENOMINATIONS, TRANSFER, EXCHANGE.

The Notes are in registered form without coupons. 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.

11. PERSONS DEEMED OWNERS.

The registered Holder of a Note may be treated as its owner for all purposes.

12. AMENDMENT, SUPPLEMENT AND WAIVER.

Subject to the following paragraphs and to the provisions of the Indenture, the Indenture, the Notes and the Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate 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, subject to the Indenture, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the Indenture, the Notes and the Note Guarantees 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 purchase of, or a tender offer or exchange offer for, Notes).

Without the consent of any Holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Note Guarantees 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 or a Guarantor'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 provide for the issuance of

Additional Notes or to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes.

13. DEFAULTS AND REMEDIES.

Events of Default include (i) default for 30 days in the payment when due of interest on the Notes; (ii) default in payment when due (at maturity, upon redemption or otherwise) 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 voting as a single class to comply with the provisions described under Section 4.07, Section 4.09, Section 4.10 or Section 4.13; (iv) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the Holders of at least a majority in principal amount of the then outstanding voting as a single class to comply with any other agreement 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 Significant Subsidiaries (or the payment of which is guaranteed by the Company or any of its Significant Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, 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 $25.0 million or more; (vi) failure by the Company or any of its Subsidiaries to pay final, non-appealable judgments aggregating in excess of $25.0 million (net of any amounts covered by a reputable and credit worthy insurance company that has not contested coverage or reserved rights with respect to an underlying claim), which judgments are not paid, discharged or stayed for a period of more than 60 consecutive days after such judgments become final and non-appealable; (vii) the Company or any of its Restricted Subsidiaries that is 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 or (D) makes a general assignment for the benefit of its creditors; (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 Restricted Subsidiaries that is a Significant Subsidiary in an involuntary case, (B) appoints a Custodian of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary for all or substantially all of the property of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or (C) orders the liquidation of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary and the order or decree remains unstayed and in effect for 60 consecutive days; (ix) except as permitted under the Indenture, any Note Guarantee is held to be unenforceable or invalid by any final and non-appealable judgment or decree or ceases for any reason to be in full force and effect or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, denies or disaffirms such Guarantor's obligations under its Note Guarantee and such Default continues for 10 days after receipt of the notice specified in the Indenture; or (x) except as permitted under the Indenture, any Security Document or any security interest granted thereby is

held to be unenforceable or invalid by any final and non-appealable judgment or decree or ceases for any reason to be in full force and effect and such Default continues for 10 days after receipt of the notice specified in the Indenture, or the Company or any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of such Person, denies or disaffirms the Company's or such Guarantor's obligations under any Security Document.

In the case of an Event of Default specified in clause (vii) or (viii) of the immediately preceding paragraph, all outstanding Notes shall become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided that so long as any

Indebtedness permitted to be incurred pursuant to the Credit Facilities is outstanding, such acceleration shall not be effective until the earlier of (a) the acceleration of such Indebtedness under the Credit Facilities or (b) five Business Days after receipt by the Company of written notice of such acceleration. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture.

Upon any such declaration, the Notes shall become due and payable immediately. The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration or waive any existing Default or Event of Default and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium that has become due solely because of the acceleration) have been cured or waived.

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 and so long as it determines that withholding notice is in their interest. Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Notes (including in connection with an offer to purchase); provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

14. 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, the Guarantors or their Affiliates, and may otherwise deal with the Company, the Guarantors or their Affiliates, as if it were not the Trustee.

15. NO RECOURSE AGAINST OTHERS.

No director, officer, employee, incorporator, stockholder, member or other holders of Equity Interests of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or the Guarantors under the Notes, the Note Guarantees 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.

16. AUTHENTICATION.

This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. 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).

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. Requests may be made to:

J. Crew Operating Corp.
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: _____

(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Note.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

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 Section 4.13 of the Indenture, check the box below:

o Section 4.10 o 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: _____

(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Note.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

[To be attached to Global Notes only:

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note 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 signatory of Trustee or Note Custodian

]

EXHIBIT B

FORM OF NOTE GUARANTEE

Subject to Section 12.05 of the Indenture, each Guarantor hereby unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes and the Obligations of the Company under the Notes or under the Indenture, that: (a) the principal of, premium, if any, and interest on the Senior Subordinated Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on overdue principal, premium, if any, (to the extent permitted by law) and interest on any interest, if any, on the Notes and all other payment Obligations of the Company to the Holders or the Trustee under the Indenture or under the Notes will be promptly paid in full and performed, all in accordance with the terms thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other payment Obligations, the same will be promptly

paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when so due of any amount so guaranteed or any performance so guaranteed for whatever reason, each Guarantor will be jointly and severally obligated to pay the same immediately.

The obligations of each Guarantor to the Holders and to the Trustee pursuant to this Note Guarantee and the Indenture are expressly set forth in Article 12 of the Indenture, and reference is hereby made to such Indenture for the precise terms of this Note Guarantee. The terms of Article 12 of the Indenture are incorporated herein by reference. This Note Guarantee is subject to release as and to the extent provided in Section 12.04 of the Indenture.

This is a continuing Guarantee and shall remain in full force and effect and shall be binding upon each Guarantor and its respective successors and assigns to the extent set forth in the Indenture until full and final payment of all of the Company's Obligations under the Notes and the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This is a Note Guarantee of payment and not a guarantee of collection.

This Note Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note to which this Note Guarantee relates shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

Dated as of _____, 200_ [NAME OF GUARANTOR(S)]

By: _____
Name:
Title:

EXHIBIT C

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of _____, 200_, among _____ (the "Guaranteeing Subsidiary"), a subsidiary of _____ (or its permitted successor), J. Crew Operating Corp. (the "Company") (or its permitted successor), the other Guarantors (as defined in the Indenture referred to herein) and ([ ]), as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of [ ] providing for the issuance of 9¾% Senior Subordinated Notes due 2014 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee the Company's obligations under the Indenture on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth herein and in the Indenture, including but not limited to Article 12 thereof.

3. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Note Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the 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. 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.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

EXHIBIT D

FORM OF TRANSFER CERTIFICATE FOR TRANSFER TO QIB

[Date]

[Address of Trustee]

Re: 9¾% Senior Subordinated Notes due 2014 by J. Crew Operating Corp.

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of [___] (as amended and supplemented from time to time, the "Indenture"), among the Company, the Guarantors (as defined in the Indenture) and [___], as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to the transfer of $_____ aggregate principal amount of Notes beneficially owned by the undersigned (the "Transferor").

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A under the Securities Act of 1933, as amended ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

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.

Very truly yours,

[Name of Transferor]

By: _____

_____
Authorized Signature

EXHIBIT E

FORM OF CERTIFICATE FOR TRANSFER PURSUANT TO RULE 144

[Date]

[Address of Trustee]

Re: 9¾% Senior Subordinated Notes due 2014 by J. Crew Operating Corp.

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of [ ] (as amended and supplemented from time to time, the “Indenture”), among the Company, the Guarantors (as defined in the Indenture) and [ ], as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed sale of $_____ aggregate principal amount of the Notes, [in the case of a transfer of an interest in a 144A Global Note: which represent an interest in a 144A Global Note beneficially owned by the undersigned,] we confirm that such sale has been effected pursuant to and in accordance with Rule 144 under the Securities Act.

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.

Very truly yours,

[Name of Transferor]

By: _____

_____
Authorized Signature

EXHIBIT G

FORM OF LEGAL OPINIONS

Form of Legal Opinion of Cleary Gottlieb Steen & Hamilton

[LETTERHEAD OF CLEARY GOTTLIEB STEEN & HAMILTON]

Writer's Direct Dial: (212) 225-2520
E-Mail: mryan@cgsh.com

[ ], 2004

U.S. Bank National Association
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Attention: Michael Hopkins

Ladies and Gentlemen:

We have acted as special counsel to J. Crew Operating Corp., a Delaware corporation (the "Company"), J. Crew Group, Inc., a New York corporation ("J. Crew Group"), J. Crew Intermediate LLC, a Delaware limited liability company ("Intermediate"), Grace Holmes, Inc. a Delaware corporation doing business as J. Crew Retail ("J. Crew Retail"), H.F.D. NO. 55, Inc., a Delaware corporation doing business as J. Crew Factory ("J. Crew Factory"), J. Crew Inc., a New Jersey corporation ("J. Crew Inc."), and J. Crew International, Inc., a Delaware corporation ("J. Crew International" and, together with J. Crew Retail, J. Crew Factory and J. Crew Inc., the "Guarantors"), in connection with that certain Senior Subordinated Loan Agreement dated as of November [•], 2004 (the "Loan Agreement") among the Company, the Guarantors, the lenders named therein as Lenders (the "Lenders") and U.S. Bank National Association, as administrative agent (in such capacity, the "Administrative Agent"). This opinion letter is furnished pursuant to Section 9.02(a) of the Loan Agreement. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Loan Agreement.

In arriving at the opinions expressed below, we have reviewed the following documents:

(a) an executed copy of the Loan Agreement;

(b) a copy of the Loan Notes as executed by the Company;

(c) a copy of the Loan Guarantees as executed by the Guarantors;

(d) an executed copy of the Security Agreement;

(e) an executed copy of the Intercreditor Agreement;

(f) an executed copy of the Amendment No. 1, dated as of November [ ], 2004, to the Credit Agreement, dated as of February 4, 2003, by and among TPG-MD Investment, LLC, as lender, the Company, as borrower, the Guarantors, as guarantors, and J. Crew Group (the "TPG-MD Credit Agreement Amendment");

(g) an executed copy of the Amendment No. 3, dated as of November [ ], 2004, to the Loan and Security Agreement, dated December 23, 2002, by and among the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., as borrowers, J. Crew Group, Intermediate, J. Crew International, as guarantors, the parties from time to time thereto as lenders, Congress Financial Corporation, as administrative and collateral agent and Wachovia Bank, National Association, as arranger, as amended by Amendment No. 1 thereto, dated February 7, 2003 and Amendment No. 2 thereto, dated April 4, 2003 (the "Congress Facility Amendment No. 3"

and, together with the Loan Agreement, the Loan Notes, the Loan Guarantees, the Security Agreement, the Intercreditor Agreement and the TPG-MD Credit Agreement Amendment, the "Transaction Documents");

(h) a copy of the form of the Indenture;

(i) a copy of the form of the Exchange Notes;

(j) a copy of the form of the Exchange Note Guarantees (together with the Indenture and the Exchange Notes, the "Exchange Documents"); and

(k) the documents delivered to you by the Company, the Guarantors, J. Crew Group and Intermediate at the closing pursuant to the Transaction Documents, including copies of the certificates of incorporation or certificate of formation of each of the Company, J. Crew Group, Intermediate, J. Crew Retail, J. Crew Factory and J. Crew International, as the case may be, each certified by the Secretary of State of the State of Delaware or the Secretary of State of the State of New York, as the case may be, and the by-laws or limited liability company agreement of each of the Company, J. Crew Group, Intermediate, J. Crew Retail, J. Crew Factory and J. Crew International, as applicable, each certified by the corporate secretary or an authorized officer, as the case may be, of each of the Company, J. Crew Group, Intermediate, J. Crew Retail, J. Crew Factory and J. Crew International.

In addition, we have reviewed the originals or copies certified or otherwise identified to our satisfaction of all such corporate or limited liability company records of the Company, the Guarantors, J. Crew Group and Intermediate and such other instruments and other certificates of public officials, officers and representatives of the Company, the Guarantors, J. Crew Group, Intermediate 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 arriving at 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 the accuracy as to factual matters of each document we have reviewed (including, without limitation, the accuracy and completeness of the representations and warranties of the Company, the Guarantors and Intermediate made in the Transaction Documents).

Based on the foregoing, and subject to the further assumptions and qualifications set forth below, it is our opinion that:

1. Each of the Company, J. Crew Group, J. Crew Retail, J. Crew Factory and J. Crew International is validly existing as a corporation in good standing under the laws of the State of Delaware, and Intermediate is validly existing as a limited liability company in good standing under the laws of the State of Delaware.

2. Each of the Company, J. Crew Group, J. Crew Retail, J. Crew Factory and J. Crew International has corporate power to own its properties and conduct its business as now conducted, and to enter into each Transaction Document to which it is a party and to perform its obligations thereunder, and has the corporate power to enter into each Exchange Document to which it is a party on the Exchange Date and to perform its obligations thereunder, and Intermediate has limited liability company power to own its properties and conduct its business as now conducted, and to enter into each Transaction Document to which it is a party and to perform its obligations thereunder, and has the limited liability company power to enter into the Indenture and the Exchange Note Guarantees on the Exchange Date and to perform its obligations thereunder.

3. The execution and delivery of each of the Loan Agreement, the Security Agreement, the Intercreditor Agreement, the TPG-MD Credit Agreement Amendment and the Congress Facility Amendment No. 3 have been duly authorized by all necessary corporate action of each of the Company, J. Crew Retail, J. Crew Factory and J. Crew International, and each of the Loan Agreement, the Security Agreement, the Intercreditor Agreement, the TPG-MD Credit Agreement Amendment and the Congress Facility Amendment No. 3has been duly executed and delivered by each of the Company, J. Crew Retail, J. Crew Factory and J. Crew International, and has been duly executed and delivered by J. Crew Inc. under the law of the State of New York, and is a valid, binding and enforceable agreement of each of the Company and the Guarantors.

4. The execution and delivery of each of the TPG-MD Credit Agreement Amendment and the Congress Facility Amendment No. 3 have been duly authorized by all necessary corporate action of J. Crew Group, and each of the TPG-MD Credit Agreement

Amendment and the Congress Facility Amendment No. 3 has been duly executed and delivered by J. Crew Group and is a valid, binding and enforceable agreement of J. Crew Group.

5. The execution and delivery of each of the Congress Facility Amendment No. 3, the Security Agreement and the Intercreditor Agreement have been duly authorized by all necessary limited liability company action of Intermediate, and each of the Congress Facility Amendment No. 3, the Security Agreement and the Intercreditor Agreement has been duly executed and delivered by Intermediate and is a valid, binding and enforceable agreement of Intermediate.

6. The execution and delivery of the Loan Notes have been duly authorized by all necessary corporate action of the Company, and the Loan Notes have been duly executed and delivered by the Company and are the valid, binding and enforceable obligations of the Company.

7. The execution and delivery of the Loan Guarantees have been duly authorized by all necessary corporate action of each of J. Crew Retail, J. Crew Factory and J. Crew International, and the Loan Guarantees have been duly executed and delivered by each of J. Crew Retail, J. Crew Factory and J. Crew International, and have been duly executed and delivered by J. Crew Inc. under the law of the State of New York, and are the valid, binding and enforceable obligations of each of the Guarantors.

8. The execution and delivery of the Indenture have been duly authorized by all necessary corporate action of each of the Company, J. Crew Retail, J. Crew Factory and J. Crew International and by all necessary limited liability company action of Intermediate, and the Indenture, when executed and delivered by the Company, the Guarantors, Intermediate and the Trustee thereunder, will be a valid, binding and enforceable agreement of each of the Company, the Guarantors and Intermediate.

9. The execution and delivery of the Exchange Notes have been duly authorized by all necessary corporate action of the Company, and the Exchange Notes, when duly executed, authenticated, issued and delivered in accordance with the Indenture, will be the valid, binding and enforceable obligations of the Company, entitled to the benefits of the Indenture.

10. The execution and delivery of the Exchange Note Guarantees have been duly authorized by all necessary corporate action of each of J. Crew Retail, J. Crew Factory and J. Crew International and by all necessary limited liability company action of Intermediate, and the Exchange Note Guarantees, when executed and delivered by each of the Guarantors and Intermediate in accordance with the Indenture, will be the valid, binding and enforceable obligations of each of the Guarantors and Intermediate, entitled to the benefit of the Indenture.

11. Except for (i) such filings and other actions as may be required to perfect Liens in favor of the Collateral Agent which the Security Documents purport to create, (ii) such other consents, approvals, authorizations, registrations and filings as have heretofore been obtained or made by the Company, the Guarantors, J. Crew Group and Intermediate (iii) with respect to any securities pledged under the Security Agreement, such actions as may be required

under federal or state securities laws in connection with a disposition of such securities, the execution and delivery of any of the Transaction Documents to which any of the Company, the Guarantors, J. Crew Group and Intermediate is a party or the performance by any of the Company, the Guarantors, J. Crew Group and Intermediate of its obligations thereunder, will not (a) require any consent, approval, authorization, registration or qualification of or with any governmental authority of the United States or the State of New York that in our experience normally would be applicable to general business entities with respect to such execution, delivery or performance (but we express no opinion relating to the United States federal securities laws or any state securities or Blue Sky laws), (b) result in a breach of any of the terms and provisions of, or constitute a default under, any of the agreements of the Company, the Guarantors, J. Crew Group or Intermediate identified in Exhibit A hereto, or a violation of the certificates of incorporation or by-laws of the Company, J. Crew Group, J. Crew Retail, J. Crew Factory or J. Crew International or the certificate of formation or limited liability company agreement of Intermediate, as the case may be, or (c) result in a violation of any United States federal or New York State law or published rule or regulation that in our experience normally would be applicable to general business entities with respect to such execution, delivery or performance (but we express no opinion relating to the United States federal securities laws or any state securities or Blue Sky laws).

12. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

13. The Security Agreement creates in favor of the Collateral Agent for the ratable benefit of the Lenders valid security interests in the Collateral to the extent security interests in such Collateral can be created under Article 9 of the Uniform Commercial Code as in effect in the State of New York (the "NYUCC").

14. Upon delivery of certificates representing shares of capital stock of each of the Guarantors owned by the Company (the "Pledged Securities"), that are duly endorsed or accompanied by stock powers duly executed in blank to the Collateral Agent or the Senior Credit Agent (as defined in the Intercreditor Agreement), as applicable under the Intercreditor Agreement, in the State of New York, the Collateral Agent will have a perfected security interest in the Pledged Securities, which security interest will remain a perfected security interest for as long as possession thereof is continuously maintained in the State of New York by the Collateral Agent or the Senior Credit Agent in accordance with the Security Agreement and the Intercreditor Agreement.

In arriving at the opinions expressed in numbered paragraph 13 above, we have assumed that each of the Company and the Guarantors, as the case may be, has rights in the subject Collateral, and we note that, with respect to Collateral in which the Company or any Guarantor has no present rights, the Security Agreement will create the security interest referred to in numbered paragraph 13 only when the Company or such Guarantor, as the case may be, acquires such rights.

In arriving at the opinions expressed in numbered paragraph 14 above, we have assumed that each signature on any endorsement or stock power is effective within the meaning of the NYUCC.

Insofar as the foregoing opinions relate to the valid existence and good standing of any of the Company, J. Crew Group, Intermediate, J. Crew Retail, J. Crew Factory or J. Crew International, they are based solely on certificates of good standing received from the Secretary of State of the State of Delaware or the Secretary of State of the State of New York, as the case may be, and on a telephonic confirmation from such Secretary of State. Insofar as the foregoing opinions relate to the validity, binding effect or enforceability of any agreement or obligation of any of the Company, the Guarantors, J. Crew Group or Intermediate, (a) we have assumed that each 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 Company, the Guarantors, J. Crew Group or Intermediate regarding matters of the federal law of the United States of America, the law of the State of New York, the Delaware General Corporation Law or the Delaware Limited Liability Company Act that in our experience normally would be applicable to general business entities with respect to such agreement or obligation) and (b) such opinions are subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principals of equity. In addition, certain of the remedial provisions of the Loan Agreement and the Security Documents may be further limited or rendered unenforceable by other applicable laws or judicially adopted principles which, however, in our judgment do not make the remedies provided for therein (taken as a whole) inadequate for the practical realization of the principal benefits purported to be afforded thereby (except for the economic consequences of procedural or other delay).

We note that the designations (i) in Section 13.09(b) of the Loan Agreement, of the United States District Court of the Southern District of New York and any appellate court therefrom, (ii) in Section 9.1(b) of the Security Agreement, of the United States District Court for the Southern District of New York and (iii) in Section 7.6 of the Intercreditor Agreement, of any federal court located in New York, New York, as the venue for actions or proceedings

relating to the Loan Agreement, the Security Assignment and the Intercreditor Agreement, respectively, are (notwithstanding the waiver in Section 13.09(c) of the Loan Agreement, Section 9.1(b) of the Security Agreement and Section 7.6 of the Intercreditor Agreement) subject to the power of such courts to transfer actions pursuant to 28 U.S.C. §1404(a) or to dismiss such actions or proceedings on the grounds that such a federal court is an inconvenient forum for such action or proceeding.

With respect to (i) the first sentence of Section 13.09(b) of the Loan Agreement, (ii) the first sentence of Section 9.1(b) of the Security Agreement and (iii) the first sentence of Section 7.6 of the Intercreditor Agreement, we express no opinion as to the subject matter jurisdiction of any United States federal court to adjudicate any action relating to the Loan Agreement, the Security Agreement or the Intercreditor Agreement where jurisdiction based on diversity of citizenship under 28 U.S.C. §1332 does not exist.

The foregoing opinions are limited to the federal law of the United States of America, the law of the State of New York, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

We are furnishing this opinion letter to you, as the Administrative Agent, solely for your benefit in your capacity as such in connection with the Transaction Documents and the Exchange Documents. This opinion letter is not to be relied on by or furnished to any other person or used, circulated, quoted or otherwise referred to for any other purpose. Notwithstanding the foregoing, a copy of this opinion letter may be furnished to a Lender or a prospective or actual permitted transferee under the Loan Agreement as a Lender thereunder (and may be relied upon by any such Lender or actual permitted transferee that becomes a party to the Loan Agreement), and you or any such Lender or transferee may show this opinion to any governmental authority pursuant to requirements of applicable law or regulations. We assume no obligation to advise you or any other person, or to make any investigations, as to any legal developments or factual matters arising subsequent to the date hereof that might affect the opinions expressed herein.

Very truly yours,

CLEARY, GOTTLIEB, STEEN & HAMILTON

By _____
Michael L. Ryan, a Partner

Exhibit A

1. 16% Senior Discount Contingent Principal Notes due 2008, issued under an indenture dated May 6, 2003, between J. Crew Intermediate LLC, as issuer, and U.S. Bank National Association, as trustee;

2. $13^{1}/_{8}$% Senior Discount Debentures due 2008, issued under an indenture dated October 17, 1997, by and among J. Crew Group, Inc., as issuer and State Street Bank and Trust Company, as trustee, as amended by the First Supplemental Indenture dated as of May 6, 2003;

3. Credit Agreement, dated as of February 4, 2003, by and among TPG-MD Investment, LLC, as lender, the Company, as borrower, the Guarantors, as guarantors, and J. Crew Group, as amended by Amendment No. 1 to Credit Agreement, dated as of November [ ], 2004; and

4. Loan and Security Agreement, dated December 23, 2002, by and among the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., as borrowers, J. Crew Group, Intermediate, J. Crew International, as guarantors, the parties from time to time thereto as lenders, Congress Financial Corporation, as administrative and collateral agent and Wachovia Bank, National Association, as arranger, as amended by Amendment No. 1 thereto, dated February 7, 2003, Amendment No. 2 thereto, dated April 4, 2003 and Amendment No. 3 thereto, dated November [ ], 2004.

Form of Legal Opinion of Gibbons, Del Deo, Dolan, Griffinger & Vecchione

1. The Company **[for purposes of this form, shall mean J. Crew Inc., a New Jersey corporation]** is a corporation validly existing and in good standing under the laws of the State of New Jersey.

2. The Company has the corporate power to own its properties and conduct its business as now conducted, and to enter into the Transaction Documents **[for purposes of this form, shall mean the Loan Agreement, the Loan Guarantees, the Security Agreement, the Intercreditor Agreement, the TPG-MD Credit Agreement Amendment and the Congress Facility Amendment No. 3]** and to perform its obligations thereunder, and has the corporate power to enter into the Indenture and the Exchange Note Guarantees on the Exchange Date and to perform its obligations thereunder.

3. The execution and delivery of each of the Transaction Documents have been duly authorized by all necessary corporate action of the Company, and each of the Transaction Documents has been duly executed and delivered by the Company.

4. The execution and delivery of each of the Indenture and the Exchange Note Guarantees have been duly authorized by all necessary corporate action of the Company.

5. The execution and delivery of any of the Transaction Documents to which the Company is a party or the performa nce by the Company of its obligations thereunder, will not (a) require any consent, approval, authorization, registration or qualification of or with any governmental authority of the State of New Jersey that in our experience normally would be applicable to New Jersey corporations with respect to such execution, delivery or performance,

(b) result in a violation of the certificate of incorporation or by- laws of the Company, or (c) result in a violation of any New Jersey State law or published rule or regulation that in our experience normally would be applicable to New Jersey corporations with respect to such execution, delivery or performance.

6. If New Jersey law governed the Security Agreement, the Security Agreement would create in favor of the Collateral Agent for the ratable benefit of the Lenders valid security interests in the Collateral to the extent security interests in such Collateral can be created under Article 9 of the Uniform Commercial Code as in effect in the State of New Jersey (the "NJUCC").

7. The Financing Statement is in the appropriate form for filing in the office of the Treasurer of the State of New Jersey. Upon the filing of the Financing Statement in such office, the Collateral Agent will have a perfected security interest in that portion of the Collateral in which a security interest can be perfected by the filing of financing statements under the NJUCC.

Form of Legal Opinion of Richards, Layton & Finger, P.A.

[LETTERHEAD OF RICHARDS, LAYTON & FINGER, P.A.]

_____ , 2004

To Each of the Persons Listed
on Schedule A Attached Hereto

Re: J. Crew Operating Corp.

Ladies and Gentlemen:

We have acted as special Delaware counsel for J. Crew Operating Corp. (formerly known as J. CREW CORP.), a Delaware corporation (the "Company"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Incorporation of the Company, dated September 12, 1997, as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on September 12, 1997, as amended by the Certificate of Amendment of Certificate of Incorporation of the Company, dated September 29, 1997, as filed with the Secretary of State on September 29, 1997 (as so amended, the "Certificate of Incorporation");

(b) The Security Agreement, dated as of _____ , 2004 (the "Agreement"), among the Company, J. Crew Inc., a New Jersey corporation, Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail, H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory, J. Crew International Inc., a Delaware corporation, and J. Crew Intermediate LLC, a Delaware limited liability company, as grantors, and U.S. Bank National Association, as collateral agent (the "Collateral Agent");

(c) A financing statement on form UCC-1, naming the Company as debtor and the Collateral Agent as secured party, in the form attached hereto and marked as Exhibit "A" (the "Financing Statement"), to be filed with the Secretary of State (Uniform Commercial Code Section) (the "Division"); and

(d) A Good Standing Certificate for the Company, dated _____ , 2004, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (d) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (d) above) that is referred to in or incorporated by reference into any document reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed that (i) all signatures on documents examined by us are genuine, (ii) all documents submitted to us as originals are authentic, and (iii) all documents submitted to us as copies conform with the original copies of those documents.

For purposes of this opinion, we have assumed (i) that the Certificate of Incorporation has not been amended and that no such amendment is pending or has been proposed, (ii) that the Company is organized solely under the laws of the State of Delaware, (iii) that there are no proceedings pending or contemplated for (A) the merger, consolidation, conversion, dissolution, liquidation or termination of the Company, or (B) the Company's transfer to or domestication in any other jurisdiction, (iv) that the Company has not changed its name, whether by amendment of its organizational documents, by reorganization or otherwise, within the last four months, (v) the due organization, due formation or due creation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its organization, formation or creation, (vi) the

legal capacity of natural persons who are signatories to the documents examined by us, (vii) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (viii) the due authorization, execution and delivery by all parties thereto of all documents examined by us, and (ix) that each of the documents examined by us constitutes a valid and binding agreement of the parties thereto, and is enforceable against the parties thereto, in accordance with its terms. We have not participated in the preparation of any offering material relating to the Company and assume no responsibility for the contents of any such material. In addition, we assume no responsibility for the filing of the Financing Statement with the Division or any other governmental office or agency.

This opinion is limited to the laws of the State of Delaware (excluding the insurance, securities and blue sky laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws (including federal bankruptcy law) and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Financing Statement is in an appropriate form for filing in the State of Delaware.

2. Insofar as Article 9 of the Uniform Commercial Code as in effect in the State of Delaware on the date hereof (the "Delaware UCC") is applicable (without regard to conflict of laws principles), upon the filing of the Financing Statement with the Division, the Collateral Agent will have a perfected security interest in the Company's rights in that portion of the J. Crew Companies' Collateral described in the Financing Statement in which a security interest may be perfected by the filing of a UCC financing statement with the Division (the "Filing Collateral") and the proceeds (as defined in Section 9-102(a)(64) of the Delaware UCC) thereof.

The opinions expressed above are subject to the following additional assumptions, qualifications, limitations and exceptions:

A. We have assumed that (i) the Company has sufficient rights in the J. Crew Companies' Collateral and has received sufficient value and consideration in connection with the security interests granted under the Agreement for the security interest of the Collateral Agent to attach, and we express no opinion as to the nature or extent of the Company's rights in, or title to, any portion of the J. Crew Companies' Collateral and (ii) each of the Agreement and the Financing Statement reasonably identifies the J. Crew Companies' Collateral. Accordingly, we have assumed that the security interests in the J. Crew Companies' Collateral and the proceeds (as defined in Section 9-102(a)(64) of the Delaware UCC) thereof have been duly created and have attached. In addition, we have assumed (i) that the Company has no interests in real property located in the State of Delaware, and (ii) that none of the Filing Collateral consists of as-extracted collateral located in the State of Delaware or timber to be cut located in the State of Delaware or fixtures located in the State of Delaware or goods that are or are to become fixtures located in the State of Delaware. Further, we have assumed that the Company has authorized the filing of the Financing Statement with the Division.

B. The opinions set forth above are limited to Article 9 of the Delaware UCC, and therefore such opinions do not address (i) laws of jurisdictions other than the State of Delaware, and of the State of Delaware except for Article 9 of the Delaware UCC, (ii) collateral of a type not subject to Article 9 of the Delaware UCC, and (iii) what law governs perfection of the security interests granted in the collateral covered by this opinion.

C. We note that further filings under the Delaware UCC may be necessary to preserve and maintain (to the extent established and perfected by the filing of the Financing Statement as described herein) the perfection of the security interests of the Collateral Agent in the Filing Collateral, including, without limitation, the following:

(i) appropriate continuation filings to be made within the period of six months prior to the expiration of five year anniversary dates from the date of the original filing of the Financing Statement;

(ii) filings required with respect to proceeds of collateral under Section 9-315(d) of the Delaware UCC;

(iii) filings required within four months of the change of name, identity or structure made by or with respect to the Company, to the extent set forth in Sections 9-507 and 9-508 of the Delaware UCC;

(iv) filings required within four months of a change by the Company of its location to another jurisdiction, to the extent set forth in Sections 9-301 and 9-316 of the Delaware UCC; and

(v) filings required within one year after the transfer of collateral to a person or entity that becomes a debtor and is located in another jurisdiction, to the extent set forth in Section 9-316 of the Delaware UCC.

D. We do not express any opinion as to the perfection of any security interest in any portion of the J. Crew Companies' Collateral in which a security interest cannot be perfected by the filing of a financing statement with the Division. In addition, no opinion is expressed herein concerning (i) any collateral other than the Filing Collateral and the proceeds (as defined in Section 9-102(a)(64) of the Delaware UCC) thereof, (ii) any portion of the Filing Collateral that constitutes a "commercial tort claim" (as defined in Section 9-102(a)(13) of the Delaware UCC), (iii) any consumer transaction, or (iv) any security interest in goods covered by a certificate of title statute. Further, we do not express any opinion as to the perfection of any security interest in proceeds (as defined in Section 9-102(a)(64) of the Delaware UCC) of the Filing Collateral, except to the extent that such proceeds consist of cash proceeds (as defined in Section 9-102(a)(9) of the Delaware UCC) that are identifiable cash proceeds (as contemplated by Sections 9-315(b) and (d) of the Delaware UCC), subject, however, to the limitations of Section 9-315 of the Delaware UCC.

E. We do not express any opinion as to the priority of any security interest.

F. We call to your attention that under the Delaware UCC, actions taken by a secured party (e.g., releasing or assigning the security interest, delivering possession of the collateral to the debtor or another person and voluntarily subordinating a security interest) may affect the validity, perfection or priority of a security interest.

G. The opinion expressed in paragraph 2 above is subject to the effect of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance and transfer and other similar laws relating to or affecting the rights and remedies of creditors generally, and (ii) principles of equity (regardless of whether considered and applied in a proceeding in equity or at law).

We understand that you will rely as to matters of Delaware law upon this opinion in connection with the transactions contemplated by the Agreement. In addition, your successors and assigns (including, without limitation, any trustee in connection with a securitization) and any rating agency may rely as to matters of Delaware law upon this opinion in connection with the matters set forth herein, subject to the understanding that the opinions rendered herein are given on the date hereof and such opinions are rendered only with respect to facts existing on the date hereof and laws, rules and regulations currently in effect. In connection with the foregoing, we hereby consent to your and your successors' and assigns' (including, without limitation, any

trustee in connection with a securitization) and any such rating agency's relying as to matters of Delaware law upon this opinion. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

WAY/SXL

Schedule A

U.S. Bank National Association

Private Capital Partners LLC

Canpartners Investments IV, LLC

Form of In-House Counsel Opinion

1. Except as set forth in Schedule 9.01(j) to the Loan Agreement, there are no legal or governmental proceedings pending to which the Borrower or any of the Guarantors is a party or of which any property or assets of the Borrower or any of the Guarantors is the subject which, if adversely determined, would reasonably be expected to have a Material Adverse Effect; and, to the best of my knowledge, no such proceedings are threatened.

2. Based on my review of the corporate minute books, and assuming the correctness and completeness thereof, all of the issued and outstanding shares of capital stock of the Borrower are duly and validly authorized and issued and fully paid and non-assessable and not subject to any preemptive or similar rights; and all of the issued shares of capital stock or other equity interests of each Subsidiary of the Borrower are validly authorized and issued, are fully paid, non-assessable and are owned directly or indirectly by the Borrower free and clear of any pledges, liens or encumbrances except Collateral Permitted Liens.

3. None of the execution, delivery or performance by each of the Borrower, Group, Intermediate and the Guarantors of the Transaction Documents to which it is a party nor compliance with the terms and provisions thereof, will violate any applicable order, writ, injunction or decree of any court or governmental instrumentality.

EXHIBIT H

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the loan agreement identified below (the "Loan Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement (including Section 13.04 of the Loan Agreement), as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations as a

Lender under the Loan Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation, Guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including all claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

Assignee enters into this Assignment and Assumption Agreement subject to the transfer restrictions set forth in Section 13.04 of the Loan Agreement.

1. Assignor:

2. Assignee:
[and is an Affiliate/Approved Fund of [*identify Lender*](1)]

3. Borrower: J. Crew Operating Corp.

(1) Select as applicable.

4. Agent: U.S. Bank National Association, as the administrative agent under the Loan Agreement

5. Loan Agreement: The Senior Subordinated Loan Agreement dated as of November 21, 2004 among J. Crew Operating Corp., the guarantors party thereto, the lenders party hereto and U.S. Bank National Association, as Administrative Agent.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders*	Amount of Commitment/Loans Assigned*	Percentage Assigned of Commitment/Loans(2)	CUSIP Number
(3)	$	$	%	
	$	$	%	
	$	$	%	

[7. Trade Date: _____](4)

Effective Date: _____, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

(2) Set forth, to at least 9 decimals, as a percentage of the Term Loan Commitment/Loans of all Lenders thereunder.
(3) Fill in the appropriate terminology for the types of facilities under the Loan Agreement that are being assigned under this Assignment (e.g., "Term Loan Commitment", etc.).
(4) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

Consented to and Accepted:

U.S. Bank National Association as
Administrative Agent

By: _____
Title:

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Loan Agreement, (ii) it meets all requirements of an Eligible Assignee under the Loan Agreement (subject to receipt of such consents as may be required under the Loan Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Loan Agreement, together with copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a not a United States person under Section 7701(a)(30) of the Code, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Loan Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and

Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT I

FORM OF SECRETARY'S CERTIFICATE

J. CREW OPERATING CORP.
J. CREW GROUP, INC.
J. CREW INTERMEDIATE LLC
GRACE HOLMES, INC.
H.F.D. NO. 55, INC.
J. CREW INC.
770 Broadway
New York, New York 10003

_____, 2004

SECRETARY'S CERTIFICATE

The undersigned, Arlene S. Hong, does hereby certify that she is the Secretary of each of J. Crew Operating Corp., a Delaware corporation (the "Company"), J. Crew Group, Inc., a New York corporation ("J. Crew Group"), J. Crew Intermediate LLC, a Delaware limited liability company

("Intermediate"), Grace Holmes, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("J. Crew Retail"), H.F.D. NO 55, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("J. Crew Factory"), and J. Crew Inc., a New Jersey corporation and a wholly owned subsidiary of the Company ("J. Crew Inc."), and further certifies as follows. Capitalized terms used herein without definition have the meanings ascribed to them in the Senior Subordinated Loan Agreement dated as of November 21, 2004 (the "Loan Agreement"), among the Company, the guarantors party thereto, the lenders party thereto and U.S. Bank National Association, as Administrative Agent.

1. Attached hereto as Exhibit A are true, complete and correct copies of the Certificate of Incorporation, and all amendments thereto through the date hereof, of each of the Company, J. Crew Retail, and J. Crew Factory and the Certificate of Formation, and all amendments thereto through the date hereof, of Intermediate, in each case, as filed with the Secretary of State of the State of Delaware, the Certificate of Incorporation, and all amendments thereto through the date hereof, of J. Crew Inc., as filed with the Secretary of State of the State of New Jersey, and the Certificate of Incorporation, and all amendments thereto through the date hereof, of J. Crew Group, as filed with the Secretary of State of the State of New York. No documents with respect to amendments to the Certificate of Incorporation or Certificate of Formation of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate have been filed with the Secretary of State of the State of Delaware, the Secretary of State of the State of New Jersey or the Secretary of New York, as applicable, since the date of the Certificate of Incorporation and all amendments thereto or Certificate of Formation and all amendments thereto, as applicable, attached hereto and no action has been taken or, to my knowledge, is contemplated by any of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group or Intermediate in connection with any such amendment or

the dissolution, merger or consolidation of any of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group or Intermediate.

2. Attached hereto as Exhibit B are Certificates of Good Standing and/or Bring-Down Certificates of Good Standing for each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate issued by the Secretary of State of the State of Delaware, the State of New Jersey or the State of New York, as the case may be.

3. Attached hereto as Exhibit C are true, complete and correct copies of the By-laws of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., and J. Crew Group and the Limited Liability Company Agreement of Intermediate, as in effect at the date hereof.

4. Attached hereto as Exhibit D are true, complete and correct copies of the resolutions adopted by the Board of Directors or Sole Member of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate on the date indicated therein, pertaining to (i) the execution, delivery and performance of the Loan Agreement; (ii) the authorization, issuance, execution and delivery of the Loan Notes; (iii) the execution, delivery and performance of the Loan Guarantees; (iv) the execution, delivery and performance of the Security Agreement; (v) the execution, delivery and performance of the Intercreditor Agreement, (vi) the execution, delivery and performance of the other Credit Documents to which it is a party or by which it or its assets may be bound as of the date hereof and (vii) all other transactions deemed necessary in connection with the foregoing; said resolutions have not in any way been amended, supplemented, modified, revoked or rescinded and remain in full force and effect as of the date hereof; such resolutions are the only proceedings of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate now in force relating to the foregoing. Each person who, as a director of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group or Intermediate, signed the unanimous consent adopting the resolutions described in this Paragraph 4, was duly elected or appointed, qualified and acting as such a director at the respective time of such singing, and the signature of each such person appearing on each such consent is his or her genuine signature.

5. The persons whose names appear on Exhibit E hereto are the duly elected, qualified and acting officers or attorneys-in-fact of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate occupying the offices or holding the authorization set forth opposite their respective names, and the signatures set forth opposite their respective names are the true and genuine signatures of such officers, and such officers, at the time or the respective times of the execution of (i) the Loan Agreement, (ii) the Loan Notes, (iii) the Loan Guarantees, (iv) the Security Agreement, (v) the Intercreditor Agreement, (vi) the other Credit Documents and (vii) any other document delivered prior to or on the date hereof in connection with the execution and delivery of the Loan Agreement, the Loan Notes, the Loan Guarantees, the Security Agreement and the Intercreditor Agreement (collectively, the "Documents"), were duly elected, qualified and acting as such officer or attorney-in-fact and were authorized to execute and deliver on behalf of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate, the Documents to which each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate is a party and the signatures of such persons appearing on such Documents are their genuine signatures.

6. The Documents, each as executed and delivered on behalf of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate, were approved by appropriate officers of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate pursuant to authority granted to them by the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group or Intermediate.

7. Each of the Documents, as executed and delivered on behalf of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate, is substantially in the form approved by the board of directors or sole member of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate.

Cleary, Gottlieb, Steen & Hamilton, Gibbons, Del Deo, Dolan, Griffinger & Vecchione, and Richards, Layton & Finger, P.A. are entitled to rely on this certificate in connection with the opinion they are respectively rendering pursuant to 9.02(a) of the Loan Agreement.

This certificate may be executed in several counterparts, including, without limitation, facsimile counterparts, each of which shall constitute an original and one and the same instrument.

[Remainder of this page has been left intentionally blank]

IN WITNESS WHEREOF, I have signed my name on behalf of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate as of _____, 2004.

J. CREW OPERATING CORP.
GRACE HOLMES, INC.
H.F.D. NO 55, INC.
J. CREW INC.
J. CREW GROUP, INC.
J. CREW INTERMEDIATE LLC

By: _____
Name: Arlene S. Hong
Title: Secretary

I, Amanda K. Bokman, the Chief Financial Officer of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate, do hereby certify that Arlene S. Hong is the duly appointed, qualified and acting Secretary of each of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate and that the signature set forth above is her true and genuine signature.

IN WITNESS WHEREOF, I have signed my name on behalf of the Company, J. Crew Retail, J. Crew Factory, J. Crew Inc., J. Crew Group and Intermediate as of _____, 2004.

J. CREW OPERATING CORP.
GRACE HOLMES, INC.
H.F.D. NO 55, INC.
J. CREW INC.
J. CREW GROUP, INC.
J. CREW INTERMEDIATE LLC

By: _____
Name: Amanda K. Bokman
Title: Chief Financial Officer

Exhibit E to Secretary's Certificate

Name	Office	Signature
[ ]	[ ]	_____
[ ]	[ ]	_____
[ ]	[ ]	_____

J. CREW INTERNATIONAL, INC.
770 Broadway
New York, New York 10003

_____, 2004

SECRETARY'S CERTIFICATE

The undersigned, Nicholas Lamberti, does hereby certify that he is the Assistant Secretary of J. Crew International, Inc., a Delaware corporation ("J. Crew International"), and further certifies as follows. Capitalized terms used herein without definition have the meanings ascribed to them in the Senior Subordinated Loan Agreement dated as of November 21, 2004 (the "Loan Agreement"), among the Company, the Guarantors, the Lenders party thereto and U.S. Bank National Association, as Administrative Agent.

1. Attached hereto as Exhibit A is a true, complete and correct copy of the Certificate of Incorporation, and all amendments thereto through the date hereof, of J. Crew International, as filed with the Secretary of State of the State of Delaware. No documents with respect to amendments to the Certificate of Incorporation J. Crew International have been filed with the Secretary of State of the State of Delaware since the date of the Certificate of Incorporation and all amendments thereto, attached hereto and no action has been taken or, to my knowledge, is contemplated by J. Crew International in connection with any such amendment or the dissolution, merger or consolidation of J. Crew International.

2. Attached hereto as Exhibit B is the Certificate of Good Standing and/or Bring-Down Certificate of Good Standing for J. Crew International issued by the Secretary of State of the State of Delaware.

3. Attached hereto as Exhibit C is a true, complete and correct copy of the By-laws of J. Crew International, as in effect at the date hereof.

4. Attached hereto as Exhibit D is a true, complete and correct copy of the resolutions adopted by the Board of Directors of J. Crew International on the date indicated therein, pertaining to (i) the execution, delivery and performance of the Loan Agreement; (ii) the execution, delivery and performance of the Loan Guarantees; (iii) the execution, delivery and performance of the Security Agreement; (iv) the execution, delivery and performance of the Intercreditor Agreement, (v) the execution, delivery and performance of the other Credit Documents to which it is a party or by which it or its assets may be bound as of the date hereof and (vi) all other transactions deemed necessary in connection with the foregoing; said resolutions have not in any way been amended, supplemented, modified, revoked or rescinded and remain in full force and effect as of the date hereof; such resolutions are the only proceedings of J. Crew International now in force relating to the foregoing. Each person who, as a director of J. Crew International, signed the unanimous consent adopting the resolutions described in this Paragraph 4, was duly elected or appointed, qualified and acting as such a

director at the respective time of such singing, and the signature of each such person appearing on each such consent is his or her genuine signature.

5. The persons whose names appear on Exhibit E hereto are the duly elected, qualified and acting officers or attorneys-in-fact of J. Crew International occupying the offices or holding the authorization set forth opposite their respective names, and the signatures set forth opposite their respective names are the true and genuine signatures of such officers, and such officers, at the time or the respective times of the execution of (i) the Loan Agreement, (ii) the Loan Guarantees, (iii) the Security Agreement, (iv) the Intercreditor Agreement, (v) the other Credit Documents and (vii) any other document delivered prior to or on the date hereof in connection with the execution and delivery of the Loan Agreement, the Loan Guarantees, the Security Agreement and the Intercreditor Agreement (collectively, the "Documents"), were duly elected, qualified and acting as such officer or attorney-in-fact and were authorized to execute and deliver on behalf of J. Crew International, the Documents to which J. Crew International is a party and the signatures of such persons appearing on such Documents are their genuine signatures.

6. The Documents, each as executed and delivered on behalf of J. Crew International, were approved by appropriate officers of J. Crew International pursuant to authority granted to them by J. Crew International.

7. Each of the Documents, as executed and delivered on behalf of J. Crew International, is substantially in the form approved by the board of directors of J. Crew International.

Cleary, Gottlieb, Steen & Hamilton, Gibbons, Del Deo, Dolan, Griffinger & Vecchione, and Richards, Layton & Finger, P.A. are entitled to rely on this certificate in connection with the opinion they are respectively rendering pursuant to 9.02(a) of the Loan Agreement.

This certificate may be executed in several counterparts, including, without limitation, facsimile counterparts, each of which shall constitute an original and one and the same instrument.

[Remainder of this page has been left intentionally blank]

IN WITNESS WHEREOF, I have signed my name on behalf of J. Crew International as of _____, 2004.

J. CREW INTERNATIONAL, INC.

By: _____
Name: Nicholas Lamberti
Title: Secretary

I, Arlene S. Hong, the President of J. Crew International, do hereby certify that Nicholas Lamberti is a duly appointed, qualified and acting Assistant Secretary of J. Crew International and that the signature set forth above is his true and genuine signature.

IN WITNESS WHEREOF, I have signed my name on behalf of J. Crew International as of _____, 2004.

J. CREW INTERNATIONAL, INC.

By: _____
Name: Arlene S. Hong
Title: President

Exhibit E to Secretary's Certificate

Name	Office	Signature
[ ]	[ ]	
[ ]	[ ]	
[ ]	[ ]	

EXHIBIT J

FORM OF OFFICER'S CERTIFICATE

J. CREW OPERATING CORP.
GRACE HOLMES, INC.
H.F.D. NO. 55, INC.
J. CREW INC.
770 Broadway
New York, New York 10003

_____, 2004

OFFICER'S CERTIFICATE

This officers' certificate is being delivered pursuant to Section 9.02(c) of the Senior Subordinated Loan Agreement (the "Loan Agreement"), dated as of November 21, 2004, by and among J. Crew Operating Corp., a Delaware corporation (the "Company"), the Guarantors, the Lenders party thereto and U.S. Bank National Association, as Administrative Agent. Capitalized terms used herein but not otherwise defined herein have the respective meanings ascribed to them in the Loan Agreement.

The undersigned, in the capacity indicated beneath his signature below, hereby certifies on behalf of each of the Company, Grace Holmes, Inc. ("J. Crew Retail"), H.F.D. NO. 55, Inc. ("J. Crew Factory") and J. Crew, Inc. ("J. Crew Inc.") that, to the best of his knowledge after reasonable investigation:

(i) The representations and warranties of each of the Company, J. Crew Retail, J. Crew Factory and J. Crew Inc. set forth in Section 8.01 of the Loan Agreement are true and correct in all material respects on and as of the date specifically referred to within Section 8.01, except that the representations and warranties provided in Section 8.01(a), Section 8.01(b), Section 8.01(c), Section 8.01(d), Section 8.01(e), Section 8.01(f), Section 8.01(g) (other than the representations and warranties set forth in clause (iii) thereof), Section 8.01(i) and Section 8.01(k) are true and correct in all material respects as of the Closing Date; and

(ii) There is no Default or Event of Default existing under the Loan Agreement other than any Default or Event of Default resulting from failure by the Borrower or any of its Restricted Subsidiaries to comply with the provisions described under Section 4.03, Section 4.04 or Section 4.14.

Cleary, Gottlieb, Steen & Hamilton, Gibbons, Del Deo, Dolan, Griffinger & Vecchione, and Richards, Layton & Finger, P.A. are entitled to rely on this certificate in connection with the opinion they are respectively rendering pursuant to 9.02(a) of the Loan Agreement.

[Remainder of this page has been left intentionally blank]

IN WITNESS WHEREOF, I have signed my name on behalf of each of the Company, J. Crew Retail, J. Crew Factory and J. Crew Inc. as of _____, 2004.

J. CREW OPERATING CORP.
GRACE HOLMES, INC.
H.F.D. NO. 55, INC.
J. CREW INC.

By: _____
Name: Amanda K. Bokman
Title: Chief Financial Officer

J. CREW INTERNATIONAL, INC.
770 Broadway
New York, New York 10003

_____, 2004

OFFICER'S CERTIFICATE

This officers' certificate is being delivered pursuant to Section 9.02(c) of the Senior Subordinated Loan Agreement (the "Loan Agreement"), dated as of November 21, 2004, by and among J. Crew Operating Corp., a Delaware corporation, the Guarantors, the Lenders party thereto and U.S. Bank National Association, as Administrative Agent. Capitalized terms used herein but not otherwise defined herein have the respective meanings ascribed to them in the Loan Agreement.

The undersigned, in the capacity indicated beneath his signature below, hereby certifies on behalf of J. Crew International, Inc. ("J. Crew International") that, to the best of his knowledge after reasonable investigation:

(i) The representations and warranties of J. Crew International set forth in Section 8.01 of the Loan Agreement are true and correct in all material respects on and as of the date specifically referred to within Section 8.01, except that the representations and warranties provided in Section 8.01(a), Section 8.01(b), Section 8.01(c), Section 8.01(d), Section 8.01(e), Section 8.01(f), Section 8.01(g) (other than the representations and warranties set forth in clause (iii) thereof), Section 8.01(i) and Section 8.01(k) are true and correct in all material respects as of the Closing Date; and

(ii) There is no Default or Event of Default existing under the Loan Agreement other than any Default or Event of Default resulting from failure by the Borrower or any of its Restricted Subsidiaries to comply with the provisions described under Section 4.03, Section 4.04 or Section 4.14.

Cleary, Gottlieb, Steen & Hamilton, Gibbons, Del Deo, Dolan, Griffinger & Vecchione, and Richards, Layton & Finger, P.A. are entitled to rely on this certificate in connection with the opinion they are respectively rendering pursuant to 9.02(a) of the Loan Agreement.

[Remainder of this page has been left intentionally blank]

IN WITNESS WHEREOF, I have signed my name on behalf of J. Crew International as of _____, 2004.

J. CREW INTERNATIONAL, INC.

By: _____
Name: Arlene S. Hong
Title: President

Exhibit 4.2

CONFORMED VERSION

SECURITY AGREEMENT

by and among

J. CREW OPERATING CORP.
J. CREW INC.
GRACE HOLMES, INC.
H.F.D. NO. 55, INC.
J. CREW INTERNATIONAL, INC.
and
J. CREW INTERMEDIATE LLC
as Grantors

and

U.S. BANK NATIONAL ASSOCIATION
as Collateral Agent

Dated: November 21, 2004

TABLE OF CONTENTS

INDEX TO EXHIBITS

SECURITY AGREEMENT

This Security Agreement, dated November 21, 2004, is entered into by and among J. Crew Operating Corp., a Delaware corporation ("Operating"), J. Crew Inc., a New Jersey corporation ("J. Crew"), Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail ("Retail"), H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory ("Factory"), J. Crew International, Inc., a Delaware corporation ("JCI", and together with Operating, J. Crew, Retail, and Factory, the "J. Crew Companies"), J. Crew Intermediate LLC, a Delaware limited liability company ("Intermediate" and, together with Operating, J. Crew, Retail, Factory, and JCI, "Grantors"), and U.S. Bank National Association, as Collateral Agent (as defined below).

W I T N E S S E T H:

WHEREAS, Intermediate, certain lenders from time to time party thereto, and U.S. Bank National Association, as trustee (the "Contingent Principal Notes Trustee"), are parties to that certain indenture, dated May 6, 2003 (the "Contingent Principal Notes Indenture"), pursuant to which Intermediate issued $120,000,000 aggregate principal amount of 16% Senior Discount Contingent Principal Notes due 2008 (the "Contingent Principal Notes");

WHEREAS, the J. Crew Companies, Intermediate and U.S. Bank National Association, as administrative agent for the Junior Creditors (as defined below), have entered into a Senior Subordinated Loan Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which the Junior Creditors will make certain loans to Operating;

WHEREAS, pursuant to the terms of the Loan Agreement, the J. Crew Companies and Intermediate have agreed, upon the occurrence of certain events, to enter into an indenture (the "Indenture") with U.S. Bank National Association as trustee for the noteholders thereunder, pursuant to which Operating will issue to the Junior Creditors its 9¾% Senior Subordinated Notes due 2014 (the "Notes"), whereupon the Loan Agreement will terminate;

WHEREAS, the J. Crew Companies and Intermediate are required under the Loan Agreement and will be required under the Indenture to grant liens on certain assets to secure the obligations of the Grantors under the Loan Agreement, the Indenture and the related Notes;

WHEREAS, pursuant to Section 4.12 of the Contingent Principal Notes Indenture, the Contingent Principal Notes are required to be secured equally and ratably with the obligations under the Loan Agreement and the Indenture; and

WHEREAS, the J. Crew Companies, Intermediate, the Senior Credit Agent (as defined below) and the Collateral Agent have entered into an Intercreditor Agreement dated as of the date hereof (the "Intercreditor Agreement");

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

"Accounts" shall mean, as to the J. Crew Companies, all present and future rights of the J. Crew Companies to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) consisting of Credit Card Receivables.

"Affiliate" shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"Agreement" shall mean this Security Agreement, as it may be amended or modified from time to time.

"Borrower Agent" shall mean Operating in its capacity as an agent for the Grantors, and its successors and assigns in such capacity.

"Business Day" shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"Cash Equivalents" shall have the meaning assigned to such term in the Contingent Principal Notes Indenture.

"Collateral" shall mean the J. Crew Companies' Collateral and Intermediate's Collateral, collectively.

"Collateral Agent" shall mean U.S. Bank National Association in its capacity as collateral agent under the Loan Agreement, the Indenture (as then in effect) and with respect to Other Second-Lien Obligations.

"Consolidated Accounts" shall mean have the meaning assigned to it in Section 4.1(a)(ii) of this Agreement.

"Contingent Principal Notes" shall have the meaning assigned to such term in the recitals to this Agreement.

"Contingent Principal Notes Indenture" shall have the meaning assigned to such term in the recitals to this Agreement.

"Contingent Principal Notes Obligations" shall mean Obligations of Intermediate under the Contingent Principal Notes Indenture and the Contingent Principal Notes.

"Contingent Principal Notes Trustee" shall have the meaning assigned to such term in the recitals to this Agreement.

"Credit Card Agreements" shall mean all agreements now or hereafter entered into by any of the J. Crew Companies for the benefit of any of the J. Crew Companies with any Credit Card Issuer or any Credit Card Processor, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, including, but not limited to, the agreements set forth in Schedule 2.3 to the Information Certificate.

"Credit Card Issuer" shall mean any person (other than the J. Crew Companies) who issues or whose members issue credit cards, including, without limitation, MasterCard or VISA bank credit or debit cards or other bank credit or debit cards issued through MasterCard International, Inc., Visa, U.S.A., Inc. or Visa International and American Express, Discover, Diners Club, Carte Blanche and other non-bank credit or debit cards, including, without limitation, credit or debit cards issued by or through American Express Travel Related Services Company, Inc., Novus Services, Inc. and the Private Label Card.

"Credit Card Processor" shall mean any servicing or processing agent or any factor or financial intermediary who facilitates, services, processes or manages the credit authorization, billing transfer and/or payment procedures with respect to any of the J. Crew Companies' sales transactions involving credit card or debit card purchases by customers using credit cards or debit cards issued by any Credit Card Issuer.

"Credit Card Receivables" shall mean, collectively, (a) all present and future rights of the J. Crew Companies to payment from any Credit Card Issuer, Credit Card Processor or other third party arising from sales of goods or rendition of services to customers who have purchased such goods or services using a credit or debit card and (b) all present and future rights of any of the J. Crew Companies to payment from any Credit Card Issuer, Credit Card Processor or other third party in connection with the sale or transfer of Accounts arising pursuant to the sale of goods or rendition of services to customers who have purchased such goods or services using a credit card or a debit card, including, but not limited to, all amounts at any time due or to become due from any Credit Card Issuer or Credit Card Processor under the Credit Card Agreements or otherwise.

"Credit Documents" shall have the meaning assigned to such term in the Loan Agreement.

"Default" shall mean an act, condition or event, which with notice or passage of time or both would constitute an Event of Default.

"Determined Amount" shall have the meaning assigned to such term in Section 8.3 of this Agreement.

"Equipment" shall mean, as to the J. Crew Companies, all of the J. Crew Companies' now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment (whether owned or licensed and including embedded software), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

"Event of Default" shall mean any "Event of Default" under the Loan Agreement and subsequent to the termination of the Loan Agreement, under the Indenture, as then in effect.

"Exchange Date" shall have the meaning assigned to such term in the Loan Agreement.

"Existing Credit Agreement" shall have the meaning assigned to it in the Intercreditor Agreement.

"Equity Interests" shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"Financing Agreements" shall mean, collectively, this Agreement, the Loan Agreement, the Indenture, the Notes, the Intercreditor Agreement and any other related agreement, document or instrument now or at any time hereafter executed and/or delivered by any Grantor in connection with this Agreement.

"First-Lien Obligations" shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"First-Lien Termination Period" shall mean any period during which there are no First-Lien Obligations in effect.

"Grantors" shall have the meaning assigned to such term in the preamble to this Agreement.

"Holder" shall have the meaning assigned to it in the Indenture, as then in effect.

"Indebtedness" shall mean and include, without duplication, all Obligations that constitute "Indebtedness" within the meaning of any of the Loan Agreement, the Indenture, the Contingent Principal Notes Indenture or the Existing Credit Agreement, in each case as then in effect.

"Indenture" shall have the meaning assigned to such term in the recitals to this Agreement.

"Information Certificate" shall mean a certificate substantially in the form set forth in Exhibit A hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by an authorized signatory of each of the Grantors.

"Intellectual Property" shall mean, as to each of the J. Crew Companies, such J. Crew Company's now owned and hereafter arising or acquired: patents, patent rights, patent applications, copyrights, works which are the subject matter of copyrights, copyright registrations, trademarks, trade names, trade styles, trademark and service mark applications, and licenses and rights to use any of the foregoing; all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing; all rights to sue for past, present and future infringement of any of the foregoing; inventions, trade secrets, formulae, processes, compounds, drawings, designs, blueprints, surveys, reports, manuals, and operating standards; goodwill (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registration; software and contract rights relating to computer software programs, in whatever form created or maintained.

"Intercreditor Agreement" shall have the meaning assigned to such term in the recitals to this Agreement.

"Intermediate" shall have the meaning assigned to such term in the preamble to this Agreement.

"Intermediate's Collateral" shall have the meaning assigned to such term in Section 2.1(b) of this Agreement.

"Inventory" shall mean, as to the J. Crew Companies, all of the J. Crew Companies' now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by any of the J. Crew Companies as lessor; (b) are held by any of the J. Crew Companies for sale or lease or to be furnished under a contract of service; (c) are furnished by any of the J. Crew Companies under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

"J. Crew Companies" shall have the meaning assigned to such term in the preamble to this Agreement.

"J. Crew Companies' Collateral" shall have the meaning assigned to such term in Section 2.1(a) of this Agreement.

"J. Crew Japan, Inc." shall mean J. Crew Japan, Inc., a company incorporated under the laws of Japan.

"Junior Creditors" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Junior Creditor Claims" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Lender" shall have the meaning assigned to such terms in the Loan Agreement.

"Level" shall have the meaning assigned to such term in Section 8.3 of this Agreement.

"Loan Agreement" shall have the meaning assigned to such term in the recitals to this Agreement.

"Loan Agreement Obligations" shall mean Obligations of Operating and the other Grantors under the Credit Documents.

"Notes" have the meaning assigned to such term in the recitals to this Agreement.

"Notes Obligations" shall mean Obligations of Operating and the other Grantors under the Transaction Documents.

"Notes Trustee" shall mean U.S. Bank National Association, in its capacity as trustee under the Indenture, and any of its successors or assigns.

"Obligations" shall mean shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"Operating" shall have the meaning assigned to such term in the preamble to this Agreement.

"Operating Equity Securities" shall mean Equity Interests of Operating owned by Intermediate as of the date hereof or from time to time acquired by Intermediate.

"Other Second-Lien Obligations" shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"Person" or "person" shall have the meaning assigned to such term in the Loan Agreement or the Indenture, as then in effect.

"Private Label Card" shall mean the private label credit card issued by World Financial Network National Bank pursuant to the Credit Card Agreement of any of the J. Crew Companies with such Bank (or any subsequent Credit Card Issuer with respect to such private label credit card) to customers or prospective customers of any of the J. Crew Companies or their affiliates.

"Ratio" shall mean, with respect to the Contingent Principal Notes Obligations, at any time, the ratio of (i) (x) prior to November 15, 2005, the Accreted Value of such Contingent Principal Notes Obligations (as defined in the Contingent Principal Notes Indenture) and (y) thereafter, the principal amount at maturity of such Contingent Principal Notes Obligations plus accrued and unpaid interest thereon to (ii) the principal amount outstanding under the Loan Agreement or the Notes plus accrued and unpaid interest thereon, as in effect at such time.

"Receivables" shall mean all of the following now owned or hereafter arising or acquired property of the J. Crew Companies: (a) all Accounts; (b) all interest, fees, late charges, penalties, collection fees and other amounts due or to become due or otherwise payable in connection with any Account; (c) all payment intangibles of the J. Crew Companies; (d) letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to any of the J. Crew Companies or otherwise in favor of or delivered to any of the J. Crew Companies in connection with any Account or any Credit Card Receivables; or (e) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to any of the J. Crew Companies, whether from the sale and lease of goods or other property, licensing of any property (including Intellectual Property or other general intangibles), rendition of services or from loans or advances by any of the J. Crew Companies or to or for the benefit of any third person (including loans or advances to any Affiliates or Subsidiaries of any of the J. Crew Companies) or otherwise associated with any Accounts, Inventory or general intangibles of any of the J. Crew Companies (including, without limitation, choses in action, causes of action, tax refunds, tax refund claims, any funds which may become payable to any of the J. Crew Companies in connection with the termination of any employee benefit plan and any other amounts payable to any of the J. Crew Companies from any employee benefit plan, rights and claims against carriers and shippers, rights to indemnification, business interruption insurance and proceeds thereof, casualty or any similar types of insurance and any proceeds thereof and proceeds of insurance covering the lives of employees on which any of the J. Crew Companies is a beneficiary).

"Records" shall mean all of the J. Crew Companies' present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the J. Crew Companies' Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of any of the J. Crew Companies with respect to the foregoing maintained with or by any other person).

"Required Holders" shall mean the Holders of a majority in aggregate principal amount of the Notes.

"Required Lenders" shall have the meaning assigned to it in the Loan Agreement.

"Secured Obligations" shall mean, without duplication, (a) the Loan Agreement Obligations; (b) the Notes Obligations; and (c) the Other Second-Lien Obligations.

"Senior Credit Agent" means Congress Financial Corporation in its capacity as administrative and collateral agent for lenders party to the Senior Credit Agreement and the Financing Documents (as defined therein), and any successor thereto, or, any Person otherwise designated the "Senior Credit Agent" pursuant to the Intercreditor Agreement.

"Senior Credit Agreement" shall have the meaning assigned to it in the Intercreditor Agreement.

"Senior Creditors" shall mean the Persons holding Senior Creditor Claims, including the Senior Credit Agent.

"Senior Creditor Claims" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Senior Creditor Documents" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Store Accounts" shall have the meaning set forth in Section 4.1(a) to this Agreement.

"Subsidiary" or "subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, limited liability partnership or other limited or general partnership, trust, association or other business entity of which an aggregate of at least a majority of the outstanding Equity Interests or other interests entitled to vote in the election of the board of directors of such corporation (irrespective of whether, at the time, Equity Interests of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency), managers, trustees or other controlling persons, or an equivalent controlling interest therein, of such Person is, at the time, directly or indirectly, owned by such Person and/or one or more subsidiaries of such Person.

"Subsidiary Equity Securities" shall mean Equity Interests of each of the Subsidiaries of Operating and J. Crew, as of the date hereof as listed on Schedule 5.5 to the Information Certificate or from time to time acquired by Operating.

"Transaction Documents" shall have the meaning assigned to such term in the Indenture.

SECTION 2. GRANT AND PERFECTION OF SECURITY INTEREST

2.1 Grant of Security Interest.

(a) To secure payment and performance of all Secured Obligations, the J. Crew Companies hereby grant to the Collateral Agent, for the ratable benefit of the Junior Creditors, a security interest in, a lien upon, and a right of set off against, and hereby assign to the Collateral Agent, for the ratable benefit of the Junior Creditors, as security, all personal property of the J. Crew Companies described below, whether now owned or hereafter acquired or existing, and wherever located ("J. Crew Companies' Collateral"), including:

(i) all Accounts;

(ii) all general intangibles, including, without limitation, all Intellectual Property;

(iii) (A) all Subsidiary Equity Securities that Operating or J. Crew owns and any certificates representing such Subsidiary Equity Securities; (B) all dividends, cash, instruments and other property from time to time received or receivable by or otherwise distributed to Operating or J. Crew in respect of or exchange for any and all of Subsidiary Equity Securities; and (C) all other rights and privileges of Operating or J. Crew relating to the property described in clauses (A) and (B) above (including, without limitation, voting rights);

(iv) all goods, including, without limitation, Inventory and Equipment;

(v) all chattel paper, including, without limitation, all tangible and electronic chattel paper;

(vi) all instruments, including, without limitation, all promissory notes;

(vii) all documents;

(viii) all deposit accounts;

(ix) all letters of credit, banker's acceptances and similar instruments, including all letter-of-credit rights;

(x) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other J. Crew Companies' Collateral, including (A) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to J. Crew Companies' Collateral, (B) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (C) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other J. Crew Companies' Collateral, including returned, repossessed

and reclaimed goods, and (D) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(xi) all (A) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) (but excluding any Equity Interests owned by JCI in J. Crew Japan, Inc.) and (B) monies, credit balances, deposits and other property of any J. Crew Company now or hereafter held or received by or in transit to the Collateral Agent, any Junior Creditor or its Affiliates or at any other depository or other institution from or for the account of any J. Crew Company, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(xii) all commercial tort claims, including, without limitation, those identified in the Information Certificate;

(xiii) to the extent not otherwise described above, all Receivables;

(xiv) all Records; and

(xv) all products and proceeds of the foregoing, in any form, including insurance proceeds and all claims against third parties for loss or damage to or destruction of or other involuntary conversion of any kind or nature of any or all of the other J. Crew Companies' Collateral.

(b) To secure payment and performance of all Secured Obligations, upon the occurrence of the Exchange Date, Intermediate grants to the Collateral Agent, for the ratable benefit of the Junior Creditors, a security interest in, a lien upon, and a right of set off against, and assigns to the Collateral Agent, for the ratable benefit of the Junior Creditors, as security, all of Intermediate's right, title and interest in, to and under each of the following ("Intermediate's Collateral"):

(i) Operating Equity Securities and any certificates representing Operating Equity Securities;

(ii) all dividends, cash, instruments and other property from time to time received or receivable by or otherwise distributed to Intermediate in respect of or exchange for any and all of the Operating Equity Securities; and

(iii) all other rights and privileges of Intermediate relating to the property described in clauses (a) and (b) above (including, without limitation, voting rights);

provided, however, that such grant shall only become effective upon the occurrence of the Exchange Date.

(c) Notwithstanding anything to the contrary set forth in Sections 2.1(a) and (b) above, the types or items of the Collateral described in such Sections shall not include any rights or interests in any contract, lease, permit, license, charter or license agreement covering any property, if under the terms of such contract, lease, permit, license, charter or license agreement, or applicable law with respect thereto, the valid grant of a security interest or lien therein to the Collateral Agent is prohibited or requires the consent of any party and such prohibition has not

been or is not waived or the consent of the other party to such contract, lease, permit, license, charter or license agreement has not been or is not otherwise obtained or under applicable law such prohibition cannot be waived; provided, that, the foregoing exclusion shall in no way be construed (i) to apply if any such prohibition is unenforceable under Sections 9-406, 9-407 or 9-408 of the UCC or other applicable law or (ii) so as to limit, impair or otherwise affect the Collateral Agent's unconditional continuing security interests in and liens upon any rights or interests of any of the J. Crew Companies in or to monies paid under any such contract, lease, permit, license, charter or license agreement (including any Receivables). Notwithstanding anything to the contrary set forth in Section 2.1(a) above, in no event shall there be any security interest in favor of the Collateral Agent in any investment property consisting of Equity Interests in any Subsidiary or Affiliate of any J. Crew Company, in each case not organized in the United States, to the extent that such investment property is not pledged under any Senior Creditor Document.

2.2 Perfection of Security Interests.

(a) Upon the execution of this Agreement, the J. Crew Companies shall make all UCC filings necessary to perfect the security interests granted to the Collateral Agent hereunder and to maintain such perfection by filing all necessary continuation statements. The J. Crew Companies irrevocably and unconditionally authorize the Collateral Agent (or its agent) to file at any time and from time to time such financing statements with respect to the J. Crew Companies' Collateral naming the Collateral Agent or its designee as the secured party and the J. Crew Companies as debtor, as the Collateral Agent may require, and including any other information with respect to the J. Crew Companies or otherwise required by part 5 of Article 9 of the Uniform Commercial Code of such jurisdiction as the Collateral Agent may determine, together with any amendment and continuations with respect thereto. The Collateral Agent hereby designates Private Capital Partners LLC and Canpartners Investments IV, LLC, or their designees, as its designee to file on the Closing Date financing statements with respect to J. Crew Companies' Collateral. In the event that the description of the J. Crew Companies' Collateral in any financing statement naming the Collateral Agent or its designee as the secured party and the J. Crew Companies as debtor includes assets and properties of the J. Crew Companies that do not at any time constitute Collateral, whether hereunder, under any of the other Financing Agreements or otherwise, the filing of such financing statement shall nonetheless be deemed authorized by the J. Crew Companies to the extent of the J. Crew Companies' Collateral included in such description and it shall not render the financing statement ineffective as to any of the J. Crew Companies' Collateral or otherwise affect the financing statement as it applies to any of the J. Crew Companies' Collateral. In no event shall the J. Crew Companies at any time without the consent of the Collateral Agent file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or amendment or continuation with respect thereto) naming the Collateral Agent or its designee as secured party and such J. Crew Companies as debtor.

(b) As of the date hereof, the J. Crew Companies do not have (i) any item of chattel paper (whether tangible or electronic) in excess of $50,000 or (ii) any instrument in excess of $50,000 other than those received by any of the J. Crew Companies in the ordinary course of business, except as set forth in the Information Certificate. In the event that after the date hereof any of the J. Crew Companies shall be entitled to or shall receive (i) any item of chattel paper in excess of $50,000 or (ii) any instrument in excess of $50,000 received by any of the J. Crew Companies other than in the ordinary course of business, the J. Crew Companies shall promptly upon the receipt thereof by or on behalf of any of the J. Crew Companies (including by any agent or representative), deliver, or cause to be delivered to the Senior Credit Agent to the extent required under the Intercreditor Agreement or the Senior Credit Agreement

to the Collateral Agent, all such items of tangible chattel paper and instruments accompanied by such instrument of transfer or assignment duly executed in blank as the Collateral Agent may from time to time reasonably specify, in each case except as the Collateral Agent may otherwise agree.

(c) The J. Crew Companies do not have any deposit accounts as of the date hereof, except as set forth in the Information Certificate.

(d) The J. Crew Companies do not own or hold, directly or indirectly, beneficially or as record owner or both, any investment property, as of the date hereof, or have any investment account, securities account, commodity account or other similar account with any bank or other financial institution or other securities intermediary or commodity intermediary as of the date hereof, in each case except as set forth in the Information Certificate.

(e) The J. Crew Companies are not the beneficiaries or otherwise entitled to any right to payment under any letter of credit, banker's acceptance or similar instrument as of the date hereof, except as set forth in the Information Certificate or as may constitute a supporting obligation.

(f) The J. Crew Companies do not have any commercial tort claim as of the date hereof, in excess of $1,000,000, with respect to which the J. Crew Companies shall have filed a complaint in a court of law in the United States, except as set forth in the Information Certificate. In the event that any of the J. Crew Companies shall at any time after the date hereof have any commercial tort claim in excess of $1,000,000, with respect to which such J. Crew Companies shall have filed a complaint in a court of law in the United States, such J. Crew Companies shall notify the Collateral Agent thereof in writing, which notice shall (i) include a copy of the filed complaint and (ii) include the express grant by such J. Crew Companies to the Collateral Agent of a security interest in such commercial tort claim (and the proceeds thereof). In the event that such notice does not include such grant of a security interest, the sending thereof by the J. Crew Companies to the Collateral Agent shall be deemed to constitute such grant to the Collateral Agent. Upon the sending of such notice, any commercial tort claim described therein shall constitute part of the J. Crew Companies' Collateral and shall be deemed included therein. Without limiting the authorization of the Collateral Agent provided in Section 2.2(a) hereof or otherwise arising by the execution by the J. Crew Companies of this Agreement or any of the other Financing Agreements, the Collateral Agent is hereby irrevocably authorized from time to time and at any time to file such financing statements naming the Collateral Agent or its designee as secured party and the J. Crew Companies as debtor, or any amendments to any financing statements, covering any such commercial tort claim as Collateral. In addition, the J. Crew Companies shall promptly upon the Collateral Agent's request, execute and deliver, or cause to be executed and delivered, to the Collateral Agent such other agreements, documents and instruments as the Collateral Agent may require in connection with such commercial tort claim.

(g) The J. Crew Companies do not have any goods, documents of title or other J. Crew Companies' Collateral in the custody, control or possession of a third party in the United States as of the date hereof, except (i) as set forth in the Information Certificate, (ii) goods located in the United States in transit in the ordinary course of business of the J. Crew

Companies in the possession of the carrier transporting such goods, (iii) goods held by customs authorities, (iv) goods held at paper mills and printers and (v) other goods of de minimus value.

(h) The J. Crew Companies shall take any other actions reasonably requested by the Collateral Agent from time to time to cause the attachment, perfection and priority of and the ability of the Collateral Agent to enforce, the security interest of the Collateral Agent in any and all of the Collateral, including, without limitation, executing (to the extent, if any, that the J. Crew Companies' signature thereupon is required), delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC or other applicable law; provided that the J. Crew Companies shall not be required to deliver to the Collateral Agent any certificate of title with respect to any motor vehicle constituting Collateral, or to stamp or otherwise mark any such certificate of title to reflect the security interest therein granted to the Collateral Agent pursuant to this Agreement and provided further, that no fixture filings and no filings in respect of the Intellectual Property other than in UCC filing records shall be required; and provided further that no control agreements or other agreements with any third parties shall be required except as set forth explicitly in this Agreement.

SECTION 3. POWER OF ATTORNEY

3.1 Power of Attorney of the J. Crew Companies. The J. Crew Companies hereby irrevocably designate and appoint the Collateral Agent (and all persons designated by the Collateral Agent) as their true and lawful attorney-in-fact, and authorize the Collateral Agent, in the J. Crew Companies' name, upon the occurrence of an Event of Default, to (i) demand payment on Receivables or other J. Crew Companies' Collateral, (ii) enforce payment of Receivables by legal proceedings or otherwise, (iii) exercise all of the J. Crew Companies' rights and remedies to collect any Receivable or other Collateral, (iv) sell or assign any Receivable upon such terms, for such amount and at such time or times as the Collateral Agent deems advisable, (v) settle, adjust, compromise, extend or renew any Account, (vi) discharge and release any Receivable, (vii) prepare, file and sign the J. Crew Companies' name on any proof of claim in bankruptcy or other similar document against an account debtor or other obligor in respect of any Receivables or other J. Crew Companies' Collateral, (viii) notify the post office authorities to change the address for delivery of remittances from account debtors or other obligors in respect of Receivables or other proceeds of the J. Crew Companies' Collateral to an address designated by the Collateral Agent, and open and dispose of all mail addressed to the J. Crew Companies and handle and store all mail relating to the J. Crew Companies' Collateral; (ix) sign the J. Crew Companies' name on any verification of Receivables and notices thereof to account debtors or any secondary obligors or other obligors in respect thereof, (x) complete any stock or bond power, receive, endorse and collect all instruments made payable to Operating representing any dividend or other distribution in respect of Subsidiary Equity Securities or any part thereof and give full discharge for the same, (xi) do all acts and things which are necessary, in the Collateral Agent's determination, to fulfill the J. Crew Companies' obligations under this Agreement and the other Financing Agreements, (xii) take control in any manner of any item of payment in respect of Receivables or constituting the J. Crew Companies' Collateral or otherwise received in or for deposit in the Consolidated Accounts or otherwise received by the Collateral Agent or the Junior Creditors, (xiii) have access to any lockbox or postal box into which remittances from account debtors or other obligors in respect of Receivables or other proceeds of the J. Crew Companies' Collateral are sent or received, (xiv) endorse the J. Crew

Companies' name upon any items of payment in respect of Receivables or constituting the J. Crew Companies' Collateral or otherwise received by the Collateral Agent or the Junior Creditors and deposit the same in the Collateral Agent's account for application to the Secured Obligations, (xv) endorse the J. Crew Companies' name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Receivable or any goods pertaining thereto or any other Collateral, including any warehouse or other receipts, or bills of lading and other negotiable or non-negotiable documents, and (xvi) clear Inventory through U.S. Customs or foreign export control authorities in the J. Crew Companies' name, the Collateral Agent's name or the name of the Collateral Agent's designee, and to sign and deliver to customs officials powers of attorney in the J. Crew Companies' name for such purpose, and to complete in such J. Crew Companies' or the Collateral Agent's name, any order, sale or transaction, obtain the necessary documents in connection therewith and collect the proceeds thereof. The J. Crew Companies hereby release the Collateral Agent, the Junior Creditors and their respective officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of the Collateral Agent's or any of the Junior Creditor's own gross negligence or wilful misconduct, as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

3.2 Power of Attorney of Intermediate. Upon the occurrence of the Exchange Date, Intermediate appoints the Collateral Agent and the Collateral Agent accepts such appointment as Intermediate's attorney-in-fact, with full authority in the place and stead of Intermediate and in the name of Intermediate, upon the occurrence of an Event of Default, to take any action and to execute any instrument which the Collateral Agent may deem necessary or advisable to complete any stock or bond power, to receive, endorse and collect all instruments made payable to Intermediate representing any dividend or other distribution in respect of Intermediate's Collateral or any part thereof and to give full discharge for the same. Intermediate releases the Collateral Agent and its respective officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of the Collateral Agent's own gross negligence or wilful misconduct.

SECTION 4. ADMINISTRATION

4.1 Collection of Accounts.

(a) Schedule 2.2 to the Information Certificate sets forth all of the banks with which the J. Crew Companies have deposit account arrangements and merchant payment arrangements as of the date hereof and identifies each of the deposit accounts at such banks that are used for receiving store receipts from a retail store location of the J. Crew Companies (together with any other deposit accounts at any time established or used by the J. Crew Companies for receiving such store receipts from any retail store location, collectively, the "Store Accounts" and each individually, a "Store Account") or otherwise describes the nature of the use of such deposit account by the J. Crew Companies.

(i) The J. Crew Companies shall deposit all proceeds from sales of Inventory in every form, including, without limitation, cash, checks, credit card sales drafts, credit card sales or charge slips or receipts and other forms of daily store receipts, from each retail store

location of such J. Crew Companies in accordance with the J. Crew Companies' usual business practices into its Store Accounts used for such purpose. All such funds deposited into the Store Accounts shall be sent by wire transfer or other electronic funds transfer to the Consolidated Accounts, as provided in

Section 4.1(a)(ii) below, in accordance with the J. Crew Companies' usual business practices or more frequently upon the Collateral Agent's request at any time upon the occurrence of an Event of Default, except for the nominal amounts which are required to be maintained in such Store Accounts under the terms of the J. Crew Companies' arrangements with the bank at which such Store Accounts are maintained, which nominal amounts shall be determined in accordance with the J. Crew Companies' usual business practices as to any individual Store Account at any time.

(ii) The J. Crew Companies shall maintain, at their expense, deposit accounts with such banks as they shall select (the "Consolidated Accounts"), a list of which is set forth on Schedule 2.2 to the Information Certificate as of the date hereof, into which the J. Crew Companies shall either cause all amounts on deposit in the Store Accounts of the J. Crew Companies to be sent as provided in Section 4.1(a)(i) above or shall themselves deposit or cause to be deposited in accordance with the J. Crew Companies' usual business practices all proceeds from sales of Inventory, all amounts payable from Credit Card Issuers and Credit Card Processors and all other proceeds of Collateral.

(iii) Upon the occurrence of an Event of Default, any of the Grantors shall, acting as trustee for the Collateral Agent, receive, as the property of the Collateral Agent, any monies, checks, notes, drafts or any other payments relating to and/or proceeds of Receivables or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall deposit or cause the same to be deposited in the Consolidated Accounts, or remit the same or cause the same to be remitted, in kind, to the Collateral Agent.

SECTION 5. REPRESENTATIONS AND WARRANTIES

Each of the Grantors hereby represents and warrants as of the date hereof and as of the Exchange Date with respect to the representations made by Intermediate relating to itself, to the Collateral Agent and the Junior Creditors the following (which shall survive the execution and delivery of this Agreement):

5.1 Corporate Existence, Power and Authority. The execution, delivery and performance of this Agreement and the transactions contemplated hereunder (a) are all within each of Grantor's corporate powers and (b) have been duly authorized. This Agreement and the other Financing Agreements to which any Grantor is a party constitute valid, binding and enforceable obligations of any such Grantor.

5.2 Name; State of Organization; Chief Executive Office; Collateral Locations.

(a) The exact legal name of each such Grantor is as set forth on the signature page of this Agreement and in the Information Certificate. The J. Crew Companies have not, during the past five years, been known by or used any other corporate or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any

Person, or acquired any of its property or assets out of the ordinary course of business, except as set forth in the Information Certificate.

(b) Each Grantor is an organization of the type and organized in the jurisdiction set forth in the Information Certificate. The Information Certificate accurately sets forth the organizational identification number of each Grantor or accurately states that such Grantor has none and accurately sets forth the federal employer identification number of each Grantor.

(c) The chief executive office and mailing address of each Grantor and the location of the J. Crew Companies' Records concerning Accounts are located only at the addresses identified as such in the Information Certificate and the only other places of business and the only other locations of Collateral, including inventory or other assets, but excluding (i) goods located in the United States in transit in the ordinary course of business of the J. Crew Companies in the possession of the carrier transporting such goods, (ii) goods held by customs authorities, (iii) goods held at paper mills and printers and (iv) other goods of de minimus value, are the addresses set forth in the Information Certificate. The Information Certificate correctly identifies any of such locations, which are not owned by the J. Crew Companies and sets forth the owners and/or operators thereof.

5.3 Priority of Liens; Title to Properties. The security interests and liens granted by the J. Crew Companies to the Collateral Agent under this Agreement and the other Financing Agreements (other than Collateral subject to certificate of title laws, Collateral subject to the laws of any foreign jurisdiction for the creation or perfection of a security interest and any Collateral consisting of intellectual property, perfection of which requires a filing with a federal office in the United States) constitute valid and upon the filing of a financing statement in the appropriate jurisdiction, control or possession by the Collateral Agent, perfected liens and security interests in and upon the J. Crew Companies' Collateral subject only to liens permitted under the Loan Agreement (or under the Indenture, if then in effect) or the Senior Creditor Documents or the security interest granted under the Senior Creditor Documents. Each Grantor owns its other properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those permitted under the Loan Agreement (or under the Indenture, if then in effect) or the Senior Creditor Documents or the security interest granted hereby and under the Senior Creditor Documents. Upon the occurrence of the Exchange Date, the grant hereunder by Intermediate will constitute a valid perfected lien in Intermediate's Collateral.

5.4 Intellectual Property. The J. Crew Companies do not have any Intellectual Property registered, or subject to pending applications, in the United States Patent and Trademark Office, United States Copyright Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than the Intellectual Property described on Schedule 5.4 to the Information Certificate.

5.5 Subsidiaries; Capitalization.

(a) Each of Intermediate, Operating and J. Crew is the record and beneficial owner of all of the issued and outstanding Equity Interests of each of the Subsidiaries as listed on Schedule 5.5 to the Information Certificate as being owned by Intermediate, Operating or J. Crew and there are no proxies, irrevocable or otherwise, with respect to such shares and no equity securities of any of the Subsidiaries that are or may become required to be issued by reason of any options, warrants, rights to subscribe to, calls or commitments of any kind or

nature and there are no contracts, commitments, understandings or arrangements by which any Subsidiary is or may become bound to issue additional Equity Interests.

(b) The issued and outstanding Equity Interests of each of J. Crew, Retail and Factory are directly and beneficially owned and held by Operating, and all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, except for those permitted under the Loan Agreement (or under the Indenture, if then in effect) or the Senior Creditor Documents or the security interest granted hereby and under the Senior Creditor Documents.

(c) The issued and outstanding Equity Interests of Operating are directly and beneficially owned and held by Intermediate, and all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, except for those permitted under the Loan Agreement (or under the Indenture, if then in effect) or the Senior Creditor Documents or the security interest granted hereby and under the Senior Creditor Documents.

(d) The issued and outstanding Equity Interests of JCI are directly and beneficially owned and held by J. Crew, and all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, except for those permitted under the Loan Agreement (or under the Indenture, if then in effect) or the Senior Creditor Documents or the security interest granted hereby and under the Senior Creditor Documents.

5.6 Accuracy and Completeness of Information. All information in the Information Certificate is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading.

5.7 Survival of Warranties; Cumulative. All representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which any Grantor shall now or hereafter give, or cause to be given, to the Collateral Agent or any of the Junior Creditors.

SECTION 6. AFFIRMATIVE AND NEGATIVE COVENANTS

6.1 Maintenance of Existence.

(a) No Grantor shall change its name unless each of the following conditions is satisfied: (i) the Collateral Agent shall have received not less than thirty (30) days prior written notice from such Grantor of such proposed change in its corporate name, which notice shall accurately set forth the new name; and (ii) the Collateral Agent shall have received a copy of the amendment to the certificate of incorporation of such Grantor providing for the name change certified by the Secretary of State of the jurisdiction of incorporation or organization of such Grantor as soon as it is available.

(b) No Grantor shall change its chief executive office or its mailing address or organizational identification number (or if it does not have one, shall not acquire one) unless the Collateral Agent shall have received not less than thirty (30) days' prior written notice from such Grantor of such proposed change, which notice shall set forth such information with respect thereto as the Collateral Agent may require and the Collateral Agent shall have received such agreements as the Collateral Agent may reasonably require in connection therewith. No Grantor shall change its type of organization or jurisdiction of organization unless the Collateral Agent shall have received not less than thirty (30) days' prior written notice, or change its legal structure unless the Collateral Agent shall have received not less than five (5) days' prior written notice, from such Grantor of such proposed change, which notice shall set forth such information with respect thereto as the Collateral Agent may reasonably require in connection therewith.

6.2 Records. Upon the occurrence and during the continuance of a First-Lien Termination Period, 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 ordinary business practices, but in any event to include complete accounting records indicating all material 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 (and the Collateral Agent shall not be obligated to make such a request unless directed to do so by the Required Lenders or the Required Holders, if the Indenture is then in effect), promptly to prepare and deliver to the Collateral Agent an updated Information Certificate, noting all material changes, if any, since the date of the most recent Information Certificate, but not more often than once in a calendar year.

6.3 Protection of Security. Each Grantor shall, at its own cost and expense, take actions consistent with its ordinary business practices to defend title to Collateral against all persons and to defend the security interest of the Collateral Agent in Collateral and the priority thereof against any lien other than liens permitted under the Loan Agreement (or the Indenture, if then in effect).

6.4 Taxes; Encumbrances. Upon the occurrence and during the continuance of a First-Lien Termination Period, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, 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 under the Loan Agreement (or the Indenture, if then in effect), and may pay for the maintenance and preservation of the Collateral, in each case to the extent any Grantor fails to do so as required by the Loan Agreement (or the Indenture, if then in effect) 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 6.4 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Junior Creditors 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 Financing Documents.

6.5 Continuing Obligations of the Grantors. Each Grantor shall remain liable to observe and perform all material conditions and obligations to be observed and performed by it

under each contract, agreement or instrument relating to the Collateral, in each case material to its business and in accordance with its ordinary business practices, 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 Junior Creditors from and against any and all liability for such performance.

6.6 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 the Loan Agreement (or the Indenture, if then in effect). 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 in the ordinary course of business and (b) the Grantors may sell, convey, lease, assign, transfer, use or otherwise dispose of any Collateral in any manner not inconsistent with the provisions of this Agreement, the Loan Agreement (or the Indenture, if then in effect). Upon the occurrence and during the continuance of a First-Lien Termination Period, without limiting the generality of the foregoing, each Grantor agrees to make reasonable efforts to obtain from any warehouseman, bailee, agent or processor in possession of material Inventory an agreement 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; provided that there shall be no such agreement with respect to the Inventory (i) located in the United States in transit in the ordinary course of business of the J. Crew Companies in the possession of the carrier transporting such goods, (ii) held by customs authorities, or (iv) held at paper mills and printers.

6.7 Limitation on Modification of Accounts. Upon the occurrence and during the continuance of a First-Lien Termination Period, none of the J. Crew Companies will, without the prior written consent of the Collateral Agent, 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 ordinary business practices.

6.8 Insurance. Upon the occurrence and during the continuance of a First-Lien Termination Period, the J. Crew Companies, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment with financially sound and reputable insurance companies in such amounts (with no greater risk retention) and against such risks as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations. Each J. Crew Company irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such J. Crew Company'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 J. Crew Company 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 J. Crew Company 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 J. Crew Companies 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 6.8, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the J. Crew Companies to the Collateral Agent and shall be additional Obligations secured hereby.

6.9 Legend. Upon the occurrence and during the continuance of a First-Lien Termination Period, if any Accounts Receivable of any J. Crew Company are evidenced by any item of chattel paper each in excess of $50,000, such J. Crew Company shall legend, in form and manner reasonably satisfactory to the Collateral Agent, such Accounts Receivable and its books, records and documents evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable have been assigned to the Collateral Agent for the benefit of the Junior Creditors.

6.10 Covenants Regarding the Intellectual Property Collateral.

(a) Upon the occurrence and during the continuance of a First-Lien Termination Period, each J. Crew Company (either itself or through its licensees or its sublicensees) will, for each trademark registered with the United States Patent and Trademark Office material to the conduct of such J. Crew Company's business, (i) maintain such trademark in full force free from any claim 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 maximum rights under applicable law 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.

(b) Upon the occurrence and during the continuance of a First-Lien Termination Period, each J. Crew Company shall notify the Collateral Agent as soon as practicable if it knows that any trademark registered with the United States Patent and Trademark Office material to the conduct of its business will or has 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 regarding such J. Crew Company's ownership of any trademark, its right to register the same, or to keep and maintain the same.

(c) Upon the occurrence and during the continuance of a First-Lien Termination Period, each J. Crew Company will take all necessary steps that are consistent with its practice in any proceeding before the United States Patent and Trademark Office to maintain and pursue each material application relating to the trademarks (and to obtain the relevant grant or registration) and to maintain each registration of the trademarks registered with the United States Patent and Trademark Office that is material to the conduct of any J. Crew Company's business, including timely filings of application 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.

6.11 Costs and Expenses. The J. Crew Companies shall pay to the Collateral Agent on demand all reasonable costs, expenses, filing fees and taxes paid or payable in connection with the exercise by the Collateral Agent of its rights in Collateral under this Agreement and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all out-of-pocket costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes and intangibles taxes, if applicable); (b) costs and expenses of preserving and protecting the Collateral; (c) costs and expenses paid or incurred in connection with enforcing the security interests and liens of the Collateral Agent, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement or defending any claims made or threatened against the Collateral Agent or any Junior Creditor thereby (including preparations for and consultations concerning any such matters) arising out of the transactions contemplated hereby or thereby; and (d) the reasonable fees and disbursements of counsel (including legal assistants) to the Collateral Agent in connection with any of the foregoing. Notwithstanding the foregoing, in no event shall the J. Crew Companies be obligated to pay any amounts in respect of any fixture filings or any of Intellectual Property filings (other than UCC financing statement fees) or any amounts to comply with any certificate of title laws or laws of any foreign jurisdiction.

6.12 Further Assurances. At the request of the Collateral Agent at any time and from time to time, Grantors shall, at their expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the J. Crew Companies' Collateral or Intermediate's Collateral, as applicable, and to otherwise effectuate the provisions or purposes of this Agreement, as the Collateral Agent may from time to time request to better assure, preserve, protect and perfect the security interest and the rights and remedies created hereby. Notwithstanding the foregoing, in no event shall the J. Crew Companies be obligated to do or cause to be done any acts in respect of any fixture filings or any of Intellectual Property filings (other than UCC financing statements) or acts required to comply with any certificate of title laws or laws of any foreign jurisdiction.

6.13 Additional Collateral. From and after the date of this Agreement, if any J. Crew Company creates any additional security interest upon any of its assets or property not already pledged hereunder to secure any Obligations under the Senior Credit Agreement, it shall concurrently grant a security interest (subject to liens permitted under the Loan Agreement (or under the Indenture if then in effect)) upon such assets and property as security for the Secured Obligations and, subject to the Intercreditor Agreement, execute any and all further security documents, financing statements, agreements and instruments that grant the Collateral Agent a security interest in such assets and property for the ratable benefit of the Junior Creditors, and shall take all such actions (including the filing and recording of financing statements, fixture filings, mortgages and other documents) that may be required under any applicable law, or which the Collateral Agent may reasonably request to create such security interest, all at the expense of

the J. Crew Companies, including all reasonable fees and expenses of counsel incurred by the Collateral Agent in connection therewith; provided that no such J. Crew Company shall be required to grant a security interest upon such property as security for the Secured Obligations if (i) a security interest in such property cannot be granted or perfected under applicable law or (ii) such grant requires the consent of any third party, which consent such J. Crew Company is unable to obtain using commercially reasonable efforts.

6.14 Right to Cure. The Collateral Agent may, at its option, upon the occurrence of an Event of Default, (a) cure any default by any of J. Crew Companies under any material agreement with a third party that affects the Collateral, its value or the ability of the Collateral Agent to collect, sell or otherwise dispose of the J. Crew Companies' Collateral or the rights and remedies of the Collateral Agent or the Junior Creditors therein or the ability of the J. Crew Companies to perform its obligations hereunder or under any of the other Financing Agreements, (b) pay or bond on appeal any judgment entered against any of the J. Crew Companies, (c) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the J. Crew Companies' Collateral and pay any amount, incur any expense or perform any act which, in the Collateral Agent's good faith judgment, is necessary or appropriate to preserve, protect, insure or maintain the J. Crew Companies' Collateral and the rights of the Collateral Agent and the Junior Creditors with respect thereto. The Collateral Agent may add any amounts so expended to the Secured Obligations and charge the J. Crew Companies' account therefor, such amounts to be repayable by the J. Crew Companies on demand. The Collateral Agent and the Junior Creditors shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of the J. Crew Companies. Any payment made or other action taken by the Collateral Agent or any Junior Creditor under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

6.15 Access to Premises. From time to time at reasonable intervals and as reasonably requested by the Collateral Agent (and the Collateral Agent shall not be obligated to make such a request unless directed to do so by the Required Lenders or the Required Holders, if the Indenture is then in effect), at the cost and expense of the J. Crew Companies, (a) the Collateral Agent or its designee or the Junior Creditors shall have access to the J. Crew Companies' premises during normal business hours, or at any time and without notice to the J. Crew Companies upon the occurrence of an Event of Default, for the purposes of inspecting and verifying the J. Crew Companies' Collateral, including the Records, and (b) in connection with any such inspection, the J. Crew Companies shall promptly furnish to the Collateral Agent such copies of such books and records or extracts therefrom as the Collateral Agent may reasonably request, and the Collateral Agent or the Junior Creditors or the Collateral Agent's designee may use during normal business hours such of the J. Crew Companies' personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing (provided, that, the J. Crew Companies shall only be obligated to make such personnel, equipment, supplies and premises available to the Collateral Agent or its designee or the Junior Creditor in such manner so as to minimize any interference with the operations of the J. Crew Companies) and upon the occurrence of an Event of Default, for the collection of Receivables and realization of other J. Crew Companies' Collateral.

SECTION 7. VOTING RIGHTS AND DIVIDENDS

7.1 Voting Rights. Unless and until an Event of Default occurs, Intermediate shall be entitled to exercise any and all voting rights and/or other consensual rights and powers inuring to an owner of Operating Equity Securities or any part thereof for any purpose consistent with the terms of this Agreement; provided, however, that, upon the occurrence of the Exchange Date, Intermediate will not be entitled to exercise any such right if the result or purpose thereof is solely to interfere with the rights and remedies of the Collateral Agent under this Agreement;

7.2 Dividends. Intermediate and Operating shall be entitled to receive and retain any and all cash dividends and distributions (except cash dividends paid or payable in respect of the total or partial liquidation of an issuer) paid on Operating Equity Securities or Subsidiary Equity Securities, respectively; provided, however, that until dividends and distributions are actually paid, all rights to such dividends and distributions shall remain subject to

the security interest of this Agreement but only in the case of Intermediate, if the Operating Equity Securities are then subject to such security interest. All dividends and distributions (other than cash dividends and distributions which Intermediate and Operating may retain pursuant to the immediately preceding sentence) in respect of, or in exchange for, any of Operating Equity Securities or Subsidiaries Equity Securities, shall forthwith be paid or delivered to the Collateral Agent and held by the Collateral Agent subject to the security interest of this Agreement and, if received by Intermediate or Operating, respectively, shall, until paid or delivered to the Collateral Agent, be segregated from the other funds and property of Intermediate or Operating, respectively, and be held in trust for the Collateral Agent subject to the security interest of this Agreement; provided, however, that such payment delivery and segregation requirements shall only apply to Intermediate upon the occurrence of the Exchange Date.

7.3 Rights of the Collateral Agent. Upon the occurrence of an Event of Default and in the case of the Operating Equity Securities, only after the Exchange Date, the Collateral Agent shall have the right (in its sole and absolute discretion) to hold Operating Equity Securities and Subsidiary Equity Securities in its own name as the Collateral Agent or in the name of its nominee. Intermediate or Operating, respectively, will promptly give to the Collateral Agent copies of any notices or other communications received by each of them as shareholders with respect to the Operating Equity Securities or Subsidiary Equity Securities registered in the names of Intermediate or Operating, respectively.

SECTION 8. REMEDIES

8.1 Remedies Upon Default. Upon the occurrence of an Event of Default, the Collateral Agent may from time to time and shall, if directed by the Required Lenders (or the Required Holders if the Indenture is in effect), in respect of the Collateral, in addition to the other rights and remedies provided for herein or otherwise available to it:

(a) Upon the occurrence of an Event of Default, the Collateral Agent and the Junior Creditors shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the UCC and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Grantor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers

granted to the Collateral Agent and the Junior Creditors hereunder, under any of the other Financing Agreements, the UCC or other applicable law, are cumulative, not exclusive and enforceable, in the Collateral Agent's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Grantor of this Agreement or any of the other Financing Agreements. Subject to this Section 8 hereof, the Collateral Agent may, and at the direction of the Required Lenders (or the Required Holders, if the Indenture is then in effect) shall at any time or times, proceed directly against the J. Crew Companies or any other Obligor to collect the Secured Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, upon the occurrence of an Event of Default, the Collateral Agent may, at its discretion, or upon the direction of the Required Lenders (or the Required Holders, if the Indenture is then effect), shall (i) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (ii) require any Grantor, at such Grantor's expense, to assemble and make available to the Collateral Agent any part or all of the Collateral at any place and time designated by the Collateral Agent, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all of the Collateral, (iv) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, or (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all of the Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of the Collateral Agent or elsewhere) at such prices or terms as the Collateral Agent may deem reasonable, for cash, upon credit or for future delivery, with the Collateral Agent having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of the J. Crew Companies, which right or equity of redemption is hereby expressly waived and released by the J. Crew Companies. If any of the J. Crew Companies' Collateral is sold or leased by the Collateral Agent upon credit terms or for future delivery, the Secured Obligations shall not be reduced as a result thereof until payment therefor is finally collected by the Collateral Agent. If notice of disposition of Collateral is required by law, ten (10) days prior notice by the Collateral Agent to the Borrower Agent or to each Grantor designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and each Grantor waives any other notice. In the event the Collateral Agent institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, each Grantor waives the posting of any bond which might otherwise be required.

(c) Upon the occurrence of an Event of Default, the Collateral Agent may, in its discretion, or upon the direction of Required Lenders (or Required Holders, if the Indenture is in effect at that time) shall enforce the rights of the J. Crew Companies against any account debtor, secondary obligor or other obligor in respect of any of the Accounts or other Receivables. Without limiting the generality of the foregoing, the Collateral Agent may, upon its discretion, or upon the direction of the Required Lenders (or Required Holders, if the Indenture is in effect at that time), shall at such time or times (i) notify any or all account debtors (including Credit Card

Issuers and Credit Card Processors), secondary obligors or other obligors in respect thereof that the Receivables have been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein and the Collateral Agent may direct any or all accounts debtors (including Credit Card Issuers and Credit Card Processors), secondary obligors and other obligors to make payment of Receivables directly to the Collateral Agent, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Receivables or other obligations included in the Collateral and thereby discharge or release the account debtor or any secondary obligors or other obligors in respect thereof without affecting any of the Secured Obligations, (iii) demand, collect or enforce payment of any Receivables or such other obligations, but without any duty to do so, and the Collateral Agent shall not be liable for any failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action the Collateral Agent may deem necessary or desirable for the protection of its interests and the interests of the Junior Creditors.

(d) Upon the occurrence of an Event of Default, at the Collateral Agent's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to the Collateral Agent and are payable directly and only to the Collateral Agent and the J. Crew Companies shall deliver to the Collateral Agent such originals of documents evidencing the sale and delivery of goods or the performance of

services giving rise to any Accounts as the Collateral Agent may require. In the event any account debtor returns Inventory upon the occurrence of an Event of Default, the J. Crew Companies shall, upon the Collateral Agent's request, hold the returned Inventory in trust for the Collateral Agent, segregate all returned Inventory from all of its other property, dispose of the returned Inventory solely according to the Collateral Agent's instructions, and not issue any credits, discounts or allowances with respect thereto without the Collateral Agent's prior written consent.

(e) To the extent that applicable law imposes duties on the Collateral Agent or any Junior Creditors to exercise remedies in a commercially reasonable manner (which duties cannot be waived under such law), each Grantor acknowledges and agrees that it is not commercially unreasonable for the Collateral Agent or any Junior Creditor (i) to fail to incur expenses reasonably deemed significant by the Collateral Agent or any Junior Creditor to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of or to obtain or, if not required by other law, to fail to obtain consents of any governmental authority or other third party for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors, secondary obligors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as any Guarantor, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the

reasonable capability of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure the Collateral Agent or Junior Creditors against risks of loss, collection or disposition of Collateral, or (xii) to the extent deemed appropriate by the Collateral Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Collateral Agent in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by the Collateral Agent or any Junior Creditor would not be commercially unreasonable in the exercise by the Collateral Agent or any Junior Creditor of remedies against the Collateral and that other actions or omissions by the Collateral Agent or any Junior Creditor shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation of the foregoing, nothing contained in this Section shall be construed to grant any rights to any Grantor or to impose any duties on the Collateral Agent or the Junior Creditors that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(f) For the purpose of enabling the Collateral Agent to exercise the rights and remedies hereunder and solely to the extent permitted by any agreements each of the J. Crew Companies may have with third parties, each J. Crew Company hereby grants to the Collateral Agent an irrevocable, non-exclusive license (exercisable at any time an Event of Default shall exist or have occurred and for so long as the same is continuing) without payment of royalty or other compensation to any J. Crew Company, to use any of the trademarks, service-marks, trade names, business names, trade styles, designs, logos and other source of business identifiers and other Intellectual Property and general intangibles now owned or hereafter owned by any of the J. Crew Companies, wherever the same may be located, 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 programs used for the compilation or printout thereof; provided that the Collateral Agent agrees that any use of any such trademarks or service-marks by it shall conform to quality standards employed by each of the J. Crew Companies with respect to such marks.

8.2 Application of Proceeds. The Collateral Agent may, upon the occurrence of an Event of Default, apply any cash held in the Accounts and apply the proceeds of any sale or other disposition of all or any part of the Collateral, as applicable, in the following order of priorities:

(a) FIRST, to pay all costs and expenses incurred by the Collateral Agent, the administrative agent under the Loan Agreement or the trustee under the Indenture, as then in effect, in connection with such collection or sale or otherwise in connection with this Agreement or any of the Secured 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 on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder and any other amounts due to the Collateral Agent;

(b) SECOND, to pay in full the due and unpaid principal and due and unpaid interest (including any Accreted Value (as defined in the Contingent Principal Notes Indenture)), where and as applicable, of the Secured Obligations owed to the Junior Creditors (the amount so

applied to be distributed pro rata in accordance with the amount of such Secured Obligations owed), subject to the provisions of Section 8.3 hereof;

(c) THIRD, to pay in full all other due and unpaid Secured Obligations (the amount so applied to be distributed pro rata in accordance with the amount of such Secured Obligations owed), subject to the provisions of Section 8.3 hereof; and

(d) FOURTH, to Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

8.3 Compliance With Certain Requirements.

(a) With respect to any Contingent Principal Notes Obligations, an amount (the "Determined Amount") shall be required to be paid or held by the Collateral Agent for such Contingent Principal Notes Obligations with respect to each of Sections 8.2(b) and 8.2(c) (each, a "Level") equal to (x) the Ratio multiplied by (y) the proceeds of any sale or other disposition of Collateral that would be applied by the Collateral Agent to Loan Agreement Obligations or Note Obligations at the applicable Level under the provisions of Section 8.2 were the provisions of this Section 8.3 to be inapplicable. Notwithstanding the foregoing, if the amount to be applied to the Contingent Principal Notes Obligations at any Level would be greater if the Ratio were calculated by reference to the outstanding principal of and accrued and unpaid interest on an Other Second-Lien Obligation (other than the Contingent Principal Note Obligations), rather than the Loan Agreement Obligations or the Notes Obligations, such Other Second-Lien Obligation shall be used in order to determine the amount to be applied to the Contingent Principal Notes Obligations at such Level.

(b) This Section 8 of this Agreement is intended to comply with equal and ratable negative pledge provisions of the Contingent Principal Notes Indenture and shall be construed to give effect to such intention. The Collateral Agent shall be obligated to offer to pay to the Contingent Principal Notes Trustee any portion of such Determined Amounts that are, in fact, due and payable at such time such Determined Amounts are calculated, and the Collateral Agent shall deposit any remaining portion of such Determined Amounts and any amounts not accepted by the Contingent Principal Notes Trustee in a segregated account solely for the benefit of the holders of such Contingent Principal Notes (and all amounts on deposit in such account shall be invested in Cash Equivalents maturing within 30 days after the investment is made). Notwithstanding the foregoing, if at any time the Contingent Principal Notes Trustee shall advise the Collateral Agent that no Contingent Principal Notes Obligations of the type in respect of which monies and proceeds are held by the Collateral Agent pursuant to this 8.3(b) will or may any longer be outstanding or owing for any reason, then such monies and any monies that constitute proceeds of such investments will be applied by the Collateral Agent in accordance with Section 8.2. The Collateral Agent shall not be responsible for any diminution in funds resulting from investments made in Cash Equivalents or from holding such monies uninvested.

(c) In making the payments and allocations required by this Section 8, the Collateral Agent may rely upon information supplied to it pursuant to the requirements under this Agreement or provided to the Collateral Agent in writing by the Contingent Principal Notes Trustee. All distributions made by the Collateral Agent pursuant to this Section 8 shall be final

(except in the event of manifest error) and the Collateral Agent shall have no duty to inquire as to the application by any Junior Creditor of any amount distributed to it.

SECTION 9. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

9.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.

(a) The validity, interpretation and enforcement of this Agreement and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

(b) Each of the Grantors and the Collateral Agent irrevocably consents and submits to the non-exclusive jurisdiction of the Supreme Court of the State of New York for New York County and the United States District Court for the Southern District of New York, whichever the Collateral Agent may elect, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that the Collateral Agent and Junior Creditors shall have the right to bring any action or proceeding against any Grantor or its or their property in the courts of any other jurisdiction which the Collateral Agent deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against any Grantor or its or their property).

(c) Each Grantor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at the Collateral Agent's option, by service upon such Grantor (or the Borrower Agent on behalf of such Grantors) in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Grantor shall appear in answer to such process, failing which such Grantor shall be deemed in default and judgment may be entered by the Collateral Agent against such Grantor for the amount of the claim and other relief requested.

(d) GRANTORS AND THE COLLATERAL AGENT EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. GRANTORS AND THE COLLATERAL AGENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF

ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT OPERATING, INTERMEDIATE, THE COLLATERAL AGENT OR THE JUNIOR CREDITORS MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) The Collateral Agent and the Junior Creditors shall not have any liability to any Grantor (whether in tort, contract, equity or otherwise) for losses suffered by any Grantor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined that by a final non-appealable judgment of court order binding on the Collateral Agent and Junior Creditors that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. Each Grantor: (i) certifies that neither the Collateral Agent, any Junior Creditor nor any representative, agent or attorney acting for or on behalf of the Collateral Agent or any Junior Creditor has represented, expressly or otherwise, that the Collateral Agent and the Junior Creditors would not, in the event of litigation, seek to enforce any of the waivers provided for in this Agreement and (ii) acknowledges that in entering into this Agreement and the other Financing Agreements, the Collateral Agent and the Junior Creditors are relying upon, among other things, the waivers and certifications set forth in this Section 9.1 and elsewhere herein and therein.

9.2 Waiver of Notices. Each Grantor hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and chattel paper, included in or evidencing any of the Secured Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Secured Obligations, the Collateral and this Agreement, except such as are expressly

provided for herein. No notice to or demand on any Grantor which the Collateral Agent or any Junior Creditor may elect to give shall entitle such Grantor to any other or further notice or demand in the same, similar or other circumstances.

9.3 Amendments and Waivers.

(a) Neither this Agreement nor any provision hereof may be waived, amended, terminated or discharged or modified except by Collateral Agent, acting upon the instructions of the Required Lenders (or the Required Holders, if the Indenture is in effect at that time) pursuant to an agreement or agreements in writing entered into by the Collateral Agent and each Grantor to the extent such Grantor is directly affected by such amendment, with respect to which such waiver, amendment, termination, discharge or modification is to apply; provided, that, without the consent of any Junior Creditor, the Grantors and the Collateral Agent may amend or supplement this Agreement (i) to cure any ambiguity, defect or inconsistency or (ii) to make any change that would provide any additional rights or benefits to the Junior Creditors or that does not adversely affect the legal rights hereunder of any Junior Creditor.

(b) The Collateral Agent and the Junior Creditors shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its or their rights, powers and/or remedies unless such waiver shall be in writing and signed as provided herein. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver

by the Collateral Agent or any Junior Creditor of any right, power and/or remedy hereunder on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Collateral Agent or any Junior Creditor would otherwise have on any future occasion, whether similar in kind or otherwise.

SECTION 10. THE COLLATERAL AGENT

10.1 Appointment, Powers and Immunities. Pursuant to Section 11.08 of the Loan Agreement (or Section 11.09 of the Indenture, as then in effect), U.S. Bank National Association is irrevocably designated, appointed and authorized to act as the Collateral Agent hereunder with such powers as are specifically delegated to the Collateral Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Collateral Agent (a) shall have no duties or responsibilities except those expressly set forth in this Agreement, and shall not by reason of this Agreement be a trustee or fiduciary for the Junior Creditors; (b) shall not be responsible to the Junior Creditors for any recitals, statements, representations or warranties contained in this Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document referred to or provided for herein or therein or for any failure by any of the Grantors or any other Person to perform any of its obligations hereunder or thereunder; (c) shall not be responsible to the Junior Creditors for any action taken or omitted to be taken by it hereunder or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct and (d) shall not be required to exercise its rights and remedies against the Collateral unless directed to do so by the Required Lenders (or the Required Holders, if the Indenture is then in effect). The Collateral Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Collateral Agent may deem and treat the payee of any note as the holder thereof for all purposes hereof unless and until the assignment thereof pursuant to an agreement (if and to the extent permitted herein) in form and substance satisfactory to the Collateral Agent shall have been delivered to and acknowledged by the Collateral Agent.

10.2 Reliance by the Collateral Agent. The Collateral Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Collateral Agent. As to any matters not expressly provided for by this Agreement or any other Financial Agreement, the Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders (or the Required Holders, if the Indenture is then in effect) as is required in such circumstances, and such instructions of such Collateral Agent and any action taken or failure to act pursuant thereto shall be binding on all lenders or holders under the Loan Agreement or the Indenture, if then in effect, respectively.

10.3 Concerning the Collateral. Pursuant to Section 11.08 of the Loan Agreement (or Section 11.09 of the Indenture, if then in effect), the Collateral Agent is authorized and directed

by each Junior Creditor to enter into this Agreement. Pursuant to the terms of the Loan Agreement (and the Indenture, as then in effect), each action taken by the Collateral Agent in accordance with the terms of this Agreement and the exercise by the Collateral Agent of its respective powers set forth herein or therein, together with such other powers that are reasonably incidental thereto, shall be binding upon all Junior Creditors.

10.4 Collateral Matters.

(a) The Collateral Agent is authorized to release any security interest in or lien upon, any of the Collateral (i) upon payment and satisfaction of all of the Secured Obligations, (ii) constituting property being sold or disposed of if the Borrower Agent or any Grantor certifies to the Collateral Agent that the sale or disposition is made in compliance with the applicable terms of the Loan Agreement (or the Indenture if then in effect), including Section 4.09 of the Loan Agreement (or Section 4.10 or Section 5.01 of the Indenture, if then in effect) (and the Collateral Agent may rely conclusively on any such certificate, without further inquiry), (iii) if the Borrower Agent or any Grantor certifies to the Collateral Agent that the release of lien or security interest upon Collateral is required or permitted by Section 11.03 of the Loan Agreement (or Section 11.03 of the Indenture if then in effect), (iv) required by the terms of the Intercreditor Agreement, or (v) approved, authorized or ratified in writing by the Required Lenders (or the Required Holders, if the Indenture is then in effect); provided that, if at such time the Trust Indenture Act of 1939, as amended, is applicable, the requirements of Section 314(d) of such Act have been complied with. Except as provided above, the Collateral Agent will not release any security interest in or lien upon any of the Collateral. Upon request by the Collateral Agent at any time, Lenders (or Holders, as applicable) will promptly confirm in writing the Collateral Agent's authority to release particular types or items of Collateral pursuant to this Section. The Collateral Agent shall execute (to the extent required) and deliver to the J. Crew Companies, at the J. Crew Companies' expense, all UCC termination statements and similar documents, which the J. Crew Companies shall reasonably request to evidence the termination of the security interest in the J. Crew Companies' Collateral.

(b) The Collateral Agent shall execute such documents as may be necessary to evidence the release of the security interest, mortgage or liens granted to the Collateral Agent upon any Collateral to the extent set forth above.

(c) The Collateral Agent shall have no obligation whatsoever to the Junior Creditors or any other Person to investigate, confirm or assure that the Collateral exists or is owned by any of the Grantors or is cared for, protected or insured or has been encumbered, or that any particular items of Collateral meet the eligibility criteria applicable in respect of the Secured Obligations hereunder, or whether any particular reserves are appropriate, or that the liens and security interests granted to the Collateral Agent pursuant hereto or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the Collateral Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of the Collateral or any act, omission or event related thereto, the Collateral Agent may act in any manner it may deem appropriate, in

its discretion, given the Collateral Agent's own interest in the Collateral as a trustee and that the Collateral Agent shall have no duty or liability whatsoever to any other trustee.

10.5 Agency for Perfection. Should any Junior Creditor obtain possession of any Collateral, such Junior Creditor shall notify the Collateral Agent thereof, and, promptly upon the Collateral Agent's request therefor shall deliver such Collateral to the Collateral Agent or in accordance with the Collateral Agent's instructions.

10.6 Successor Collateral Agent. The Collateral Agent may resign as the Collateral Agent upon thirty (30) days' notice to each Grantor. If the Collateral Agent resigns under this Agreement, the Required Lenders (or the Required Holders, if the Indenture is then in effect) shall appoint a successor Collateral Agent. Upon the acceptance by the collateral agent so selected of its appointment as successor agent hereunder, such successor agent shall succeed to all of the rights, powers and duties of the retiring the Collateral Agent and the term "Collateral Agent" as used herein and in the other Financing Agreements shall mean such successor agent and the retiring Collateral Agent's appointment, powers and duties as the Collateral Agent shall be terminated. After a retiring Collateral Agent's resignation hereunder as the Collateral Agent, the provisions of this Section 10.6 shall inure to its benefit as to any actions taken or omitted by it while it was the Collateral Agent under this Agreement. If no successor agent has accepted appointment as the Collateral Agent by the date which is thirty (30) days after the date of a retiring the Collateral Agent's notice of resignation, the retiring Collateral Agent's resignation shall nonetheless thereupon become effective and the retiring Collateral Agent may appoint a successor collateral agent reasonably acceptable to the Junior Creditors or may apply to a court of competent jurisdiction to have a successor collateral agent appointed. If the Collateral Agent merges or consolidates with another corporation or transfers substantially all of its corporate trust business to another corporation, the surviving entity or such transferee, as applicable, shall be the Collateral Agent hereunder without further act.

SECTION 11. TERM OF AGREEMENT; MISCELLANEOUS

11.1 Effectiveness. This Agreement shall become effective on the Closing Date (as defined in the Loan Agreement).

11.2 Term.

(a) This Agreement shall continue in full force and effect until the claims and obligations arising under the Loan Agreement and the Indenture, as then in effect, have been paid in full, at which time the Collateral Agent shall execute and deliver to the J. Crew Companies, at the J. Crew Companies' expense, all UCC termination statements and similar documents, including, without limitation, authorization for the J. Crew Companies to file UCC termination statements, which the J. Crew Companies shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 11.1 shall be without recourse to or warranty by the Collateral Agent.

(b) No termination of this Agreement shall relieve or discharge Grantors of their respective duties, obligations and covenants under this Agreement until all monetary Secured Obligations have been fully and finally discharged and paid, and the Collateral Agent's

continuing security interest in the Collateral and the rights and remedies of the Collateral Agent and Junior Creditors hereunder and under applicable law, shall remain in effect until all such monetary Secured Obligations have been so paid. Accordingly, the J. Crew Companies waive any rights they may have under the UCC to demand the filing of termination statements with respect to the Collateral and the Collateral Agent shall not be required to send such termination statements to the J. Crew Companies, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all monetary Secured Obligations paid in full in immediately available funds.

11.3 Interpretative Provisions.

(a) All terms used herein which are defined in Article 1, Article 8 or Article 9 of the UCC shall have the meanings given therein unless otherwise defined in this Agreement.

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires.

(c) All references to Grantors, the Collateral Agent and Junior Creditors pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns.

(d) The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(e) The word "including" when used in this Agreement shall mean "including, without limitation".

(f) All references to "store" or "retail store" as applied to the J. Crew Companies shall include both factory outlet stores and other retail stores operated by the J. Crew Companies.

(g) All references to the term "good faith" used herein or the term "reasonable" or "reasonably" when applicable to the Collateral Agent or any Junior Creditor shall be based upon the manner in which a comparable asset-based lender similarly situated, with similar rights and providing a credit facility of the type and with the Collateral and information then available to it set forth herein, would act in such circumstances.

(h) Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the financial statements of J. Crew Group, Inc. most recently received by the Collateral Agent prior to the date hereof.

(i) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

(j) Unless otherwise expressly provided herein, (i) references herein to any agreement, document or instrument shall be deemed to include all subsequent amendments, modifications, supplements, extensions, renewals, restatements or replacements with respect thereto, but only to the extent the same are not prohibited by the terms hereof or of any other Financing Agreement, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, recodifying, supplementing or interpreting the statute or regulation.

(k) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(l) This Agreement and other Financing Agreements may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(m) This Agreement and the other Financing Agreements are the result of negotiations among and have been reviewed by counsel to the J. Crew Companies and the other parties, and are the products of all parties. Accordingly, this Agreement and the other Financing Agreements shall not be construed against the Collateral Agent or the Junior Creditors merely because of the Collateral Agent's or the Junior Creditors' involvement in their preparation.

11.4 Subject to the Intercreditor Agreement.

(a) Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the terms of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

(b) Upon the occurrence of and during the continuance of a First-Lien Termination Period, the Required Lenders shall have the right to request and the J. Crew Companies shall consent to any assignment by the Senior Credit Agent to the Collateral Agent of the Senior Credit Agent's rights under any control agreement or other agreement entered into by the Senior Collateral Agent with a third party relating to the Collateral; provided that if any such third party requests the execution of a new substantially similar agreement, the J. Crew Companies will use reasonable efforts to enter into such agreement.

(c) The covenants with respect to Section 6, set forth in Sections 6.2, 6.4, last sentence of 6.6, 6.7, 6.8, 6.9, and 6.10 hereof shall become effective only upon the occurrence of and during the continuance of the First-Lien Termination Date.

(d) While the Senior Creditor Documents are in effect, (i) any requirement to endorse, assign or deliver Collateral to the Collateral Agent shall be satisfied by the endorsement, assignment or delivery thereof to the Senior Credit Agent in accordance with the terms of the Senior Creditor Documents, (ii) any requirement hereunder that the Collateral Agent provides its consent or agreement with respect to Collateral shall be deemed satisfied if the Senior Credit Agent has given its consent or agreement in accordance with the terms of the

Senior Creditor Documents, and (iii) any requirement hereunder that the Collateral Agent shall receive any monies, checks, notes, drafts or any other payments relating to and/or proceeds of Receivables or other Collateral from any of the Grantors shall be deemed satisfied if the Senior Credit Agent receives any such monies, checks, notes, drafts or any other payments in accordance with the terms of the Senior Creditor Documents; provided that the foregoing requirements shall all be satisfied if the Grantors have exercised reasonable efforts to cause the Senior Creditor Agent to accept such endorsement, assignment, delivery or receipt or give its consent or agreement, as applicable, and the Senior Creditor Agent has failed to do so.

11.5 Notices. All notices, requests and demands hereunder shall be in writing and deemed to have been given or made: if delivered in person, immediately upon delivery; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to Operating,
J. Crew, Retail, Factory,
JCI or Intermediate:

	[name of the respective Grantor] 770 Broadway New York, New York 10003 Attention: Chief Financial Officer Telephone No.: 212-209-2667
with a copy to:	J. Crew Group, Inc. 770 Broadway New York, New York 10003 Attention: General Counsel Telephone No.: 212-209-8254
If to the Collateral Agent:	U.S. Bank National Association Goodwin Square 225 Asylum Street Hartford, CT 06103 Attention: M. Hopkins, Corporate Trust Telephone No.: 860-241-6820

11.6 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

11.7 Successors. This Agreement and any other document referred to herein shall be binding upon and inure to the benefit of and be enforceable by the Collateral Agent, the Junior Creditors, each Grantor and their respective successors and assigns, except that the Grantors shall not assign their rights under this Agreement without the prior consent of the Collateral Agent and the Junior Creditors. Any such purported assignment without such prior express consent shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of Grantors, the Collateral Agent and Junior Creditors with respect to the transactions contemplated hereby and there shall be no third party beneficiaries of any of the terms and provisions of this Agreement or any of the other Financing Documents.

11.8 Entire Agreement. This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

11.9 Counterparts, Etc. This Agreement or any of the other Financing Agreements may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement or any of the other Financing Agreements by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement or any of such other Financing Agreements. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

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IN WITNESS WHEREOF, each of the Grantors and the Collateral Agent have caused these presents to be duly executed as of the day and year first above written.

OPERATING

J. CREW OPERATING CORP.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW

J. CREW INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

RETAIL

GRACE HOLMES, INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

FACTORY

H.F.D. NO. 55, INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

JCI

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti

Title: VP Controller

INTERMEDIATE

J. CREW INTERMEDIATE LLC

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

COLLATERAL AGENT

U.S. Bank National Association
as the Collateral Agent

By: /s/ Michael M. Hopkins

Title: Vice President

Exhibit A

Information Certificate

Exhibit 4.3

[CONFORMED COPY]

INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT, dated as of November 21, 2004, among CONGRESS FINANCIAL CORPORATION, as Senior Credit Agent, U.S. BANK NATIONAL ASSOCIATION, as Collateral Agent, J. CREW OPERATING CORP., J. CREW, INC., GRACE HOLMES, INC., H.F.D. NO. 55, INC., J. CREW INTERNATIONAL, INC. and J. CREW INTERMEDIATE LLC.

WITNESSETH:

WHEREAS, the J. Crew Companies (such term and each other capitalized term used herein having the meanings set forth in Section 1 below), Intermediate, J. Crew Group Inc., certain lenders, Congress Financial Corporation, as administrative and collateral agent, and certain other parties are parties to the Loan and Security Agreement dated December 23, 2002, as amended (as further amended, supplemented or otherwise modified from time to time, the "Existing Credit Agreement");

WHEREAS, the Obligations of Operating and the other obligors under the Existing Credit Agreement are secured (together with certain other obligations) by various assets of the J. Crew Companies and Intermediate;

WHEREAS, the J. Crew Companies, Intermediate and U.S. Bank National Association, as administrative and collateral agent for the Junior Lenders, have entered into a Senior Subordinated Loan Agreement, dated of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Junior Credit Agreement"), pursuant to which the Junior Lenders will make certain loans to Operating;

WHEREAS, pursuant to the terms of the Junior Credit Agreement, the J. Crew Companies and Intermediate have agreed, upon the occurrence of certain events, to enter into an indenture (the "Junior Indenture") with U.S. Bank National Association, as trustee and collateral agent for the noteholders thereunder, pursuant to which Operating will issue to the Junior Lenders its 9¾% Senior Subordinated Notes due 2014 (the "Junior Notes");

WHEREAS, the J. Crew Companies, Intermediate and the Collateral Agent have entered into the Junior Security Agreement dated of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Junior Security Agreement"), pursuant to which the Grantors have granted to the Collateral Agent, for itself and on behalf of the Junior Creditors, second priority Liens in respect of the Common Collateral to secure the Junior Creditor Claims;

WHEREAS, Agent and Lenders under the Existing Credit Agreement have entered into Amendment No. 3 to Loan and Security Agreement dated of even date herewith (the "Existing Agreement Amendment"), to certain provisions of the Existing Credit Agreement that, among other things, permits the entry into the Junior Credit Agreement, the Junior Indenture and the Junior Security Agreement by the J. Crew Companies and Intermediate, and the granting of the second priority Liens in favor of the Junior Creditors under the Junior Security Agreement; and

---

WHEREAS, it is a condition precedent to the effectiveness of the Existing Agreement Amendment that the parties hereto enter into this Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. (a) Definitions. As used in this Agreement, the following terms have the meanings specified below:

"Accession Agreement" means an Accession Agreement in substantially the form of Annex I hereto.

"Agreement" means this Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Bankruptcy Law" means Title 11 of the United States Code and any similar Federal, state or foreign law for the relief of debtors.

"Business Day" means any day other than a Saturday, a Sunday or a day that is a legal holiday under the laws of the State of New York or on which banking institutions in the State of New York are required or authorized by law or other governmental action to close.

"Collateral Agent" means U.S. Bank National Association in its capacity as collateral agent under the Junior Collateral Documents, and also includes any successor, replacement or agent acting on its behalf as collateral agent for the Junior Creditors under the Junior Collateral Documents.

"Collateral Document" means any Senior Creditor Collateral Document or Junior Creditor Collateral Document.

"Common Collateral" means all of the assets of any Grantor, whether real, personal or mixed, constituting both Senior Creditor Collateral and Junior Creditor Collateral.

"Comparable Junior Creditor Collateral Document" means, in relation to any Common Collateral subject to any Lien created under any Senior Collateral Document, that Junior Creditor Collateral Document which creates a Lien on the same Common Collateral, granted by the same Grantor.

"Contingent Principal Notes" means the 16% Senior Discount Contingent Principal Notes due 2008 issued under the Contingent Principal Notes Indenture.

"Contingent Principal Notes Indenture" means that certain indenture, dated as of May 6, 2003, between Intermediate and the Contingent Principal Notes Trustee, pursuant

to which Intermediate issued $120,000,000 aggregate principal amount of 16% Senior Discount Contingent Principal Notes due 2008.

"Contingent Principal Notes Trustee" means U.S. Bank National Association, in its capacity as trustee under the Contingent Principal Notes Indenture.

"Discharge of First-Lien Obligations" means, except to the extent otherwise provided in Section 5.6, payment in full in cash of the principal of and interest and premium, if any, on all Indebtedness in respect of the outstanding First-Lien Obligations or, with respect to Hedging Obligations or letters of credit outstanding thereunder, delivery of cash collateral or backstop letters of credit in respect thereof in compliance with such First-Lien Obligations, in each case after or concurrently with termination of all commitments to extend credit thereunder, and payment in full in cash of any other Obligations in respect of the First-Lien Obligations that are due and payable or otherwise accrued and owing. If after receipt of any payment of, or proceeds of collateral applied to the payment of, any of the Senior Creditor Claims (whether by or on behalf of any Grantor, as proceeds of security, enforcement of any right of set-off or otherwise), Senior Credit Agent or any Senior Creditor is required to surrender or return such payment or proceeds to any person for any reason or such payment or proceeds are set aside, then the Senior Creditor Claim intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Intercreditor Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Senior Credit Agent or such Senior Creditor, as the case may be, and no Discharge of First-Lien Obligations shall be deemed to have occurred.

"Exchange Date" means the date on which the outstanding Loans (as defined in the Junior Credit Agreement) are exchanged for any of the Junior Notes to be issued, authenticated and delivered pursuant to the Junior Indenture pursuant to Section 2.10 of the Junior Credit Agreement, as in effect on the date hereof.

"Existing Agreement Amendment" has the meaning set forth in the recitals hereto.

"Existing Credit Agreement" has the meaning set forth in the recitals hereto.

"First-Lien Obligations" means (a) the Obligations arising under or pursuant to the Senior Credit Agreement and (b) any other Indebtedness designated by Operating as a "First-Lien Obligation" for purposes of and in compliance with the terms of the Junior Credit Agreement or the Junior Indenture, as then in effect.

"Grantors" means each of the J. Crew Companies and upon the occurrence of the Exchange Date, Intermediate.

"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 and includes all Obligations that constitute "Indebtedness" within the meaning of any of the Junior Credit Agreement, the Junior Indenture, the Contingent Principal Notes Indenture or the Senior Credit Agreement, in each case as then in effect.

"Insolvency or Liquidation Proceeding" means (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"Intermediate" means J. Crew Intermediate LLC, a Delaware LLC.

"J. Crew Companies" means Operating, J. Crew Inc., a New Jersey corporation, Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail, H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory, and J. Crew International, Inc., a Delaware corporation.

"Junior Creditor Claims" means all Obligations in respect of the Junior Credit Agreement, the Junior Indenture or the Contingent Principal Notes or arising under the Junior Creditor Documents or any of them.

"Junior Creditor Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Junior Creditor Claim.

"Junior Creditor Collateral Documents" means the Junior Security Agreement and any other document or instrument pursuant to which a Lien is granted by any Grantor to secure any Junior Creditor Claims or under which rights or remedies with respect to any such Lien are governed.

"Junior Creditor Documents" means (a) the Junior Credit Agreement and the notes issued thereunder, the Junior Indenture and the Junior Notes issued thereunder, the Contingent Principal Notes Indenture, the Contingent Principal Notes, the Junior Creditor Collateral Documents and any document or instrument evidencing or governing any Other Second-Lien Obligations and any (b) other related document or instrument executed and delivered pursuant to any Junior Creditor Document described in clause (a) above evidencing or governing any Obligations thereunder.

"Junior Creditors" means the Persons holding Junior Creditor Claims.

"Junior Credit Agreement" has the meaning set forth in the recitals hereto.

"Junior Indenture" has the meaning set forth in the recitals hereto.

"Junior Lender" means a "Lender" within the meaning of the Junior Credit Agreement.

"Junior Noteholder" means a holder of the Junior Notes.

"Junior Notes" has the meaning set forth in the recitals hereto.

"Junior Security Agreement" has the meaning set forth in the recitals hereto.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Obligations" means any and all obligations with respect to the payment of (a) any principal of or interest or premium on any Indebtedness, including any reimbursement obligation in respect of any letter of credit, (b) any fees, indemnification obligations, expense reimbursement obligations or other liabilities payable under the documentation governing any Indebtedness or (c) any obligation to post cash collateral or provide a backstop letter of credit in respect of letters of credit and any other obligations. The term "Obligations" includes any principal, interest, fees, costs, expenses and other amounts arising after the commencement of any Insolvency or Liquidation Proceeding, whether or not such amounts have ceased to accrue under applicable law or whether or not allowed or allowable in whole or in part, in any such case or similar proceeding.

"Other Second-Lien Obligations" means (a) the Contingent Principal Notes and (b) any other Indebtedness designated by Operating as a "Second-Lien Obligation" for purposes of and in compliance with the terms of the Junior Credit Agreement or the Junior Indenture, as then in effect.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"Pledged Collateral" means (a) the "Operating Equity Securities" and "Subsidiary Equity Securities" under, and as defined in, the Junior Security Agreement, and (b) any other tangible Common Collateral in the possession of the Senior Credit Agent (or its agents or bailees), to the extent that possession thereof is necessary to perfect a Lien thereon under the Uniform Commercial Code.

"Recovery" has the meaning set forth in Section 6.5 hereof.

"Senior Credit Agent" means Congress Financial Corporation in its capacity as collateral agent under the Senior Credit Agreement and the other Financing Agreements (as defined therein), and any successor thereto or replacement thereof and any agent appointed by it, or in its capacity as Senior Credit Agent hereunder (acting in such capacity

for and on behalf of any Senior Creditors under any of the Senior Creditor Documents), or any other single agent for the Senior Creditors under the Senior Creditor Documents (including their respective collateral agents or other representatives) executing and delivering an Accession Agreement in substantially the form of Annex I hereto.

"Senior Credit Agreement" means the Existing Credit Agreement and all other Financing Agreements (as defined therein) and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any indentures or credit facilities or commercial paper facilities with banks or other institutional lenders that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder.

"Senior Creditor Claims" means (a) all Indebtedness outstanding under one or more of the Senior Creditor Documents or (b) all other Obligations (not constituting Indebtedness) of any Grantor under the Senior Creditor Documents. Senior Creditor Claims shall include all interest accrued or accruing (or which would, absent the commencement of an Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the relevant Senior Creditor Document whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding and any other amounts arising after the commencement of any Insolvency or Liquidation Proceeding, whether or not such amounts cease to accrue under applicable law and whether or not allowed or allowable in any case or proceeding. If after receipt of any payment of, or proceeds of collateral applied to the payment of, any of the Senior Creditor Claims (whether by or on behalf of any Grantor, as proceeds of security, enforcement of any right of set-off or otherwise), Senior Credit Agent or any Senior Creditor is required to surrender or return such payment or proceeds to any person for any reason or such payment or proceeds are set aside, then the Senior Creditor Claim intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Intercreditor Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Senior Credit Agent or such Senior Creditor, as the case may be.

"Senior Creditor Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Creditor Claim.

"Senior Creditor Collateral Documents" means the Financing Agreements (as defined in the Existing Credit Agreement), including without limitation the documents set forth on the Schedule attached hereto and any other agreement, document or instrument pursuant to which a Lien is granted securing any Senior Creditor Claims or under which rights or remedies with respect to such Liens are governed.

"Senior Creditor Documents" means the Senior Credit Agreement, the Senior Creditor Collateral Documents, and each of the other agreements, documents and instruments providing for or evidencing any other Obligation in respect of any First-Lien Obligation, and any other related document or instrument executed or delivered pursuant to any Senior Creditor Document at any time or otherwise evidencing any Senior Creditor Claims.

"Senior Creditors" means the Persons holding Senior Creditor Claims, including the Senior Credit Agent.

"Subsidiary" means any "Subsidiary" of Intermediate or Operating, as defined in the Junior Indenture, the Contingent Principal Notes Indenture or the Senior Credit Agreement.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

(b) Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, and as to any Grantor shall be deemed to include a receiver, trustee or debtor-in-possession on behalf of any of such person or on behalf of any such successor or assign, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 2. Lien Priorities.

2.1 Subordination. Notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to the Collateral Agent or the Junior Creditors on the Common Collateral or of any Liens granted to the Senior Credit Agent or the Senior Creditors on the Common Collateral and notwithstanding any provision of the UCC, or any applicable law or the Junior Creditor Documents or the Senior Creditor Documents or any other circumstance whatsoever, the Collateral Agent, for itself and on behalf of the Junior Creditors, hereby agrees that: (a) any Lien on the Common Collateral securing any Senior Creditor Claims now or hereafter held by or on behalf of the Senior Credit Agent or any Senior Creditors or any agent or trustee therefor shall be senior in all respects and prior to any Lien on the Common Collateral securing any of the Junior Creditor Claims; and (b) any Lien on the Common Collateral now or hereafter held by or on behalf of the Collateral Agent or any Junior Creditors or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Senior Creditor Claims. All Liens on the Common Collateral securing any Senior Creditor Claims shall be and remain senior in all respects and prior to all Liens on the Common Collateral securing any Junior Creditor Claims for all

purposes, whether or not such Liens securing any Senior Creditor Claims are subordinated to any Lien securing any other obligation of any Grantor or any other Person.

2.2 Prohibition on Contesting Liens. Each of the Collateral Agent, for itself and on behalf of each Junior Creditor, and the Senior Credit Agent, for itself and on behalf of each Senior Creditor, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the priority, validity or enforceability of a Lien held by or on behalf of any of the Senior Creditors in the Senior Creditor Collateral or by or on behalf of any of the Junior Creditors in the Common Collateral, as the case may be; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the Senior Credit Agent or any Senior Creditor to enforce this Agreement, including the priority of the Liens securing the Senior Creditor Claims as provided in Section 2.1.

2.3 No New Liens. So long as the Discharge of First-Lien Obligations has not occurred, the parties hereto agree that, after the date hereof, if the Collateral Agent shall hold any Lien on any assets of any Grantor securing any Junior Creditor Claims that are not also subject to the first-priority Lien of the Senior Credit Agent under the Senior Creditor Documents, the Collateral Agent, upon demand by the Senior Credit Agent or such Grantor, will, at Senior Credit Agent's option, either release such Lien or assign it to the Senior Credit Agent as security for the Senior Creditor Claims or such Grantor shall grant a Lien thereon to Senior Credit Agent in a manner and on terms satisfactory to Senior Credit Agent.

Section 3. Enforcement.

3.1 Exercise of Remedies.

(a) So long as the Discharge of First-Lien Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, (i) the Collateral Agent agrees, for itself and on behalf of the Junior Creditors, that it will not (A) exercise or seek to exercise any rights or remedies (including set-off or by notification of account debtors) with respect to any Common Collateral, or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure), (B) contest, protest or object to any foreclosure proceeding or action brought by the Senior Credit Agent or any Senior Creditor, or the exercise any right under any lockbox agreement, control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Collateral Agent or any Junior Creditor is a party, or any other exercise by any such party, of any rights and remedies relating to the Common Collateral under the Senior Creditor Documents or otherwise, or (C) contest, protest or object to the forbearance by the Senior Creditors from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Common Collateral and (ii) the Senior Credit Agent and the Senior Creditors shall have the exclusive right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the release, disposition, or restrictions with respect to the Common Collateral without any consultation with or the consent of the Collateral Agent or any Junior Creditor; provided, that (A) in any Insolvency or

Liquidation Proceeding commenced by or against any Grantor, the Collateral Agent may file a claim or statement of interest with respect to the Junior Creditor

Claims, (B) the Collateral Agent may send such notices of the existence of, or any evidence or confirmation of, the Junior Creditor Claims under the Junior Creditor Documents or the Liens of Collateral Agent in the Common Collateral to any court or governmental agency, or file or record any such notice or evidence to the extent necessary to prove or preserve the Liens of Collateral Agent in the Collateral and (C) the Collateral Agent may commence legal proceedings against a Grantor (but not any of the Common Collateral); provided, that, such legal proceeding does not interfere with the rights of Senior Credit Agent or any Senior Creditor in and to the Common Collateral or the Senior Creditor Claims or the exercise by Senior Credit Agent or any Senior Creditor or of such rights or involve any contest or challenge to the validity, perfection, priority or enforceability of the Liens of Senior Credit Agent or of the Senior Creditor Claims and in any event the Collateral Agent may not enforce any judgment against any of the Common Collateral. The Collateral Agent, for itself and on behalf of the Junior Creditors, agrees that the Senior Credit Agent and the Senior Creditors, in exercising rights and remedies with respect to the Common Collateral, may enforce the provisions of the Senior Creditor Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured lender under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction.

(b) The Collateral Agent, for itself and on behalf of the Junior Creditors, agrees that it will not take or receive any Common Collateral or any proceeds of Common Collateral in connection with the exercise of any right or remedy (including set-off) with respect to any Common Collateral, unless and until the Discharge of First-Lien Obligations has occurred. Without limiting the generality of the foregoing, unless and until the Discharge of First-Lien Obligations has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) above, the sole right of the Collateral Agent and the Junior Creditors with respect to the Common Collateral is to hold a Lien on the Common Collateral pursuant to the Junior Creditor Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of the First-Lien Obligations has occurred.

(c) The Collateral Agent, for itself and on behalf of the Junior Creditors, agrees that it will not take any action that would hinder any exercise of remedies undertaken by the Senior Credit Agent under the Senior Loan Documents, including any sale, lease, exchange, transfer or other disposition of the Common Collateral, whether by foreclosure or otherwise, and the Collateral Agent, for itself and on behalf of the Junior Creditors, hereby waives any and all rights it may have as a junior lien creditor or otherwise to object to the manner in which the Senior Credit Agent or the Senior Creditors seek to enforce or collect the Senior Creditor Claims or the Liens granted in any of the Senior Creditor Collateral, regardless of whether any action or failure to act by or on behalf of the Senior Credit Agent or Senior Creditors is adverse to the interest of the Junior Creditors.

(d) The Collateral Agent hereby acknowledges and agrees that no covenant, agreement or restriction contained in any Junior Creditor Document shall be deemed to restrict in any way the rights and remedies of the Senior Credit Agent or the Senior Creditors

with respect to the Common Collateral as set forth in this Agreement and the Senior Creditor Documents.

3.2 Cooperation. Subject to the proviso in clause (ii) of Section 3.1(a) above, the Collateral Agent, for itself and on behalf of the Junior Creditors, agrees that, unless and until the Discharge of First-Lien Obligations has occurred, it will not commence, or join with any Person (other than the Senior Creditors and the Senior Credit Agent upon the request thereof) in commencing, any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it under any of the Junior Creditor Documents or otherwise.

Section 4. Payments.

4.1 Application of Proceeds. As long as the Discharge of First-Lien Obligations has not occurred, the Common Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Common Collateral upon the exercise of remedies, shall be applied by the Senior Credit Agent to the Senior Creditor Claims in such order as specified in the relevant Senior Creditor Documents until the Discharge of First-Lien Obligations has occurred. Upon the Discharge of First-Lien Obligations, to the extent permitted under applicable law and without risk of legal liability to Senior Credit Agent or any Senior Creditor, the Senior Credit Agent shall deliver to the Collateral Agent any proceeds of Common Collateral held by it at such time in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct to be applied by the Collateral Agent to the Junior Creditor Claims in such order as specified in the relevant Junior Creditor Documents. The foregoing provisions of this Agreement are intended solely to govern the respective lien priorities as between the Collateral Agent and the Senior Credit Agent and shall not impose on Senior Credit Agent or any Senior Creditor any obligations in respect of the disposition of proceeds of foreclosure on any Common Collateral which would conflict with prior perfected claims therein in favor of any other person or any order or decree of any court or other governmental authority or any applicable law.

4.2 Payments Over. Any Common Collateral or proceeds thereof received by the Collateral Agent in connection with the exercise of any right or remedy (including set-off) relating to the Common Collateral prior to the Discharge of First-Lien Obligations shall be segregated and held in trust and promptly paid over to the Senior Credit Agent for the benefit of the Senior Creditors in the same form as received, with any necessary endorsements or assignments or as a court of competent jurisdiction may otherwise direct. The Senior Credit Agent is hereby authorized to make any such endorsements or assignments as agent for the Collateral Agent. This authorization is coupled with an interest and is irrevocable.

Section 5. Other Agreements.

5.1 Releases.

(a) If in connection with:

(i) the exercise of the Senior Credit Agent's remedies in respect of the Common Collateral provided for in Section 3.1, including any sale, lease, exchange, transfer or other disposition of any such Common Collateral;

(ii) any sale, lease, exchange, transfer or other disposition of any Common Collateral permitted under the terms of the Senior Creditor Documents (whether or not an event of default or equivalent event thereunder, and as defined therein, has occurred and is continuing); or

(iii) any agreement between the Senior Credit Agent and any Grantor to release the Senior Credit Agent's Lien on any portion of the Common Collateral (provided that after giving effect to the release, Obligations secured by the first priority Liens on the remaining Common Collateral remain outstanding);

the Senior Credit Agent, for itself or on behalf of any of the Senior Creditors, releases any of its Liens on any part of the Common Collateral, (A) the Liens, if any, of the Collateral Agent, for itself or for the benefit of the Junior Creditors, on such Common Collateral shall be automatically, unconditionally and simultaneously released to the same extent as the release of Senior Credit Agent's Lien, provided, that, until the Indebtedness under the Contingent Principal Notes is repaid in full or the Contingent Principal Notes Indenture ceases to be qualified under the Trust Indenture Act of 1939, as amended (the "TIA") or if at any time on or after the execution and delivery of the Junior Indenture such indenture is qualified under the TIA, and if and only to the extent necessary to comply with Section 314(d) of the TIA as to any such release, (1) any Grantor that is required under the TIA to do so shall provide, or Senior Credit Agent may, at its option (but shall have no obligation to) provide on behalf of any such Grantor, to the trustee or appropriate representative in respect of the Contingent Principal Notes or the Junior Notes, as the case may be, a certificate or opinion by an engineer, appraiser or other expert (which person may, except as otherwise required under the TIA, be an officer or other employee of any Grantor) of the fair value of the property to be released, and a certificate or opinion of an engineer, appraiser or other expert (including any attorney, and which person may, except as otherwise required under the TIA, be an officer or employee of any Grantor) that shall state that in the opinion of such person such release will not impair the security under the Contingent Principal Notes Indenture or the Junior Indenture, as the case may be, in contravention of the provisions thereof, or, if the fair value of the Common Collateral released since the commencement of the then current calendar year is ten (10%) percent or more of the aggregate principal amount of the Contingent Principal Notes at the time outstanding (until the Indebtedness under the Contingent Principal Notes is repaid in full or the Contingent Principal Notes Indenture ceases to be qualified under the TIA) or ten (10%) percent or more of the aggregate principal amount of the Junior Notes at the time outstanding (if at any time on or after the execution and delivery of the Junior Indenture such indenture is qualified under the TIA), Grantors shall, to the extent required under Section 314(d) of the TIA, cause an independent engineer, appraiser or other expert to deliver such certificates or opinions, promptly upon the request of Senior Credit Agent, (2) in the event that such certifications or opinions are at any time required to be delivered by any Grantor under the TIA, Senior Credit Agent is hereby authorized to obtain such documentation on behalf of each such Grantor at such Grantor's expense, and to deliver it to the trustee or appropriate representative in respect of the Contingent Principal Notes or the Junior Notes, as the case may be, on behalf of such Grantor, and (3) each Grantor hereby confirms and agrees, for the benefit of any person providing such documentation upon the direction of Senior Credit Agent on behalf of such Grantor, that such release of the Common Collateral will not impair the security under the Contingent Principal Notes Indenture or the Junior Indenture, as the case may be, in contravention of the provisions thereof, (B) the

Collateral Agent, for itself or on behalf of any such Junior Creditor, shall promptly upon the request of Senior Credit Agent execute and deliver such release documents and confirmations of the authorization to file UCC amendments and terminations provided for herein, in each case as Senior Credit Agent may require in connection with such sale or other disposition by Senior Credit Agent, Senior Credit Agent's agents or any Grantor with the consent of Senior Credit Agent to evidence and effectuate such termination and release, provided, that, any such release or UCC amendment or termination by Collateral Agent shall not extend to or otherwise affect any of the rights, if any, of Collateral Agent to the proceeds from any such sale or other disposition of Collateral, (C) the Collateral Agent, for itself or on behalf of any such Junior Creditor, shall be deemed to have authorized Senior Credit Agent to file UCC amendments and terminations covering the Common Collateral so sold or otherwise disposed of as to UCC financing statements between any Debtor and Junior Creditor to evidence such release and termination, and (D) the Collateral Agent, for itself or on behalf of any such Junior Creditor, shall be deemed to have consented under the Junior Creditor Documents to such sale or other disposition to the same extent as the Senior Credit Agent's and Senior Creditors' consent.

(b) The Collateral Agent, for itself and on behalf of the Junior Creditors, hereby irrevocably constitutes and appoints the Senior Credit Agent and any officer or agent of the Senior Credit Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Collateral Agent or such holder or in the Senior Credit Agent's own name, from time to time in the Senior Credit Agent's discretion, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 5.1, including any termination statements, endorsements or other instruments of transfer or release.

5.2 Insurance. Unless and until the Discharge of First-Lien Obligations has occurred, the Senior Credit Agent and the Senior Creditors shall have the sole and exclusive right, subject to the rights of the Grantors under the Senior Creditor Documents, to adjust settlement for any insurance policy covering the Common Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Common Collateral. Unless and until the Discharge of First-Lien Obligations has occurred, all proceeds of any such policy and any such award if in respect to the Common Collateral shall be paid to the Senior Credit Agent for the benefit of the Senior Creditors to the extent required under the Senior Creditor Documents and thereafter to the Collateral Agent for the benefit of the Junior Creditors to the extent required under the applicable Junior Creditor Documents and then to the owner of the subject property or as a court of competent jurisdiction may otherwise direct. If the Collateral Agent shall, at any time, receive any proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such proceeds over to the Senior Credit Agent in accordance with the terms of Section 4.2.

5.3 Amendments to Junior Creditor Collateral Documents. Without the prior written consent of the Senior Credit Agent, no Junior Creditor Collateral Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new Junior Creditor Collateral Document, would be prohibited by or inconsistent with any of the terms of the Senior Creditor Documents. The

Collateral Agent agrees that each Junior Creditor Collateral Document shall include the following language (or language to similar effect approved by the Senior Credit Agent):

> "Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, dated as of November 21, 2004 (as amended, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among Congress Financial Corporation, as Senior Credit Agent, U.S. Bank National Association, as Collateral Agent, J. Crew Operating Corp., J. Crew, Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J. Crew International, Inc. and J. Crew Intermediate LLC. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.".

5.4 Rights As Unsecured Creditors. Notwithstanding anything to the contrary in this Agreement, the Collateral Agent and the Junior Creditors may exercise rights and remedies as an unsecured creditor against any Grantor or any Subsidiary that has guaranteed the Junior Creditor Claims in accordance with the terms of the Junior Creditor Documents and applicable law. Nothing in this Agreement shall prohibit the receipt by the Collateral Agent or any Junior Creditors of the required payments of interest and principal so long as such receipt is not the direct or indirect result of the exercise by the Collateral Agent or any Junior Creditor of foreclosure rights or remedies as a secured creditor or enforcement in contravention of this Agreement of any Lien held by any of them. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Senior Credit Agent or the Senior Creditors may have with respect to the Senior Creditor Collateral and the foregoing shall not be construed to limit or otherwise affect any of the rights of Senior Credit Agent or any Senior Creditor under the subordination provisions in the Junior Creditor Documents or under any other provisions thereof or any of the obligations and duties of Collateral Agent, Junior Creditors or any Grantor thereunder or under any of the Senior Creditor Documents.

5.5 Bailee for Perfection.

(a) The Senior Credit Agent agrees to hold any Pledged Collateral that is part of the Common Collateral that is in its possession or control (or in the possession or control of its agents or bailees) as bailee and agent for and on behalf of the Collateral Agent solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to any Junior Creditor Collateral Document, subject to the terms and conditions of this Section 5.5.

(b) Until the Discharge of First-Lien Obligations has occurred, the Senior Credit Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the Senior Creditor Documents as if the Liens of the Collateral Agent under the Junior Creditor Collateral Documents did not exist. The rights of the Collateral Agent shall at all times

be subject to the terms of this Agreement and to the Senior Credit Agent's rights under the Senior Creditor Documents.

(c) The Senior Credit Agent shall have no obligation whatsoever to the Collateral Agent or any Junior Creditor to assure that the Pledged Collateral is genuine or owned by any of the Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.5. The duties or responsibilities of the Senior Credit Agent under this Section 5.5 shall be limited solely to holding the Pledged Collateral as bailee and agent for and on behalf of the Collateral Agent for purposes of perfecting the Lien held by the Collateral Agent.

(d) The Senior Credit Agent shall not have by reason of the Junior Creditor Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of the Collateral Agent or any Junior Creditor and shall not have any liability to Collateral Agent or any Junior Creditor in connection with its holding the Pledged Collateral, other than for its gross negligence or willful misconduct as determined by a final, non-appealable order of a court of competent jurisdiction.

(e) Upon the Discharge of First-Lien Obligations, to the extent permitted under applicable law and without risk of legal liability to Senior Credit Agent or any Senior Creditor, the Senior Credit Agent shall deliver to the Collateral Agent the remaining Pledged Collateral (if any) together with any necessary endorsements (or otherwise so as to allow the Collateral Agent to obtain control of such Pledged Collateral) in accordance with the instructions of the Collateral Agent or as a court of competent jurisdiction may otherwise direct. The foregoing provision shall not impose on Senior Credit Agent or any Senior Creditor any obligations which would conflict with prior perfected claims therein in favor of any other person or any order or decree of any court or other governmental authority or any applicable law.

5.6 When Discharge of First-Lien Obligations Deemed to Not Have Occurred. If at any time after the Discharge of First-Lien Obligations has occurred Operating designates any First-Lien Obligations for purposes hereof, then such Indebtedness shall automatically be treated as a First-Lien Obligation for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Common Collateral set forth herein. Upon receipt of notice of such designation (including the identity of the new Senior Credit Agent), the Collateral Agent shall promptly (i) enter into such documents and agreements (including amendments or supplements to this Agreement) as Operating or such new Senior Credit Agent shall reasonably request in order to provide to the new Senior Credit Agent the rights of the Senior Credit Agent contemplated hereby and (ii) deliver to the Senior Credit Agent the Pledged Collateral together with any necessary endorsements (or otherwise allow such Senior Credit Agent to obtain control of such Pledged Collateral).

5.7 Preference Issues. If any Senior Creditor is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of any Grantor any amount (a "Recovery"), then the Senior Creditor Claims shall be reinstated to the extent of such Recovery and the Senior Creditors shall be entitled to a Discharge of First-Lien Obligations with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior

termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto from such date of reinstatement.

5.8 Successor Senior Credit Agent. At any time, in compliance with the terms of the Senior Creditor Documents, and with the prior written consent of the then existing Senior Credit Agent, Operating may designate a replacement Senior Credit Agent, and the existing Senior Credit Agent shall be replaced by such replacement Senior Credit Agent upon execution and delivery of an Accession Agreement.

Section 6. Reliance; Waivers; etc.

6.1 Reliance. The consent by the Senior Creditors to the execution and delivery of the Junior Creditor Documents and the grant to the Collateral Agent on behalf of the Junior Creditors of a Lien on the Common Collateral and all loans and other extensions of credit made or deemed made on and after the date hereof by the Senior Creditors to any Grantor shall be deemed to have been given and made in reliance upon this Agreement.

6.2 No Warranties or Liability. The Collateral Agent, for itself and on behalf of the Junior Creditors, acknowledges and agrees that each of the Senior Credit Agent and the Senior Creditors have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Senior Creditor Documents, the ownership of any Common Collateral or the perfection or priority of any Liens thereon. The Collateral Agent agrees, for itself and on behalf of the Junior Creditors, that the Senior Creditors will be entitled to manage and supervise their respective loans and extensions of credit under the Senior Creditor Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Senior Creditors may manage their loans and extensions of credit without regard to any rights or interests that the Collateral Agent or any of the Junior Creditors have in the Common Collateral or otherwise, except as otherwise provided in this Agreement. Neither the Senior Credit Agent nor any Senior Creditor shall have any duty to the Collateral Agent or any of the Junior Creditors to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with Operating or Intermediate or any Subsidiary thereof (including the Junior Creditor Documents), regardless of any knowledge thereof which they may have or be charged with.

6.3 No Waiver of Lien Priorities.

(a) No right of the Senior Creditors, the Senior Credit Agent or any of them to enforce any provision of this Agreement or any Senior Creditor Document shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Grantor or by any act or failure to act by any Senior Creditor or the Senior Credit Agent, or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the Senior Creditor Documents or any of the Junior Creditor Documents, regardless of any knowledge thereof which the Senior Credit Agent or the Senior Creditors, or any of them, may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the Grantors under the Senior Creditor Documents), the Senior Creditors, the Senior Credit Agent and any of them, may, at any time and from time to time, without the consent of, or notice to, the Collateral Agent or any Junior Creditor, without incurring any liabilities to the Collateral Agent or any Junior Creditor and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy of the Collateral Agent or any Junior Creditor is affected, impaired or extinguished thereby) do any one or more of the following:

(i) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the Senior Creditor Claims or any Lien on any Senior Creditor Collateral or guaranty thereof or any liability of any Grantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the Senior Creditor Claims, without any restriction as to the amount, tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the Senior Credit Agent or any of the Senior Creditors, the Senior Creditor Claims or any of the Senior Creditor Documents;

(ii) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the Senior Creditor Collateral or any liability of any Grantor to the Senior Creditors or the Senior Credit Agent, or any liability incurred directly or indirectly in respect thereof;

(iii) settle or compromise any Senior Creditor Claim or any other liability of any Grantor or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including the Senior Creditor Claims) in any manner or order; and

(iv) exercise or delay in or refrain from exercising any right or remedy against any Grantor or any other Person, elect any remedy and otherwise deal freely with any Grantor or any Senior Creditor Collateral and any security and any guarantor or any liability of any Grantor to the Senior Creditors or any liability incurred directly or indirectly in respect thereof.

(c) The Collateral Agent, for itself and on behalf of the Junior Creditors, also agrees that the Senior Creditors and the Senior Credit Agent shall have no liability with respect to any actions which the Senior Creditors or the Senior Credit Agent may take or permit or omit to take with respect to: (i) the Senior Creditor Documents, (ii) the collection of the Senior Creditor Claims or (iii) the foreclosure upon, or sale, liquidation or other disposition of, any Senior Creditor Collateral. The Collateral Agent, for itself and on behalf of the Junior Creditors, agrees that the Senior Creditors and the Senior Credit Agent have no duty to them in respect of the maintenance or preservation of the Senior Creditor Collateral, the Senior Creditor Claims or otherwise.

(d) The Collateral Agent agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or

otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Common Collateral or any other similar rights a junior secured creditor may have under applicable law.

6.4 Obligations Unconditional. All rights, interests, agreements and obligations of the Senior Credit Agent and the Senior Creditors and the Collateral Agent and the Junior Creditors, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Senior Creditor Documents or any Junior Creditor Documents;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Creditor Claims or Junior Creditor Claims, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Senior Credit Agreement or any other Senior Creditor Document or of the terms of the Junior Credit Agreement, the Junior Indenture or any other Junior Creditor Document;

(c) any exchange of any security interest in any Common Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Creditor Claims or Junior Creditor Claims or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of any Grantor; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, any Grantor in respect of the Senior Creditor Claims, or of the Collateral Agent or any Junior Creditor in respect of this Agreement.

Section 7. Miscellaneous.

7.1 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of the Senior Creditor Documents or the Junior Creditor Documents, the provisions of this Agreement shall govern.

7.2 Continuing Nature of this Agreement; Severability. This Agreement shall continue to be effective until the Discharge of First-Lien Obligations shall have occurred. This is a continuing agreement of lien subordination and the Senior Creditors may continue, at any time and without notice to the Collateral Agent or any Junior Creditor, to extend credit and other financial accommodations and lend monies to or for the benefit of any Grantor constituting Senior Creditor Claims on reliance hereof. The Collateral Agent, for itself and on behalf of the Junior Creditors, hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. The relative rights of Senior Creditors and Junior Creditor to repayment of the Senior Creditor Claims and the Junior Creditor Claims, respectively, and in or to any distributions from or in respect of any Grantor or any Collateral or proceeds of Collateral, shall continue after the filing

thereof on the same basis as prior to the date of the petition, subject to any court order approving the financing of, or use of cash collateral by, such Grantor as debtor in possession. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.3 Bankruptcy Financing. If any Grantor shall become subject to a proceeding under the U.S. Bankruptcy Code and if a Senior Creditor desires to permit the use of cash collateral or to provide financing to such Grantor under either Section 363 or Section 364 of the U.S. Bankruptcy Code, Collateral Agent, on behalf of itself and each Junior Creditor, agrees as follows: (a) adequate notice to Collateral Agent and Junior Creditors shall have been provided for such financing or use of cash collateral if Collateral Agent receives notice two (2) business days prior to the entry of the order approving such financing or use of cash collateral and (b) no objection will be raised by Collateral Agent or any Junior Creditor to any such financing or use of cash collateral on the ground of a failure to provide “adequate protection” for Collateral Agent’s junior Liens on the Common Collateral or any other grounds, provided Collateral Agent retains a Lien on the post petition Common Collateral with the same priority as existed prior to the commencement of the proceeding under the U.S. Bankruptcy Code to the extent entitled thereto. For purposes of this Section, notice of a proposed financing or use of cash collateral shall be deemed given when given, in the manner prescribed by Section 7.7 hereof, to Collateral Agent.

7.4 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Collateral Agent or the Senior Credit Agent shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights or obligations are directly affected.

7.5 Subrogation. The Collateral Agent, for itself and on behalf of the Junior Creditors, hereby waives any rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of First-Lien Obligations has occurred.

7.6 Consent to Jurisdiction; Waivers. The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 7.7 below for such party. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder based on forum non conveniens, and any objection to the venue of any action instituted hereunder. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement or any other Loan Document, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

7.7 Notices. All notices to the Junior Creditors and the Senior Creditors permitted or required under this Agreement may be sent to the Collateral Agent and the Senior Credit Agent, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, electronically mailed or sent by courier service, facsimile transmission or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a facsimile transmission or electronic mail or four Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the

addresses of the parties hereto shall be as set forth below, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

Collateral Agent:

U.S. Bank National Association
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Facsimile No.: 860-241-6897
Attention: Corporate Trust Department / Michael Hopkins

Senior Credit Agent:

Congress Financial Corporation
1133 Avenue of the Americas
New York, New York 10036
Attention: Portfolio Manager
Telephone No.: 212-840-2000
Facsimile No.: 212-545-4283

Each Grantor:

J. Crew Operating Corp.
770 Broadway
New York, New York 10003
Facsimile No.: (212) 209-2666
Atterntion: Cheif Financial Officer

With a copy to:

Cleary Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006
Facsimile No.: (212) 225-3999
Attention: Michael L. Ryan

7.8 Further Assurances. The Collateral Agent agrees that it shall, for itself and on behalf of the Junior Creditors, take such further action and shall execute and deliver to the Senior Credit Agent and the Senior Creditors such additional documents and instruments (in recordable form, if requested) as the Senior Credit Agent or the Senior Creditors may reasonably request to effectuate the terms of and the lien priorities contemplated by this Agreement.

7.9 Governing Law. The internal law of the State of New York shall govern and be used to construe this Agreement.

7.10 Binding on Successors and Assigns. This Agreement shall be binding upon the Senior Credit Agent, the Senior Creditors, the Collateral Agent, Grantors and their respective permitted successors and assigns.

7.11 Specific Performance. The Senior Credit Agent may demand specific performance of this Agreement. The Collateral Agent, for itself and on behalf of the Junior Creditors, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the Senior Credit Agent.

7.12 Section Titles; Time Periods. The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

7.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same document.

7.14 Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

7.15 No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of the holders of Senior Creditor Claims and Junior Creditor Claims. No other Person shall have or be entitled to assert rights or benefits hereunder.

7.16 Effectiveness. This Agreement shall become effective on the Closing Date (as defined in the Junior Credit Agreement). This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding.

7.17 Senior Credit Agent and Collateral Agent. It is understood and agreed that (a) Congress Financial Corporation is entering into this Agreement in its capacity as Senior Credit Agent and the provisions of Article 7 of the Existing Credit Agreement applicable to Congress Financial Corporation as administrative agent thereunder shall also apply to Congress Financial Corporation as Senior Credit Agent hereunder, and (b) U.S. Bank National Association is entering into this Agreement in its capacity as Collateral Agent and the provisions of Article 7 of the Junior Credit Agreement and

Article 7 of the Junior Indenture applicable to the Collateral Agent thereunder shall also apply to U.S. Bank National Association as Collateral Agent hereunder.

7.18 Designations. For purposes of the provisions hereof and the Junior Credit Agreement and the Junior Indenture requiring Operating to designate Indebtedness as "First-Lien Obligations" or to make any other designation for any other purpose hereunder or under the Junior Credit Agreement or the Junior Indenture, as then in effect, any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of Operating by an officer thereof and delivered to the Collateral Agent and the Senior Credit Agent..

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SENIOR CREDIT AGENT

CONGRESS FINANCIAL CORPORATION,
as Senior Credit Agent

By: /s/ Jason Searle

Title: Assistant Vice President

OPERATING

J. CREW OPERATING CORP.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW

J. CREW, INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

RETAIL

GRACE HOLMES, INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

FACTORY

H.F.D. NO. 55, INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

JCI

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti

Title: VP Controller

INTERMEDIATE

J. CREW INTERMEDIATE LLC

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

COLLATERAL AGENT

U.S. BANK NATIONAL ASSOCIATION

as the Collateral Agent

By: /s/ Michael M. Hopkins

Title: Vice President

Annex I

FORM OF ACCESSION AGREEMENT

This ACCESSION AGREEMENT, dated as of [DATE] (this "Agreement"), is entered into by and among [name of Collateral Agent] in its capacity as Collateral Agent for the benefit of the Junior Creditors under the terms of the Intercreditor Agreement; Intermediate and each of the J. Crew Companies; [name of existing Senior Credit Agent] (the "Existing Senior Credit Agent"), as Senior Credit Agent for the benefit of the Senior Creditors under the terms of the Intercreditor Agreement and [name of new Senior Credit Agent] (the "New Senior Credit Agent"), as replacement Senior Credit Agent for the benefit of the Senior Creditors under the terms of the Intercreditor Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Intercreditor Agreement.

WHEREAS, Congress Financial Corporation, as Senior Credit Agent, U.S. Bank National Association, as Collateral Agent, J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, J. Crew International, Inc. and J. Crew Intermediate LLC, as Grantors, are parties to that certain Intercreditor Agreement, dated as of November 21, 2004 (the "Intercreditor Agreement");

WHEREAS pursuant to Section 5.8 of the Intercreditor Agreement, Operating has designated [new Senior Credit Agent] as "Senior Credit Agent" for purposes thereof, to replace [existing Senior Credit Agent] in such capacity;

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Consent and Agreement. The New Senior Credit Agent hereby consents and agrees to be made a party to, and to be bound as the Senior Credit Agent by all of the terms of, the Intercreditor Agreement, and ratifies any and all amendments, supplements, modifications, renewals and extensions heretofore made thereto, and shall have, on behalf of itself and each of the Senior Creditors, all the rights and obligations of the Senior Credit Agent as specified therein.

2. Resignation and Removal. The Existing Senior Credit Agent hereby resigns and withdraws as Senior Credit Agent under the Intercreditor Agreement, in accordance with the terms thereof.

3. Miscellaneous. Each of the provisions of Sections 7.6, 7.7, 7.9, 7.10, 7.12 and 7.14 of the Intercreditor Agreement shall apply, *mutatis mutandis*, to this Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

NEW SENIOR CREDIT AGENT

[ ],
as Senior Credit Agent

By: _____

Title: _____

EXISTING SENIOR CREDIT AGENT

[ ]

By: _____

Title: _____

Acknowledged and Agreed:

COLLATERAL AGENT

[ ],

By: _____

Title: _____

J. CREW OPERATING CORP.

By: _____

Title: _____

J. CREW, INC.

By: _____

Title: _____

GRACE HOLMES, INC.

By: _____

Title: _____

H.F.D. NO. 55, INC.

By: _____

Title: _____

J. CREW INTERNATIONAL, INC.

By: _____

Title: _____

J. CREW INTERMEDIATE LLC

By: _____

Title: _____

AMENDMENT NO. 1 TO
CREDIT AGREEMENT

AMENDMENT NO. 1 TO CREDIT AGREEMENT ("Amendment No. 1"), dated as of November 21, 2004, by and among TPG-MD INVESTMENT, LLC, a Delaware limited liability Borrower (the "Lender"), J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC. (the "Parent") and each of GRACE HOLMES INC., a Delaware corporation doing business as J. Crew Retail, H.F.D. NO. 55, INC., a Delaware corporation doing business as J. Crew Factory, J. CREW, INC., a New Jersey corporation, and J. CREW INTERNATIONAL, INC., a Delaware corporation, as guarantors (each a "Guarantor") and together with any subsidiary that executes a Note Guarantee (the "Guarantors").

WHEREAS, the Lender, the Borrower, Parent and the Guarantors have entered into financing arrangements pursuant to which the Lender has made and may make loans and advances and provide other financial accommodations to the Borrower as set forth in the Credit Agreement, dated as of February 4, 2003, by and among the Lender, the Borrower, Parent and the Guarantors (as the same now exists and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, the Borrower, J. CREW INTERMEDIATE LLC, a Delaware limited liability company ("Intermediate") and the Guarantors desire to enter into certain financing arrangements with one or more entities affiliated with BLACK CANYON CAPITAL LLC (collectively, "Black Canyon") pursuant to which Borrower proposes to incur up to $325,000,000 of indebtedness under the Black Canyon Documents (as defined below), the proceeds of which will be used by the Borrower to (i) redeem in full all of the indebtedness of the Borrower arising under the 10 3/8% Senior Subordinated Notes due 2007 issued by the Borrower and (ii) to make intercompany loans to Intermediate from time to time, the proceeds of which will be used by to prepay a portion of the 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate;

WHEREAS, the Borrower has requested that the Lender consent to the subordination in right of payment of the Tranche A Loan evidenced by the Tranche A Note to the indebtedness of the Borrower arising under the Black Canyon Documents; and

WHEREAS, the Lender is willing to make such amendments to the extent and subject to terms and conditions set forth herein.

NOW, THEREFORE, the Lender, the Borrower, Parent and the Guarantors hereby agree as follows:

Section 1 Definitions.

1.1 Additional Definitions. As used herein, the following terms shall have the respective meanings given to them below and the Credit Agreement shall be deemed and Section 9.01 is hereby amended to include, in addition and not in limitation of, each of the following definitions:

(a) "Amendment No. 1" shall mean this Amendment No. 1 to the Credit Agreement by and among the Lender, the Borrower, Parent and the Guarantors, as the same now exists and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced.

(b) "Black Canyon Credit Agreement" shall mean the Credit Agreement, dated as of the Effective Date, between the Borrower, as borrower, the Black Canyon Guarantors, the lenders named therein and U.S. Bank National Association, as administrative agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(c) "Black Canyon Documents" shall mean, collectively the following (as the same may now or hereafter exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): 1. the Black Canyon Credit Agreement (including any loan notes and loan guarantees issued thereunder), 2. the Black Canyon Indenture (including any notes and guarantees issued thereunder), 3. the Black Canyon Security Agreement, 4. the Black Canyon Intercreditor Agreement and 5. all other agreements, documents and instruments now or at any time hereafter executed and/or delivered by the Borrower or any other person in connection therewith.

(d) "Black Canyon Guarantors" shall mean, collectively, the Guarantors and any subsidiary of the Borrower or its subsidiaries formed after the Effective Date, or Intermediate on or after the date of the execution and delivery of the Black Canyon Indenture, that guarantees the indebtedness under the Black Canyon Credit Agreement or the Black Canyon Indenture, to the extent required to do so under the terms thereof, pursuant to the form of loan guarantee attached as Exhibit B to the Black Canyon Credit Agreement (or the equivalent form attached to the Black Canyon Indenture), and their respective successors and assigns, sometimes being referred to individually as a "Black Canyon Guarantor".

(e) "Black Canyon Indebtedness" shall mean indebtedness of the Borrower and the Black Canyon Guarantors incurred pursuant to the Black Canyon Documents.

(f) "Black Canyon Indenture" shall mean the Indenture to be entered into among the Borrower, as issuer, the Black Canyon Guarantors and U.S. Bank National Association in its capacity as trustee thereunder, in the form included as an exhibit to the Black Canyon Credit Agreement.

(g) "Black Canyon Intercreditor Agreement" shall mean the Intercreditor Agreement, dated as of the Effective Date, by and among the senior credit agent named therein, U.S. Bank National Association, as collateral agent, the Borrower, Intermediate and the Black Canyon Guarantors, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(h) "Black Canyon Security Agreement" shall mean the Security Agreement, dated as of the Effective Date, by the Borrower, Intermediate and the Black Canyon Guarantors in favor of U.S. Bank National Association, as collateral agent, as such Security Agreement as may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(i) "Closing Date" shall mean the date of the initial funding of the loans under the Black Canyon Credit Agreement.

(j) "Effective Date" shall mean the date of the execution of the Black Canyon Credit Agreement.

1.2 Amendment to Definitions. Section 9.01 is hereby by amended as follows:

(a) The term "Senior Subordinated Notes" and the definition thereof is hereby deleted in its entirety.

(b) The term "Senior Subordinated Notes Indenture" and the definition thereof is hereby deleted in its entirety.

1.3 Interpretation. For purposes of this Amendment No. 1, all terms used herein, including those terms used or defined in the recitals hereto, shall have the respective meanings assigned thereto in the Credit Agreement.

Section 2. Replacement of Terms.

2.1 The final sentence of Section 2.01(b) is hereby amended to delete the reference to the term "Senior Subordinated Notes Indenture" contained therein and substitute the following therefor: "Black Canyon Documents".

2.2. The first sentence of Section 2.02(a) is hereby amended to delete the reference to the term "Senior Subordinated Notes Indenture" contained therein and substitute the following therefor: "Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect".

2.3 Section 8.03 is hereby amended to delete all references to the term "Senior Subordinated Notes Indenture" contained therein and substitute the following therefor: "Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect".

Section 3. Subordination.

3.1 Section 6.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

"SECTION 6.01 Agreement to Subordinate.

(a) The Borrower agrees, and the Lender agrees, that the payment of the Loans evidenced by the Notes is subordinated on the same terms and to the same extent as Black Canyon Indebtedness in right of payment to the prior payment in

full of all Senior Debt (as defined in the Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect) (whether outstanding on the Closing Date or created, incurred, assumed or guaranteed thereafter), and that the subordination is for the benefit of the holders of Senior Debt of the Borrower.

(b) The Borrower agrees, and the Lender agrees with regard to the Tranche A Loan, as evidenced by the Tranche A Note, that the payment of the Tranche A Loans, as evidenced by the Tranche A Note, is subordinated in right of payment, to the extent and in the manner provided in the remainder of this Article VI, to the prior payment in full in cash of Black Canyon Indebtedness (whether outstanding on the Closing Date or created, incurred, assumed or guaranteed thereafter), and that this subordination is for the benefit of the holders of Black Canyon Indebtedness.

(c) In the case of the Tranche B Loan, as evidenced by the Tranche B Note, such Tranche B Loan, as evidenced by the Tranche B Note, ranks and will rank at all times *pari passu* with Black Canyon Indebtedness.

SECTION 6.02 Liquidation; Dissolution; Bankruptcy.

With regard to the Tranche A Note, the holders of Black Canyon Indebtedness will be entitled to receive payment in full in cash of all Obligations (as defined in the Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect) due in respect of Black Canyon Indebtedness (including interest after the commencement of any bankruptcy proceeding at the rate that would be applicable under the terms of the documentation governing Black Canyon Indebtedness and other reasonable fees, costs or charges provided for under the Black Canyon Documents which would accrue and become due under the terms of the Black Canyon Documents but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case) before the Lender will be entitled to receive any payment (by setoff or otherwise) with respect to the Tranche A Note:

(a) in a liquidation or dissolution of the Borrower;

(b) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Borrower or its property;

(c) in an assignment for the benefit of the Borrower's creditors; or

(d) in any marshaling of the Borrower's assets and liabilities.

and, if any of the foregoing shall have occurred, until all Obligations with respect to Black Canyon Indebtedness are paid in full in cash, any payment or distribution to which the Lender would be entitled with respect to the Tranche A Note shall be made to the holders of Black

Canyon Indebtedness.

SECTION 6.03 Default On Black Canyon Indebtedness.

(a) The Borrower shall not make any payment (by setoff or otherwise) in respect of the Tranche A Note if (i) a default in the payment of the principal or premium, if any, or interest on Black Canyon Indebtedness occurs and is continuing beyond any applicable grace period or (ii) any other default occurs and is continuing with respect to Black Canyon Indebtedness that permits holders of Black Canyon Indebtedness to accelerate their maturity, and the Lender receives a notice of such default (a "Payment Blockage Notice") from the holders of Black Canyon Indebtedness or any agent or trustee for such holders. Payments on the Tranche A Note may and shall be resumed (a) in the case of a payment default, upon the date on which such default is cured or waived and (b) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless a payment default has occurred and is continuing (as a result of the maturity of Black Canyon Indebtedness having been accelerated). No new period of payment blockage (other than for a payment default) may be commenced by the holders of Black Canyon Indebtedness or any agent or trustee for such holders unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Tranche A Note that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Lender shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been cured or waived for a period of not less than 90 days.

(b) Whenever the Borrower is prohibited from making any payment in respect of the Tranche A Note, the Borrower also shall be prohibited from making, directly or indirectly, any payment of any kind on account of the prepayment of the Tranche A Note. If the Lender receives any payment or distribution that the Lender is not entitled to receive with respect to the Tranche A Note, the Lender shall be required to pay the same over to the holders of Black Canyon Indebtedness, or any representative of such holders under the indenture or other agreement (if any) pursuant to which Black Canyon Indebtedness may have been issued (the "Black Canyon Representative"), provided, however, that if the Lender shall have received a Payment Blockage Notice from the holders of Senior Debt or any agent or trustee for such holders pursuant to the application of Section 6.01(a), then such payment shall not be required to be made to such holders of Black Canyon Indebtedness or such Black Canyon Representative to the extent that the Lender shall be required to pay any such payment or distribution to the holders of Senior Debt, or any representative of such holders under the indenture or other agreement (if any) pursuant to which Senior Debt may have been issued (the "Senior Debt Representative").

SECTION 6.04 Acceleration of Notes.

If payment of the Tranche A Note is accelerated because of an Event of Default, the Borrower shall promptly notify holders of Black Canyon Indebtedness of the acceleration.

SECTION 6.05 When Distribution Must Be Paid Over.

(a) In the event that the Lender receives any payment (including a payment by a Guarantor under its Note Guarantee) of any obligations with respect to the Tranche A Note at a time when the Lender has actual knowledge that such payment is prohibited by Section 6.03 hereof, such payment shall be held by the Lender, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Black Canyon Indebtedness as their interests may appear, or the Black Canyon Representative, as its interests may appear, for application to the payment of all Obligations with respect to Black Canyon Indebtedness remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of such Black Canyon Indebtedness, provided, however, that in the event that the Lender receives any payment (including a payment by a Guarantor under its Note Guarantee) of any obligations with respect to the Tranche A Note at a time when the Lender also has actual knowledge that such payment is prohibited pursuant to the application of Section 6.01(a) hereof, such payment shall be held by the Lender, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to the holders of Senior Debt or the Senior Debt Representative to the extent required by the terms of the documentation governing Senior Debt.

(b) With respect to the holders of Black Canyon Indebtedness, the Lender undertakes to perform only such obligations on the part of the Lender as are specifically set forth in this Article VI, and no implied covenants or obligations with respect to the holders of Black Canyon Indebtedness shall be read into this Credit Agreement against the Lender with respect to the Tranche A Note.

SECTION 6.06 Notice by the Borrower.

The Borrower shall promptly notify the Lender of any facts known to the Borrower that would cause a payment of any obligations with respect to the Notes to violate this Article VI, but failure to give such notice shall not affect the subordination of the Notes to Senior Debt and Black Canyon Indebtedness as provided in this Article VI.

SECTION 6.07 Subrogation.

After all Black Canyon Indebtedness is paid in full in cash and until the Tranche A Note is paid in full, the Lender shall be subrogated with respect to the Tranche A Note (equally and ratably with all other Indebtedness *pari passu* with the Tranche A Note) to the rights of holders of Black Canyon Indebtedness to

receive distributions applicable to Black Canyon Indebtedness to the extent that distributions otherwise payable to the Lender with respect to the Tranche A Note have been applied to the payment of Black Canyon Indebtedness. A distribution made under this Article VI to holders of Black Canyon Indebtedness that otherwise would have been made to the Lender with respect to the Tranche A Note is not, as between the Borrower and Lender, a payment by the Borrower on the Tranche A Note.

SECTION 6.08 Relative Rights.

(a) This Article VI defines the relative rights of the Lender with respect to the Notes and holders of Senior Debt and Black Canyon Indebtedness. Nothing in this Indenture shall:

(i) impair, as between the Borrower and the Lender, the obligations of the Borrower, which are absolute and unconditional, to pay principal of and interest on the Notes in accordance with its terms;

(ii) affect the relative rights of Lender and creditors of the Borrower other than their rights in relation to holders of Senior Debt and Black Canyon Indebtedness; or

(iii) prevent the Lender from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders of Senior Debt and Black Canyon Indebtedness to receive distributions and payments otherwise payable to the holder of the Notes.

(b) If the Borrower fails because of this Article VI to pay principal of or interest on the Notes on the due date, the failure is still a Default or Event of Default.

SECTION 6.09 Subordination May Not Be Impaired by the Borrower.

No right of any holder of Senior Debt or Black Canyon Indebtedness to enforce the subordination of the Indebtedness (as defined in the Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect) evidenced by the Notes shall be impaired by any act or failure to act by the Borrower, any subsidiary of the Borrower or the Lender or by the failure of the Borrower, any subsidiary of the Borrower or the Lender to comply with this Credit Agreement.

SECTION 6.10 Distribution or Notice of Representative.

(a) Whenever a distribution is to be made or a notice given to holders of Black Canyon Indebtedness, the distribution may be made and the notice given to the Black Canyon Representative of such holders.

(b) Upon any payment or distribution of assets of the Borrower referred to in this Article VI, the Lender shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Black Canyon Representative or Senior Debt Representative, as the case may be, or of the liquidating trustee or agent or other Person making any distribution to the Lender for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of Black Canyon Indebtedness and Senior Debt and other Indebtedness of the Borrower, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article VI.

SECTION 6.11 Amendments.

Any amendment to the provisions of this Article VI shall require the consent of (a) the majority of the holders of Black Canyon Indebtedness if such amendment would adversely affect the rights of the holders of such Black Canyon Indebtedness then outstanding (or any group or representative thereof authorized to give such consent) and (b) the majority of the holders of Senior Debt if such amendment would adversely affect the rights of the holders of such Senior Debt then outstanding (or any group or representative thereof authorized to give such consent).

SECTION 6.12 Reliance by Holders of Senior Debt on Subordination Provisions.

The Lender acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, with respect to the Notes, an inducement and a consideration to each holder of any Senior Debt or Black Canyon Indebtedness, whether such Senior Debt or Black Canyon Indebtedness was created or acquired before or after funding of the Loans, to acquire and continue to hold, or to continue to hold, such Senior Debt or Black Canyon Indebtedness and such holder of such Senior Debt or Black Canyon Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt or Black Canyon Indebtedness."

Section 4 Exhibits.

4.1 Exhibit A (the form of the Tranche A Note) is hereby amended by deleting the fourth paragraph therein in its entirety and substituting the following therefor:

"The payment of the Loan evidenced by this Note is subordinated in accordance with the provisions of Article VI of the Credit Agreement in right of payment to the prior payment in full in cash of Senior Debt (as defined in the Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect) and Black Canyon Indebtedness (whether outstanding on the Closing Date or created,

incurred, assumed or guaranteed thereafter), and that this subordination is for the benefit of the holders of Senior Debt and Black Canyon Indebtedness."

4.2 Exhibit B (the form of the Tranche B Note) is hereby amended by deleting the fourth paragraph therein in its entirety and substituting the following therefor:

"The payment of the Loan evidenced by this Note is subordinated in accordance with the provisions of Article VI of the Credit Agreement on the same terms and to the same extent as Black Canyon Indebtedness in right of payment to the prior payment in full of all Senior Debt (as defined in the Black Canyon Credit Agreement or the Black Canyon Indenture, as then in effect) (whether outstanding on the Closing Date or created, incurred, assumed or guaranteed thereafter), and that this subordination is for the benefit of the holders of Senior Debt of the Borrower. The payment of the Loan evidenced by this Note ranks and will rank at all times *pari passu* with Black Canyon Indebtedness."

Section 5 Effectiveness.

5.1 This Amendment shall become effective on the Closing Date.

Section 6 Miscellaneous.

6.1 Effect of this Amendment. Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement are intended or implied, and in all other respects, the Credit Agreement is hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date of this Amendment No. 1 in accordance with Section 5. The Credit Agreement and this Amendment No. 1 shall be read and construed as one agreement. To the extent of conflict between the terms of this Amendment and the Credit Agreement, the terms of this Amendment No. 1 shall control.

6.2 Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional actions as may be necessary to effectuate the provisions and purposes of this Amendment No. 1.

6.3 Governing Law. The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the laws of the State of New York without regard to principals of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of New York.

6.4 Binding Effect. This Amendment No. 1 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

6.5 Counterparts. This Amendment No. 1 may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment No. 1, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties thereto. Delivery of an executed counterpart of this Amendment No. 1 by telefacsimile shall have the same force and effect as delivery of an original executed counterpart of this Amendment No. 1. Any party

delivering an executed counterpart of this Amendment No. 1 by telefacsimile also shall deliver an original executed counterpart of this Amendment No. 1, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment No. 1 as to such party or any other party.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered by their authorized officers as of the date and year first above written.

TPG-MD INVESTMENT, LLC
as Lender

By: /s/ Richard A. Ekleberry

Title: Vice President

J. CREW OPERATING CORP.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW GROUP, INC

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

GRACE HOLMES, INC. d/b/a J. CREW RETAIL

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

H.F.D. NO. 55, INC. d/b/a J. CREW FACTORY

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti

Title: VP Controller

Exhibit 4.5

CONFORMED COPY

AMENDMENT NO. 3 TO
LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 3 TO LOAN AND SECURITY AGREEMENT ("Amendment No. 3"), dated November 21, 2004, by and among J. Crew Operating Corp., a Delaware corporation ("Operating"), J. Crew Inc., a New Jersey corporation ("J. Crew"), Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail ("Retail"), H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory ("Factory", and together with Operating, J. Crew and Retail, each individually a "Borrower" and collectively, "Borrowers"), J. Crew Group, Inc., a New York corporation ("Parent"), J. Crew International, Inc., a Delaware corporation ("JCI"), and J. Crew Intermediate LLC, a Delaware limited liability company ("Intermediate", and together with Parent and JCI, each individually a "Guarantor" and collectively, "Guarantors"), the parties from time to time to the Loan Agreement (as hereinafter defined) as lenders (each individually, a "Lender" and collectively, "Lenders") and Congress Financial Corporation, a Delaware corporation, in its capacity as administrative and collateral agent for Lenders pursuant to the Loan Agreement (in such capacity, "Agent").

W I T N E S S E T H :

WHEREAS, Agent, Lenders, Borrowers and Guarantors have entered into financing arrangements pursuant to which Agent and Lenders have made and may make loans and advances and provide other financial accommodations to Borrowers as set forth in the Loan and Security Agreement, dated December 23, 2002, by and among Agent, Lenders, Wachovia Bank, National Association, in its capacity as arranger pursuant to the Loan Agreement, Borrowers and Guarantors, as amended by Amendment No. 1 to Loan and Security Agreement, dated February 7, 2003 and Amendment No. 2 to Loan and Security Agreement, dated April 4, 2003 (as the same now exists and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and the agreements, documents and instruments at any time executed and/or delivered in connection therewith or related thereto (collectively, together with the Loan Agreement, the "Financing Agreements");

WHEREAS, Operating proposes to incur $275,000,000 of indebtedness under the Black Canyon Documents (as defined below) the proceeds of which will be used by Operating to (i) redeem in full all of the indebtedness of Operating arising under the 10 3/8% Senior Subordinated Notes due 2007 issued by Operating and (ii) to make an intercompany loan to Intermediate, the proceeds of which will be used by Intermediate to redeem a portion of the existing 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate;

WHEREAS, upon the occurrence of certain events, the loans made under the Black Canyon Credit Agreement will be exchanged into new notes to be issued under the Black Canyon Indenture (as defined below);

WHEREAS, the indebtedness of Operating arising under the Black Canyon Documents will be guaranteed by Factory, JCI, J. Crew and Retail and secured by certain assets of

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Operating, Factory, JCI, J. Crew and Retail which security interests and liens shall be junior and subordinate to the security interests and liens of Agent therein;

WHEREAS, after giving effect to the redemption of a portion of the existing 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate, the remaining balance will be secured by certain assets of Operating, Factory, JCI, J. Crew and Retail on an equal and ratable basis with the indebtedness of Operating arising under the Black Canyon Documents, which security interests and liens shall be junior and subordinate to the security interests and liens of Agent in such assets;

WHEREAS, Borrowers and Guarantors have requested that Agent and Lenders consent to (a) the incurring of the indebtedness under the Black Canyon Documents, (b) guarantees by Intermediate, Factory, JCI, J. Crew and Retail of such indebtedness of Operating, (c) the grant of the subordinate security interests by Operating, Intermediate, Factory, JCI, J. Crew and Retail to U.S. Bank National Association, as collateral agent on behalf of the lenders or holders under the Black Canyon Documents and the holders of the 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate, in the Collateral to secure the indebtedness evidenced thereby and the guarantees thereof on an equal and ratable basis, (e) the redemption by Operating of the 10 3/8% Senior Subordinated Notes due 2007 with the proceeds of the loans under the Black Canyon Credit Agreement, (f) the intercompany loan by Operating to Intermediate with a portion of the proceeds of the loans under the Black Canyon Credit Agreement, (f) the redemption by Intermediate of a portion of the 16.0% Senior Discount Contingent Principal Notes with the proceeds of the intercompany loan by Operating to Intermediate, and (g) certain related amendments to the Loan Agreement; and

WHEREAS, Agent and Required Lenders are willing to provide such consents and to make such amendments to the extent and subject to terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual conditions and agreements and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions.

1.1 Additional Definitions. As used herein, the following terms shall have the respective meanings given to them below and the Loan Agreement shall be deemed and is hereby amended to include, in addition and not in limitation of, each of the following definitions:

(a) "Amendment No. 3" shall mean this Amendment No. 3 to Loan and Security Agreement by and among Agent, Lenders, Borrowers and Guarantors, as the same now exists and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced.

(b) "Black Canyon Credit Agreement" shall mean the Credit Agreement, dated the Effective Date, between Operating, as borrower, the Black Canyon Guarantors, the lenders named therein and U.S. Bank National Association, as administrative agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(c) "Black Canyon Documents" shall mean, collectively the following (as the same may now or hereafter exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (i) the Black Canyon Credit Agreement (including any loan notes and loan guarantees issued thereunder), (ii) the Black Canyon Indenture (including any notes and guarantees issued thereunder), (iii) the Black Canyon Security Agreement, (iv) the Black Canyon Intercreditor Agreement, and (v) all other agreements, documents and instruments now or at any time hereafter executed and/or delivered by Operating or any other person in connection therewith.

(d) "Black Canyon Guarantors" shall mean, collectively, Factory, JCI, J. Crew, Retail and any Subsidiary of Operating or its Subsidiaries formed after the Effective Date, or Intermediate on or after the date of the execution and delivery of the Black Canyon Indenture, that guarantees the Indebtedness under the Black Canyon Credit Agreement or the Black Canyon Indenture, to the extent required to do so under the terms thereof, pursuant to the form of loan guarantee attached as Exhibit B to the Black Canyon Credit Agreement (or the equivalent form attached to the Black Canyon Indenture), and their respective successors and assigns, sometimes being referred to individually as a "Black Canyon Guarantor".

(e) "Black Canyon Indenture" shall mean the Indenture to be entered into among Operating, as issuer, the Black Canyon Guarantors and Noteholder Collateral Agent in its capacity as trustee thereunder, upon the occurrence of certain events as set forth in the Black Canyon Credit Agreement, in the form included as an exhibit to the Black Canyon Credit Agreement as of the Effective Date (except as such form may be amended or modified to the extent permitted hereunder).

(f) "Black Canyon Intercreditor Agreement" shall mean the Intercreditor Agreement, dated the Effective Date, by and among Agent, Noteholder Collateral Agent, Operating, and the Black Canyon Guarantors, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(g) "Black Canyon Security Agreement" shall mean the Security Agreement, dated the Effective Date, by Operating and the Black Canyon Guarantors in favor of Noteholder Collateral Agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(h) "Closing Date" shall mean the date of the initial funding of the loans under the Black Canyon Credit Agreement.

(i) "Effective Date" shall mean the date of the execution of the Black Canyon Credit Agreement.

(j) "Noteholder Collateral Agent" shall mean U.S. Bank, National Association, and any successor or replacement agent or any sub-agent under the Black Canyon Documents.

(k) "16% Senior Discount Note Indenture" shall mean the Indenture, dated May 6, 2003, between Intermediate, as issuer and 16% Senior Discount Note Trustee, with respect to the 16% Senior Discount Notes, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(l) "16% Senior Discount Notes" shall mean, collectively, the 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate under the 16% Senior Discount Note Indenture, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(m) "16% Senior Discount Note Trustee" shall mean U.S. Bank, National Association, and its successors and assigns, and any replacement trustee permitted pursuant to the terms and conditions of the 16% Senior Discount Note Indenture.

(n) "10 3/8% Subordinated Notes" shall mean, collectively, the 10 3/8% Senior Subordinated Notes due 2007 issued by Operating under the 10 3/8% Subordinated Note Indenture, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(o) "10 3/8% Subordinated Note Indenture" shall mean the Indenture, dated as of October 17, 1997, by and among Operating, as issuer, Borrowers, and certain Affiliates of Borrowers, as guarantors, and State Street Bank and Trust Company, as trustee, with respect to the 10 3/8% Subordinated Notes, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated, or replaced.

1.2 Amendment to Definitions. All references to the term "Financing Agreements" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition and not in limitation, this Amendment No. 3, and all other agreements documents and instruments at any time executed and/or delivered by any Obligor or any other person in connection with this Amendment No. 3.

1.3 Interpretation. For purposes of this Amendment No. 3, all terms used herein, including those terms used or defined in the recitals hereto, shall have the respective meanings assigned thereto in the Loan Agreement.

Section 2. Consent. Notwithstanding anything to the contrary set forth in the Loan Agreement or any of the other Financing Agreements and subject to the terms and conditions contained herein, Agent and Required Lenders hereby consent to:

2.1 the Indebtedness of Operating evidenced by and arising under the Black Canyon Documents;

2.2 the contingent Indebtedness of the Black Canyon Guarantors arising under the Black Canyon Documents;

2.3 the security interests in and liens upon the Collateral of Operating and the Black Canyon Guarantors granted to the Noteholder Collateral Agent pursuant to the Black Canyon Security Agreement to secure the Indebtedness evidenced by and arising under the Black Canyon Documents and the remaining portion of the 16% Senior Discount Notes on an equal and ratable basis;

2.4 the redemption by Operating on or about the Closing Date of all of the Indebtedness of Operating arising under the 10 3/8% Senior Subordinated Notes with the proceeds of the loans

under the Black Canyon Credit Agreement;

2.5 an intercompany loan by Operating to Intermediate on or about the Closing Date in the amount not exceeding $125,000,000 with a portion of the proceeds of the loans under the Black Canyon Credit Agreement all of which amount shall be used contemporaneously by Intermediate solely to redeem a portion of the Indebtedness arising under the 16% Senior Discount Notes; and

2.6 the redemption by Intermediate on or about the Closing Date of a portion of the 16% Senior Discount Notes with all of the proceeds of the intercompany loan by Operating to Intermediate with the proceeds of the loans under the Black Canyon Credit Agreement.

Section 3. Encumbrances. Section 9.8 of the Loan Agreement is hereby amended by adding the following new subsection (n) at the end thereof:

"(n) the security interests and liens of the Noteholder Collateral Agent in the Collateral pursuant to the Black Canyon Security Agreement to secure (i) the Indebtedness of Operating and the Black Canyon Guarantors under the Black Canyon Documents to the extent such Indebtedness is permitted under Section 9.9(r) hereof and (ii) the Indebtedness of Intermediate evidenced by the remaining portion of the 16% Senior Discount Notes on an equal and ratable basis to the extent such Indebtedness is permitted under Section 9.9(q) hereof, which security interests and liens of the Noteholder Collateral Agent are and shall at all times be junior and subordinate to the security interests and liens of Agent pursuant to the Black Canyon Intercreditor Agreement."

Section 4. Indebtedness.

4.1 Section 9.9(j)(i) of the Loan Agreement is hereby amended by deleting the reference to the figure "$142,000,000" contained therein and substituting the following therefor: "$25,000,000".

4.2 As of the Closing Date, Section 9.9(k) of the Loan Agreement will be automatically and without further action by the parties hereto deleted in its entirety and the following substituted therefor: "intentionally omitted".

4.3 Section 9.9(o) of the Loan Agreement is hereby amended by deleting all of the words prior to the words "provided, that" at the beginning of such Section and substituting the following therefor:

"(o) Indebtedness of Parent, Operating or Intermediate, as the case may be, arising after the date hereof issued in exchange for, or the proceeds of which are used to extend, refinance, replace or substitute for Indebtedness permitted under Sections 9.9(j), 9.9(q) or 9.9(r) hereof (the "Refinancing Indebtedness");"

4.4 As of the Closing Date, Section 9.9(q)(i) of the Loan Agreement will be automatically and without further action by the parties hereto amended to delete the reference to the figure "154,500,000" contained therein and substitute the following therefor: "$75,000,000".

4.5 Section 9.9 of the Loan Agreement is hereby amended by adding a new Section 9.9(r) at the end thereof as follows:

"(r) Indebtedness of Operating arising on the Closing Date under the Black Canyon Credit Agreement (or under the Black Canyon Indenture upon its execution and delivery after the Closing Date), provided, that:

(i) the aggregate amount of such Indebtedness shall not exceed $275,000,000, less the aggregate amount of all repayments or redemptions, whether optional or mandatory, in respect thereof, plus interest thereon at the rate provided for in the Black Canyon Credit Agreement (or provided for in the Black Canyon Indenture upon its execution and delivery after the Closing Date),

(ii) the Credit Facility is and shall at all times continue to be the "Congress Credit Facility" as such term is defined in the Black Canyon Documents and the Obligations are and shall at all times constitute "Senior Debt" and "Designated Senior Debt" as each of such terms is defined in the Black Canyon Documents and is and shall be entitled to all of the rights and benefits thereof, if any, under the Black Canyon Documents,

(iii) Borrowers and Guarantors shall not, directly or indirectly, make any payments in respect of such Indebtedness, except that they may make regularly scheduled payments of interest and fees, if any, in respect of such Indebtedness when due in accordance with the terms of the Black Canyon Credit Agreement (or in accordance with the terms of the Black Canyon Indenture upon its execution and delivery after the Closing Date), and any reasonable and customary fees required to be paid to lenders or holders of the Indebtedness of Operating under the Black Canyon Documents,

(iv) Borrowers and Guarantors shall not, directly or indirectly, amend, modify, alter or change, in each case, in any material respect any terms of such Indebtedness or any of the Black Canyon Documents or any related agreements, documents and instruments, except that Borrowers and Guarantors may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness other than pursuant to payments thereof, or to reduce the interest rate or any fees in connection therewith, or to eliminate any covenants contained therein, or make any such covenants less restrictive or otherwise more favorable to any Borrower or Guarantor or to execute and deliver a loan guarantee in the form attached as Exhibit B to the Black Canyon Credit Agreement (or the equivalent form attached to the Black Canyon Indenture), and

(v) Borrowers and Guarantors shall not, directly or indirectly, redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness other than at maturity (as set forth in the Black Canyon Credit Agreement or the Black Canyon Indenture upon its execution and delivery after the Closing Date), or set aside or otherwise deposit or invest any sums for such

purpose, except that

(A) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness with Refinancing Indebtedness with respect thereto to the extent permitted under Section 9.9(o) hereof,

(B) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any portion of such Indebtedness with the net proceeds of the issuance and sale of Capital Stock of Parent or Operating permitted hereunder received by such Borrower or Guarantor in cash or other immediately available funds; provided, that, as of the date of any such redemption or purchase or any payment in respect thereof and after giving effect thereto, (1) Borrowers and Guarantors shall have complied with all of the requirements of Sections 9.7(b)(iii)(A), (B), (C) and (E) with respect to such issuance and sale of Capital Stock and in addition to such requirements, the notice provided to Agent pursuant thereto shall specify that the proceeds are to be used for the redemption, retirement, defeasance, purchase or acquisition of all or any part all of such Indebtedness (and shall specify which of the foregoing is intended), the maximum amount that Borrowers and Guarantors will pay in respect thereof and the range of the principal amount of such Indebtedness that Borrowers and Guarantors anticipate will be so redeemed, retired, defeased, purchased or otherwise acquired, (2) the redemption, retirement, defeasance, repurchase or acquisition of all or any part of such Indebtedness shall be substantially contemporaneous with the issuance and sale of the Capital Stock of Parent or Operating subject to such notice provided to Agent, (3) as of the date of any such payment and after giving effect thereto, there shall be Excess Availability, and (4) as of the date of any such payment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, and

(C) Borrowers or Guarantors may redeem or repurchase such Indebtedness in cash or other immediately available funds (other than with proceeds of the issuance and sale of Capital Stock of Parent or Operating as provided in clause (B) above); provided, that, (1) Borrower Agent shall have provided to Agent not less than ten (10) Business Days' notice of the intention of such Borrower or Guarantor to redeem or purchase such Indebtedness (specifying the amount to be paid by Borrowers or Guarantors and the principal amount of such Indebtedness that Borrowers and Guarantors anticipate will be so redeemed or repurchased), (2) for each of the immediately preceding thirty (30) consecutive days, Excess Availability shall have been not less than $20,000,000 and as of the date of any such payment and after giving effect thereto, Excess Availability shall be not less than $20,000,000 and (3) as of the date of such payment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing."

4.6 Section 9.9 of the Loan Agreement is hereby amended by adding a new Section 9.9(s) at the end thereof as follows:

"(s) contingent Indebtedness arising pursuant to the guarantees existing on the Effective Date by the Black Canyon Guarantors (or thereafter pursuant to any person that becomes a Black Canyon Guarantor after the Effective Date in accordance with the terms of the Black Canyon Documents) of the Indebtedness of Operating arising under the Black Canyon Documents to the extent such Indebtedness of Operating is permitted hereunder, set forth in the Black Canyon Credit Agreement, or on substantially the same terms, in the Black Canyon Indenture upon the execution and delivery thereof."

Section 5. Loans, Investments, Etc. Section 9.10 of the Loan Agreement is hereby amended by adding a new Section 9.10(k) at the end thereof as follows:

"(k) an intercompany loan by Operating to Intermediate on or about the Closing Date with a portion of the proceeds of the loans received by Operating under the Black Canyon Credit Agreement, the proceeds of which shall be used on or about the Closing Date by Intermediate solely to prepay a portion of the 16% Senior Discount Notes, provided, that, the Indebtedness arising pursuant to such loan shall not be evidenced by a promissory note or other instrument, unless the single original of such note or other instrument is promptly delivered to Agent upon its request to hold as part of the Collateral, with such endorsement and/or assignment by the payee of such note or other instrument as Agent may require."

Section 6. Representations, Warranties and Covenants. In addition to the continuing representations, warranties and covenants heretofore or hereafter made by Borrowers and Guarantors to Agent and Lenders pursuant to the other Financing Agreements, each of Borrowers and Guarantors, jointly and severally, hereby represents, warrants and covenants with and to Agent and Lenders as follows (which representations, warranties and covenants are continuing and shall survive the execution and delivery hereof and shall be incorporated into and made a part of the Financing Agreements):

6.1 This Amendment No. 3 has been duly executed and delivered by all necessary action on the part of Borrowers and Guarantors and, if necessary, their respective stockholders, and is in full force and effect as of the Effective Date and the agreements and obligations of Borrowers and Guarantors contained herein constitute legal, valid and binding obligations of Borrowers and Guarantors enforceable against Borrowers and Guarantors in accordance with their respective terms.

6.2 No Default or Event of Default exists or has occurred and is continuing.

6.3 No action of, or filing with, or consent of any governmental authority, and no approval or consent of any other party, is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Amendment No. 3, other than a filing of a current report on Form 8-K with the Securities and Exchange Commission in connection therewith.

6.4 All of the representations and warranties set forth in the Loan Agreement and the other Financing Agreements, each as amended hereby, are true and correct on and as of the date hereof.

6.5 Neither the execution or delivery of any of the other Black Canyon Documents, nor the consummation of the transactions contemplated by the Black Canyon Documents, nor compliance with the provisions thereof, shall result in the creation nor imposition of any lien, charge or encumbrance upon any of the Collateral as amended hereby, other than in favor of Noteholder Collateral Agent or Agent as specifically permitted herein.

6.6 On or prior to the Closing Date, the Black Canyon Credit Agreement shall have been duly authorized, issued and delivered by Operating, and the transactions contemplated thereunder shall have been performed in accordance with their terms by the respective parties thereto in all respects to the extent to be performed thereunder on or before the Closing Date, including the fulfillment (or the waiver) of all conditions precedent set forth therein.

6.7 On or prior to the Closing Date, all actions and proceedings required by the Black Canyon Documents, applicable law or regulations, including, without limitation, all Securities Laws, shall have been taken, and the transactions required thereunder shall have been (or will be when required to under the Black Canyon Documents or applicable law) duly and validly taken and consummated.

6.8 Neither the execution and delivery of any of the Black Canyon Documents nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof (a) has violated or will violate any of the Securities Laws or any other law or regulation or any order or decree of any court or governmental instrumentality in any respect, or (b) after giving effect to the consents hereunder, does or shall conflict with or result in the breach of, or constitute a default in any respect under, any indenture, mortgage, deed of trust, security agreement, agreement or instrument to which any Borrower or Guarantor is a party or by which it or any of its assets may be bound, or (c) violate any provision of the Certificate of Incorporation, By-Laws, Articles of Formation or Operating Agreement of any Borrower or Guarantor.

6.9 Borrowers shall provide written notice to Agent of the Closing Date on such date.

6.10 On the Effective Date, Agent has received true, correct and complete copies of all of the Black Canyon Documents executed as of or prior to such date, and thereafter shall receive true, correct and complete copies of all other Black Canyon Documents promptly upon the execution thereof (but in any event one (1) Business Day thereafter).

6.11 The Closing Date shall occur on or about January 15, 2005 and Borrowers and Guarantors shall have received the proceeds of the initial loans under the Black Canyon Credit Agreement on or about such date.

Section 7. Conditions. The effectiveness of the consents, terms and conditions contained herein shall be subject to the satisfaction of each of the following conditions, in form and substance satisfactory to Agent:

7.1 Agent shall have received a true, complete and correct copy of the Black Canyon Intercreditor Agreement, in form and substance satisfactory to Agent, as duly authorized, executed and delivered by the parties thereto;

7.2 Agent shall have received true, correct and complete copies of all of the Black Canyon Documents executed and delivered on the Effective Date, which shall be in form and substance reasonably satisfactory to Agent;

7.3 Agent shall have received evidence that all corporate and limited liability company proceedings with respect to the incurrence of the Indebtedness under the Black Canyon Documents have been taken by Borrowers, Guarantors and their Affiliates, as appropriate;

7.4 Agent shall have received, in form and substance satisfactory to Agent, from Operating, Directors' Certificate of Shareholders and Shareholders' Resolutions, Incumbency and Shareholder Consent evidencing the adoption and subsistence of the corporate resolutions approving the execution, delivery and performance by Operating of this Amendment No. 3 and the agreements, documents and instruments to be delivered pursuant to this Amendment including the transactions contemplated by the Black Canyon Documents;

7.5 Agent shall have received an original of this Amendment No. 3, duly authorized, executed and delivered by Borrowers and Guarantors;

7.6 Agent shall have received all consents of Lenders required for the amendments provided for herein;

7.7 the Effective Date and each of the conditions set forth above shall have occurred by no later than December 7, 2004.

Section 8. Miscellaneous.

8.1 Effect of this Amendment. Except as modified pursuant hereto, no other changes or modifications to the Financing Agreements are intended or implied, and in all other respects, the Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of the Effective Date. The Loan Agreement and this Amendment No. 3 shall be read and construed as one agreement. To the extent of conflict between the terms of this Amendment and the other Financing Agreements, the terms of this Amendment No. 3 shall control.

8.2 Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional actions as may be necessary to effectuate the provisions and purposes of this Amendment No. 3.

8.3 Governing Law. The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the laws of the State of New York without regard to principals of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of New York.

8.4 Binding Effect. This Amendment No. 3 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

8.5 Counterparts. This Amendment No. 3 may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment, it shall not be necessary to produce or account

for more than one counterpart thereof signed by each of the parties hereto. Delivery of an executed counterpart of this Amendment No. 3 by telefacsimile shall have the same force and effect as delivery of an original executed counterpart of this Amendment No. 3. Any party delivering an executed counterpart of this Amendment No. 3 by telefacsimile also shall deliver an original executed counterpart of this Amendment No. 3, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment No. 3 as to such party or any other party.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed and delivered by their authorized officers as of the date and year first above written.

CONGRESS FINANCIAL CORPORATION,
as Agent and as Lender

By: /s/ Jason Searle

Title: Assistant Vice President

BANK OF AMERICA N.A.

By: /s/ Keith Vercauteren

Title: Director

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial Services Inc.

By: /s/ Michele Kovatchis

Title: Director

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Deborah Rogut

Title: Vice President

LASALLE RETAIL FINANCE, a division of
Lasalle Business Credit, as agent for Standard
Federal Bank National Association

By: /s/ Craig G. Nutbrown

Title: Vice President

ORIX CREDIT CORPORATION

By: /s/ Robert Lenhardt

Title: Director, Domestic Research

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

J. CREW OPERATING CORP.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

GRACE HOLMES, INC. d/b/a J. CREW RETAIL

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

H.F.D. NO. 55, INC. d/b/a J. CREW FACTORY

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW GROUP, INC.

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti

Title: VP Controller

J. CREW INTERMEDIATE LLC

By: /s/ Amanda J. Bokman

Title: Chief Financial Officer

Exhibit 4.6

EXECUTION

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

by and among

J. CREW OPERATING CORP.
J. CREW INC.
GRACE HOLMES, INC. d/b/a J. CREW RETAIL
H.F.D. NO. 55, INC. d/b/a J. CREW FACTORY
as Borrowers

and

J. CREW GROUP, INC.
J. CREW INTERNATIONAL, INC.
J. CREW INTERMEDIATE LLC
as Guarantors

WACHOVIA CAPITAL MARKETS LLC
Sole Lead Arranger and Sole Lead Bookrunner

WACHOVIA BANK, NATIONAL ASSOCIATION
as Administrative Agent

BANK OF AMERICA, N.A.
as Syndication Agent

CONGRESS FINANCIAL CORPORATION
as Collateral Agent

and

THE LENDERS FROM TIME TO TIME PARTY HERETO
as Lenders

Dated: December , 2004

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AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This Amended and Restated Loan and Security Agreement dated December , 2004 is entered into by and among J. Crew Operating Corp., a Delaware corporation ("Operating"), J. Crew Inc., a New Jersey corporation ("J. Crew"), Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail ("Retail"), H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory ("Factory", and together with J. Crew, Retail, Operating, each individually a "Borrower" and collectively, "Borrowers"), J. Crew Group, Inc., a New York corporation ("Parent"), J. Crew International, Inc. ("JCI"), and J. Crew Intermediate LLC, a Delaware limited liability company ("Intermediate", and together with Parent and JCI, each individually a "Guarantor" and collectively, "Guarantors"), the parties hereto as lenders, whether by execution of this Agreement or an Assignment and Acceptance (each individually, a "Lender" and collectively, "Lenders"), Wachovia Capital Markets, LLC, a Delaware limited liability company, as sole lead arranger and sole bookrunner (in such capacity, "Arranger"), Wachovia Bank, National Association, a national banking association, in its capacity as administrative agent for the lenders (in such capacity, "Administrative Agent"), Bank of America, N.A., in its capacity as syndication agent for the lenders (in such capacity, "Syndication Agent") and Congress Financial Corporation, a Delaware corporation, in its capacity as collateral agent for Lenders (in such capacity, "Agent").

W I T N E S S E T H:

WHEREAS, certain Borrowers, certain Guarantors, Lenders and Agent are parties to the Loan and Security Agreement, dated as of December 23, 2002, by and among them, pursuant to which Lenders have made and may make loans and provide other financial accommodations to such Borrowers;

WHEREAS, Borrowers and Guarantors have requested that Agent and Lenders amend and restate the Loan Agreement pursuant to and in accordance with the terms and conditions set forth herein; and

WHEREAS, each Lender is willing to agree (severally and not jointly) to amend and restate the Loan Agreement and to make such loans and provide such financial accommodations to Borrowers on a pro rata basis according to its Commitment (as defined below) on the terms and conditions set forth herein and Agent is willing to act as collateral agent for Lenders on the terms and conditions set forth herein and the other Financing Agreements;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1 Accounts" shall mean, as to each Borrower and Guarantor, all present and future rights of such Borrower and Guarantor to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a secondary obligation incurred or to be incurred, or (d) consisting of Credit Card Receivables.

1.2 "Adjusted Borrowing Base" shall mean the amount equal to:

(a) the lesser of: (i) the sum of: (A) the amount equal to ninety (90%) percent of Eligible Credit Card Receivables; plus (B) the amount equal to the lesser of: (1) eighty-five (85%) percent multiplied by the Value of each category of Eligible Inventory of each Borrower or (2) during the period from August 1 of any year through and including December 15 of such year, ninety (90%) percent of the Net Recovery Percentage as to each category of Eligible Inventory of each Borrower multiplied by the Value of such category of Eligible Inventory of such Borrower, and at all other times, eighty-five (85%) percent of the Net Recovery Percentage as to each category of Eligible Inventory of each Borrower multiplied by the Value of such category of Eligible Inventory of such Borrower; plus (C) the Adjusted Real Property Availability, and (ii) the Maximum Credit, minus

(b) Reserves.

1.3 "Adjusted Eurodollar Rate" shall mean, with respect to each Interest Period for any Eurodollar Rate Loan, the rate per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) determined by dividing (a) the Eurodollar Rate for such Interest Period by (b) a percentage equal to: (i) one (1) minus (ii) the Reserve Percentage. For purposes hereof, "Reserve Percentage" shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of United States dollars in a non-United States or an international banking office of a Reference Bank used to fund a Eurodollar Rate Loan or any Eurodollar Rate Loan made with the proceeds of such deposit, whether or not the Reference Bank actually holds or has made any such deposits or loans. The Adjusted Eurodollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

1.4 "Adjusted Real Property Availability" shall mean $4,074,000; provided, that, (a) the Adjusted Real Property Availability shall be reduced automatically and without further action by the parties effective as of the first day of each month after the date hereof by an amount equal to $97,000 and (b) if prior to the date that the Adjusted Borrowing Base shall be used in the calculation of the amount of the Revolving Loans available to Borrowers as set forth in the definition of the term Borrowing Base, the Real Property Availability shall be adjusted as provided for in the definition of such term set forth below, then the Adjusted Real Property Availability shall mean the amount equal to the initial amount of the Real Property Availability as so adjusted and as reduced automatically and without further action by the parties effective as of the first day of each month after the date of the adjustment of the Real Property Availability by an amount equal to the initial adjusted Real Property Availability divided by eighty-four (84).

1.5 "Administrative Agent" shall mean Wachovia Bank, National Association in its capacity as administrative agent on behalf of Lenders pursuant to the terms hereof and any replacement or successor agent hereunder.

1.6 "Affiliate" shall mean, with respect to a specified Person, any other Person which directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such Person, and without limiting the generality of the foregoing, includes (a) any Person which

beneficially owns or holds ten (10%) percent or more of any class of Voting Stock of such Person or other equity interests in such Person and (b) any Person of which such Person beneficially owns or holds ten (10%) percent or more of any class of Voting Stock or in which such Person beneficially owns or holds ten (10%) percent or more of the equity interests. For the purposes of this definition, the term "control" (including with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by agreement or otherwise.

1.7 "Agent" shall mean Congress Financial Corporation, in its capacity as collateral agent on behalf of Lenders pursuant to the terms hereof and any replacement or successor agent hereunder.

1.8 "Agent Payment Account" shall mean account no. 5000000030279 of Agent at Wachovia Bank, National Association, Charlotte, North Carolina, or such other account of Agent as Agent may from time to time designate to Borrower Agent as the Agent Payment Account for purposes of this Agreement and the other Financing Agreements.

1.9 "Applicable Margin" shall mean, at any time, as to the interest rate for Prime Rate Loans and the interest rate for Eurodollar Rate Loans, the applicable percentage (on a per annum basis) set forth below if the Quarterly Average Excess Availability for the immediately preceding fiscal quarter is at or within the amounts indicated for such percentage as of the last day of the immediately preceding fiscal quarter:

Tier	Quarterly Average Excess Availability	Applicable Eurodollar Rate Margin	Applicable Prime Rate Margin
1	Greater than $55,000,000	1.25%	0%
2	Less than or equal to $55,000,000 and greater than $40,000,000	1.50%	0%
3	Less than or equal to $40,000,000 and greater than $20,000,000	1.75%	.25%
4	Less than or equal to $20,000,000	2.00%	.25%

provided, that, (i) the Applicable Margin shall be calculated and established once each fiscal quarter and shall remain in effect until adjusted thereafter after the end of the next fiscal quarter and (ii) if the Excess Availability is greater than $40,000,000 as of the date hereof, the Applicable Margin through the last day of the sixth (6th) month after the date hereof shall be the amount for Tier 2 set forth above.

1.10 "Assignment and Acceptance" shall mean an Assignment and Acceptance substantially in the form of Exhibit A attached hereto (with blanks appropriately completed) delivered to Agent in connection with an assignment of a Lender's interest hereunder in accordance with the provisions of Section 14.7 hereof.

1.11 "Black Canyon Closing Date" shall mean the date of the initial funding of the loans under the Black Canyon Credit Agreement.

1.12 "Black Canyon Credit Agreement" shall mean the Credit Agreement, dated as of November 24, 2004, between Operating, as borrower, the Black Canyon Guarantors, the lenders named therein and U.S. Bank National Association, as administrative agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.13 "Black Canyon Documents" shall mean, collectively the following (as the same may now or hereafter exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (a) the Black Canyon Credit Agreement (including any loan notes and loan guarantees issued thereunder), (b) the Black Canyon Indenture (including any notes and guarantees issued thereunder), (c) the Black Canyon Security Agreement, (d) the Black Canyon Intercreditor Agreement, and (e) all other agreements, documents and instruments now or at any time hereafter executed and/or delivered by Operating or any other person in connection therewith.

1.14 "Black Canyon Guarantors" shall mean, collectively, Factory, JCI, J. Crew, Retail and any Subsidiary of Operating or its Subsidiaries formed after November 24, 2004, or Intermediate on or after the date of the execution and delivery of the Black Canyon Indenture, that guarantees the Indebtedness under the Black Canyon Credit Agreement or the Black Canyon Indenture, to the extent required to do so under the terms thereof, pursuant to the form of loan guarantee attached as Exhibit B to the Black Canyon Credit Agreement (or the equivalent form attached to the Black Canyon Indenture), and their respective successors and assigns, sometimes being referred to individually as a "Black Canyon Guarantor".

1.15 "Black Canyon Indenture" shall mean the Indenture to be entered into among Operating, as issuer, the Black Canyon Guarantors and Noteholder Collateral Agent in its capacity as trustee thereunder, upon the occurrence of certain events as set forth in the Black Canyon Credit Agreement, in the form included as an exhibit to the Black Canyon Credit Agreement as of November 24, 2004 (except as such form may be amended or modified to the extent permitted hereunder).

1.16 "Black Canyon Intercreditor Agreement" shall mean the Intercreditor Agreement, dated as of November 24, 2004, by and among Agent, Noteholder Collateral Agent, Operating,

and the Black Canyon Guarantors, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.17 "Black Canyon Security Agreement" shall mean the Security Agreement, dated as of November 24, 2004, by Operating and the Black Canyon Guarantors in favor of Noteholder Collateral Agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.18 "Blocked Accounts" shall have the meaning set forth in Section 6.3 hereof.

1.19 "Borrower Agent" shall mean J. Crew Operating Corp., a Delaware corporation, in its capacity as Borrower Agent on behalf of the Borrowers pursuant to Section 6.7 hereof and its successors and assigns in such capacity.

1.20 "Borrowing Base" shall mean, at any time, subject to adjustment as provided below, the amount equal to:

(a) the lesser of: (i) the sum of: (A) the amount equal to ninety (90%) percent of Eligible Credit Card Receivables; plus (B) the amount equal to the lesser of: (1) ninety-five (95%) percent multiplied by the Value of each category of Eligible Inventory of each Borrower or (2) during the period from August 1 of any year through and including December 15 of such year, ninety-five (95%) percent of the Net Recovery Percentage as to each category of Eligible Inventory of each Borrower multiplied by the Value of such category of Eligible Inventory of such Borrower, and at all other times, ninety-two and one-half (92.5%) percent of the Net Recovery Percentage as to each category of Eligible Inventory of each Borrower multiplied by the Value of such category of Eligible Inventory of such Borrower; plus (C) the Real Property Availability, and (ii) the Maximum Credit, minus

(b) Reserves;

provided, that, (A) on and after the date of the incurrence of any Indebtedness as described in Section 9.9(t) hereof, the term "Borrowing Base" shall mean, at any such time, the amount equal to the Adjusted Borrowing Base and (B) such percentage of the net amount of eligible trade accounts receivables as Agent may determine will be added to the calculation of the Borrowing Base, provided, that, each of the following conditions is satisfied: (1) Agent shall have received the written request of Borrower Agent to so include such trade accounts receivable, (2) Agent shall have conducted a field examination with respect to such receivables, the results of which shall be reasonably satisfactory to Agent, (3) Agent shall have established the reports and the frequency thereof with respect to such trade accounts receivable that Borrowers will be required to deliver and Borrowers shall have agreed thereto in writing, in form and substance satisfactory to Agent, and (4) Agent shall have sufficient information necessary in accordance with the customary practices and procedures of Agent to establish, and Agent shall have had five (5) Business Days after receipt of such information to review it after which Agent shall establish, the criteria for such receivables to constitute eligible trade accounts receivable for purposes of calculating the Borrowing Base (and including any Reserves with respect thereto) and the percentage of such net amount of eligible trade accounts receivable as shall be used for such

purpose and Borrowers shall have agreed in writing to such criteria and such percentage, in form and substance reasonably satisfactory to Agent.

1.21 "Borrowing Base Certificate" shall mean a certificate substantially in the form of Exhibit D hereto, as such form may from time to time be modified by Agent, which is duly completed (including all schedules thereto) and executed by the chief financial officer, vice president of finance, treasurer or controller of Borrower Agent and delivered to Agent.

1.22 "Business Day" shall mean any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the State of New York, or the State of North Carolina, and a day on which Agent is open for the transaction of business, except that if a determination of a Business Day shall relate to any Eurodollar Rate Loans, the term Business Day shall also exclude any day on which banks are closed for dealings in dollar deposits in the London interbank market or other applicable Eurodollar Rate market.

1.23 "Capital Expenditures" shall mean all expenditures for, or contracts for expenditures for, any fixed or capital assets or improvements, or for replacements, substitutions or additions thereto, which have a useful life of more than one (1) year, including, but not limited to, the direct or indirect acquisition of such assets by way of offset items or otherwise and shall include the principal amount of capitalized lease payments during the applicable period.

1.24 "Capital Leases" shall mean, as applied to any Person, any lease of (or any agreement conveying the right to use) any property (whether real, personal or mixed) by such Person as lessee which in accordance with GAAP, is required to be reflected as a liability on the balance sheet of such Person.

1.25 "Capital Stock" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock or partnership, limited liability company or other equity interests at any time outstanding, and any and all rights, warrants or options exchangeable for or convertible into such capital stock or other interests (but excluding any debt security that is exchangeable for or convertible into such capital stock).

1.26 "Cash Equivalents" shall mean, at any time, (a) any evidence of Indebtedness with a maturity date of one hundred eighty (180) days or less issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof; provided, that, the full faith and credit of the United States of America is pledged in support thereof; (b) certificates of deposit or bankers' acceptances with a maturity of one hundred eighty (180) days or less of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than $250,000,000; (c) commercial paper (including variable rate demand notes) with a maturity of one hundred eighty (180) days or less issued by a corporation (except an Affiliate of any Borrower or Guarantor) organized under the laws of any State of the United States of America or the District of Columbia and rated at least A-2 by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. or at least P-2 by Moody's Investors Service, Inc.; (d) repurchase obligations with a term of not more than thirty (30) days for underlying securities of the types described in clause (a) above entered into with any financial institution having combined capital

and surplus and undivided profits of not less than $250,000,000; (e) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued or unconditionally guaranteed by the United States of America or issued by any governmental agency thereof and backed by the full faith and credit of the United States of America, in each case maturing within one hundred eighty (180) days or less from the date of acquisition; provided, that, the terms of such agreements comply with the guidelines set forth in the Federal Financial Agreements of Depository Institutions with Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985; and (f) investments in money market funds and mutual funds which invest substantially all of their assets in securities of the types described in clauses (a) through (e) above.

1.27 "Change in Law" shall mean (a) the adoption of any law, rule or regulation after the date of this Agreement or (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Government Authority after the date of this Agreement.

1.28 "Change of Control" shall mean (a) the transfer (in one transaction or a series of transactions) of all or substantially all of the assets of any Borrower or Guarantor to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than as permitted in Section 9.7 hereof; (b) the liquidation or dissolution of any Borrower or Guarantor or the adoption of a plan by the stockholders of any Borrower or Guarantor relating to the dissolution or liquidation of such Borrower or Guarantor, other than to Permitted Holders or as permitted in Section 9.7 hereof; (c) any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than Permitted Holders, shall beneficially own, directly or indirectly, shares of Voting Stock of Parent representing more than thirty (30%) percent of the voting power of the total outstanding Voting Stock of Parent; (d) occupation of a majority of the seats (other than vacant seats) on the Board of Directors of Parent by Persons who were neither (i) nominated by members of Permitted Holders or the Board of Directors of Parent nor (ii) appointed by directors so nominated; (e) the failure of Parent to own directly or indirectly one hundred (100%) percent of the voting power of the total outstanding Voting Stock of any Borrower or other Guarantor, except to the extent permitted under Section 9.7 hereof and (f) so long as any of the Senior Discount Debentures or 10 3/8% Subordinated Notes are outstanding, a "Change of Control" as such term is defined in the Senior Debenture Indenture or the 10 3/8% Subordinated Note Indenture.

1.29 "Code" shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.30 "Collateral" shall have the meaning set forth in Section 5 hereof.

1.31 "Collateral Access Agreement" shall mean an agreement in writing, in form and substance reasonably satisfactory to Agent, from any lessor of premises to any Borrower or Guarantor, or any other person to whom any Collateral is consigned or who has custody, control or possession of any such Collateral or is otherwise the owner or operator of any premises on which any of such Collateral is located (excluding any retail store location), pursuant to which such lessor, consignee or other person, inter alia, acknowledges the first priority security interest of Agent in such Collateral, agrees to waive any and all claims such lessor, consignee or other

person may, at any time, have against such Collateral, whether for processing, storage or otherwise, and agrees to permit Agent access to, and the right to remain on, the premises of such lessor, consignee or other person so as to exercise Agent's rights and remedies and otherwise deal with such Collateral and in the case of any consignee or other person who at any time has custody, control or possession of any Collateral, acknowledges that it holds and will hold possession of the Collateral for the benefit of Agent and Lenders and agrees to follow all instructions of Agent with respect thereto.

1.32 "Commercial Letter of Credit" shall mean any Letter of Credit Accommodation consisting of a letter of credit issued for the purpose of providing the primary manner of payment for the purchase price of goods or services by a Borrower in the ordinary course of the business of such Borrower.

1.33 "Commitment" shall mean, at any time, as to each Lender, the principal amount set forth below such Lender's signature on the signatures pages hereto designated as the Commitment or on Schedule 1 to the Assignment and Acceptance Agreement pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 14.7 hereof, as the same may be adjusted from time to time in accordance with the terms hereof; sometimes being collectively referred to herein as "Commitments".

1.34 "Congress" shall mean Congress Financial Corporation, a Delaware corporation, in its individual capacity, and its successors and assigns.

1.35 "Consolidated Net Income" shall mean, with respect to any Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries, on a consolidated basis, for such period (excluding to the extent included therein any extraordinary or non-recurring gains other than up to an aggregate of $5,000,000 of cash insurance proceeds received by Borrowers and Guarantors in each fiscal year of Borrowers and Guarantors with respect to Inventory losses, fixed asset losses and business interruption) and extraordinary non-cash charges) after deducting all charges which should be deducted before arriving at the net income (loss) for such period and after deducting the Provision for Taxes for such period, all as determined in accordance with GAAP; provided, that, (a) the net income of any Person that is not a wholly-owned 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 or payable to such Person or a wholly-owned Subsidiary of such Person; (b) except to the extent included pursuant to the foregoing clause, the net income of any Person accrued prior to the date it becomes a wholly-owned Subsidiary of such Person or is merged into or consolidated with such Person or any of its wholly-owned Subsidiaries or that Person's assets are acquired by such Person or by any of its wholly-owned Subsidiaries shall be excluded; (c) the effect of any change in accounting principles adopted by such Person or its Subsidiaries after the date hereof shall be excluded; (d) net income shall exclude interest accruing, but not paid on indebtedness owing to a Subsidiary or parent corporation of such Person, which is subordinated in right of payment to the payment in full of the Obligations, on terms and conditions acceptable to Agent; and (e) the net income (if positive) of any wholly-owned Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such wholly-owned Subsidiary to such Person or to any other wholly-owned Subsidiary of such Person is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or

governmental regulation applicable to such wholly-owned Subsidiary shall be excluded. For the purposes of this definition, net income excludes any gain and non-cash loss (but not any cash loss) together with any related Provision for Taxes for such gain and non-cash loss (but not any cash loss) realized upon the sale or other disposition of any assets that are not sold in the ordinary course of business (including, without limitation, dispositions pursuant to sale and leaseback transactions) or of any Capital Stock of such Person or a Subsidiary of such Person and any net income realized as a result of changes in accounting principles or the application thereof to such Person.

1.36 "Contingent Principal" shall mean any principal amounts additional to the face amount of the 16% Senior Discount Notes which, under certain circumstances set forth in the 16% Senior Discount Note Indenture as in effect on the date hereof, may be added to the accreted amount, or principal amount at maturity, as applicable, of the 16% Senior Discount Notes.

1.37 “Credit Card Acknowledgments” shall mean, collectively, the agreements by Credit Card Issuers or Credit Card Processors who are parties to Credit Card Agreements in favor of Agent acknowledging Agent’s first priority security interest, for and on behalf of Lenders, in the monies due and to become due to a Borrower or Guarantor (including, without limitation, credits and reserves) under the Credit Card Agreements, and agreeing to transfer all such amounts to the Blocked Accounts, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, sometimes being referred to herein individually as a “Credit Card Acknowledgment”.

1.38 “Credit Card Agreements” shall mean all agreements now or hereafter entered into by any Borrower or any Guarantor for the benefit of any Borrower, in each case with any Credit Card Issuer or any Credit Card Processor, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, including, but not limited to, the agreements set forth on Schedule 8.9 hereto.

1.39 “Credit Card Issuer” shall mean any person (other than a Borrower) who issues or whose members issue credit cards, including, without limitation, MasterCard or VISA bank credit or debit cards or other bank credit or debit cards issued through MasterCard International, Inc., Visa, U.S.A., Inc. or Visa International and American Express, Discover, Diners Club, Carte Blanche and other non-bank credit or debit cards, including, without limitation, credit or debit cards issued by or through American Express Travel Related Services Company, Inc., Novus Services, Inc. and the J. Crew Card.

1.40 “Credit Card Processor” shall mean any servicing or processing agent or any factor or financial intermediary who facilitates, services, processes or manages the credit authorization, billing transfer and/or payment procedures with respect to any Borrower’s or Guarantor’s sales transactions involving credit card or debit card purchases by customers using credit cards or debit cards issued by any Credit Card Issuer.

1.41 “Credit Card Receivables” shall mean, collectively, (a) all present and future rights of any Borrower or Guarantor to payment from any Credit Card Issuer, Credit Card Processor or other third party arising from sales of goods or rendition of services to customers who have purchased such goods or services using a credit or debit card and (b) all present and future rights of any Borrower or Guarantor to payment from any Credit Card Issuer, Credit Card Processor or other third party in connection with the sale or transfer of Accounts arising pursuant to the sale of goods or rendition of services to customers

who have purchased such goods or services using a credit card or a debit card, including, but not limited to, all amounts at any time due or to become due from any Credit Card Issuer or Credit Card Processor under the Credit Card Agreements or otherwise.

1.42 “Credit Facility” shall mean the Revolving Loans and Letter of Credit Accommodations provided to or for the benefit of any Borrower pursuant to Sections 2.1 and 2.2 hereof.

1.43 “Customs Broker” shall mean the persons listed on Schedule 1.43 hereto or such other person selected by any Borrower after written notice by such Borrower to Agent who are reasonably acceptable to Agent to perform port of entry services to process Inventory imported by such Borrower from outside the United States of America and to supply facilities, labor and materials to such Borrower in connection therewith.

1.44 “Default” shall mean an act, condition or event which with notice or passage of time or both would constitute an Event of Default.

1.45 “Defaulting Lender” shall have the meaning set forth in Section 6.10 hereof.

1.46 “Deposit Account Control Agreement” shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, the Borrower or Guarantor with a deposit account at any bank and the bank at which such deposit account is at any time maintained which provides that such bank will comply with instructions originated by Agent directing disposition of the funds in the deposit account without further consent by such Borrower or Guarantor and such other terms and conditions as Agent may require, including as to any such agreement with respect to any Blocked Account, providing that all items received or deposited in the Blocked Accounts are the property of Agent, that the bank has no lien upon, or right to setoff against, the Blocked Accounts, the items received for deposit therein, or the funds from time to time on deposit therein (except as Agent may otherwise specifically agree) and that the bank will wire, or otherwise transfer, in immediately available funds, on a daily basis to the Agent Payment Account all funds received or deposited into the Blocked Accounts.

1.47 “EBITDA” shall mean, as to any Person, with respect to any period, an amount equal to: (a) the Consolidated Net Income of such Person and its Subsidiaries for such period, plus (b) depreciation and amortization and other non-cash charges including imputed interest and deferred compensation for such period (to the extent deducted in the computation of Consolidated Net Income of such Person), all in accordance with GAAP, plus (c) Interest Expense for such period (to the extent deducted in the computation of Consolidated Net Income of such Person), plus (d) the Provision for Taxes for such period (to the extent deducted in the computation of Consolidated Net Income of such Person).

1.48 “Eligible Credit Card Receivables” shall mean, as to each Borrower, Credit Card Receivables of such Borrower which are and continue to be acceptable to Agent based on the criteria set forth below. Credit Card Receivables shall be Eligible Credit Card Receivables if:

(a) such Credit Card Receivables arise from the actual and bona fide sale and delivery of goods or rendition of services by such Borrower in the ordinary course of the business of such Borrower which transactions are completed in accordance with the terms and provisions contained in any agreements binding on such Borrower or the other party or parties related thereto;

(b) such Credit Card Receivables are not past due (beyond any stated applicable grace period, if any, therefor) pursuant to the terms set forth in the Credit Card Agreements with the Credit Card Issuer or Credit Card Processor of the credit card or debit card used in the purchase which give rise to such Credit Card Receivables;

(c) such Credit Card Receivables are not unpaid more than five (5) Business Days after the date of the sale of Inventory giving rise to such Credit Card Receivables;

(d) all material procedures required by the Credit Card Issuer or the Credit Card Processor of the credit card or debit card used in the purchase which gave rise to such Credit Card Receivables shall have been followed by such Borrower and all documents required for the authorization and approval by such Credit Card Issuer or Credit Card Processor shall have been obtained in connection with the sale giving rise to such Credit Card Receivables;

(e) the required authorization and approval by such Credit Card Issuer or Credit Card Processor shall have been obtained for the sale giving rise to such Credit Card Receivables;

(f) such Borrower or Guarantor, on behalf of such Borrower, shall have submitted all materials required by the Credit Card Issuer or Credit Card Processor obligated in respect of such Credit Card Receivables in order for such Borrower to be entitled to payment in respect thereof;

(g) the Credit Card Issuer or Credit Card Processor obligated in respect of such Credit Card Receivable has not failed to remit any monthly payment in respect of such Credit Card Receivable;

(h) such Credit Card Receivables comply with the applicable terms and conditions contained in Section 7.2 of this Agreement;

(i) the Credit Card Issuer or Credit Card Processor with respect to such Credit Card Receivables has not asserted a counterclaim, defense or dispute and does not have, and does not engage in transactions which may give rise to, any right of setoff against such Credit Card Receivables (other than setoffs to fees and chargebacks consistent with the practices of such Credit Card Issuer or Credit Card Processor with such Borrower as of the date hereof or as such practices may change as a result of changes to the policies of such Credit Card Issuer or Credit Card Processor applicable to its customers generally and unrelated to the circumstance of such Borrower), but the portion of the Credit Card Receivables owing by such Credit Card Issuer or Credit Card Processor in excess of the amount owing by such Borrower to such Credit Card

Issuer or Credit Card Processor pursuant to such fees and chargebacks may be deemed Eligible Credit Card Receivables;

(j) the Credit Card Issuer or Credit Card Processor with respect to such Credit Card Receivables has not setoff against amounts otherwise payable by such Credit Card Issuer or Credit Card Processor to such Borrower for the purpose of establishing a reserve or collateral for obligations of such Borrower to such Credit Card Issuer or Credit Card Processor (notwithstanding that the Credit Card Issuer or Credit Card Processor may have setoffs for fees and chargebacks consistent with the practices of such Credit Card Issuer or Credit Card Processor with such Borrower as of the date hereof or as such practices may hereafter change as a result of changes to the policies of such Credit Card Issuer or Credit Card Processor applicable to its customers generally and unrelated to the circumstances of such Borrower);

(k) there are no facts, events or occurrences which would impair the validity, enforceability or collectability of such Credit Card Receivables or reduce the amount payable or delay payment thereunder (other than for setoffs for fees and chargebacks consistent with the practices of such Credit Card Issuer or Credit Card Processor with such Borrower or any Guarantor as of the date hereof or as such practices may hereafter change as a result of changes to the policies of such Credit Card Issuer or Credit Card Processor applicable to its customers generally and unrelated to the circumstances of such Borrower or any Guarantor);

(l) such Credit Card Receivables are subject to the first priority, valid and perfected security interest and lien of Agent, for and on behalf of itself and Lenders, as to such Credit Card Receivables of such Borrower and any goods giving rise thereto are not, and were not at the time of the sale thereof, subject to any security interest or lien in favor of any person other than Agent except as otherwise permitted in this Agreement, in each case subject to and in accordance with the terms and conditions applicable hereunder to any such permitted security interest or lien;

(m) there are no proceedings or actions which are pending or to the best of any Borrower's knowledge threatened, against the Credit Card Issuers or Credit Card Processors with respect to such Credit Card Receivables which would reasonably be expected to result in any material adverse change in the financial condition of any such Credit Card Issuer or Credit Card Processor;

(n) such Credit Card Receivables are owed by Credit Card Issuers or Credit Card Processors deemed creditworthy at all times by Agent in good faith;

(o) no event of default has occurred under the Credit Card Agreement of such Borrower with the Credit Card Issuer or Credit Card Processor who has issued the credit card or debit card or handles payments under the credit card or debit card used in the sale which gave rise to such Credit Card Receivables which event of default gives such Credit Card Issuer or Credit Card Processor the right to cease or suspend payments to such Borrower or any Guarantor and no event shall have occurred which gives such Credit Card Issuer or Credit Card Processor the right to setoff against amounts otherwise payable to such Borrower, including on behalf of a Guarantor (other than for then current fees and chargebacks consistent with the current practices of such Credit Card Issuer or Credit Card Processor as of the date hereof or as such practices

may hereafter change as a result of changes to the policies of such Credit Card Issuer or Credit Card Processor applicable to its customers generally and unrelated to the circumstances of such Borrower or any Guarantor), except as may have been waived in writing on terms and conditions reasonably satisfactory to Agent pursuant to the Credit Card Acknowledgment by such Credit Card Issuer or Credit Card Processor) or the right to establish reserves or establish or demand collateral, and the Credit Card Issuer or Credit Card Processor has not sent any written notice of default and/or notice of its intention to cease or suspend payments to such Borrower in respect of such Credit Card Receivables or to establish reserves or cash collateral for obligations of such Borrower to such Credit Card Issuer or Credit Card Processor, and such Credit Card Agreements are otherwise in full force and effect and constitute the legal, valid, binding and enforceable obligations of the parties thereto;

(p) the terms of the sale giving rise to such Credit Card Receivables and all practices of such Borrower and Guarantors with respect to such Credit Card Receivables comply in all material respects with applicable Federal, State, and local laws and regulations; and

(q) the customer using the credit card or debit card giving rise to such Credit Card Receivable shall not have returned the merchandise purchased giving rise to such Credit Card Receivable.

Credit Card Receivables which would otherwise constitute Eligible Credit Card Receivables pursuant to this Section will not be deemed ineligible solely by virtue of the Credit Card Agreements with respect thereto having been entered into by any Guarantor, for the benefit of Borrowers. General criteria for Eligible Credit Card Receivables may only be changed and any new criteria for Eligible Credit Card Receivables may only be established by Agent in good faith, upon notice to Borrower Agent, based on either: (i) an event, condition or other circumstance arising after the date hereof, or (ii) existing on the date hereof to the extent Agent has no written notice thereof from a Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Credit Card Receivables in the good faith determination of Agent. Any Credit Card Receivables which are not Eligible Credit Card Receivables shall nevertheless be part of the Collateral.

1.49 "Eligible In-Transit Inventory" shall mean Inventory that would be Eligible Inventory other than for its location that: (a) is located in the United States; (b) has cleared U.S. Customs and for which all duty, freight and similar charges for import to the United States have been paid in full; (c) is in transit to one of the locations of assets permitted hereunder or between such locations; and (d) has not been in transit more than seven (7) days.

1.50 "Eligible Inventory" shall mean, as to each Borrower, Inventory consisting of finished goods held for resale in the ordinary course of the business of such Borrower which are acceptable to Agent based on the criteria set forth below. In general, Eligible Inventory shall not include (a) work-in-process; (b) raw materials; (c) spare parts for equipment; (d) packaging and shipping materials; (e) supplies used or consumed in such Borrower's business; (f) Inventory at premises other than those owned or leased and controlled by any Borrower; provided, that, (i) as to retail store locations (including factory store locations) which are leased by a Borrower, Agent may, at its option, establish Reserves in respect of rental payments and other amounts in respect of such leased location of the type and to the extent set forth in Section 1.122 hereof, (ii) as to all

other locations leased by any Borrower, if Agent shall not have received a Collateral Access Agreement from the owner and lessor with respect to such location, duly authorized, executed and delivered by such owner and lessor (or Agent shall determine to accept a Collateral Access Agreement that does not include all required provisions or provisions in the form otherwise required by Agent), Agent may, at its option, upon notice to any Borrower or Borrower Agent, establish such Reserves in respect of amounts at any time due or to become due to the owner and lessor thereof as Agent shall determine and (iii) as to locations owned and operated by a person other than a Borrower or Guarantor, if Agent shall not have received a Collateral Access Agreement from the owner and operator with respect to such location, duly authorized, executed and delivered by such owner and operator (or Agent shall determine to accept a Collateral Access Agreement that does not include all required provisions or provisions in the form otherwise required by Agent), Agent may, at its option, establish such Reserves in respect of amounts at any time due or to become due to the owner and operator thereof as Agent shall determine; provided, that, in addition, if required by Agent, in order for such Inventory at locations owned and operated by a third person to be Eligible Inventory, Agent shall have received: (A) UCC financing statements between the owner and operator, as consignee or bailee and such Borrower, as consignor or bailor, in form and substance satisfactory to Agent, which are duly assigned to Agent and (B) a written notice to any lender to the owner and operator of the first priority security interest in such Inventory of Agent; (g) Inventory subject to a security interest or lien in favor of any person other than Agent except those permitted in this Agreement that are subordinate to the security interest of Agent pursuant to an intercreditor agreement in form and substance satisfactory to Agent between Agent and the holder of such other security interest or lien; (h) bill and hold goods; (i) obsolete or slow moving Inventory; (j) Inventory which is not subject to the first priority, valid and perfected security interest of Agent; (k) damaged and/or defective Inventory; (l) returned inventory which is not held for sale in the ordinary course of business; and (m) Inventory purchased or sold on consignment. General criteria for Eligible Inventory may only be changed and any new criteria for Eligible Inventory may only be established by Agent in good faith, upon notice to Borrower Agent, based on either: (i) an event, condition or other circumstance arising after the date hereof, or (ii) existing on the date hereof to the extent Agent has no written notice thereof from a Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Inventory in the good faith determination of Agent. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral.

1.51 "Eligible Real Property" shall mean, as to any Borrower, Real Property owned by such Borrower in fee simple in each case which are acceptable to Agent in good faith based on the criteria set forth below. In general, Eligible Real Property shall not include: (i) Real Property which is not operated by a Borrower except as Agent may otherwise agree; (ii) Real Property subject to a security interest, lien, mortgage or other encumbrance in favor of any person other than Agent (and other than those permitted under Section 9.8(b), 9.8(c) or 9.8(d) hereof or are subject to an intercreditor agreement in form and substance satisfactory to Agent between the holder of such lien and Agent); (iii) Real Property that is not located in the continental United States of America; (iv) Real Property that is not subject to the valid and enforceable, first priority, perfected security interest, lien and mortgage of Agent; (v) Real Property where Agent determines that issues relating to compliance with Environmental Laws adversely affect such Real Property in such manner that such Real Property would not be acceptable for purposes of including it in the calculation of the Borrowing Base based on the customary practices,

procedures and policies of Agent and its Affiliates; provided, that, if the Real Property is acceptable for such purposes in accordance with such practices, procedures and policies, subject to the satisfaction of the other conditions set forth herein and any requirements arising pursuant to such practices, procedures and policies, such Real Property will be considered Eligible Real Property but subject to the right of Agent to establish Reserves to reflect the adverse affect of any environmental conditions or events with respect thereto on its value or the ability of Agent to sell or otherwise realize on such Collateral; (vi) Real Property improved with residential housing; (vii) Real Property that is not subject to a then current final written appraisal by an appraiser reasonably acceptable to Agent (which shall be one of the appraisers selected by Agent from its list of approved appraisers), on which Agent and Lenders are expressly permitted to rely, and that is in form, scope and methodology reasonably satisfactory to Agent; (viii) if requested by Agent, Real Property for which Agent shall not have received a then current environmental audit conducted by an independent environmental engineering firm reasonably acceptable to Agent (based on Administrative Agent's list of approved firms and in form, scope, substance and methodology reasonably satisfactory to Agent, the results of which are satisfactory to Agent; (ix) if requested by Agent, Real Property for which Agent shall not have received, in form and substance reasonably satisfactory to Agent, a valid and effective title insurance policy (whether in the form of a pro form policy or a marked up title policy commitment)) issued by a company and agent reasonably acceptable to Agent: (A) insuring the priority, amount and sufficiency of the Mortgage with respect to such Real Property, (B) insuring against matters that would be disclosed by surveys and (C) containing any legally available endorsements, assurances or affirmative coverage requested by Agent for protection of its interests. Any Real Property that is not Eligible Real Property shall nevertheless be part of the Collateral.

1.52 “Eligible Transferee” shall mean (a) any Lender; (b) the parent company of any Lender and/or any Affiliate of such Lender which is at least fifty (50%) percent owned by such Lender or its parent company; (c) any person (whether a corporation, partnership, trust or otherwise) that is engaged in the business of making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor, and in each case is approved by Agent; and (d) any other commercial bank, financial institution or “accredited investor” (as defined in Regulation D under the Securities Act of 1933) approved by Agent (which approval shall not be unreasonably withheld), provided, that, (i) neither any Borrower nor any Guarantor or any Affiliate of any Borrower or Guarantor shall qualify as an Eligible Transferee and (ii) no Person to whom any Indebtedness which is in any way subordinated in right of payment to any other Indebtedness of any Borrower or Guarantor shall qualify as an Eligible Transferee, except as Agent may otherwise specifically agree.

1.53 “Environmental Laws” shall mean all foreign, Federal, State and local laws (including common law), legislation, rules, codes, licenses, permits (including any conditions imposed therein), authorizations, judicial or administrative decisions, injunctions or agreements between any Borrower or Guarantor and any Governmental Authority, (a) relating to pollution and the protection, preservation or restoration of the environment (including air, water vapor, surface water, ground water, drinking water, drinking water supply, surface land, subsurface

land, plant and animal life or any other natural resource), or to human health or safety, (b) relating to the exposure to, or the use, storage, recycling, treatment, generation, manufacture, processing, distribution, transportation, handling, labeling, production, release or disposal, or threatened release, of Hazardous Materials, or (c) relating to all laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials. The term “Environmental Laws” includes (i) the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal Act and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Safe Drinking Water Act of 1974, (ii) applicable state counterparts to such laws and (iii) any common law or equitable doctrine that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of or exposure to any Hazardous Materials.

1.54 “Equipment” shall mean, as to each Borrower and Guarantor, all of such Borrower’s and Guarantor’s now owned and hereafter acquired equipment, wherever located, including machinery, data processing and computer equipment (whether owned or licensed and including embedded software), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.55 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, together with all rules, regulations and interpretations thereunder or related thereto.

1.56 “ERISA Affiliate” shall mean any person required to be aggregated with any Borrower, any Guarantor or any of its or their respective Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

1.57 “ERISA Event” shall mean (a) any “reportable event”, as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a Plan (other than a reportable event for which the notice provision has been waived); (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412 of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the occurrence of a “prohibited transaction” with respect to which any Borrower, Guarantor or any of its or their respective Subsidiaries is a “disqualified person” (within the meaning of Section 4975 of the Code) or with respect to which any Borrower, Guarantor or any of its or their respective Subsidiaries could otherwise be liable; (f) a complete or partial withdrawal by any Borrower, Guarantor or any ERISA Affiliate from a Multiemployer Plan or a cessation of operations which is treated as such a withdrawal or notification that a Multiemployer Plan is in reorganization; (g) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a Plan; (h) an event or

condition which would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (i) the imposition of any liability under Title IV of ERISA, other than the Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon any Borrower, Guarantor or any ERISA Affiliate in excess of $5,000,000 and (j) any other event or condition with respect to a Plan including any Plan subject to Title IV of ERISA maintained, or contributed to, by any ERISA Affiliate that could reasonably be expected to result in liability of any Borrower in excess of $500,000.

1.58 “Eurodollar Rate” shall mean with respect to the Interest Period for a Eurodollar Rate Loan, the interest rate per annum equal to the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the next one-sixteenth (1/100) of one (1%) percent) at which a Reference Bank is offered deposits of United States dollars in the London interbank market (or other Eurodollar Rate market selected by a Borrower or Borrower Agent on behalf of such Borrower and approved by Agent) on or about 9:00 a.m. (New York time) two (2) Business Days prior to the commencement of such Interest Period in amounts substantially equal to the principal amount of the Eurodollar Rate Loans requested by and available to such Borrower in accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by or on behalf of a Borrower.

1.59 “Eurodollar Rate Loans” shall mean any Revolving Loans or portion thereof on which interest is payable based on the Adjusted Eurodollar Rate in accordance with the terms hereof.

1.60 “Event of Default” shall mean the occurrence or existence of any event or condition described in Section 10.1 hereof.

1.61 "Excess Availability" shall mean, as to Borrowers (as a whole), the amount, as determined by Agent in good faith, calculated at any date, equal to:

(a) the sum of: (i) Qualified Cash and (ii) the Borrowing Base (in each case after giving effect to any Reserves other than any Reserves in respect of Letter of Credit Accommodations), minus

(b) the sum of: (i) the amount of all then outstanding and unpaid Obligations (but not including for this purpose Obligations of any Borrower arising pursuant to any guarantees in favor of Agent and Lenders of the Obligations of the other Borrowers or any outstanding Letter of Credit Accommodations), plus (ii) the amount of all Reserves then established in respect of Letter of Credit Accommodations, plus (iii) the aggregate amount of all then outstanding and unpaid trade payables and other obligations of any Borrower which are outstanding more than sixty (60) days past due as of the end of the immediately preceding month or at Agent's option, as of a more recent date based on such reports as Agent may from time to time specify (other than trade payables or other obligations being contested or disputed by such Borrower in good faith), plus (iv) without duplication, the amount of checks issued by any Borrower to pay trade payables and other obligations which are more than sixty (60) days past due as of the end of the immediately preceding month or at Agent's option, as of a more recent

date based on such reports as Agent may from time to time specify (other than trade payables or other obligations being contested or disputed by such Borrower in good faith), but not yet sent.

1.62 "Exchange Act" shall mean the Securities Exchange Act of 1934, together with all rules, regulations and interpretations thereunder or related thereto.

1.63 "Exchange Offer Documents" shall mean, individually and collectively, each and all of the following (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (a) Confidential Offering Circular and Consent Solicitation Statement with respect to the Offer to Exchange 16.0% Senior Discount Contingent Principal Notes due 2008 of J. Crew Intermediate LLC for Outstanding 13 1/8% Senior Discount Debentures due 2008 of J. Crew Group, Inc. and (b) all other agreements, documents and instruments related thereto.

1.64 "Excluded Taxes" shall mean, with respect to the Agent, any Lender, any Participant, any Transferee or any other recipient of any payment to be made by or on account of any obligation of any Borrower or Guarantor hereunder, (a) income, branch profits or franchise taxes imposed on (or measured by) its net income (other than any such taxes imposed solely as a result of a Borrower's activities in a jurisdiction) and (b) in the case of a Foreign Lender, any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 6.4(h) (it being understood and agreed, for the avoidance of doubt, that any withholding tax imposed on a Foreign Lender as a result of a Change in Law or regulation or interpretation thereof occurring after the time such Foreign Lender becomes a party to this Agreement shall not be an Excluded Tax).

1.65 "Existing Agreement" shall mean the Loan and Security Agreement, dated as of December 23, 2002, by and among Agent, Lenders, certain Borrowers and certain Guarantors.

1.66 "Fee Letter" shall mean the amended and restated letter agreement, dated on or about the date hereof, by and among Borrowers, Guarantors and Agent, setting forth certain fees payable by Borrowers to Agent for the benefit of itself and Lenders, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.67 "Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements, deposit account control agreements, investment property control agreements, intercreditor agreements and all other agreements, documents and instruments now or at any time hereafter executed and/or delivered by any Borrower or Obligor or any other person in connection with this Agreement; provided, that, in no event shall the term Financing Agreements be deemed to include any Hedge Agreement.

1.68 "Fixed Interest Charge Coverage Ratio" shall mean, as to any Person, with respect to any period, the ratio of (a) the amount equal to EBITDA of such Person and its Subsidiaries for such period to (b) the Fixed Interest Charges of such Person and its Subsidiaries for such period.

1.69 "Fixed Interest Charges" shall mean, as to any Person and its Subsidiaries with respect to any twelve (12) consecutive month period, the sum of, without duplication, (i) all cash

Interest Expense during such period, plus (ii) all cash dividends or other distributions in respect of Capital Stock at any time used or to be used to make regularly scheduled (as determined at the beginning of the respective period) interest payments on any Indebtedness of Holdings or Intermediate during such period, plus (iii) all Capital Expenditures during such period, plus (iv) the cash portion of any Provision for Taxes paid in such period and unpaid amounts of any Provision for Taxes the last date for payment of which before becoming past due occurs during such period plus (v) the aggregate amount of the payments made during such period in respect of the Indebtedness permitted under Section 9.9(t) hereof in excess of $2,500,000.

1.70 "Foreign Lender" shall mean any Lender, Participant or Transferee that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code.

1.71 "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board which are applicable to the circumstances as of the date of determination consistently applied, except that, for purposes of Sections 9.18 and 9.19 hereof and the calculation of EBITDA of Parent and its Subsidiaries (or any component thereof) for purposes of this Agreement, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements delivered to Agent prior to the date hereof.

1.72 "Governmental Authority" shall mean any nation or government, any state, province, or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

1.73 "Guarantors" shall mean, collectively, the following (together with their respective successors and assigns): (a) J. Crew Group, Inc., a New York corporation; (b) J. Crew International, Inc., a Delaware corporation, and (c) J. Crew Intermediate LLC, a Delaware limited liability company; each sometimes being referred to herein individually as a "Guarantor".

1.74 "Hazardous Materials" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including any that are or become classified as hazardous or toxic under any Environmental Law).

1.75 "Hedge Agreement" shall mean an agreement between any Borrower or Guarantor and Agent, any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent (and in each case as to any such Lender, Affiliate or other financial institution only to the extent approved by Agent) that is a rate swap agreement, basis swap, forward rate agreement, commodity swap, interest rate option, forward foreign exchange

agreement, spot foreign exchange agreement, rate cap agreement rate, floor agreement, rate collar agreement, currency swap agreement, cross-currency rate swap agreement, currency option, any other similar agreement (including any option to enter into any of the foregoing or a master agreement for any the foregoing together with all supplements thereto) for the purpose of protecting against or managing exposure to fluctuations in interest or exchange rates, currency valuations or commodity prices; sometimes being collectively referred to herein as "Hedge Agreements".

1.76 "Inactive Subsidiary" shall mean any Subsidiary, direct or indirect, that (a) has total assets not in excess of $50,000; (b) conducts no business; and (c) has no Indebtedness; provided, that, if more than one Subsidiary is deemed an Inactive Subsidiary pursuant to this definition, all Inactive Subsidiaries shall be considered to be a single consolidated subsidiary for purposes of determining whether the conditions specified above are satisfied.

1.77 "Indebtedness" shall mean, with respect to any Person, any liability, whether or not contingent, (a) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof) or evidenced by bonds, notes, debentures or similar instruments; (b) representing the balance deferred and unpaid of the purchase price of any property or services (except any such balance that constitutes an account payable to a trade creditor (whether or not an Affiliate) created, incurred, assumed or guaranteed by such Person in the ordinary course of business of such Person in connection with obtaining goods, materials or services that is not overdue by more than ninety (90) days, unless the trade payable is being contested in good faith); (c) all obligations as lessee under leases which have been, or should be, in accordance with GAAP recorded as Capital Leases; (d) any contractual obligation, contingent or otherwise, of such Person to pay or be liable for the payment of any indebtedness described in this definition of another Person, including, without limitation, any such indebtedness, directly or indirectly guaranteed, or any agreement to purchase, repurchase, or otherwise acquire such indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof, or to maintain solvency, assets, level of income, or other financial condition; (e) all obligations with respect to redeemable stock and redemption or repurchase obligations under any Capital Stock or other equity securities issued by such Person; (f) all reimbursement obligations and other liabilities of such Person with respect to surety bonds (whether bid, performance or otherwise), letters of credit, banker's acceptances, drafts or similar documents or instruments issued for such Person's account; (g) all indebtedness of such Person in respect of indebtedness of another Person for borrowed money or indebtedness of another Person otherwise described in this definition which is secured by any consensual lien, security interest, collateral assignment, conditional sale, mortgage, deed of trust, or other encumbrance on any asset of such Person, whether or not such obligations, liabilities or indebtedness are assumed by or are a personal liability of such Person, all as of such time; provided, that, to the extent that such Indebtedness is non-recourse to such Person, the amount of such Indebtedness shall not be deemed to exceed the lesser of the amount of such Indebtedness and the value of the assets securing such Indebtedness; (h) all obligations, liabilities and indebtedness of such Person (marked to market) arising under swap agreements, cap agreements and collar agreements and other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency or commodity values; and (i) all obligations owed by such Person under License Agreements with respect to non-refundable, advance or minimum guarantee royalty payments.

1.78 "Indemnified Taxes" shall mean Taxes other than Excluded Taxes.

1.79 "Information Certificate" shall mean the Information Certificate of Borrowers and Guarantors constituting Exhibit B hereto.

1.80 "Intellectual Property" shall mean, as to each Borrower and Guarantor, such Borrower's and Guarantor's now owned and hereafter arising or acquired: patents, patent rights, patent applications, copyrights, works which are the subject matter of copyrights, copyright registrations, trademarks, trade names, trade styles, trademark and service mark applications, and licenses and rights to use any of the foregoing; all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing; all rights to sue for past, present and future infringement of any of the foregoing; inventions, trade secrets, formulae, processes, compounds, drawings, designs, blueprints, surveys, reports, manuals, and operating standards; goodwill (including any goodwill associated with any trademark or the license of any trademark); customer and other lists in whatever form maintained; trade secret rights, copyright rights, rights in works of authorship, domain names and domain name registration; software and contract rights relating to computer software programs, in whatever form created or maintained.

1.81 "Intercompany Note" shall mean the Revolving Line of Credit Note, dated as of July 18, 1998, by Operating, as maker, in favor of JCI, as payee, in the original principal amount of $50,000,000, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.82 "Interest Expense" shall mean, for any period, as to any Person, as determined in accordance with GAAP, the total interest expense of such Person, whether paid or accrued during such period (including the interest component of Capital Leases for such period), including discounts in connection with the sale of any Accounts, but excluding interest paid in property other than cash and any other interest expense not payable in cash.

1.83 “Interest Period” shall mean for any Eurodollar Rate Loan, a period of approximately one (1), two (2), or three (3) months duration as any Borrower (or Borrower Agent on behalf of such Borrower) may elect, the exact duration to be determined in accordance with the customary practice in the applicable Eurodollar Rate market; provided, that, such Borrower (or Borrower Agent on behalf of such Borrower) may not elect an Interest Period which will end after the last day of the then-current term of this Agreement.

1.84 “Interest Rate” shall mean,

(a) subject to clause (b) of this definition below:

(i) as to Prime Rate Loans, a rate equal to the then Applicable Margin for Prime Rate Loans on a per annum basis in excess of the Prime Rate, and

(ii) as to Eurodollar Rate Loans, a rate equal to the then applicable Margin for Eurodollar Rate Loans on a per annum basis in excess of the Adjusted Eurodollar Rate.

(b) Notwithstanding anything to the contrary contained herein, Agent may, at its option, and Agent shall, at the direction of the Required Lenders, increase the Applicable Margin otherwise used to calculate the Interest Rate for Prime Rate Loans and Eurodollar Rate Loans in each case to the highest percentage set forth in the definition of the term Applicable Margin for each category of Revolving Loans (without regard to the amount of Quarterly Average Excess Availability) plus two (2%) percent per annum: (A) for the period (1) from and after the effective date of termination or non-renewal hereof until Agent and Lenders have received full and final payment of all outstanding and unpaid Obligations which are not contingent and cash collateral or letter of credit, as Agent may specify, in the amounts and on the terms required under Section 14.1 hereof for contingent Obligations (notwithstanding entry of a judgment against any Borrower or Guarantor) and (2) from and after the date of the occurrence of an Event of Default and for so long as such Event of Default is continuing and (B) on Revolving Loans at any time outstanding in excess of the Borrowing Base (whether or not such excess(es) arise or are made with or without the knowledge or consent of Agent or any Lender and whether made before or after an Event of Default), but only to the extent of such excess.

1.85 “Intermediate” shall mean J. Crew Intermediate LLC, a Delaware limited liability company, together with its successors and assigns.

1.86 “Inventory” shall mean, as to each Borrower and Guarantor, all of such Borrower’s and Guarantor’s now owned and hereafter existing or acquired goods, wherever located, which (a) are leased by such Borrower or Guarantor as lessor; (b) are held by such Borrower or Guarantor for sale or lease or to be furnished under a contract of service; (c) are furnished by such Borrower or Guarantor under a contract of service; or (d) consist of raw materials, work in process, finished goods or materials used or consumed in its business.

1.87 “Investment Property Control Agreement” shall mean an agreement in writing, in form and substance satisfactory to Agent, by and among Agent, any Borrower or Guarantor (as the case may be) and any securities intermediary, commodity intermediary or other person who has custody, control or possession of any investment property of such Borrower or Guarantor acknowledging that such securities intermediary, commodity intermediary or other person has custody, control or possession of such investment property on behalf of Agent, that it will comply with entitlement orders originated by Agent with respect to such investment property, or other instructions of Agent, or (as the case may be) apply any value distributed on account of any commodity contract as directed by Agent, in each case, without the further consent of such Borrower or Guarantor and including such other terms and conditions as Agent may require.

1.88 “J. Crew Card” shall mean the private label credit card issued by World Financial Network National Bank pursuant to the Credit Card Agreement of Operating with such Bank (or any subsequent Credit Card Issuer with respect to such private label credit card as to which there has been compliance with Section 9.15 hereof) to customers or prospective customers of Borrowers.

1.89 “Lenders” shall mean the financial institutions who are signatories hereto as Lenders and other persons made a party to this Agreement as a Lender in accordance with Section 14.7 hereof, and their respective successors and assigns; each sometimes being referred to herein individually as a “Lender”.

1.90 “Letter of Credit Accommodations” shall mean, collectively, the letters of credit, merchandise purchase or other guaranties which are from time to time either (a) issued or opened by Agent or any Lender for the account of any Borrower or Obligor or (b) with respect to which Agent or Lenders have agreed to indemnify the issuer or guaranteed to the issuer the performance by any Borrower or Obligor of its obligations to such issuer; sometimes being referred to herein individually as “Letter of Credit Accommodation”.

1.91 “License Agreements” shall have the meaning set forth in Section 8.13 hereof.

1.92 Material Adverse Effect” shall mean a material adverse effect on (a) the financial condition, business, performance or operations of Borrowers, taken as a whole, or the legality, validity or enforceability of this Agreement or any of the other Financing Agreements; (b) the legality, validity, enforceability, perfection or priority of the security interests and liens of Agent upon the Collateral; (c) the Collateral or its value, (d) the ability of Borrowers to repay the Obligations or of Borrowers or Guarantors to perform their obligations under this Agreement or any of the other Financing Agreements as and when to be performed; or (e) the ability of Agent or any Lender to enforce the Obligations or realize upon the Collateral or otherwise with respect to the rights and remedies of Agent and Lenders under this Agreement or any of the other Financing Agreements (taken as a whole).

1.93 “Material Contract” shall mean (a) any contract or other agreement (other than the Financing Agreements or purchase orders for merchandise entered into in the ordinary course of the business of any Borrower or Guarantor), written or oral, of any Borrower or Guarantor involving monetary liability of or to any Person in an amount in excess of $5,000,000 in any fiscal year and (b) any other contract or other agreement (other than the Financing Agreements), whether written or oral, to which any Borrower or Guarantor is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto would have a Material Adverse Effect.

1.94 "Maximum Credit" shall mean $170,000,000, subject to increase in accordance with Section 2.9 hereof.

1.95 "Mortgages" shall mean, individually and collectively, each of the following (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (a) the Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated December 23, 2002, by Retail in favor of Agent with respect to the Real Property and related assets of such Borrower located in Asheville, North Carolina and (b) the Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated December 23, 2002, by J. Crew and Parent in favor of Agent with respect to the Real Property and related assets of such Borrower and Parent located in Lynchburg, Virginia.

1.96 "Multiemployer Plan" shall mean a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding six (6) years contributed to by any Borrower, Guarantor or any ERISA Affiliate.

1.97 "Net Recovery Percentage" shall mean the fraction, expressed as a percentage, (a) the numerator of which is the amount equal to the recovery on the aggregate amount of the

Inventory at such time on a "going out of business sale" basis as set forth in the most recent appraisal of Inventory received by Agent in accordance with Section 7.3, net of operating expenses, liquidation expenses and commissions, and (b) the denominator of which is the applicable original cost of the aggregate amount of the Inventory subject to appraisal. Except for the month of December as provided in Section 1.10(a)(i)(B) and (C), the Net Recovery Percentage for any category of Inventory used in Section 1.21 shall be based on the percentage in the appraisal for the time period for which the Borrowing Base is being calculated.

1.98 "Noteholder Collateral Agent" shall mean U.S. Bank, National Association, and any successor or replacement agent or any sub-agent under the Black Canyon Documents.

1.99 "Obligations" shall mean (a) any and all Revolving Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers to Agent or any Lender and/or any of their Affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or any of the other Financing Agreements, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to such Borrower under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, or secured or unsecured and (b) for purposes only of Section 5.1 hereof and subject to the priority in right of payment set forth in Section 6.4 hereof, all obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers or Guarantors to Agent, any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent (and in each case as to any such Lender, Affiliate of any Lender or other financial institution only to the extent approved by Agent) arising under or pursuant to a Hedge Agreement, whether now existing or hereafter arising, provided, that, (i) such obligations, liabilities and indebtedness shall only be included within the Obligations if upon Agent's request, Agent shall have entered into an agreement, in form and substance satisfactory to Agent, with any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent that is a counterparty to such Hedge Agreement, as acknowledged and agreed to by Borrowers and Guarantors, providing for the delivery to Agent by such counterparty of information with respect to the amount of such obligations and providing for the other rights of Agent and such Lender, Affiliate of any Lender or any other financial institution acceptable to Agent, as the case may be, in connection with such arrangements and (ii) in no event shall the party to such Hedge Agreement to whom such obligations, liabilities or indebtedness are owing be deemed a Lender for purposes hereof to the extent of and as to such obligations, liabilities or indebtedness other than for purposes of Section 5.1 hereof and other than for purposes of Sections 12.1, 12.2, 12.3(b), 12.6, 12.7, 12.9, 12.12 and 14.6 hereof and in no event shall the approval of any such person be required in connection with the release or termination of any security interest or lien of Agent. Without limiting the generality of the foregoing, the Obligations shall also include, in addition and not in limitation, any obligations, liabilities or Indebtedness of any other Borrower or Guarantor to Agent and Lenders resulting from the exercise by Agent of its remedies with respect to any Indebtedness or other obligations of any Borrower or Guarantor to any other Borrower or Guarantor, whether

such Indebtedness or other obligations of a Borrower or Guarantor to any other Borrower or Guarantor arose from the sale or transfer of Inventory, the payment of the purchase price of Inventory by a Borrower or Guarantor on behalf of such other Borrower or Guarantor, loans or other extensions of credit for the benefit of such other Borrower or Guarantor or otherwise.

1.100 "Obligor" shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations (including, without limitation, Guarantors), other than Borrowers.

1.101 "Other Taxes" shall mean any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any of the other Financing Agreements.

1.102 "Parent" shall mean J. Crew Group, Inc., a New York corporation, and its successors and assigns.

1.103 "Participant" shall mean any financial institution that acquires and holds a participation in the interest of any Lender in any of the Revolving Loans and Letter of Credit Accommodations in conformity with the provisions of Section 14.7 of this Agreement governing participations.

1.104 "Permitted Holders" shall mean, collectively, (a) TPG Partners II, L.P. and its Affiliates, (b) Millard S. Drexler and his immediate family members, (c) Emily Woods and her immediate family members and (d) trusts for the benefit of any of the forgoing Persons, or any of their heirs, executors, successors or legal representatives.

1.105 “Person” or “person” shall mean any individual, sole proprietorship, partnership, corporation (including any corporation which elects subchapter S status under the Code), limited liability company, limited liability partnership, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.106 “Plan” means an employee benefit plan (as defined in Section 3(3) of ERISA) which any Borrower or Guarantor sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, including a Multiemployer Plan.

1.107 “Prime Rate” shall mean the rate from time to time publicly announced by Wachovia Bank, National Association, or its successors, as its prime rate, whether or not such announced rate is the best rate available at such bank.

1.108 “Prime Rate Loans” shall mean any Revolving Loans or portion thereof on which interest is payable based on the Prime Rate in accordance with the terms thereof.

1.109 “Pro Rata Share” shall mean as to any Lender, the fraction (expressed as a percentage) the numerator of which is such Lender’s Commitment and the denominator of which is the aggregate amount of all of the Commitments of Lenders, as adjusted from time to time in accordance with the provisions of Section 14.7 hereof; provided, that, if the Commitments have

been terminated, the numerator shall be the unpaid amount of such Lender’s Revolving Loans and its interest in the Letter of Credit Accommodations and the denominator shall be the aggregate amount of all unpaid Revolving Loans and Letter of Credit Accommodations.

1.110 “Provision for Taxes” shall mean an amount equal to all taxes imposed on or measured by net income, whether Federal, State, Provincial, county or local, and whether foreign or domestic, that are paid or payable by any Person in respect of any period in accordance with GAAP.

1.111 “Qualified Cash” shall mean unrestricted cash or Cash Equivalents of Borrowers that are subject to the valid, enforceable and first priority perfected security interest of Agent in an investment account or deposit account at an institution reasonably acceptable to Agent pursuant to a Deposit Account Control Agreement or an Investment Property Control Agreement, as applicable, and which cash and Cash Equivalents are not subject to any other security interest, pledge, lien, encumbrance or claim, except to the extent that the holder of any of the same has entered into an intercreditor agreement with Agent, in form and substance reasonably satisfactory to Agent (other than customary liens or rights of setoff of the institution maintaining such accounts permitted hereunder solely in its capacity as a depository, provided, that, for purposes of the amount of Qualified Cash included in the calculation of Excess Availability, such amount may be reduced, at Agent’s option, by any obligations owing to such institution and Borrowers shall provide such information with respect to such obligations as Agent may from time to time request).

1.112 “Quarterly Average Excess Availability” shall mean, at any time, the daily average of the aggregate amount of the Excess Availability of Borrowers for the immediately preceding fiscal quarter.

1.113 “Real Property” shall mean all now owned and hereafter acquired real property of each Borrower and Guarantor, including leasehold interests (other than with respect to retail store locations), together with all buildings, structures, and other improvements located thereon and all licenses, easements and appurtenances relating thereto, wherever located, including the real property and related assets more particularly described in the Mortgages.

1.114 “Real Property Availability” shall mean $4,074,000, provided, that, the Real Property Availability shall be adjusted after the date hereof to mean the amount equal to the lesser of $8,000,000 or sixty-five (65%) percent of the appraised fair market value of the Eligible Real Property then owned by Borrowers; provided, that, such adjustment shall be effective on the first day of the month after each of the following conditions is satisfied or such earlier date following the satisfaction of such conditions as agreed to by Agent: (a) Agent shall have received the written request of Borrower Agent for such adjustment, (b) as of the date of such adjustment, no Event of Default shall exist or have occurred and be continuing, (c) Agent shall have received at the expense of Borrowers not less than ten (10) Business Days’ prior to the effectiveness of such adjustment, a final written report of an updated, current appraisal of the Eligible Real Property by an appraiser reasonably acceptable to Agent (which shall be one of the appraisers selected by Agent from its list of approved appraisers), on which Agent and Lenders shall be expressly permitted to rely, and that is in form, scope and methodology reasonably satisfactory to

Agent, and (d) the amount of the appraised fair market value of the Eligible Real Property used for purposes of adjusting the Real Property Availability shall be based on such appraisal.

1.115 “Receivables” shall mean all of the following now owned or hereafter arising or acquired property of each Borrower and Guarantor: (a) all Accounts; (b) all interest, fees, late charges, penalties, collection fees and other amounts due or to become due or otherwise payable in connection with any Account; (c) all payment intangibles of such Borrower or Guarantor; (d) letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to any Borrower or Guarantor or otherwise in favor of or delivered to any Borrower or Guarantor in connection with any Account or any Credit Card Receivables; or (e) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to any Borrower or Guarantor, whether from the sale and lease of goods or other property, licensing of any property (including Intellectual Property or other general intangibles), rendition of services or from loans or advances by any Borrower or Guarantor or to or for the benefit of any third person (including loans or advances to any Affiliates or Subsidiaries of any Borrower or Guarantor) or otherwise associated with any Accounts, Inventory or general intangibles of any Borrower or Guarantor (including, without limitation, choses in action, causes of action, tax refunds, tax refund claims, any funds which may become payable to any Borrower or Guarantor in connection with the termination of any Plan or other employee benefit plan and any other amounts payable to any Borrower or Guarantor from any Plan or other employee benefit plan, rights and claims against carriers and shippers, rights to indemnification, business interruption insurance and proceeds thereof, casualty or any similar types of insurance and any proceeds thereof and proceeds of insurance covering the lives of employees on which any Borrower or Guarantor is a beneficiary).

1.116 “Records” shall mean, as to each Borrower and Guarantor, all of such Borrower’s and Guarantor’s present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software

storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of any Borrower or Guarantor with respect to the foregoing maintained with or by any other person).

1.117 "Reference Bank" shall mean Wachovia Bank, National Association, or such other bank as Agent may from time to time designate.

1.118 "Refinancing Indebtedness" shall have meaning set forth in Section 9.9 hereof.

1.119 "Renewal Date" shall the meaning set forth in Section 14.1 hereof.

1.120 "Register" shall have the meaning set forth in Section 14.7 hereof.

1.121 "Required Lenders" shall mean, at any time, those Lenders whose Pro Rata Shares aggregate sixty-six and two-thirds (66 2/3%) percent or more of the aggregate of the Commitments of all Lenders, or if the Commitments shall have been terminated, Lenders to

whom at least sixty-six and two-thirds (66 2/3%) percent of the then outstanding Obligations are owing.

1.122 "Reserves" shall mean as of any date of determination, such amounts as Agent may from time to time establish and revise in good faith reducing the amount of Revolving Loans and Letter of Credit Accommodations which would otherwise be available to any Borrower under the lending formula(s) provided for herein: (a) to reflect events, conditions, contingencies or risks which adversely affect, or would have a reasonable likelihood of adversely affecting, either (i) any of the Collateral of the types or categories included in the Borrowing Base or related thereto or its value or (ii) the assets or business of any Borrower or Obligor or (iii) the security interests and other rights of Agent or any Lender in the Collateral (including the enforceability, perfection and priority thereof) or (b) to reflect Agent's good faith belief that any collateral report or financial information furnished by or on behalf of any Borrower or Obligor to Agent is or may have been incomplete, inaccurate or misleading in any material respect or (c) to reflect outstanding Letter of Credit Accommodations as provided in Section 2.2 hereof or (d) in respect of any state of facts which Agent determines in good faith constitutes a Default or an Event of Default. Without limiting the generality of the foregoing, Reserves may be established to reflect any of the following: (i) that dilution with respect to the Credit Card Receivables (based on the ratio of the aggregate amount of non-cash reductions in Credit Card Receivables for any period to the aggregate dollar amount of the sales of Borrowers giving rise to Credit Card Receivables for such period) as calculated by Agent for any period is or is reasonably anticipated to be greater than five (5%) percent, (ii) to the extent that the fair market value of any of the Real Property subject to the Mortgages as set forth in the most recent acceptable appraisals received by Agent with respect thereto has declined so that the amount of the Real Property Availability is greater than sixty (60%) percent of such appraised fair market value, (iii) inventory shrinkage, (iv) reserves in respect of markdowns and cost variances (pursuant to discrepancies between the purchase order price of Inventory and the actual cost thereof), (v) amounts due or to become due in respect of sales, use and/or withholding taxes, (vi) any rental payments, service charges or other amounts to become due to lessors of real property to the extent Inventory or Records are located in or on such property or such Records are needed to monitor or otherwise deal with the Collateral, provided, that, the Reserves established pursuant to this clause (vi) as to retail store locations (including factory store locations) that are leased shall not exceed at any time the aggregate of amounts payable for the next three (3) months to the lessors of such retail store locations (including factory store locations) located in those States where any right of the lessor to Collateral may have priority over the security interest and lien of Agent therein, provided, that, such limitation on the amount of the Reserves pursuant to this clause (vi) shall only apply so long as: (A) no Event of Default shall exist or have occurred and be continuing, (B) neither a Borrower, Guarantor nor Agent shall have received notice of any event of default by the lessee under the lease with respect to such location and (C) no Borrower has granted to the lessor a security interest or lien upon any assets of such Borrower, (vii) any rental payments, service changes or other amounts due or to become due to lessors of personal property; (viii) amounts owing by Borrowers to Credit Card Issuers or Credit Card Processors in connection with the Credit Card Agreements, (ix) up to fifty (50%) percent of the aggregate amount of merchandise gift certificates and coupons, (x) an increase in the number of days of the turnover of Inventory or a change in the mix of the Inventory that results in an overall decrease in the value thereof or a deterioration in its nature or quality (but only to the extent not addressed by the lending formulas in a manner satisfactory to Agent), (xi) variances between the perpetual inventory records of

Borrowers and the results of the test counts of Inventory conducted by Agent with respect thereto in excess of the percentage acceptable to Agent, (xii) the aggregate amount of deposits, if any, received by any Borrower from its retail customers in respect of unfilled orders for merchandise and the purchase price of layaway goods, and (xiii) obligations, liabilities or indebtedness (contingent or otherwise) of Borrowers or Guarantors to Agent, any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent (and in each case as to any such Lender, Affiliate of any Lender or other financial institution only to the extent approved by Agent) arising under or in connection with any Hedge Agreement of any Borrower or Guarantor with Agent, any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent or as such Person may otherwise require in connection therewith to the extent that such obligation, liabilities or indebtedness constitute Obligations as such term is defined herein or otherwise receive the benefit of the security interest of Agent in any Collateral. The amount of any Reserve established by Agent shall have a reasonable relationship to the event, condition or other matter which is the basis for such Reserve as determined by Agent in good faith. In the event that based on the calculation of the Borrowing Base by Agent at the time, the establishment of a Reserve at such time will result in there being no Excess Availability at such time, Agent shall give Borrower Agent one (1) Business Day's notice prior to establishing such new Reserves. Promptly upon the receipt of such notice, Borrowers shall take such action as may be required so that the event, condition or matters that is the basis for the Reserve no longer exists in a manner and to the extent satisfactory to Agent. In no event shall such notice and opportunity limit the right of Agent to establish such Reserve unless Agent shall have determined that the event, condition or other matter that is the basis for such new Reserve no longer exists or has otherwise been addressed in a manner and to the extent satisfactory to Agent so that Agent determines that such Reserve does not need to be established.

1.123 "Restricted Payment" shall mean any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of Capital Stock of Parent, Operating or any Subsidiary of either of them, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of Capital Stock of Parent, Operating or any Subsidiary or any option, warrant or other right to acquire any such shares of Capital Stock of Parent, Operating or any such Subsidiary.

1.124 "Revolving Loans" shall mean the loans now or hereafter made by or on behalf of any Lender or by Agent for the account of any Lender on a revolving basis pursuant to the Credit Facility (involving advances, repayments and readvances) as set forth in Section 2.1 hereof and any reference to

the term “Loans” used herein shall have the same meaning as the term Revolving Loans.

1.125 “Securities Laws” shall mean the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and all rules, regulations and interpretations issued pursuant thereto or in connection therewith, and all state and local statutes, rules and regulations issued in connection therewith or related thereto, as the same now exist or may hereafter be amended, modified, interpreted, recodified or supplemented.

1.126 “Senior Debenture Indenture” shall mean the Indenture, dated as of October 17, 1997, between Parent, as issuer, and State Street Bank and Trust Company, as trustee, with

respect to the Senior Discount Debentures as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.127 “Senior Discount Debentures” shall mean, collectively, the 13 1/8% Senior Discount Debentures due 2008 issued by Parent pursuant to the Senior Debenture Indenture, as the same now exist or may hereafter be amended, modified, supplemented, extended, modified, supplemented, extended, renewed, restated or replaced.

1.128 “16% Senior Discount Note Indenture” shall mean the Indenture, dated May 6, 2003, between Intermediate, as issuer and 16% Senior Discount Note Trustee, with respect to the 16% Senior Discount Notes, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.129 “16% Senior Discount Notes” shall mean, collectively, the 16.0% Senior Discount Contingent Principal Notes due 2008 issued by Intermediate under the 16% Senior Discount Note Indenture, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.130 “16% Senior Discount Note Trustee” shall mean U.S. Bank, National Association, and its successors and assigns, and any replacement trustee permitted pursuant to the terms and conditions of the 16% Senior Discount Note Indenture.

1.131 “Solvent” shall mean, at any time with respect to any Person, that at such time such Person (a) is able to pay its debts as they mature and has (and has a reasonable basis to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business consistent with its practices as of the date hereof, and (b) the assets and properties of such Person at a fair valuation (and including as assets for this purpose at a fair valuation all rights of subrogation, contribution or indemnification arising pursuant to any guarantees given by such Person) are greater than the Indebtedness of such Person, and including subordinated and contingent liabilities computed at the amount which, such person has a reasonable basis to believe, represents an amount which can reasonably be expected to become an actual or matured liability (and including as to contingent liabilities arising pursuant to any guarantee the face amount of such liability as reduced to reflect the probability of it becoming a matured liability).

1.132 “Special Agent Advances” shall have the meaning set forth in Section 12.11 hereof.

1.133 “Standby Letter of Credit” shall mean all Letter of Credit Accommodations other than Commercial Letters of Credit.

1.134 “Store Accounts” shall have the meaning set forth in Section 6.3 hereof.

1.135 “Subsidiary” or “subsidiary” shall mean, with respect to any Person, any corporation, limited liability company, limited liability partnership or other limited or general partnership, trust, association or other business entity of which an aggregate of at least a majority of the outstanding Capital Stock or other interests entitled to vote in the election of the board of directors of such corporation (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation shall have or might have voting power by reason of the

happening of any contingency), managers, trustees or other controlling persons, or an equivalent controlling interest therein, of such Person is, at the time, directly or indirectly, owned by such Person and/or one or more subsidiaries of such Person.

1.136 “Syndication Agent” shall mean Bank of America N.A., in its capacity as syndication agent on behalf of Lenders pursuant to the terms hereof and any replacement or successor syndication agent hereunder.

1.137 “Taxes” shall mean any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of Agent or any Lender, such taxes (including income taxes, franchise taxes or capital taxes) as are imposed on or measured by such Lender’s net income or capital by any jurisdiction (or any political subdivision thereof).

1.138 “10 3/8% Subordinated Notes” shall mean, collectively, the 10 3/8% Senior Subordinated Notes due 2007 issued by Operating under the 10 3/8% Subordinated Note Indenture, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.139 “10 3/8% Subordinated Note Indenture” shall mean the Indenture, dated as of October 17, 1997, by and among Operating, as issuer, Borrowers, and certain Affiliates of Borrowers, as guarantors, and State Street Bank and Trust Company, as trustee, with respect to the 10 3/8% Subordinated Notes, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated, or replaced.

1.140 “TPG Partners” shall mean (a) TPG Partners II, L.P.; (b) any managing director, principal, officer or employee of TPG Partners II, L.P. who control it as of the date of this Agreement; and (c) any other Person controlled by any of the Persons included in clauses (a) and (b) of this definition. For the purposes of this definition, the term “control” (including with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by agreement or otherwise.

1.141 "Transferee" shall mean any transferee or assignee of a Lender or a Participant.

1.142 "UCC" shall mean the Uniform Commercial Code as in effect in the State of New York, and any successor statute, as in effect from time to time (except that terms used herein which are defined in the Uniform Commercial Code as in effect in the State of New York on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Agent may otherwise determine).

1.143 "Value" shall mean, as determined by Agent in good faith, with respect to Inventory, the lower of (a) cost computed on a first-in first-out basis in accordance with GAAP or (b) market value, provided, that, for purposes of the calculation of the Borrowing Base, (i) the Value of the Inventory shall not include: (A) the portion of the Value of Inventory equal to the profit earned by any Affiliate on the sale thereof to any Borrower or (B) write-ups or write-downs in value with respect to currency exchange rates and (ii) notwithstanding anything to the

contrary contained herein, the cost of the Inventory shall be computed in the same manner and consistent with the most recent appraisal of the Inventory received by Agent prior to the date hereof, if any.

1.144 "Voting Stock" shall mean with respect to any Person, (a) one (1) or more classes of Capital Stock of such Person having general voting powers to elect at least a majority of the board of directors, managers or trustees of such Person, irrespective of whether at the time Capital Stock of any other class or classes have or might have voting power by reason of the happening of any contingency, and (b) any Capital Stock of such Person convertible or exchangeable without restriction at the option of the holder thereof into Capital Stock of such Person described in clause (a) of this definition.

1.145 "Weighted Average Life to Maturity" shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding principal amount of such Indebtedness into (b) the total of the product obtained by multiplying (i) 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 (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

SECTION 2. CREDIT FACILITIES

2.1 Revolving Loans. Subject to and upon the terms and conditions contained herein, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Revolving Loans to Borrowers from time to time in amounts requested by Borrowers (or Borrower Agent on behalf of Borrowers) up to the amount outstanding at any time equal to the Borrowing Base at such time.

2.2 Letter of Credit Accommodations.

(a) Subject to and upon the terms and conditions contained herein, at the request of a Borrower (or Borrower Agent on behalf of such Borrower), Agent agrees, for the ratable risk of each Lender according to its Pro Rata Share, to provide or arrange for Letter of Credit Accommodations for the account of such Borrower containing terms and conditions acceptable to Agent and the issuer thereof. Any payments made by or on behalf of Agent or any Lender to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations provided to or for the benefit of a Borrower shall constitute additional Revolving Loans to such Borrower pursuant to this Section 2 (or Special Agent Advances as the case may be).

(b) In addition to any charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations, Borrowers shall pay to Agent, for the benefit of Lenders, monthly a letter of credit fee at a rate equal to the percentage (on a per annum basis) set forth below on the daily outstanding balance of the Letter of Credit Accommodations during the immediately preceding month (or part thereof), payable in arrears as of the first of each succeeding month, provided, that, such percentage shall be increased or decreased, as the case may be, to the percentage (on a per annum basis) set forth below based on the Quarterly

Average Excess Availability for the immediately preceding fiscal quarter being at or within the amounts indicated for such percentage:

Tier	Quarterly Average Excess Availability	Documentary L/C Rate	Standby L/C Rate
1	Greater than $55,000,000	.625%	1.250%
2	Less than or equal to $55,000,000 and greater than $40,000,000	.750%	1.250%
3	Less than or equal to $40,000,000 and greater than $20,000,000	.875%	1.250%
4	Less than or equal to $20,000,000	1.000%	1.250%

provided, that, (i) the applicable percentage shall be calculated and established once each fiscal quarter and shall remain in effect until adjusted thereafter after the end of the next fiscal quarter, (ii) if the Excess Availability is greater than $40,000,000 as of the date hereof, the applicable percentage through the last day of the sixth (6th) month after the date hereof shall be the amount for Tier 2 set forth above, and (iii) notwithstanding anything to the contrary contained herein, Agent may, and upon the written direction of Required Lenders shall, require Borrowers to pay to Agent for the benefit of Lenders, such letter of credit fee at a rate equal to two (2%) percent per annum on such daily outstanding balance higher than the otherwise applicable percentage: (A) for the period (1) from and after the effective date of termination or non-renewal hereof until Agent and Lenders have received full and final payment of all outstanding and unpaid Obligations which are not contingent and cash collateral or letter of credit, as Agent may specify, in the amounts and on the terms required under Section 14.1 hereof for contingent Obligations (notwithstanding entry of a judgment against any Borrower or Guarantor) and (2) from and after the date of the occurrence of an Event of Default and for so long as such Event of Default is continuing.

(c) The Borrower requesting such Letter of Credit Accommodation (or Borrower Agent on behalf of such Borrower) shall give Agent two (2) Business Days' prior written notice of such Borrower's request for the issuance of a Letter of Credit Accommodation. Such notice shall be

irrevocable and shall specify the original face amount of the Letter of Credit Accommodation requested, the effective date (which date shall be a Business Day) of issuance of such requested Letter of Credit Accommodation, whether such Letter of Credit Accommodations may be drawn in a single or in partial draws, the date on which such requested Letter of Credit Accommodation is to expire (which date shall be a Business Day and in no event shall the expiration date of any Letter of Credit Accommodation be a date less than five (5)

Business Days prior to the end of the then current term of this Agreement), the purpose for which such Letter of Credit Accommodation is to be issued, and the beneficiary of the requested Letter of Credit Accommodation. The Borrower requesting the Letter of Credit Accommodation (or Borrower Agent on behalf of such Borrower) shall attach to such notice the proposed form of the Letter of Credit Accommodation.

(d) In addition to being subject to the satisfaction of the applicable conditions precedent contained in Section 4 hereof and the other terms and conditions contained herein, no Letter of Credit Accommodations shall be available unless each of the following conditions precedent have been satisfied in a manner satisfactory to Agent: (i) the Borrower requesting such Letter of Credit Accommodation (or Borrower Agent on behalf of such Borrower) shall have delivered to the proposed issuer of such Letter of Credit Accommodation at such times and in such manner as such proposed issuer may require, an application, in form and substance satisfactory to such proposed issuer and Agent, for the issuance of the Letter of Credit Accommodation and such other documents as may be required pursuant to the terms thereof, and the form and terms of the proposed Letter of Credit Accommodation shall be satisfactory to Agent and such proposed issuer, (ii) as of the date of issuance, no order of any court, arbitrator or other Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit Accommodation, and no law, rule or regulation applicable to money center banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed issuer of such Letter of Credit Accommodation refrain from, the issuance of letters of credit generally or the issuance of such Letters of Credit Accommodation; and (iii) the Excess Availability, prior to giving effect to any Reserves with respect to such Letter of Credit Accommodations, on the date of the proposed issuance of any Letter of Credit Accommodation shall be equal to or greater than: (A) if the proposed Letter of Credit Accommodation is a Commercial Letter of Credit for the purpose of purchasing Inventory and the documents of title with respect thereto are consigned to the issuer or delivered to and in the possession of a Customs Broker (provided, that, as to such Customs Broker, Agent shall have received a Collateral Access Agreement duly authorized, executed and delivered by such person, such agreement shall be in full force and effect and such person shall be in compliance in all material respects with the terms thereof), the sum of: (1) the percentage equal to one hundred (100%) percent minus the then applicable percentage with respect to the category of Eligible Inventory to be purchased with such Letter of Credit Accommodation plus (2) the amount of the Reserve to be established based on freight, taxes, duty and other amounts which Agent estimates must be paid in connection with such Inventory being purchased with such Letter of Credit Accommodation calculated as described below and (B) if the proposed Letter of Credit Accommodation is a Standby Letter of Credit or for any other purpose or the documents of title are note consigned to the issuer or are not delivered to and in the possession of a Customs Broker (or if delivered to and in the possession of a Customs Broker, an of the conditions set forth in clause (A) are not satisfied as to such Customs Broker) in connection with a Letter of Credit Accommodation for the purpose of purchasing Inventory, an amount equal to one hundred (100%) percent of the face amount thereof and all other commitments and obligations made or incurred by Agent with respect thereto. Effective on the issuance of each Letter of Credit Accommodation, a Reserve shall be established in the applicable amount set forth in Section 2.2(d)(iii)(A) or Section 2.2(d)(iii)(B).

(e) The amount of the Reserve based on freight, taxes, duty and other amounts referred to above shall be calculated from time to time as follows: (i) the amount equal to (A) the most recent determination by Agent of the average of the freight, taxes, duty and other amounts referred to above as a percentage of the outstanding Letter of Credit Accommodations consisting of Commercial Letters of Credit used to purchase Inventory as of the date of such calculation in accordance with the current practices and procedures of Agent as of the date hereof, multiplied by (B) the then outstanding amount of such Letter of Credit Accommodations multiplied by (ii) the percentage equal to (A) the percentage of one hundred (100%) percent minus (B) the average of the percentages used for Inventory at such time in the calculation of the Borrowing Base.

(f) Except in Agent's discretion, with the consent of all Lenders (except as otherwise provided herein), the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Agent or any Lender in a connection therewith shall not at any time exceed the Maximum Credit less any Revolving Loans outstanding.

(g) Borrowers and Guarantors shall indemnify and hold Agent and Lenders harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Agent or any Lender may suffer or incur in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto, including any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation, except for such losses, claims, damages, liabilities, costs or expenses that are a direct result of the gross negligence or wilful misconduct of Agent or any Lender as determined pursuant to a final non-appealable order of a court of competent jurisdiction. Each Borrower and Guarantor assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed such Borrower's agent. Each Borrower and Guarantor assumes all risks for, and agrees to pay, all foreign, Federal, State and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or acceptances thereunder. Each Borrower and Guarantor hereby releases and holds Agent and Lenders harmless from and against any acts, waivers, errors, delays or omissions, whether caused by any Borrower, Guarantor, by any issuer or correspondent or otherwise with respect to or relating to any Letter of Credit Accommodation, except for the gross negligence or wilful misconduct of Agent or any Lender as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. The provisions of this Section 2.2(f) shall survive the payment of Obligations and the termination of this Agreement.

(h) In connection with Inventory purchased pursuant to Letter of Credit Accommodations, Borrowers and Guarantors shall, at Agent's request, instruct all suppliers, carriers, forwarders, customs brokers, warehouses or others receiving or holding cash, checks, Inventory, documents or instruments in which Agent holds a security interest to deliver them to Agent and/or subject to Agent's order, and if they shall come into such Borrower's or Guarantor's possession, to deliver them, upon Agent's request, to Agent in their original form; provided, that, Agent shall not exercise the rights under this clause (g) to have such persons deliver any cash, checks, Inventory, documents or instruments (but as to such documents and instruments, Agent shall not exercise such rights only so long as the same are held by a Customs Broker and the conditions set forth in Section 2.2(d)(iii)(A) hereof as to such Customs Broker are satisfied), unless an Event of Default shall exist or have occurred and be continuing. Borrowers and Guarantors shall also, at Agent's request, designate Agent as the consignee on all bills of lading and other negotiable and non-negotiable documents.

(i) Each Borrower and Guarantor hereby irrevocably authorizes and directs any issuer of a Letter of Credit Accommodation to name such Borrower or Guarantor as the account party therein and to deliver to Agent all instruments, documents and other writings and property received by issuer pursuant to the Letter of Credit Accommodations and to accept and rely upon Agent's instructions and agreements with respect to all matters arising in connection with the Letter of Credit Accommodations or the applications therefor. Nothing contained herein shall be deemed or construed to grant any Borrower or Guarantor any right or authority to pledge the credit of Agent or any Lender in any manner. Agent and Lenders shall have no liability of any kind with respect to any Letter of Credit Accommodation provided by an issuer other than Agent or any Lender unless Agent has duly executed and delivered to such issuer the application or a guarantee or indemnification in writing with respect to such Letter of Credit Accommodation. Borrowers and Guarantors shall be bound by any reasonable interpretation made in good faith by Agent, or any other issuer or correspondent under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of any Borrower or Guarantor.

(j) At any time an Event of Default exists or has occurred and is continuing, Agent shall have the right and authority to, and Borrowers shall not, without the prior consent of Agent, (i) approve or resolve any questions of non-compliance of documents, (ii) give any instructions as to acceptance or rejection of any documents or goods, (iii) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders, (iv) grant any extensions of the maturity of, time of payments for, or time of presentation of, any drafts, acceptances, or documents, and (v) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral. Agent may take such actions either in its own name or in any Borrower's name.

(k) At any time, so long as no Event of Default exists or has occurred and is continuing, a Borrower may, with Agent's consent, (i) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (ii) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral; provided, that, Borrowers may approve or resolve any questions of non-compliance of documents following notice to Agent thereof and without Agent's consent except as otherwise provided in Section 2.2(i).

(l) Any rights, remedies, duties or obligations granted or undertaken by any Borrower or Guarantor to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been granted or undertaken by such

Borrower or Guarantor to Agent for the ratable benefit of Lenders. Any duties or obligations undertaken by Agent to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Agent in favor of any issuer or correspondent to the extent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by Borrowers and Guarantors to Agent for the ratable benefit of Lenders and to apply in all respects to Borrowers and Guarantors.

(m) Immediately upon the issuance or amendment of any Letter of Credit Accommodation, each Lender shall be deemed to have irrevocably and unconditionally purchased and received, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Pro Rata Share of the liability with respect to such Letter of Credit Accommodation (including, without limitation, all Obligations with respect thereto).

(n) Each Borrower is irrevocably and unconditionally obligated, without presentment, demand or protest, to pay to Agent any amounts paid by an issuer of a Letter of Credit Accommodation with respect to such Letter of Credit Accommodation (whether through the borrowing of Revolving Loans in accordance with Section 2.2(a) or otherwise). In the event that any Borrower fails to pay Agent on the date of any payment under a Letter of Credit Accommodation in an amount equal to the amount of such payment, Agent (to the extent it has actual notice thereof) shall promptly notify each Lender of the unreimbursed amount of such payment and each Lender agrees, upon one (1) Business Day's notice, to fund to Agent the purchase of its participation in such Letter of Credit Accommodation in an amount equal to its Pro Rata Share of the unpaid amount. The obligation of each Lender to deliver to Agent an amount equal to its respective participation pursuant to the foregoing sentence is absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuance of any Event of Default, the failure to satisfy any other condition set forth in Section 4 or any other event or circumstance. If such amount is not made available by a Lender when due, Agent shall be entitled to recover such amount on demand from such Lender with interest thereon, for each day from the date such amount was due until the date such amount is paid to Agent at the interest rate then payable by any Borrower in respect of Revolving Loans that are Prime Rate Loans as set forth in Section 3.1(a) hereof.

2.3 Intentionally Omitted.

2.4 Commitments. The aggregate amount of each Lender's Pro Rata Share of the Revolving Loans and Letter of Credit Accommodations shall not exceed the amount of such Lender's Commitment, as the same may from time to time be amended in accordance with the provisions hereof.

2.5 Loan Limits.

(a) Notwithstanding anything to the contrary contained herein, except in Agent's determination, with the consent of all Lenders, or as otherwise provided herein, the sum of the aggregate principal amount of the Revolving Loans and the Letter of Credit Accommodations outstanding at any time shall not exceed the Borrowing Base.

(b) To the extent that the 10 3/8% Subordinated Note Indenture is in effect and contains a limitation upon the amount of Revolving Loans and Letter of Credit Accommodations (and, in each case, interest and fees thereon) that may be incurred hereunder by Borrowers other than Operating, then, notwithstanding any other provision of this Agreement (including, without limitation, Sections 2.1, 2.2, and 2.8) and the books and records of Lenders or Agent or any Borrower, (i) at any date, all Revolving Loans (and interest thereon) and Letter of Credit Accommodations (and fees thereon) in excess of the amounts permitted to be incurred by Borrowers other than Operating in accordance with the 10 3/8% Subordinated Note Indenture (including amounts permitted under Section 4.09 of the 10 3/8% Subordinated Note Indenture other than under subsection (i) thereof) are deemed made and shall be made solely

to Operating and (ii) in no event at any date shall the amount of Indebtedness (as defined in the 10 3/8% Subordinated Note Indenture) arising pursuant to Revolving Loans and Letter of Credit Accommodations to Borrowers other than Operating exceed the amount thereof that such Borrowers (other than Operating) are permitted to incur at such time under the terms of the 10 3/8% Subordinated Note Indenture and (iii) Borrowers shall determine that the Indebtedness of Borrowers hereunder (other than Operating) is, and the Indebtedness of Borrowers hereunder (other than Operating) shall be deemed, permitted under such subsections of Section 4.09 of the 10 3/8% Subordinated Note Indenture, other than subsection (i) thereof, to the extent that the amounts permitted under such other subsections are not otherwise then the basis for permitting Indebtedness of Borrowers (other than the Indebtedness hereunder) and to the extent that such other subsections are applicable to the Indebtedness of Borrowers hereunder (other than Operating). The limitation on Revolving Loans and Letter of Credit Accommodations of Borrowers other than Operating set forth in Section 2.5(b) above shall automatically be adjusted from time to time upon the incurrence or repayment of any Indebtedness (as defined in the 10 3/8% Subordinated Note Indenture) permitted under the applicable subsections of Section 4.09 of the 10 3/8% Subordinated Note Indenture.

2.6 Mandatory Prepayments.

(a) In the event that at any time (i) the aggregate principal amount of the Revolving Loans and the Letter of Credit Accommodations outstanding exceed the Borrowing Base, or (ii) the aggregate principal amount of the Revolving Loans and Letter of Credit Accommodations outstanding to all of Borrowers exceed the Maximum Credit, or (iii) the aggregate amount of the outstanding Letter of Credit Accommodations exceed the sublimit for Letter of Credit Accommodations set forth in Section 2.2(e) hereof, or (iv) the aggregate amount of the Revolving Loans and Letter of Credit Accommodations exceed the Maximum Credit, any such event shall not limit, waive or otherwise affect any rights of Agent or Lenders in such circumstances or on any future occasions and Borrowers shall, upon demand by Agent, which may be made at any time or from time to time, immediately repay to Agent the entire amount of any such excess(es) for which payment is demanded. Except to the extent Agent is permitted to make certain additional Revolving Loans and Letter of Credit Accommodations as provided in Section 12.8 hereof, Agent shall make such demand upon the request of the Required Lenders.

(b) Without limiting any of the rights of Agent or Lenders pursuant hereto or otherwise, on each date when any reduction in the Real Property Availability becomes effective pursuant to the terms hereof, regardless of the value of the Real Property, Borrowers shall, absolutely and unconditionally, automatically and without demand make a payment to Agent, for

the benefit of Lenders, in respect of the Revolving Loans in an amount equal to the excess, if any, of the aggregate unpaid principal amount of the Revolving Loans over the Borrowing Base as so reduced.

(c) Subject to Section 14.1(c) and Section 3.3(d) hereof, all such payments in respect of the Revolving Loans pursuant to this Section 2.6 shall be without premium or penalty. All interest accrued on the principal amount of the Revolving Loans paid pursuant to this Section 2.6 shall be paid, or may be charged by Agent to any loan account(s) of Borrowers, at Agent's option, on the date of such payment. Interest shall accrue and be due, until the next Business Day, if the amount so paid by Borrowers to the bank account designated by Agent for such purpose is received in such bank account after 12:00 noon, New York City time.

2.7 Intentionally Omitted.

2.8 Joint and Several Liability. Subject to Section 2.5(b) hereof, all Borrowers shall be jointly and severally liable for all amounts due to Agent and Lenders under this Agreement and the other Financing Agreements, regardless of which Borrower actually receives the Revolving Loans or Letter of Credit Accommodations hereunder or the amount of such Revolving Loans received or the manner in which Agent or any Lender accounts for such Revolving Loans, Letter of Credit Accommodations or other extensions of credit on its books and records. Subject to Section 2.5(b) hereof, all references herein or in any of the other Financing Agreements to any of the obligation of Borrowers to make any payment hereunder or thereunder shall constitute joint and several obligations of Borrowers. The Obligations with respect to Revolving Loans made to a Borrower, and the Obligations arising as a result of the joint and several liability of a Borrower hereunder, with respect to Revolving Loans made to the other Borrowers, shall be separate and distinct obligations, but all such other Obligations shall be primary obligations of all Borrowers. Subject to Section 2.5(b) hereof, the Obligations arising as a result of the joint and several liability of a Borrower hereunder with respect to Revolving Loans, Letter of Credit Accommodations or other extensions of credit made to the other Borrowers shall, to the fullest extent permitted by law, be unconditional irrespective of (a) the validity or enforceability, avoidance or subordination of the Obligations of the other Borrowers or of any promissory note or other document evidencing all or any part of the Obligations of the other Borrowers, (b) the absence of any attempt to collect the Obligations from the other Borrowers, any Guarantor or any other security therefor, or the absence of any other action to enforce the same, (c) the waiver, consent, extension, forbearance or granting of any indulgence by Agent or any Lender with respect to any provisions of any instrument evidencing the Obligations of the other Borrowers, or any part thereof, or any other agreement now or hereafter executed by the other Borrowers and delivered to Agent or any Lender, (d) the failure by Agent or any Lender to take any steps to perfect and maintain its security interest in, or to preserve its rights and maintain its security or collateral for the Obligations of the other Borrowers, (e) the election of Agent and Lenders in any proceeding instituted under the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, (f) the disallowance of all or any portion of the claim(s) of Agent or any Lender for the repayment of the Obligations of the other Borrowers under Section 502 of the Bankruptcy Code, or (g) any other circumstances which might constitute a legal or equitable discharge or defense of a Guarantor or of the other Borrowers other than the gross negligence or wilful misconduct of Agent or a Lender as determined pursuant to a final non-appealable order of a court of competent jurisdiction. With respect to the Obligations arising as a result of the joint

and several liability of a Borrower hereunder with respect to Revolving Loans, Letter of Credit Accommodations or other extensions of credit made to the other Borrowers hereunder, each Borrower waives, until the Obligations shall have been paid in full and this Agreement shall have been terminated, any right to enforce any right of subrogation or any remedy which Agent or any Lender now has or may hereafter have against any Borrower or Guarantor and any benefit of, and any right to participate in, any security or collateral given to Agent or any Lender. Upon any Event of Default, and for so long as such Event of Default is continuing, Agent may proceed directly and at once, without notice, against any Borrower to collect and recover the full amount, or any portion of the Obligations, without first proceeding against the other Borrowers or any other Person, or against any security or collateral for the Obligations. Each Borrower consents and agrees that Agent and Lenders shall be under no obligation to marshall any assets in favor of Borrower(s) or against or in payment of any or all of the Obligations.

2.9 Maximum Credit Increase.

(a) Borrower Agent may, at any time, deliver a written request to Agent to increase the Maximum Credit. Any such written request shall specify the amount of the increase in the Maximum Credit that Borrowers are requesting, provided, that, (i) in no event shall the aggregate amount of any such increase in the Maximum Credit cause the Maximum Credit to exceed $250,000,000, (ii) such request shall be for an increase of not less than $10,000,000, (iii) any such request shall be irrevocable, and (iv) in no event shall more than one such written request be delivered to Agent in any calendar quarter.

(b) Upon the receipt by Agent of any such written request, Agent shall notify each of the Lenders of such request and each Lender shall have the option (but not the obligation) to increase the amount of its Commitment by an amount up to its Pro Rata Share of the amount of the increase in the Maximum Credit requested by Borrower Agent as set forth in the notice from Agent to such Lender. Each Lender shall notify Agent within fifteen (15) days after the receipt of such notice from Agent whether it is willing to so increase its Commitment, and if so, the amount of such increase; provided, that, (i) the minimum increase in the Commitments of each such Lender providing the additional Commitments shall equal or exceed $2,000,000, and (ii) no Lender shall be obligated to provide such increase in its Commitment and the determination to increase the Commitment of a Lender shall be within the sole and absolute discretion of such Lender. If the aggregate amount of the increases in the Commitments received from the Lenders equals or exceeds the amount of the increase in the Maximum Credit requested by Borrower Agent, such increase shall be effective on the date five (5) Business Days after each of the conditions set forth in Section 2.9(c) have been satisfied or such earlier date after such conditions have been satisfied as Agent may agree. If the aggregate amount of the increases in the Commitments received from the Lenders does not equal or exceed the amount of the increase in the Maximum Credit requested by Borrower Agent, Agent may seek additional increases from Lenders or Commitments from such Eligible Transferees as it may determine, after consultation with Borrower Agent. In the event Lenders (or Lenders and any such Eligible Transferees, as the case may be) have committed in writing to provide increases in their Commitments or new Commitments in an aggregate amount in excess of the increase in the Maximum Credit requested by Borrowers or permitted hereunder, Agent shall then have the right to allocate such commitments, first to Lenders and then to Eligible Transferees, in such amounts and manner as Agent may determine, after consultation with Borrower Agent.

(c) The Maximum Credit shall be increased by the amount of the increase in Commitments from Lenders or new Commitments from Eligible Transferees, in each case selected in accordance with Section 2.9(a) above, for which Agent has received Assignment and Acceptances sixty (60) days after the date of the request by Borrower Agent for the increase or such earlier date as Borrower Agent may request (such earlier date being referred to herein as the "Early Increase Date") after five (5) Business Days' prior written notice to Agent (but subject to the satisfaction of the conditions set forth below), whether or not the aggregate amount of the increase in Commitments and new Commitments, as the case may be, equal or exceed the amount of the increase in the Maximum Credit requested by Borrower Agent in accordance with the terms hereof, effective on the date that each of the following conditions have been satisfied:

(i) Agent shall have received from each Lender or Eligible Transferee that is providing an additional Commitment as part of the increase in the Maximum Credit, an Assignment and Acceptance duly executed by such Lender or Eligible Transferee and each Borrower, provided, that, the aggregate Commitments set forth in such Assignment and Acceptance(s) shall be not less than $10,000,000;

(ii) the conditions precedent to the making of Revolving Loans set forth in Section 4.2 shall be satisfied as of the date of the increase in the Maximum Credit, both before and after giving effect to such increase;

(iii) Agent shall have received an opinion of counsel to Borrowers in form and substance and from counsel reasonably satisfactory to Agent and Lenders addressing such matters as Agent may reasonably request (including an opinion as to no conflicts with other Indebtedness);

(iv) such increase in the Maximum Credit on the date of the effectiveness thereof shall not violate any applicable law, regulation or order or decree of any court or other Governmental Authority and shall not be enjoined, temporarily, preliminarily or permanently;

(v) there shall have been paid to each Lender and Eligible Transferee providing an additional Commitment in connection with such increase in the Maximum Credit all fees and expenses due and payable to such Person on or before the effectiveness of such increase;

(vi) there shall have been paid to Agent, for the account of the Agent and Lenders (in accordance with any agreement among them) all fees and expenses (including reasonable fees and expenses of counsel) due and payable pursuant to any of the Financing Agreements on or before the effectiveness of such increase.

(d) In the event that Borrower requests that the Maximum Credit is increased on an Early Increase Date, and the aggregate amount of the increases in the Commitments received from the Lenders and new Commitments from Eligible Transferees, as the case may be, as of the Early Increase Date (based upon the satisfaction of the conditions set forth above) does not equal or exceed the amount of the increase in the Maximum Credit requested by Borrower Agent, the Maximum Credit may thereafter be increased again on the date that is sixty (60) days after the date of the original request by Borrower Agent for such increase based on any additional

increase in Commitments or new Commitments received by Agent (i) after the Early Increase Date but (ii) prior to the date that is sixty (60) days after the date of such original request by Borrower Agent for any such increase.

(e) As of the effective date of any such increase in the Maximum Credit, each reference to the term Maximum Credit herein, and in any of the other Financing Agreements shall be deemed amended to mean the amount of the Maximum Credit specified in the most recent written notice from Agent to Borrower Agent of the increase in the Maximum Credit.

SECTION 3. INTEREST AND FEES

3.1 Interest.

(a) Borrowers shall pay to Agent, for the benefit of itself and Lenders, interest on the outstanding principal amount of the Revolving Loans at the Interest Rate. All interest accruing hereunder on and after the date of any Event of Default or termination hereof shall be payable on demand.

(b) Each Borrower (or Borrower Agent on behalf of such Borrower) may from time to time request Eurodollar Rate Loans or may request that Prime Rate Loans be converted to Eurodollar Rate Loans or that any existing Eurodollar Rate Loans continue for an additional Interest Period. Such request from a Borrower (or Borrower Agent on behalf of such Borrower) shall specify the amount of the Eurodollar Rate Loans or the amount of the Prime Rate Loans to be converted to Eurodollar Rate Loans or the amount of the Eurodollar Rate Loans to be continued (subject to the limits set forth below) and the Interest Period to be applicable to such Eurodollar Rate Loans. Subject to the terms and conditions contained herein, three (3) Business Days after receipt by Agent of such a request from a Borrower (or Borrower Agent on behalf of such Borrower), such Eurodollar Rate Loans shall be made or Prime Rate Loans shall be converted to Eurodollar Rate Loans or such Eurodollar Rate Loans shall continue, as the case may be, provided, that, (i) no Event of Default shall exist or have occurred and be continuing, (ii) no party hereto shall have sent any notice of termination of this Agreement, (iii) such Borrower (or Borrower Agent on behalf of such Borrower) shall have complied with such customary procedures as are reasonably established by Agent and specified by Agent to Borrower Agent from time to time for requests by Borrowers for Eurodollar Rate Loans, (iv) no more than eight (8) Interest Periods may be in effect at any one time, (v) the aggregate amount of the Eurodollar Rate Loans must be in an amount not less than $2,000,000 or an integral multiple of $1,000,000 in excess thereof, and (vi) Agent and each Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to Agent and such Lender and can be readily determined as of the date of the request for such Eurodollar Rate Loan by such Borrower. Any request by or on behalf of a Borrower for Eurodollar Rate Loans or to convert Prime Rate Loans to Eurodollar Rate Loans or to continue any existing Eurodollar Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Agent and Lenders shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable Eurodollar Rate market to fund any Eurodollar Rate Loans, but the provisions hereof shall be deemed to apply as if Agent and Lenders had purchased such deposits to fund the Eurodollar Rate Loans.

(c) Any Eurodollar Rate Loans shall automatically convert to Prime Rate Loans upon the last day of the applicable Interest Period, unless Agent has received and obtained bank approval with respect to a request to continue such Eurodollar Rate Loan at least three (3) Business Days prior to such last day in accordance with the terms hereof. Any Eurodollar Rate Loans shall, at Agent's option, upon notice by Agent to Borrower Agent, be subsequently converted to Prime Rate Loans on the effective date of the termination of this Agreement in the event that this Agreement shall terminate or not be renewed. Borrowers shall pay to Agent, for the benefit of Lenders, upon demand by Agent (or Agent may, at its option, charge any loan account of any Borrower) any amounts required to compensate any Lender or Participant for any loss, cost or expense incurred by such person, as a result of the conversion of Eurodollar Rate Loans to Prime Rate Loans pursuant to any of the foregoing. At the request of Borrower Agent, Agent shall provide to Borrower Agent all available supporting documentation with respect to such loss, cost or expense. No loss, cost or expense will arise upon the conversion of a Eurodollar Rate Loan to a Prime Rate Loan on the last day of the Interest Period for such Eurodollar Rate Loan.

(d) Interest shall be payable by Borrowers to Agent, for the account of Lenders, monthly in arrears not later than the first day of each calendar month and shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. The interest rate on non-contingent Obligations (other than Eurodollar Rate Loans) shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate effective on the first day of the month after any change in such Prime Rate is announced based on the Prime Rate in effect on the last day of the month in which any such change occurs. In no event shall charges constituting interest payable by Borrowers to Agent and Lenders exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any such part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.

3.2 Fees.

(a) Borrowers shall pay to Agent, for the account of Lenders, monthly an unused line fee at a rate equal to the percentage (on a per annum basis) set forth below calculated upon the amount by which the Maximum Credit exceeds the average daily principal balance of the outstanding Revolving Loans and Letter of Credit Accommodations during the immediately preceding month (or part thereof) while the Loan Agreement is in effect and for so long thereafter as any Obligations are outstanding. Such fee shall be payable on the first day of each month in arrears. The percentage used for determining the unused line fee shall be as set forth below if the Quarterly Average Excess Availability for the immediately preceding fiscal quarter is at or within the amounts indicated for such percentage:

Quarterly Average Excess Availability	Unused Line Fee Percentage
Greater than $55,000,000	.375%
Less than or equal to $55,000,000 and greater than $40,000,000	.375%
Less than or equal to $40,000,000 and greater than $20,000,000	.250%
Less than $20,000,000 or equal to $20,000,000	.250%

provided, that, the unused line fee percentage shall be calculated and established based on the foregoing once each fiscal quarter. Such unused line fee percentage shall be used commencing on the date hereof based on the Quarterly Average Excess Availability during the fiscal quarter of Borrowers ending immediately prior to the date hereof.

(b) Borrowers agree to pay to Agent the other fees and amounts set forth in the Fee Letter in the amounts and at all times specified therein.

3.3 Changes in Laws and Increased Costs of Revolving Loans.

(a) If after the date hereof, either (i) any change in, or in the interpretation of, any law or regulation is introduced, including, without limitation, with respect to reserve requirements, applicable to Agent or any banking or financial institution from whom any Lender borrows funds or obtains credit (a "Funding Bank"), or (ii) a Funding Bank or any Lender complies with any future guideline or request from any central bank or other Governmental Authority or (iii) a Funding Bank or any Lender determines that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any

change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof has or would have the effect described below, or a Funding Bank or any Lender complies with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, and in the case of any event set forth in this clause (iii), such adoption, change or compliance has or would have the direct or indirect effect of reducing the rate of return on any Lender's capital as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration the Funding Bank's or Lender's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, and the result of any of the foregoing events described in clauses (i), (ii) or (iii) is or results in an increase in the cost to any Lender of funding or maintaining the Revolving Loans, the Letter of Credit Accommodations or its Commitment, then Borrowers and Guarantors shall from time to time upon demand by Agent pay to Agent additional amounts sufficient to indemnify Lenders against such increased cost on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified). A certificate as to the amount of such increased cost shall be submitted to Borrower Agent by Agent and shall be conclusive, absent manifest error.

(b) If prior to the first day of any Interest Period, (i) Agent shall have determined in good faith (which determination shall be conclusive and binding upon Borrowers and Guarantors) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, (ii)Agent has received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to Lenders of making or maintaining Eurodollar Rate Loans during such Interest Period, or (iii) Dollar deposits in the principal amounts of the Eurodollar Rate Loans to which such Interest Period is to be applicable are not generally available in the London interbank market, Agent shall give telecopy or telephonic notice thereof to Borrower Agent as soon as practicable thereafter, and will also give prompt written notice to Borrower Agent when such conditions no longer exist. If such notice is given (A) any Eurodollar Rate Loans requested to be made on the first day of such Interest Period shall be made as Prime Rate Loans, (B) any Revolving Loans that were to have been converted on the first day of such Interest Period to or continued as Eurodollar Rate Loans shall be converted to or continued as Prime Rate Loans and (C) each outstanding Eurodollar Rate Loan shall be converted, on the last day of the then-current Interest Period thereof, to Prime Rate Loans. Until such notice has been withdrawn by Agent, no further Eurodollar Rate Loans shall be made or continued as such, nor shall any Borrower (or Borrower Agent on behalf of any Borrower) have the right to convert Prime Rate Loans to Eurodollar Rate Loans.

(c) Notwithstanding any other provision herein, if the adoption of or any change in any law, treaty, rule or regulation or final, non-appealable determination of an arbitrator or a court or other Governmental Authority or in the interpretation or application thereof occurring after the date hereof shall make it unlawful for Agent or any Lender to make or maintain Eurodollar Rate Loans as contemplated by this Agreement, (i) Agent or such Lender shall promptly give written notice of such circumstances to Borrower Agent (which notice shall be withdrawn whenever such circumstances no longer exist), (ii) the commitment of such Lender hereunder to make Eurodollar Rate Loans, continue Eurodollar Rate Loans as such and convert Prime Rate Loans to Eurodollar Rate Loans shall forthwith be canceled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Eurodollar Rate Loans, such Lender shall then have a commitment only to make a Prime Rate Loan when a Eurodollar Rate Loan is requested and (iii) such Lender's Revolving Loans then outstanding as Eurodollar Rate Loans, if any, shall be converted automatically to Prime Rate Loans on the respective last days of the then current Interest Periods with respect to such Revolving Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrowers and Guarantors shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.3(d) below.

(d) Borrowers and Guarantors shall indemnify Agent and each Lender and hold Agent and each Lender harmless from any loss or expense which Agent or such Lender may sustain or incur as a consequence of (i) default by Borrower in making a borrowing of, conversion into or extension of Eurodollar Rate Loans after such Borrower (or Borrower Agent on behalf of such Borrower) has given a notice requesting the same in accordance with the provisions of this Loan Agreement, (ii) default by any Borrower in making any prepayment of a Eurodollar Rate Loan after such Borrower has given a notice thereof in accordance with the provisions of this Agreement, and (iii) the making of a prepayment of Eurodollar Rate Loans on

a day which is not the last day of an Interest Period with respect thereto. With respect to Eurodollar Rate Loans, such indemnification may include an amount equal to the excess, if any, of (A) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or extended, for the period from the date of such prepayment or of such failure to borrow, convert or extend to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or extend, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Rate Loans provided for herein over (B) the amount of interest (as determined by such Agent or such Lender) which would have accrued to Agent or such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. This covenant shall survive the termination or non-renewal of this Loan Agreement and the payment of the Obligations.

SECTION 4. CONDITIONS PRECEDENT

4.1 Conditions Precedent to Amendment and Restatement. Each of the following is a condition precedent to the effectiveness hereof:

(a) all requisite corporate or limited liability company action and proceedings in connection with this Agreement and the other Financing Agreements shall be reasonably satisfactory in form and substance to Agent, and Agent shall have received all information and copies of all documents, including records of requisite corporate or limited liability company action and proceedings which Agent may have reasonably requested in connection therewith, such documents where requested by Agent or its counsel to be certified by appropriate corporate officers or Governmental Authority (and including a copy of the articles or certificate of incorporation, certificate of formation, operating agreement or comparable organizational documents of each Borrower and Guarantor certified by the Secretary of State (or equivalent Governmental Authority) which shall set forth the same complete corporate or limited liability company name of such Borrower or Guarantor as is set forth herein and such document as shall set forth the organizational identification number of each Borrower or Guarantor, if one is issued in its jurisdiction of organization;

(b) Agent shall have received evidence, in form and substance reasonably satisfactory to Agent, that Borrowers and Guarantors have obtained all necessary consents and approvals to the execution, delivery and performance of this Agreement;

(c) Agent shall have received evidence, in form consistent with the current practices and procedures of Agent, that the aggregate amount of the Excess Availability after provision for payment of all fees and expenses of the transactions contemplated hereby, shall be not less than $20,000,000;

(d) Agent shall have received evidence, in form consistent with the current practices and procedures of Agent, that the accounts payable of Borrowers are at the same historical level for comparable prior periods;

(e) Agent shall have received evidence, in a form reasonably satisfactory to Agent, that Borrowers have received the gross proceeds of the loans under the Black Canyon Credit Agreement in an amount of not less than $275,000,000;

(f) Agent shall have received, in form and substance reasonably satisfactory to Agent, such opinion letters of counsel to Borrowers and Guarantors with respect to this Agreement and such other matters as Agent may request;

(g) this Agreement and any other agreements, documents and instruments related thereto required hereunder shall have been duly executed and delivered to Agent, in form and substance reasonably satisfactory to Agent.

4.2 Conditions Precedent to All Revolving Loans and Letter of Credit Accommodations. Each of the following is an additional condition precedent to the Revolving Loans and/or providing Letter of Credit Accommodations to Borrowers, including the initial Loans and Letter of Credit Accommodations and any future Revolving Loans and Letter of Credit Accommodations and the effectiveness hereof:

(a) all representations and warranties contained herein and in the other Financing Agreements shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Revolving Loan or providing each such Letter of Credit Accommodation and after giving effect thereto, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date);

(b) no law, regulation, order, judgment or decree of any Governmental Authority shall exist, and no action, suit, investigation, litigation or proceeding shall be pending or threatened in any court or before any arbitrator or Governmental Authority, which in each case in the good faith judgment of Agent (i) purports to enjoin, prohibit, restrain or otherwise affect (A) the making of the Revolving Loans or providing the Letter of Credit Accommodations, or (B) the consummation of the transactions contemplated pursuant to the terms hereof or the other Financing Agreements or (ii) has or has a reasonable likelihood of having a Material Adverse Effect; and

(c) no Event of Default shall exist or have occurred and be continuing on and as of the date of the making of such Revolving Loan or providing each such Letter of Credit Accommodation and after giving effect thereto.

SECTION 5. GRANT AND PERFECTION OF SECURITY INTEREST

5.1 Grant of Security Interest. To secure payment and performance of all Obligations, each Borrower and Guarantor hereby grants to Agent, for itself and the benefit of Lenders, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent, for itself and the benefit of Lenders, as security, and hereby confirms, reaffirms and restates the prior grant thereof to Agent, for itself and Lenders, pursuant to the Existing Agreements, all personal property and real property subject to the Mortgages and fixtures, and interests in property and fixtures, of each Borrower and Guarantor, whether now owned or

hereafter acquired or existing, and wherever located (together with all other collateral security for the Obligations at any time granted to or held or acquired by Agent or any Lender, collectively, the "Collateral"), including:

(i) all Accounts;

(ii) all general intangibles, including, without limitation, all Intellectual Property;

(iii) all goods, including, without limitation, Inventory and Equipment;

(iv) all Real Property subject to the Mortgages and fixtures;

(v) all chattel paper, including, without limitation, all tangible and electronic chattel paper;

(vi) all instruments, including, without limitation, all promissory notes;

(vii) all documents;

(viii) all deposit accounts;

(ix) all letters of credit, banker's acceptances and similar instruments and including all letter-of-credit rights;

(x) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other Collateral, including (A) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (B) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (C) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or

evidencing, Receivables or other Collateral, including returned, repossessed and reclaimed goods, and (D) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(xi) all (A) investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts) and (B) monies, credit balances, deposits and other property of any Borrower or Guarantor now or hereafter held or received by or in transit to Agent, any Lender or its Affiliates or at any other depository or other institution from or for the account of any Borrower or Guarantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(xii) all commercial tort claims, including, without limitation, those identified in the Information Certificate;

(xiii) to the extent not otherwise described above, all Receivables;

(xiv) all Records; and

(xv) all products and proceeds of the foregoing, in any form, including insurance proceeds and all claims against third parties for loss or damage to or destruction of or other involuntary conversion of any kind or nature of any or all of the other Collateral.

(b) Notwithstanding anything to the contrary set forth in Section 5.1(a) above, the types or items of Collateral described in such Section shall not include:

(i) any rights or interests in any contract, lease, permit, license, charter or license agreement covering real or personal property, as such, if under the terms of such contract, lease, permit, license, charter or license agreement, or applicable law with respect thereto, the valid grant of a security interest or lien therein to Agent is prohibited and such prohibition has not been or is not waived or the consent of the other party to such contract, lease, permit, license, charter or license agreement has not been or is not otherwise obtained or under applicable law such prohibition cannot be waived; provided, that, the foregoing exclusion shall in no way be construed (A) to apply if any such prohibition is unenforceable under Sections 9-406, 9-407 or 9-408 of the UCC or other applicable law or (B) so as to limit, impair or otherwise affect Agent's unconditional continuing security interests in and liens upon any rights or interests of a Borrower or Guarantor in or to monies due or to become due under any such contract, lease, permit, license, charter or license agreement (including any Receivables); or

(ii) the Capital Stock of J. Crew Japan, Inc. ("J. Crew Japan") to the extent that (A) J. Crew Japan is a "controlled foreign corporation" (as such term is defined in Section 957(a) of the Code or a successor provision thereof) of a Borrower or Guarantor, (B) such Capital Stock is in excess of sixty five (65%) percent of all of the issued and outstanding shares of Capital Stock of J. Crew Japan entitled to vote (within the meaning of Treasury Regulation Section 1.956-2) and (C) a pledge of more than such percentage would result in adverse tax consequences to any Borrower or Guarantor.

5.2 Perfection of Security Interests.

(a) Each Borrower and Guarantor irrevocably and unconditionally authorizes Agent (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Agent or its designee as the secured party and such Borrower or Guarantor as debtor, as Agent may require, and including any other information with respect to such Borrower or Guarantor or otherwise required by part 5 of Article 9 of the Uniform Commercial Code of such jurisdiction as Agent may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on, prior to or after the date hereof. Each Borrower and Guarantor hereby ratifies and approves all financing statements naming Agent or its designee as secured party and such Borrower or Guarantor, as the case may be, as debtor with respect to the Collateral (and any amendments with respect to such financing statements) filed by or on behalf of Agent prior to the date hereof and ratifies and confirms the authorization of Agent to file such financing statements (and amendments, if any). Each Borrower and Guarantor hereby authorizes Agent to adopt on behalf of such Borrower and Guarantor any symbol required for authenticating any electronic filing. In the event that the description of the collateral in any financing statement naming Agent or its designee as the secured party and any Borrower or Guarantor as debtor includes assets and properties of such Borrower or Guarantor that do not at any time constitute Collateral, whether

hereunder, under any of the other Financing Agreements or otherwise, the filing of such financing statement shall nonetheless be deemed authorized by such Borrower or Guarantor to the extent of the Collateral included in such description and it shall not render the financing statement ineffective as to any of the Collateral or otherwise affect the financing statement as it applies to any of the Collateral. In no event shall any Borrower or Guarantor at any time file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or amendment or continuation with respect thereto) naming Agent or its designee as secured party and such Borrower or Guarantor as debtor.

(b) Each Borrower and Guarantor does not have any chattel paper (whether tangible or electronic) or instruments as of the date hereof, except as set forth in the Information Certificate. In the event that any Borrower or Guarantor shall be entitled to or shall receive any chattel paper or instrument after the date hereof, Borrowers and Guarantors shall promptly notify Agent thereof in writing. Promptly upon the receipt thereof by or on behalf of any Borrower or Guarantor (including by any agent or representative), such Borrower or Guarantor shall deliver, or cause to be delivered to Agent, all tangible chattel paper and instruments that such Borrower or Guarantor has or may at any time acquire, accompanied by such instruments of transfer or assignment duly executed in blank as Agent may from time to time specify, in each case except as Agent may otherwise agree. At Agent's option, each Borrower and Guarantor shall, or Agent may at any time on behalf of any Borrower or Guarantor, cause the original of any such instrument or chattel paper to be conspicuously marked in a form and manner acceptable to Agent with the following legend referring to chattel paper or instruments as applicable: "This [chattel paper][instrument] is subject to the security interest of Congress Financial Corporation and any sale, transfer, assignment or encumbrance of this [chattel paper][instrument] violates the rights of such secured party."

(c) In the event that any Borrower or Guarantor shall at any time hold or acquire an interest in any electronic chattel paper or any "transferable record" (as such term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction), such Borrower or Guarantor shall promptly notify Agent thereof in writing.

Promptly upon Agent's request, such Borrower or Guarantor shall take, or cause to be taken, such actions as Agent may reasonably request to give Agent control of such electronic chattel paper under Section 9-105 of the UCC and control of such transferable record under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as in effect in such jurisdiction.

(d) Each Borrower and Guarantor does not have any deposit accounts as of the date hereof, except as set forth in the Information Certificate. Borrowers and Guarantors shall not, directly or indirectly, after the date hereof open, establish or maintain any deposit account unless each of the following conditions is satisfied: (i) Agent shall have received not less than five (5) Business Days prior written notice of the intention of any Borrower or Guarantor to open or establish such account which notice shall specify in reasonable detail and specificity reasonably acceptable to Agent the name of the account, the owner of the account, the name and address of the bank at which such account is to be opened or established, the individual at such bank with whom such Borrower or Guarantor is dealing and the purpose of the account, except as to any Store Account opened or established after the date hereof, so long as no Event of

Default shall exist or have occurred, Agent shall only have received such information as to such Store Account on the next monthly report with respect to deposit accounts in accordance with Section 7.1(a) hereof, (ii) the bank where such account is opened or maintained shall be reasonably acceptable to Agent, and (iii) on or before the opening of such deposit account (other than as to a Store Account so long as no Event of Default shall exist or have occurred and be continuing), such Borrower or Guarantor shall as Agent may specify either (A) deliver to Agent a Deposit Account Control Agreement with respect to such deposit account duly authorized, executed and delivered by such Borrower or Guarantor and the bank at which such deposit account is opened and maintained or (B) arrange for Agent to become the customer of the bank with respect to the deposit account on terms and conditions reasonably acceptable to Agent. The terms of this subsection (d) shall not apply to deposit accounts specifically and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of any Borrower's or Guarantor's salaried employees or the escrow of security deposits with respect to Real Property subject to lease.

(e) No Borrower or Guarantor owns or holds, directly or indirectly, beneficially or as record owner or both, any investment property, as of the date hereof, or have any investment account, securities account, commodity account or other similar account with any bank or other financial institution or other securities intermediary or commodity intermediary as of the date hereof, in each case except as set forth in the Information Certificate.

(i) In the event that any Borrower or Guarantor shall be entitled to or shall at any time after the date hereof hold or acquire any certificated securities, such Borrower or Guarantor shall promptly endorse, assign and deliver the same to Agent, for itself and the benefit of Lenders, accompanied by such instruments of transfer or assignment duly executed in blank as Agent may from time to time specify. If any securities, now or hereafter acquired by any Borrower or Guarantor are uncertificated and are issued to such Borrower or Guarantor or its nominee directly by the issuer thereof, such Borrower or Guarantor shall immediately notify Agent thereof and shall as Agent may specify, either (A) cause the issuer to agree to comply with instructions from Agent as to such securities, without further consent of any Borrower or Guarantor or such nominee, or (B) arrange for Agent to become the registered owner of the securities.

(ii) Borrowers and Guarantors shall not, directly or indirectly, after the date hereof open, establish or maintain any investment account, securities account, commodity account or any other similar account (other than a deposit account) with any securities intermediary or commodity intermediary unless each of the following conditions is satisfied: (A) Agent shall have received not less than two (2) Business Days prior written notice of the intention of such Borrower or Guarantor to open or establish such account which notice shall specify in reasonable detail and specificity acceptable to Agent the name of the account, the owner of the account, the name and address of the securities intermediary or commodity intermediary at which such account is to be opened or established, the individual at such intermediary with whom such Borrower or Guarantor is dealing and the purpose of the account, (B) the securities intermediary or commodity intermediary (as the case may be) where such account is opened or maintained shall be reasonably acceptable to Agent, and (C) on or before the opening of such investment account, securities account or other similar account with a securities intermediary or commodity intermediary, such Borrower or Guarantor shall as Agent

may specify either (1) execute and deliver, and cause to be executed and delivered to Agent, an Investment Property Control Agreement with respect thereto duly authorized, executed and delivered by such Borrower or Guarantor and such securities intermediary or commodity intermediary or (2) arrange for Agent to become the entitlement holder with respect to such investment property on terms and conditions acceptable to Agent.

(f) Borrowers and Guarantors are not the beneficiary or otherwise entitled to any right to payment under any letter of credit, banker's acceptance or similar instrument as of the date hereof, except as set forth in the Information Certificate. In the event that any Borrower or Guarantor shall be entitled to or shall receive any right to payment under any letter of credit, banker's acceptance or any similar instrument with a face amount in excess of $500,000, whether as beneficiary thereof or otherwise after the date hereof, such Borrower or Guarantor shall promptly notify Agent thereof in writing. Such Borrower or Guarantor shall immediately, as Agent may specify, either (i) deliver, or cause to be delivered to Agent, with respect to any such letter of credit, banker's acceptance or similar instrument, the written agreement of the issuer and any other nominated person obligated to make any payment in respect thereof (including any confirming or negotiating bank), in form and substance satisfactory to Agent, consenting to the assignment of the proceeds of the letter of credit to Agent by such Borrower or Guarantor and agreeing to make all payments thereon directly to Agent or as Agent may otherwise direct or (ii) cause Agent to become, at Borrowers' expense, the transferee beneficiary of the letter of credit, banker's acceptance or similar instrument (as the case may be).

(g) Borrowers and Guarantors do not have any commercial tort claims as of the date hereof, except as set forth in the Information Certificate. In the event that any Borrower or Guarantor shall at any time after the date hereof have any commercial tort claims in excess of $1,000,000, such Borrower or Guarantor (or Borrower Agent) shall promptly notify Agent thereof in writing, which notice shall (i) set forth in reasonable detail the basis for and nature of such commercial tort claim and (ii) include the express grant by such Borrower or Guarantor to Agent of a security interest in such commercial tort claim (and the proceeds thereof). In the event that such notice does not include such grant of a security interest, the sending thereof by such Borrower or Guarantor to Agent shall be deemed to constitute such grant to Agent. Upon the sending of such notice, any commercial tort claim described therein shall constitute part of the Collateral and shall be deemed included therein. Without limiting the authorization of Agent provided in Section 5.2(a) hereof or otherwise arising by the execution by such Borrower or Guarantor of this Agreement or any of the other Financing Agreements, Agent is hereby irrevocably authorized from time to time and at any time to file such financing statements naming Agent or its designee as secured party and such Borrower or Guarantor

as debtor, or any amendments to any financing statements, covering any such commercial tort claim as Collateral. In addition, each Borrower and Guarantor shall promptly upon Agent's request, execute and deliver, or cause to be executed and delivered, to Agent such other agreements, documents and instruments as Agent may require in connection with such commercial tort claim.

(h) Borrowers and Guarantors do not have any goods, documents of title or other Collateral in the custody, control or possession of a third party as of the date hereof, except as set forth in the Information Certificate and except for goods located in the United States in transit to a location of a Borrower or Guarantor permitted herein in the ordinary course of business of such Borrower or Guarantor in the possession of the carrier transporting such goods.

In the event that any goods, documents of title or other Collateral are at any time after the date hereof in the custody, control or possession of any other person not referred to in the Information Certificate or such carriers, Borrowers and Guarantors shall promptly notify Agent thereof in writing. Promptly upon Agent's request, Borrowers and Guarantors shall deliver to Agent a Collateral Access Agreement duly authorized, executed and delivered by such person and the Borrower or Guarantor that is the owner of such Collateral.

(i) Borrowers and Guarantors shall take any other actions reasonably requested by Agent from time to time to cause the attachment, perfection and first priority of, and the ability of Agent to enforce, the security interest of Agent in any and all of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC or other applicable law, to the extent, if any, that any Borrower's or Guarantor's signature thereon is required therefor, (ii) causing Agent's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Agent to enforce, the security interest of Agent in such Collateral (other than motor vehicles, if any), (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Agent to enforce, the security interest of Agent in such Collateral, (iv) obtaining the consents and approvals of any Governmental Authority or third party, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, and taking all actions required by any earlier versions of the UCC or by other law, as applicable in any relevant jurisdiction.

SECTION 6. COLLECTION AND ADMINISTRATION

6.1 Borrowers' Loan Accounts. Agent, for and on behalf of Lenders, shall maintain one or more loan account(s) on its books in which shall be recorded (a) all Revolving Loans, Letter of Credit Accommodations and other Obligations and the Collateral, (b) all payments made by or on behalf of Borrowers and (c) all other appropriate debits and credits as provided in this Agreement, including, without limitation, fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Agent's customary practices as in effect from time to time.

6.2 Statements. Agent shall render to Borrower Agent, as agent for Borrowers, each month a statement setting forth the balance in Borrowers' loan account(s) maintained by Agent for Borrowers pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Agent but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrowers and Guarantors and conclusively binding upon Borrowers and Guarantors as an account stated except to the extent that Agent receives a written notice from Borrower Agent of any specific exceptions of Borrower Agent thereto within sixty (60) days after the date such statement has been received by Borrower Agent. Until such time as Agent shall have rendered to any Borrower or Borrower Agent, a written statement as provided above, the balance in a Borrower's loan account(s) shall be presumptive evidence of the amounts due and owing to Agent by Borrowers.

6.3 Collection of Accounts.

(a) Each Borrower and Guarantor shall establish and maintain, at its expense, deposit account arrangements and merchant payment arrangements with the banks set forth on Schedule 8.10 to the Information Certificate and subject to Section 5.2(d) hereof such other banks as such Borrower or Guarantor may hereafter select. The banks set forth on Schedule 8.10 to the Information Certificate constitute all of the banks with which Borrowers and Guarantors have deposit account arrangements and merchant payment arrangements as of the date hereof and identifies each of the deposit accounts at such banks that are used solely for receiving store receipts from a retail store location of a Borrower (together with any other deposit accounts at any time established or used by any Borrower for receiving such store receipts from any retail store location, collectively, the "Store Accounts" and each individually, a "Store Account") or otherwise describes the nature of the use of such deposit account by such Borrower.

(i) Each Borrower shall deposit all proceeds from sales of Inventory in every form, including, without limitation, cash, checks, credit card sales drafts, credit card sales or charge slips or receipts and other forms of daily store receipts, from each retail store location of such Borrower on each Business Day into the Store Account of such Borrower used solely for such purpose. All such funds deposited into the Store Accounts shall be sent by wire transfer or other electronic funds transfer no less frequently than weekly or more frequently upon Agent's request at any time that an Event of Default exists or has occurred and is continuing to the Blocked Accounts as provided in Section 6.3(a)(ii) below, except nominal amounts which are required to be maintained in such Store Accounts under the terms of such Borrower's arrangements with the bank at which such Store Accounts are maintained, which nominal amounts shall not exceed $5,000 as to any individual Store Account at any time.

(ii) Each Borrower shall establish and maintain, at its expense, deposit accounts with such banks as are reasonably acceptable to Agent (the "Blocked Accounts") into which each Borrower shall promptly either cause all amounts on deposit in the Store Accounts of such Borrower to be sent as provided in Section 6.3(a)(i) above or shall itself deposit or cause to be deposited all proceeds from sales of Inventory, all amounts payable to each Borrower from Credit Card Issuers and Credit Card Processors and all other proceeds of Collateral. Borrowers and Guarantors shall deliver, or cause to be delivered to Agent a Deposit Account Control Agreement duly authorized, executed and delivered by each bank where a Blocked Account is maintained as provided in Section 5.2 hereof or at any time and from time to time Agent may become the bank's customer with respect to any of the Blocked Accounts and promptly upon Agent's request, Borrowers shall execute and deliver such agreements and documents as Agent may reasonably require in connection therewith. Each Borrower and Guarantor agrees that all payments made to such Blocked Accounts or other funds received and collected by Agent or any Lender, whether in respect of the Receivables, as proceeds of Inventory or other Collateral or otherwise shall be treated as payments to Agent, for the benefit of Lenders, in respect of the Obligations and therefore shall constitute the property of Agent and Lenders to the extent of the then outstanding Obligations.

(b) For purposes of calculating the amount of the Revolving Loans available to each Borrower and for purposes of calculating interest on the Obligations, such payments will be applied (conditional upon final collection) to the Obligations on the Business Day of receipt by

Agent of immediately available funds in the Agent Payment Account provided such payments and notice thereof are received in accordance with Agent's usual and customary practices as in effect from time to time and within sufficient time to credit such Borrower's loan account on such day, and if not, then on the next Business Day.

(c) Each Borrower and Guarantor and their respective shareholders, directors, employees, agents, Subsidiaries or other Affiliates shall, acting as trustee for Agent, receive, as the property of Agent, any monies, checks, notes, drafts or any other payment relating to and/or proceeds of Receivables or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall deposit or cause the same to be deposited in the Blocked Accounts, or remit the same or cause the same to be remitted, in kind, to Agent. In no event shall the same be commingled with a Borrower's own funds. Each Borrower agrees to reimburse Agent and Lenders on demand for any amounts owed or paid to any bank at which a Blocked Account is established or any other bank or person involved in the transfer of funds to or from the Blocked Accounts arising out of the payments by Agent or any Lender to or indemnification of such bank or person in connection with such Blocked Account or any amounts received therein or transferred therefrom. The obligation of Borrowers to reimburse Agent and Lenders for such amounts pursuant to this Section 6.3 shall survive the termination or non-renewal of this Agreement.

(d) On or before April 30, 2005, (i) Borrowers and Guarantors shall use reasonable efforts to execute and deliver, and cause to be executed and delivered to, Agent the Deposit Account Control Agreements by and among Agent, each Borrower and Guarantor, as the case may be, and Wachovia Bank, National Association as to any deposit account of a Borrower or Guarantor maintained at such bank and (ii) Borrowers and Guarantors shall execute and deliver, and cause to be executed and delivered to Agent, the Deposit Account Control Agreements or Investment Property Control Agreements by and among Agent, each Borrower and Guarantor, as the case may be, at each other bank or other institution where such Borrower (or Guarantor) has a deposit account or investment account for which it is required to obtain a Deposit Account Control Agreement pursuant to Section 6.3 hereof or an Investment Property Control Agreement pursuant to Section 5.2(e) or otherwise, in each case, duly authorized, executed and delivered by such bank and Borrower or Guarantor, as the case may be.

6.4 Payments.

(a) All Obligations shall be payable to the Agent Payment Account as provided in Section 6.3 or such other place as Agent may designate from time to time. Agent shall apply payments received or collected from any Borrower or Guarantor or for the account of any Borrower or Guarantor (including the monetary proceeds of collections or of realization upon any Collateral) as follows: first, to pay any fees, indemnities or expense reimbursements then due to Agent and Lenders from any Borrower or Guarantor; second, to pay interest due in respect of any Revolving Loans (and including any Special Agent Advances); third, to pay or prepay principal in respect of Special Agent Advances; fourth, to pay principal due in respect of the Revolving Loans and to pay any Obligations then due arising under or pursuant to any Hedge Agreements of a Borrower or Guarantor with Agent, any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent (up to the amount of any then effective Reserve established in respect of such Obligations), on a pro rata basis; fifth, to pay or prepay

any other Obligations consisting of Revolving Loans, whether or not then due, and any other Obligations then due, in each case in such order and manner as Agent determines or on and after an Event of Default, to be held as cash collateral in connection with any Letter of Credit Accommodations or other contingent Obligations (but not including for this purpose any Obligations arising under or pursuant to any Hedge Agreements) and sixth, to pay any Obligations then due arising under or pursuant to Hedge Agreements (other than to the extent provided for above) on a pro rata basis. Notwithstanding anything to the contrary contained in this Agreement, (i) unless so directed by Borrower Agent, or unless a Default or an Event of Default shall exist or have occurred and be continuing, Agent shall not apply any payments which it receives to any Eurodollar Rate Loans, except (A) on the expiration date of the Interest Period applicable to any such Eurodollar Rate Loans or (B) in the event that there are no outstanding Prime Rate Loans and (ii) to the extent any Borrower uses any proceeds of the Revolving Loans or Letter of Credit Accommodations to acquire rights in or the use of any Collateral or to repay any Indebtedness used to acquire rights in or the use of any Collateral, payments in respect of the Obligations shall be deemed applied first to the Obligations arising from Revolving Loans and Letter of Credit Accommodations that were not used for such purposes and second to the Obligations arising from Revolving Loans and Letter of Credit Accommodations the proceeds of which were used to acquire rights in or the use of any Collateral in the chronological order in which such Borrower acquired such rights in or the use of such Collateral. So long as no Event of Default shall exist or have occurred and be continuing and there is Excess Availability after giving effect thereto, amounts received by Agent from Borrowers pursuant to this Section 6.4(a) that are not applied to the Obligations in accordance herewith shall, at the request of Borrower Agent received by Agent on or before 12:00 noon New York City time on any Business Day, be remitted to Borrower Agent or any Borrower as Agent may direct.

(b) At Agent's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Financing Agreements may be charged directly to the loan account(s) of any Borrower maintained by Agent.

(c) Except as otherwise required by law, any and all payments by or on behalf of any Borrower or Guarantor hereunder and under any other Financing Agreement shall be made, in accordance with Section 6.4 hereof, free and clear of and without deduction for any and all Indemnified Taxes. In addition, Borrowers agree to pay to the relevant Governmental Authority in accordance with applicable law any Other Taxes.

(d) If any Borrower or Guarantor shall be required by law to deduct or withhold in respect of any Indemnified Taxes or Other Taxes from or in respect of any sum payable hereunder to Agent or any Lender, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Lender (or Agent on behalf of such Lender) receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) such Borrower or Guarantor shall make such deductions and withholdings;

(iii) such Borrower or Guarantor shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) to the extent not paid to Agent and Lenders pursuant to clause (i) above, such Borrower or Guarantor shall also pay to Agent or any Lender, at the time interest is paid, all additional amounts which Agent or any Lender specifies as necessary to preserve the after-tax yield such Lender would have received if such Indemnified Taxes or Other Taxes had not been imposed.

(e) Within thirty (30) days after the date of any payment by any Borrower or Guarantor of Indemnified Taxes or Other Taxes, upon Agent's request, such Borrower or Guarantor shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment reasonably satisfactory to Agent.

(f) Borrowers will indemnify Agent and each Lender (or Transferee) for the full amount of Indemnified Taxes and Other Taxes paid by Agent or such Lender (or Transferee, as the case may be). If Agent or such Lender (or Transferee) receives a refund in respect of any Indemnified Taxes or Other Taxes for which Lender (or Transferee) has received payment from any Borrower or Guarantor hereunder, so long as no Default or Event of Default shall exist or have occurred and be continuing, Agent or such Lender (as the case may be) shall credit to the loan account of Borrowers the amount of such refund plus any interest received (but only to the extent of indemnity payments made, or additional amounts paid, by Borrowers or Guarantors under this Section 6.4 with respect to the Indemnified Taxes or Other Taxes giving rise to such refund). If a Lender (or any Transferee) claims a tax credit in respect of any Indemnified Taxes or Other Taxes for which it has been indemnified by Borrowers or Guarantors pursuant to this Section 6.4, such Lender will apply the amount of the actual dollar benefit received by such Lender as a result thereof, as reasonably calculated by Lender and net of all expenses related thereto, to the Revolving Loans. If Indemnified Taxes or Other Taxes were not correctly or legally asserted, Agent or such Lender shall, upon Borrower Agent's request and at Borrowers' expense, provide such documents to Borrower Agent in form and substance reasonably satisfactory to both Borrower Agent and Agent, as Borrower Agent may reasonably request, to enable Borrowers to contest such Indemnified Taxes or Other Taxes pursuant to appropriate proceedings then available to such Borrower (so long as providing such documents shall not, in the good faith determination of Agent, have a reasonable likelihood of resulting in any liability of Agent or any Lender).

(g) If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Agent or any Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Agent or such Lender. Borrowers and Guarantors shall be liable to pay to Agent, and do hereby indemnify and hold Agent and Lenders harmless for the amount of any payments or proceeds surrendered or

returned. This Section 6.4(g) shall remain effective notwithstanding any contrary action which may be taken by Agent or any Lender in reliance upon such payment or proceeds. This Section 6.4 shall survive the payment of the Obligations and the termination of this Agreement.

(h) Each Foreign Lender, on or prior to the date of its execution and delivery of this Agreement, or on or prior to the date on which it first becomes a Lender in the case of each Transferee, and from time to time thereafter if requested in writing by Borrower Agent or the Agent, shall provide Borrower Agent and Agent with (i) two duly completed copies of Internal Revenue Service Form W-8BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Foreign Lender is entitled to benefits under any income tax treaty to which the United States is a party which reduces to zero the rate of withholding tax on payments of interest, or (ii) two duly completed copies of Internal Revenue Service Form W-8ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. Each Foreign Lender (or Transferee) also agrees to deliver to Borrower Agent and Agent two further copies of Form W-8BEN or W-8ECI or successor applicable forms on or before the date that any such form expires or becomes obsolete or after the occurrence of any event (including, without limitation, a change in such Foreign Lender's (or Transferee's) lending office) requiring a change in the most recent form previously delivered by it to Borrower Agent and Agent, and to obtain such extensions of the time for filing and to renew such forms as may reasonably be requested by Borrower Agent or Agent. Notwithstanding the foregoing provisions of this Section 6.4(h), no Foreign Lender (or Transferee) shall be required to deliver or provide any form pursuant to this Section 6.4 if such Foreign Lender (or Transferee) is not then legally able to do so as a result of a Change in Law that occurs following the date such Foreign Lender (or Transferee) becomes a party hereto. From time to time if requested in writing by Borrower Agent, Agent shall provide Borrower Agent with Internal Revenue Service Form W-8ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. Each Lender or Transferee that is a "United States person," as defined under Section 7701(a)(30) of the Code, and that is not a corporation, agrees that it will deliver to Borrower Agent and Agent a Form W-9 stating that it is entitled to an exemption from United States backup withholding tax.

6.5 Authorization to Make Revolving Loans. Agent and Lenders are authorized to make the Loans and provide the Letter of Credit Accommodations based upon telephonic or other instructions received from anyone purporting to be an officer of Borrower Agent or any Borrower or other authorized person or, at the discretion of Agent, if such Loans are necessary to satisfy any Obligations. All requests for Revolving Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established (which day shall be a Business Day) and the amount of the requested Revolving Loan. Requests received after 12:00 noon New York City time on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Revolving Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, any Borrower or Guarantor when deposited to the credit of any Borrower or Guarantor or otherwise disbursed or established in accordance with the instructions of any Borrower or Guarantor or in accordance with the terms and conditions of this Agreement.

6.6 Use of Proceeds. All Revolving Loans made or Letter of Credit Accommodations provided to or for the benefit of any Borrower pursuant to the provisions hereof shall be used by such Borrower only for general operating, working capital and other corporate purposes of such Borrower not otherwise prohibited by the terms hereof. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purposes of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Revolving Loans to be considered a "purpose credit" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended.

6.7 Appointment of Borrower Agent as Agent for Requesting Revolving Loans and Receipts of Revolving Loans and Statements.

(a) Each Borrower hereby irrevocably appoints and constitutes Borrower Agent as its agent to request and receive Revolving Loans and Letter of Credit Accommodations pursuant to this Agreement and the other Financing Agreements from Agent or any Lender in the name or on behalf of such Borrower. Agent and Lenders may disburse the Loans to such bank account of Borrower Agent or a Borrower or otherwise make such Loans to a Borrower and provide such Letter of Credit Accommodations to a Borrower as Borrower Agent may designate or direct, without notice to any other Borrower or Obligor. Notwithstanding anything to the contrary contained herein, Agent may at any time and from time to time require that Loans to or for the account of any Borrower be disbursed directly to an operating account of such Borrower.

(b) Borrower Agent hereby accepts the appointment by Borrowers to act as the agent of Borrowers pursuant to this Section 6.7.

(c) Borrower Agent shall ensure that the disbursement of any Revolving Loans to each Borrower requested by or paid to or for the account of Parent, or the issuance of any Letter of Credit Accommodations for a Borrower hereunder, shall be paid to or for the account of such Borrower.

(d) Each Borrower and other Guarantor hereby irrevocably appoints and constitutes Borrower Agent as its agent to receive statements on account and all other notices from Agent and Lenders with respect to the Obligations or otherwise under or in connection with this Agreement and the other Financing Agreements.

(e) Any notice, election, representation, warranty, agreement or undertaking by or on behalf of any other Borrower or any Guarantor by Borrower Agent shall be deemed for all purposes to have been made by such Borrower or Guarantor, as the case may be, and shall be binding upon and enforceable against such Borrower or Guarantor to the same extent as if made directly by such Borrower of Guarantor.

(f) No purported termination of the appointment of Borrower Agent as agent as aforesaid shall be effective, except after ten (10) days' prior written notice to Agent.

6.8 Pro Rata Treatment. Except to the extent otherwise provided in this Agreement: (a) the making and conversion of Revolving Loans shall be made among the Lenders based on their respective Pro Rata Shares as to the Revolving Loans and (b) each payment on account of any

Obligations to or for the account of one or more of Lenders in respect of any Obligations due on a particular day shall be allocated among the Lenders entitled to such payments based on their respective Pro Rata Shares and shall be distributed accordingly.

6.9 Sharing of Payments, Etc.

(a) Each Borrower and Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim Agent or any Lender may otherwise have, each Lender shall be entitled, at its option (but subject, as among Agent and Lenders, to the provisions of Section 12.3(b) hereof), to offset balances held by it for the account of such Borrower or Guarantor at any of its offices, in dollars or in any other currency, against any principal of or interest on any Revolving Loans owed to such Lender or any other amount payable to such Lender hereunder, that is not paid when due (regardless of whether such balances are then due to such Borrower or Guarantor), in which case it shall promptly notify Borrower Agent and Agent thereof; provided, that, such Lender's failure to give such notice shall not affect the validity thereof.

(b) If any Lender (including Agent) shall obtain from any Borrower or Guarantor payment of any principal of or interest on any Revolving Loan owing to it or payment of any other amount under this Agreement or any of the other Financing Agreements through the exercise of any right of setoff, banker's lien or counterclaim or similar right or otherwise (other than from Agent as provided herein), and, as a result of such payment, such Lender shall have received more than its Pro Rata Share of the principal of the Revolving Loans or more than its share of such other amounts then due hereunder or thereunder by any Borrower or Guarantor to such Lender than the percentage thereof received by any other Lender, it shall promptly pay to Agent, for the benefit of Lenders, the amount of such excess and simultaneously purchase from such other Lenders a participation in the Loans or such other amounts, respectively, owing to such other Lenders (or such interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) in accordance with their respective Pro Rata Shares or as otherwise agreed by Lenders. To such end all Lenders shall make appropriate adjustments among themselves (by the resale of participation sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) Each Borrower and Guarantor agrees that any Lender purchasing a participation (or direct interest) as provided in this Section may exercise, in a manner consistent with this Section, all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Revolving Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any right of setoff, banker's lien, counterclaims or similar rights or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other Indebtedness or obligation of any Borrower or Guarantor. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section applies, such Lender shall, to the extent practicable, assign such rights to Agent for

the benefit of Lenders and, in any event, exercise its rights in respect of such secured claim in a manner consistent with the rights of Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

6.10 Settlement Procedures.

(a) In order to administer the Credit Facility in an efficient manner and to minimize the transfer of funds between Agent and Lenders, Agent may, at its option, subject to the terms hereof, make available, on behalf of Lenders, the full amount of the Revolving Loans requested or charged to any Borrower's loan account(s) or otherwise to be advanced by Lenders pursuant to the terms hereof, without requirement of prior notice to Lenders of the proposed Loans.

(b) With respect to all Loans made by Agent on behalf of Lenders as provided in this Section, the amount of each Lender's Pro Rata Share of the outstanding Loans shall be computed weekly, and shall be adjusted upward or downward on the basis of the amount of the outstanding Loans as of 5:00 p.m. New York City time on the Business Day immediately preceding the date of each settlement computation; provided, that, Agent retains the absolute right at any time or from time to time to make the above described adjustments at intervals more frequent than weekly, but in no event more than twice in any week. Agent shall deliver to each of the Lenders after the end of each week, or at such lesser period or periods as Agent shall determine, a summary statement of the amount of outstanding Loans for such period (such week or lesser period or periods being hereinafter referred to as a "Settlement Period"). If the summary statement is sent by Agent and received by a Lender prior to 12:00 p.m. New York City time, then such Lender shall make the settlement transfer described in this Section by no later than 3:00 p.m. New York City time on the same Business Day and if received by a Lender after 12:00 p.m. New York City time, then such Lender shall make the settlement transfer by not later than 3:00 p.m. New York City time on the next Business Day following the date of receipt. If, as of the end of any Settlement Period, the amount of a Lender's Pro Rata Share of the outstanding Revolving Loans is more than such Lender's Pro Rata Share of the outstanding Loans as of the end of the previous Settlement Period, then such Lender shall forthwith (but in no event later than the time set forth in the preceding sentence) transfer to Agent by wire transfer in immediately available funds the amount of the increase. Alternatively, if the amount of a Lender's Pro Rata Share of the outstanding Revolving Loans in any Settlement Period is less than the amount of such Lender's Pro Rata Share of the outstanding Loans for the previous Settlement Period, Agent shall forthwith transfer to such Lender by wire transfer in immediately available funds the amount of the decrease. The obligation of each of the Lenders to transfer such funds and effect such settlement shall be irrevocable and unconditional and without recourse to or warranty by Agent. Agent and each Lender agrees to mark its books and records at the end of each Settlement Period to show at all times the dollar amount of its Pro Rata Share of the outstanding Revolving Loans and Letter of Credit Accommodations. Each Lender shall only be entitled to receive interest on its Pro Rata Share of the Revolving Loans to the extent such Loans have been funded by such Lender. Because the Agent on behalf of Lenders may be advancing and/or may be repaid Loans prior to the time when Lenders will actually advance and/or be repaid such Revolving Loans, interest with respect to Revolving Loans shall be allocated by Agent in accordance with the amount of Revolving Loans actually advanced by and repaid to each Lender and the Agent and shall accrue from and including the date such

Revolving Loans are so advanced to but excluding the date such Revolving Loans are either repaid by Borrowers or actually settled with the applicable Lender as described in this Section.

(c) To the extent that Agent has made any such amounts available and the settlement described above shall not yet have occurred, upon repayment of any Revolving Loans by Borrowers, Agent may apply such amounts repaid directly to any amounts made available by Agent pursuant to this Section. In lieu of weekly or more frequent settlements, Agent may, at its option, at any time require each Lender to provide Agent with immediately available funds representing its Pro Rata Share of each Revolving Loan, prior to Agent's disbursement of such Revolving Loan to Borrowers. In such event, all Revolving Loans under this Agreement shall be made by the Lenders simultaneously and proportionately to their Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in the other Lender's obligation to make a Revolving Loan requested hereunder nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in the other Lender's obligation to make a Revolving Loan hereunder.

(d) If Agent is not funding a particular Revolving Loan to Borrowers (or Borrower Agent for the benefit of Borrowers) pursuant to this Section on any day, Agent may assume that each Lender will make available to Agent such Lender's Pro Rata Share of the Revolving Loan requested or otherwise made on such day and Agent may, in its discretion, but shall not be obligated to, cause a corresponding amount to be made available to or for the benefit of such Borrower on such day. If Agent makes such corresponding amount available to a Borrower and such corresponding amount is not in fact made available to Agent by such Lender, Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of New York or at Agent's option based on the arithmetic mean determined by Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of the three leading brokers of Federal funds transactions in New York City selected by Agent) and if such amounts are not paid within three (3) days of Agent 's demand, at the highest Interest Rate provided for in Section 3.1 hereof applicable to Prime Rate Loans. During the period in which such Lender has not paid such corresponding amount to Agent, notwithstanding anything to the contrary contained in this Agreement or any of the other Financing Agreements, the amount so advanced by Agent to or for the benefit of any Borrower shall, for all purposes hereof, be a Loan made by Agent for its own account. Upon any such failure by a Lender to pay Agent, Agent shall promptly thereafter notify Borrower Agent of such failure and Borrowers shall pay such corresponding amount to Agent for its own account within five (5) Business Days of Borrower Agent's receipt of such notice. A Lender who fails to pay Agent its Pro Rata Share of any Loans made available by the Agent on such Lender's behalf, or any Lender who fails to pay any other amount owing by it to Agent, is a "Defaulting Lender". Agent shall not be obligated to transfer to a Defaulting Lender any payments received by Agent for the Defaulting Lender's benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). Amounts payable to a Defaulting Lender shall instead be paid to or retained by Agent. Agent may hold and, in its discretion, relend to a Borrower the amount of all such payments received or retained by it for the account of such Defaulting Lender. For purposes of voting or consenting to matters with respect to this Agreement and the other

Financing Agreements and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero (0). This Section shall remain effective with respect to a Defaulting Lender until such default is cured. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by any Borrower or Obligor of their duties and obligations hereunder.

(e) Nothing in this Section or elsewhere in this Agreement or the other Financing Agreements shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that any Borrower may have against any Lender as a result of any default by any Lender hereunder in fulfilling its Commitment.

6.11 Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several, and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. Nothing contained in this Agreement or any of the other Financing Agreements and no action taken by the Lenders pursuant hereto or thereto shall be deemed to constitute the Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and subject to Section 12.3 hereof, each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

SECTION 7. COLLATERAL REPORTING AND COVENANTS

7.1 Collateral Reporting.

(a) Borrowers, or Borrower Agent on behalf of Borrowers, shall provide Agent with the following documents in a form reasonably satisfactory to Agent:

(i) as soon as possible after the end of each month (but in any event within ten (10) Business Days after the end thereof) so long as no Default or Event of Default exists and Excess Availability shall be greater than $20,000,000 (and more frequently as Agent may require at any time a Default or Event of Default exists or Excess Availability is less than $20,000,000), a Borrowing Base Certificate setting forth the calculation of the Borrowing Base as of the last Business Day of the immediately preceding period as to the Accounts and Inventory, duly completed and executed by the chief financial officer, vice president of finance, treasurer or controller of Borrower Agent, together with all schedules required pursuant to the terms of the Borrowing Base Certificate duly completed, including but not limited to (A) a monthly aging of Credit Card Receivables identifying those outstanding more than five (5) Business Days since the sale date giving rise thereto and (B) an inventory summary report by category (consisting of retail, factory outlet and direct inventory (and upon Agent's request, letter of credit inventory) and identifying in the case of each of retail, factory outlet and direct, the applicable store and warehouse where such Inventory is located;

(ii) as soon as possible after the end of each month (but in any event within ten (10) Business Days after the end thereof), on a monthly basis or more frequently as

Agent may request, (A) perpetual inventory reports by location and category (and including the amounts of Inventory and the value thereof at any leased locations and at premises of warehouses, processors or other third parties), (B) list of outstanding accounts payable (and including information indicating the amounts owing to owners and lessors of leased premises, warehouses, fulfillment centers, processors and other third parties from time to time in possession of any Collateral), and (C) reports on sales and use tax collections, deposits and payments, including monthly sales and use tax accruals;

(iii) as soon as possible after the end of each month (but in any event ten (10) Business Days after the end thereof), in each case certified by the chief financial officer or controller of Borrowers or Borrower Agent as true and correct: (A) a statement confirming the payment of rent and other amounts due to owners and lessors of real property used by Borrower in the immediately preceding month, subject to year-end or monthly percentage rent payment adjustments, (B) the addresses of all new retail store locations (including factory store locations) of Borrowers and Guarantors opened and existing retail store locations (including factory store locations) closed or sold, in each case since the date of the most recent certificate delivered to Agent containing the information required under this clause, and (C) a report of any new deposit account established or used by any Borrower or Guarantor with any bank or other financial institution, including the Borrower or Guarantor in whose name the account is maintained, the account number, the name and address of the financial institution at which such account is maintained, the purpose of such account and, if any, the amount held in such account on or about the date of such report;

(iv) upon Agent's request, (A) reports of sales for each category of Inventory, (B) reports of aggregate Inventory purchases (including all costs related thereto, such as freight, duty and taxes) and identifying items of Inventory in transit to any Borrower or Guarantor related to the applicable documentary letter of credit and/or bill of lading number, (C) copies of remittance advices and reports, and copies of deposit slips and bank statements, (D) copies of shipping and delivery documents, (E) copies of purchase orders, invoices and delivery documents for Inventory and Equipment acquired by Borrowers and Guarantor, and (F) reports by retail store location of sales and operating profits for each such retail store location;

(v) upon Agent's request, the monthly statements received by any Borrower or any of its Affiliates from any Credit Card Issuers or Credit Card Processors, together with such additional information with respect thereto as shall be sufficient to enable Agent to monitor the transactions pursuant to the Credit Card Agreements;

(vi) such other reports as to the Collateral as Agent shall reasonably request from time to time.

(b) Nothing contained in any Borrowing Base Certificate shall be deemed to limit, impair or otherwise affect the rights of Agent contained herein and in the event of any conflict or inconsistency between the calculation of the Borrowing Base as set forth in any Borrowing Base Certificate and as determined by Agent in its good faith, the determination of Agent shall govern and be conclusive and binding upon Borrowers and Guarantors, absent manifest error. Without limiting the foregoing, Borrowers shall furnish to Agent any information which Agent may reasonably request regarding the determination and calculation of any of the

amounts set forth in any Borrowing Base Certificate. The Borrowing Base may be adjusted based on the information set forth in the reports received by Agent pursuant to Section 7.1(a)(i) above.

7.2 Accounts Covenants.

(a) Each Borrower shall notify Agent promptly of the assertion of (i) any claims, offsets, defenses or counterclaims by any account debtor, Credit Card Issuer or Credit Card Processor or any disputes with any of such persons or any settlement, adjustment or compromise thereof, to the extent any of the foregoing exceeds $75,000 in any one case or $200,000 in the aggregate and (ii) all material adverse information relating to the financial condition of any account debtor, Credit Card Issuer or Credit Card Processor. No credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor, Credit Card Issuer or Credit Card Processor except in the ordinary course of a Borrower's business in accordance with the current practices of such Borrower as in effect on the date hereof. So long as no Event of Default exists or has occurred and is continuing, no Borrower shall settle, adjust or compromise any claim, offset, counterclaim or dispute with any account debtor, Credit Card Issuer, Credit Card Processor. At any time that an Event of Default exists or has occurred and is continuing, Agent shall, at its option, have the exclusive right to settle, adjust or compromise any claim, offset, counterclaim or dispute with account debtors, Credit Card Issuers or Credit Card Processors or grant any credits, discounts or allowances.

(b) With respect to each Account: (i) no payments shall be made thereon except payments delivered to Agent pursuant to the terms of this Agreement, (ii) there shall be no setoffs, deductions, contras, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Agent in accordance with the terms of this Agreement and (iii) none of the transactions giving rise thereto will violate in any material respect any applicable State or Federal Laws or regulations, all documentation relating thereto will be legally sufficient under such laws and regulations and all such documentation will be legally enforceable in accordance with its terms.

(c) Each Borrower shall notify Agent promptly of: (i) any notice of a material default by such Borrower under any of the Credit Card Agreements or of any default which has a reasonable likelihood of resulting in the Credit Card Issuer or Credit Card Processor ceasing to make payments or suspending payments to such Borrower, (ii) any notice from any Credit Card Issuer or Credit Card Processor that such person is ceasing or suspending, or will cease or suspend, any present or future payments due or to become due to such Borrower from such person, or that such person is terminating or will terminate any of the Credit Card Agreements, and (iii) the failure of such Borrower to comply with any material terms of the Credit Card Agreements or any terms thereof which has a reasonable likelihood of resulting in the Credit Card Issuer or Credit Card Processor ceasing or suspending payments to such Borrower.

(d) Agent shall have the right at any time or times, in Agent's name or in the name of a nominee of Agent, to verify the validity, amount or any other matter relating to any Receivables or other Collateral, by mail, telephone, facsimile transmission or otherwise.

7.3 Equipment and Real Property Covenants. With respect to the Inventory: (a) each Borrower and Guarantor shall at all times maintain inventory records reasonably satisfactory to Agent, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, such Borrower's or Guarantor's cost therefor and daily withdrawals therefrom and additions thereto; (b) Borrowers and Guarantors shall conduct a physical count of the Inventory either through periodic cycle counts or wall to wall counts, so that all Inventory is subject to such counts at least once each year, but at any time or times as Agent may request at any time an Event of Default exists or has occurred and is continuing, and promptly following such physical inventory (whether through periodic cycle counts or wall to wall counts) shall supply Agent with a report in the form and with such specificity as may be reasonably satisfactory to Agent concerning such physical count; (c) Borrowers and Guarantors shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Agent, except for sales of Inventory in the ordinary course of Borrowers' business and except to move Inventory directly from one location set forth or permitted herein to another such location and except for Inventory shipped from the manufacturer thereof to such Borrower or Guarantor which is in transit to the locations set forth or permitted herein; (d) upon Agent's request, Borrowers shall, at their expense, no more than three (3) times in any twelve (12) month period, but at any time or times as Agent may request at Agent's expense, or at any time or times as Agent may request at Borrowers' expense at any time an Event of Default exists or has occurred and is continuing, deliver or cause to be delivered to Agent written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Agent and by an appraiser acceptable to Agent, addressed to Agent and upon which Agent and Lenders are expressly permitted to rely; (e) upon Agent's request, Borrowers shall, at their expense, conduct through RGIS Inventory Specialists, Inc. or another inventory counting service acceptable to Agent, a physical count of the Inventory in form, scope and methodology acceptable to Agent no more than two (2) times in any twelve (12) month period, but at any time or times as Agent may request at any time an Event of Default exists or has occurred and is continuing or at any time or times as Agent may request in the event of test count variances in excess of the shrinkage reserve established by any Borrower, the results of which shall be reported directly by such inventory counting service to Agent and Borrowers shall promptly deliver confirmation in a form satisfactory to Agent that appropriate adjustments have been made to the inventory records of Borrowers to reconcile the inventory count to Borrowers' inventory records; (f) each Borrower and Guarantor shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto); (g) none of the Inventory or other Collateral constitutes farm products or the proceeds thereof; (h) each Borrower and Guarantor assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory; (i) Borrowers and Guarantors shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate any Borrower or Guarantor to repurchase such Inventory except for the right of return given to retail customers of such Borrower in the ordinary course of the business of such Borrower in accordance with the then current return policy of such Borrower; (j) Borrowers and Guarantors shall keep the Inventory in good and marketable condition; (k) Borrowers and Guarantors shall not, without prior written notice to Agent or the specific identification of such Inventory in a

report with respect thereto provided by Borrower Agent to Agent pursuant to Section 7.1(a) hereof, acquire or accept any Inventory on consignment or approval.

7.4 Equipment and Real Property Covenants. With respect to the Equipment and Real Property subject to the Mortgages: (a) Borrowers and Guarantors shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted); (b) Borrowers and Guarantors shall use the Equipment and Real Property with all reasonable care and caution and in accordance with applicable standards of any insurance and in material conformity with all applicable laws; (c) the Equipment is and shall be used in the business of Borrowers and Guarantors and not for personal, family, household or farming use; (d) Borrowers and Guarantors shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of its business or to move Equipment directly from one location set

forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of such Borrower or Guarantor in the ordinary course of business; (e) the Equipment is now and shall remain personal property and Borrowers and Guarantors shall not permit any of the Equipment to be or become a part of or affixed to real property; and (f) each Borrower and Guarantor assumes all responsibility and liability arising from the use of the Equipment and Real Property.

7.5 Power of Attorney. Each Borrower and Guarantor hereby irrevocably designates and appoints Agent (and all persons designated by Agent) as such Borrower's and Guarantor's true and lawful attorney-in-fact, and authorizes Agent, in such Borrower's, Guarantor's or Agent's name, to: (a) at any time an Event of Default exists or has occurred and is continuing (i) demand payment on Receivables or other Collateral, (ii) enforce payment of Receivables by legal proceedings or otherwise, (iii) exercise all of such Borrower's or Guarantor's rights and remedies to collect any Receivable or other Collateral, (iv) sell or assign any Receivable upon such terms, for such amount and at such time or times as the Agent deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Receivable, (vii) prepare, file and sign such Borrower's or Guarantor's name on any proof of claim in bankruptcy or other similar document against an account debtor or other obligor in respect of any Receivables or other Collateral, (viii) notify the post office authorities to change the address for delivery of remittances from account debtors or other obligors in respect of Receivables or other proceeds of Collateral to an address designated by Agent, and open and dispose of all mail addressed to such Borrower or Guarantor and handle and store all mail relating to the Collateral; (ix) sign any Borrower's or Guarantor's name on any verification of Receivables and notices thereof to account debtors or any secondary obligors or other obligors in respect thereof, and (x) do all acts and things which are necessary, in Agent's determination, to fulfill such Borrower's or Guarantor's obligations under this Agreement and the other Financing Agreements and (b) at any time to (i) take control in any manner of any item of payment in respect of Receivables or constituting Collateral or otherwise received in or for deposit in the Blocked Accounts or otherwise received by Agent or any Lender, (ii) have access to any lockbox or postal box into which remittances from account debtors or other obligors in respect of Receivables or other proceeds of Collateral are sent or received, (iii) endorse such Borrower's or Guarantor's name upon any items of payment in respect of Receivables or constituting Collateral or otherwise received by Agent and any Lender and deposit the same in Agent's account for application to the Obligations, (iv) endorse such Borrower's or Guarantor's name upon any chattel paper,

document, instrument, invoice, or similar document or agreement relating to any Receivable or any goods pertaining thereto or any other Collateral, including any warehouse or other receipts, or bills of lading and other negotiable or non-negotiable documents, and (v) clear Inventory the purchase of which was financed with Letter of Credit Accommodations through U.S. Customs or foreign export control authorities in such Borrower's or Guarantor's name, Agent's name or the name of Agent's designee, and to sign and deliver to customs officials powers of attorney in such Borrower's or Guarantor's name for such purpose, and to complete in such Borrower's or Guarantor's or Agent' s name, any order, sale or transaction, obtain the necessary documents in connection therewith and collect the proceeds thereof. Each Borrower and Guarantor hereby releases Agent and Lenders and their respective officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Agent's or any Lender's own gross negligence or wilful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

7.6 Right to Cure. Agent may, at its option, upon notice to Borrower Agent, (a) cure any default by any Borrower or Guarantor under any material agreement with a third party that affects the Collateral, its value or the ability of Agent to collect, sell or otherwise dispose of the Collateral or the rights and remedies of Agent or any Lender therein or the ability of any Borrower or Guarantor to perform its obligations hereunder or under any of the other Financing Agreements, (b) pay or bond on appeal any judgment entered against any Borrower or Guarantor, (c) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and pay any amount, incur any expense or perform any act which, in Agent's good faith judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Agent and Lenders with respect thereto. Agent may add any amounts so expended to the Obligations and charge any Borrower's account therefor, such amounts to be repayable by Borrowers on demand. Agent and Lenders shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of any Borrower or Guarantor. Any payment made or other action taken by Agent or any Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

7.7 Access to Premises. From time to time as requested by Agent, at the cost and expense of Borrowers, (a) Agent or its designee shall have complete access to all of each Borrower's and Guarantor's premises during normal business hours and after reasonable notice to Parent, or at any time and without notice to Borrower Agent if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of each Borrower's and Guarantor's books and records, including the Records, and (b) each Borrower and Guarantor shall promptly furnish to Agent such copies of such books and records or extracts therefrom as Agent may reasonably request, and Agent or any Lender or Agent's designee may use during normal business hours such of any Borrower's and Guarantor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing (provided, that, Borrowers and Guarantors shall make such personnel, equipment, supplies and premises available to Agent or its designee in such manner so as to minimize any interference with the operations of Borrowers and Guarantors) and if an Event of Default exists or has occurred and is continuing for the collection of Receivables and realization of other Collateral.

7.8 Intellectual Property Appraisal. At Agent's request, no more than once in any twelve (12) month period, but at any time or times as Agent may request at Agent's expense, or at any time as Agent may request at Borrowers' expense on or after an Event of Default, deliver or cause to be delivered to Agent written appraisals as to the Intellectual Property by an appraiser acceptable to Agent, in form, scope and methodology acceptable to Agent, addressed to Agent and upon which Agent and Lenders are expressly permitted to rely.

SECTION 8. REPRESENTATIONS AND WARRANTIES

Each Borrower and Guarantor hereby represents and warrants to Agent and Lenders the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Revolving Loans and providing Letter of Credit Accommodations to Borrowers:

8.1 Corporate or Limited Liability Company Existence, Power and Authority. Each Borrower and Guarantor is a corporation or limited liability company duly organized and in good standing under the laws of its state of organization and is duly qualified as a foreign corporation or limited liability company and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes

such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. The execution, delivery and performance of this Agreement, the other Financing Agreements and the transactions contemplated hereunder and thereunder (a) are all within each Borrower's and Guarantor's corporate or limited liability company powers, (b) have been duly authorized, (c) are not in contravention of law or the terms of any Borrower's or Guarantor's certificate of incorporation, certificate of formation, by-laws, membership agreement or other organizational documentation, or any indenture, agreement or undertaking to which any Borrower or Guarantor is a party or by which any Borrower or Guarantor or its property are bound and (d) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of any Borrower or Guarantor. This Agreement and the other Financing Agreements to which any Borrower or Guarantor is a party constitute legal, valid and binding obligations of such Borrower and Guarantor enforceable in accordance with their respective terms.

8.2 Name; State of Organization; Chief Executive Office; Collateral Locations.

(a) The exact legal name of each Borrower and Guarantor is as set forth on the signature page of this Agreement and in the Information Certificate. No Borrower or Guarantor has, during the past five years, been known by or used any other corporate or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its property or assets out of the ordinary course of business, except as set forth in the Information Certificate.

(b) Each Borrower and Guarantor is an organization of the type and organized in the jurisdiction set forth in the Information Certificate. The Information Certificate accurately sets forth the organizational identification number of each Borrower and Guarantor or accurately states that such Borrower or Guarantor has none and accurately sets forth the federal employer identification number of each Borrower and Guarantor.

(c) The chief executive office and mailing address of each Borrower and Guarantor and each Borrower's and Guarantor's Records concerning Accounts are located only at the address identified as such in Schedule 8.2 to the Information Certificate and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in Schedule 8.2 to the Information Certificate, subject to the rights of any Borrower or Guarantor to establish new locations in accordance with Section 9.2 below. The Information Certificate correctly identifies any of such locations which are not owned by a Borrower or Guarantor and sets forth the owners and/or operators thereof.

8.3 Financial Statements; No Material Adverse Change. All financial statements relating to any Borrower or Guarantor which have been or may hereafter be delivered by any Borrower or Guarantor to Agent and Lenders have been prepared in accordance with GAAP (except as to any interim financial statements, to the extent such statements are subject to normal year-end adjustments and do not include any notes) and fairly present in all material respects the financial condition and the results of operation of such Borrower and Guarantor as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by Borrowers and Guarantors to Agent prior to the date of this Agreement, there has been no act, condition or event which has had or is reasonably likely to have a Material Adverse Effect since the date of the most recent audited financial statements of any Borrower or Guarantor furnished by any Borrower or Guarantor to Agent prior to the date of the Existing Agreement.

8.4 Priority of Liens; Title to Properties. The security interests and liens granted to Agent under this Agreement and the other Financing Agreements constitute valid and upon the filing of a financing statement, control or possession by Agent, as applicable, perfected first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 8.4 to the Information Certificate and the other liens permitted under Section 9.8 hereof, including as to priority to the extent that such liens have priority under applicable law or as specified in Section 9.8. Each Borrower and Guarantor has good and marketable fee simple title to or valid leasehold interests in all of its Real Property and good, valid and merchantable title to all of its other properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Agent and such others as are specifically listed on Schedule 8.4 to the Information Certificate or permitted under Section 9.8 hereof.

8.5 Tax Returns. Each Borrower and Guarantor has filed, or caused to be filed, in a timely manner all tax returns, reports and declarations which are required to be filed by it, where the failure to so file has or could reasonably be expected to have a Material Adverse Effect. All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Borrower and Guarantor has paid or caused to be paid all material Taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to such Borrower or Guarantor and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other Taxes whether or not yet due and payable and whether or not disputed.

8.6 Litigation. Except as set forth on Schedule 8.6 to the Information Certificate, (a) there is no investigation by any Governmental Authority pending, or to the best of any Borrower's or Guarantor's knowledge threatened, against or affecting any Borrower or Guarantor, its or their assets or business and (b) there is no action, suit, proceeding or claim by any Person pending, or to the best of any Borrower's or Guarantor's knowledge threatened, against any Borrower or Guarantor or its or their assets or goodwill, or against or affecting any transactions contemplated by this Agreement, in each case, which has a reasonable possibility of being adversely determined and which, if adversely determined against such Borrower or Guarantor, has or could reasonably be expected to have a Material Adverse Effect.

8.7 Compliance with Other Agreements and Applicable Laws. To Borrowers' and Guarantors' knowledge, no Borrower or Guarantor is in default in any respect under, or in violation in any respect of any of the terms of, any material agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound where such default or violation has or could reasonably be expected to have a Material Adverse Effect. To Borrowers' and Guarantors' knowledge, each Borrower is in compliance with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority relating to its business, including, without limitation, those set forth in or promulgated pursuant to the Occupational Safety and Health Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, ERISA, the Code, as amended, and the rules and regulations thereunder, all Federal, State and local statutes, regulations, rules and orders relating to consumer credit (including, without limitation, as each has been amended, the Truth-in-Lending Act, the Fair Credit Billing Act, the Equal Credit Opportunity Act and the Fair Credit Reporting Act, and regulations, rules and orders promulgated thereunder), all Federal, State and local states, regulations, rules and orders pertaining to sales of consumer goods (including, without limitation, the Consumer Products Safety Act of 1972, as amended, and the Federal Trade Commission Act of 1914, as amended, and all regulations, rules and orders promulgated thereunder) where the failure to so comply has or could reasonably be expected to have a Material Adverse Effect.

8.8 Environmental Compliance.

(a) Except as set forth on Schedule 8.8 to the Information Certificate, Borrowers, Guarantors and any Subsidiary of any Borrower or Guarantor have not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or Permit that is required under any applicable Environmental Laws where such violation has or could reasonably be expected to have a Material Adverse Effect, and the operations of Borrowers, Guarantors and any Subsidiary of any Borrower or Guarantor complies with all Environmental Laws and all Permits that are required under any applicable Environmental Law where the failure to so comply has or could reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 8.8 to the Information Certificate, there has been no investigation by any Governmental Authority or any proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or to any Borrower's or Guarantor' s knowledge threatened, with respect to any non-

compliance with or violation of the requirements of any Environmental Law by any Borrower or Guarantor and any Subsidiary of any Borrower or Guarantor or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which has or could reasonably be expected to have a Material Adverse Effect.

(c) Except as set forth on Schedule 8.8 to the Information Certificate, Borrowers, Guarantors and their Subsidiaries have no liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials, which has had or could reasonably be expected to have a Material Adverse Effect.

(d) Borrowers, Guarantors and their Subsidiaries have all Permits required to be obtained or filed in connection with the operations of Borrowers and Guarantors under any Environmental Law and all of such licenses, certificates, approvals or similar authorizations and other Permits are valid and in full force and effect, where failure to have obtained or filed such could reasonably be expected to have a Material Adverse Effect.

8.9 Credit Card Agreements. Set forth in Schedule 8.9 hereto is a correct and complete list of all of the Credit Card Agreements and all other agreements, documents and instruments existing as of the date hereof between or among any Borrower, any of its Affiliates, the Credit Card Issuers, the Credit Card Processors and any of their Affiliates. The Credit Card Agreements constitute all of such agreements necessary for each Borrower to operate its business as presently conducted with respect to credit cards and debit cards and no Receivables of any Borrower arise from purchases by customers of Inventory with credit cards or debit cards, other than those which are issued by Credit Card Issuers with whom such Borrower has entered into one of the Credit Card Agreements set forth on Schedule 8.9 hereto or with whom Borrower has entered into a Credit Card Agreement in accordance with Section 9.16 hereof. Each of the Credit Card Agreements constitutes the legal, valid and binding obligations of the Borrower that is party thereto and to the best of each Borrower's and Guarantor's knowledge, the other parties thereto, enforceable in accordance with their respective terms and is in full force and effect. No material default or material event of default, or act, condition or event which after notice or passage of time or both, would constitute a material default or a material event of default under any of the Credit Card Agreements (other than any Credit Card Agreement with a Credit Card Issuer or Credit Card Processor where the sales using the applicable card are less than ten (10%) percent of all such sales in the immediately preceding fiscal year) exists or has occurred that would entitle the other party thereto to suspend, withhold or reduce amounts that would otherwise be payable to a Borrower. Each Borrower and the other parties thereto have complied in all material respects with all of the terms and conditions of the Credit Card Agreements (other than any Credit Card Agreement with a Credit Card Issuer or Credit Card Processor where the sales using the applicable card are less than ten (10%) percent of all such sales in the immediately preceding fiscal year) to the extent necessary for such Borrower to be entitled to receive all payments thereunder. Borrowers have delivered, or caused to be delivered to Agent, true, correct and complete copies of all of the Credit Card Agreements.

8.10 Interrelated Businesses. Borrowers and Guarantors make up a related organization of various entities constituting a single economic and business enterprise so that Borrowers and Guarantors share an identity of interests such that any benefit received by any one of them benefits the others. Borrowers and Guarantors render services to or for the benefit of the other Borrowers and/or Guarantors, as the case may be, purchase or sell and supply goods to or from or for the benefit of the others, make loans, advances and provide other financial accommodations to or for the benefit of the other Borrowers and Guarantors (including inter alia, the payment by Borrowers and Guarantors of creditors of the other Borrowers or Guarantors and guarantees by Borrowers and Guarantors of indebtedness of the other Borrowers and Guarantors and provide administrative, marketing, payroll and management services to or for the benefit of the other Borrowers and Guarantors). Substantially all of the Inventory is paid for pursuant to Letter of Credit Accommodations funded by Operating on behalf of the other Borrowers or are otherwise paid for by Operating, and Borrowers use substantially all of the proceeds from the disposition of the Inventory so purchased to repay the amounts owing to Operating as a result of such arrangements. Borrowers and Guarantors (other than JCI) have the same chief executive office, centralized accounting and legal services, certain common officers and directors and generally do not provide consolidating financial statements to creditors. Nothing contained herein should be construed to mean that each Borrower and Guarantor is not a separate corporate entity and entitled to the rights and privileges thereof, and except to the extent contractually agreed or required under applicable law, no Borrower or Guarantor is obligated for the liabilities of any other Borrower or Guarantor.

8.11 Employee Benefits.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or State law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service and to the best of any Borrower's or Guarantor's knowledge, nothing has occurred which would cause the loss of such qualification. Each Borrower and its ERISA Affiliates have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending, or to the best of any Borrower's or Guarantor's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan, which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan, which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) the current value of each Plan's assets are not less than such Plan's liabilities under Section 4001(a)(16) of ERISA; (iii) each Borrower and Guarantor, and their ERISA Affiliates, have not incurred and do not reasonably expect to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) each Borrower and Guarantor, and their ERISA Affiliates, have not incurred and do not reasonably expect to incur, any liability (and no event has occurred which, with the giving of

notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) each Borrower and Guarantor, and their ERISA Affiliates, have not engaged in a transaction that would be subject to Section 4069 or 4212(c) of ERISA.

8.12 Bank Accounts. All of the deposit accounts, investment accounts or other accounts in the name of or used by any Borrower or Guarantor maintained at any bank or other financial institution are set forth on Schedule 8.10 to the Information Certificate, subject to the right of each Borrower and Guarantor to establish new accounts in accordance with Section 5.2 hereof.

8.13 Intellectual Property. Each Borrower and Guarantor owns or licenses or otherwise has the right to use all Intellectual Property necessary for the operation of its business as presently conducted or proposed to be conducted. As of the date hereof, Borrowers and Guarantors do not have any Intellectual Property registered, or subject to pending applications, in the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than those described in Schedule 8.11 or Schedule 8.6 to the Information Certificate and has not granted any licenses with respect thereto other than as set forth in Schedule 8.11 to the Information Certificate. To the best of any Borrower's and Guarantor's knowledge, no slogan or other advertising device, product, process, method, substance or other Intellectual Property or goods bearing or using any Intellectual Property presently contemplated to be sold by or employed by any Borrower or Guarantor infringes any patent, trademark, servicemark, tradename, copyright, license or other Intellectual Property owned by any other Person presently and no claim or litigation is pending or threatened against or affecting any Borrower or Guarantor contesting its right to sell or use any such Intellectual Property except as set forth on Schedule 8.11 to the Information Certificate. Schedule 8.11 to the Information Certificate sets forth all of the agreements or other arrangements of each Borrower and Guarantor pursuant to which such Borrower or Guarantor has a license or other right to use any trademarks, logos, designs, representations or other Intellectual Property owned by another person as in effect on the date hereof and the dates of the expiration of such agreements or other arrangements of such Borrower or Guarantor as in effect on the date hereof (collectively, together with such agreements or other arrangements as may be entered into by any Borrower or Guarantor after the date hereof, collectively, the "License Agreements" and individually, a "License Agreement"). No trademark, servicemark, copyright or other Intellectual Property at any time used by any Borrower or Guarantor which is owned by another person, or owned by such Borrower or Guarantor subject to any security interest, lien, collateral assignment, pledge or other encumbrance in favor of any person other than Agent, is affixed to any Eligible Inventory, except (a) to the extent permitted under the term of the license agreements listed on Schedule 8.11 to the Information Certificate and (b) to the extent the sale of Inventory to which such Intellectual Property is affixed is permitted to be sold by such Borrower or Guarantor under applicable law (including the United States Copyright Act of 1976) and (c) to the extent permitted under Section 9.8(o) hereof.

8.14 Subsidiaries; Affiliates; Capitalization; Solvency; Inactive Entities.

(a) Each Borrower and Guarantor does not have any direct or indirect Subsidiaries or Affiliates and is not engaged in any joint venture or partnership except as set forth in Schedule 8.12 to the Information Certificate.

(b) Each Borrower and Guarantor is the record and beneficial owner of all of the issued and outstanding shares of Capital Stock of each of the Subsidiaries listed on Schedule 8.12 to the Information Certificate as being owned by such Borrower or Guarantor and there are no proxies, irrevocable or otherwise, with respect to such shares and no equity securities of any of the Subsidiaries are or may become required to be issued by reason of any options, warrants, rights to subscribe to, calls or commitments of any kind or nature and there are no contracts, commitments, understandings or arrangements by which any Subsidiary is or may become bound to issue additional shares of it Capital Stock or securities convertible into or exchangeable for such shares.

(c) The issued and outstanding shares of Capital Stock of each Borrower and Guarantor are directly and beneficially owned and held by the persons indicated in the Information Certificate, and in each case all of such shares or membership interests have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, except as disclosed in writing to Agent prior to the date hereof.

(d) There is no debt outstanding that is convertible into membership interests in Intermediate, and there are no outstanding rights, options or warrants to acquire any membership interests in or debt convertible into membership interests in Intermediate.

(e) Each Borrower and International is Solvent and will continue to be Solvent after the creation of the Obligations, the security interests of Agent and the other transaction contemplated hereunder.

(f) Each of C&W Outlet Inc., a New York corporation, J. Crew Services, Inc., a Delaware corporation, and ERL, Inc., a New Jersey corporation, is an Inactive Subsidiary and does not and will not engage in any business or commercial activities and each does not and will not own or hold any assets or properties. The only activity of J. Crew Virginia, Inc., a Virginia corporation, is in connection with the issuance of gift cards and store credits for and on behalf of Borrowers. J. Crew Virginia, Inc. does not and will not engage in any other business or activity and does not and will not hold any assets or properties.

8.15 Labor Disputes.

(a) Set forth on Schedule 8.13 to the Information Certificate is a list (including dates of termination) of all collective bargaining or similar agreements between or applicable to each Borrower and Guarantor and any union, labor organization or other bargaining agent in respect of the employees of any Borrower or Guarantor on the date hereof.

(b) There is (i) no significant unfair labor practice complaint pending against any Borrower or Guarantor or, to the best of any Borrower's or Guarantor's knowledge, threatened against it, before the National Labor Relations Board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is pending on the date hereof against any Borrower or Guarantor or, to best of any Borrower's or

Guarantor' s knowledge, threatened against it, and (ii) no significant strike, labor dispute, slowdown or stoppage is pending against any Borrower or Guarantor or, to the best of any Borrower's or Guarantor's knowledge, threatened against any Borrower or Guarantor.

8.16 Restrictions on Subsidiaries. Except for restrictions contained in this Agreement or any other agreement with respect to Indebtedness of any Borrower or Guarantor permitted hereunder as in effect on the date hereof, there are no contractual or consensual restrictions on any Borrower or Guarantor or any of its Subsidiaries which prohibit or otherwise restrict (a) the transfer of cash or other assets (i) between any Borrower or Guarantor and any of its or their Subsidiaries or (ii) between any Subsidiaries of any Borrower or Guarantor or (b) the ability of any Borrower or Guarantor or any of its or their Subsidiaries to incur Indebtedness or grant security interests to Agent or any Lender in the Collateral.

8.17 Material Contracts. Schedule 8.15 to the Information Certificate sets forth all Material Contracts to which any Borrower or Guarantor is a party or is bound as of the date hereof. Agent has received true, correct and complete copies of such Material Contracts on or before the date hereof. To Borrowers' and Guarantors' knowledge, Borrowers and Guarantors are not in breach (for a period equal to the lesser of ten (10) days or the applicable cure period, if any, with respect thereto) or in default in any material respect of or under any Material Contract and have not received any notice of the intention of any other party thereto to terminate any Material Contract.

8.18 Black Canyon Documents. Neither the execution and delivery of any of the Black Canyon Documents nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof (a) has violated or will violate any of the Securities Laws or any other law or regulation or any order or decree of any court or governmental instrumentality in any respect, or (b) does or shall conflict with or result in the breach of, or constitute a default in any respect under, any indenture, mortgage, deed of trust, security agreement, agreement or instrument to which any Borrower or Guarantor is a party or by which it or any of its assets may be bound, or (c) violate any provision of the Certificate of Incorporation, By-Laws, Articles of Formation or Operating Agreement of any Borrower or Guarantor.

8.19 Accuracy and Completeness of Information. All written information furnished by or on behalf of any Borrower or Guarantor to Agent or any Lender in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, including all information on the Information Certificate is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred prior to the date hereof which has had or could reasonably be expected to have a Material Adverse Affect, which has not been disclosed to Agent in writing prior to the date hereof.

8.20 Survival of Warranties; Cumulative. All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Agent and Lenders on the date of each additional borrowing or other credit accommodation hereunder and shall be

conclusively presumed to have been relied on by Agent and Lenders regardless of any investigation made or information possessed by Agent or any Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which any Borrower or Guarantor shall now or hereafter give, or cause to be given, to Agent or any Lender.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS

9.1 Maintenance of Existence.

(a) Each Borrower and Guarantor shall at all times preserve, renew and keep in full force and effect its corporate or limited liability company existence and rights and franchises with respect thereto and maintain in full force and effect all licenses, trademarks, tradenames, approvals, authorizations, leases, contracts and Permits necessary to carry on the business as presently or proposed to be conducted, except as to any Guarantor other than Parent as permitted in Section 9.7 hereof or to the extent that the failure to maintain the same has or could reasonably be expected to have a Material Adverse Effect.

(b) No Borrower or Guarantor shall change its name unless each of the following conditions is satisfied: (i) Agent shall have received not less than thirty (30) days prior written notice from Borrower Agent of such proposed change in its corporate or limited liability company name, which notice shall accurately set forth the new name; and (ii) Agent shall have received a copy of the amendment to the Certificate of Incorporation or Articles of Incorporation (or Certificate of Formation or other organizational document as applicable) of such Borrower or Guarantor providing for the name change certified by the Secretary of State of the jurisdiction of incorporation or organization of such Borrower or Guarantor as soon as it is available.

(c) No Borrower or Guarantor shall change its chief executive office or its mailing address or organizational identification number (or if it does not have one, shall not acquire one) unless Agent shall have received not less than thirty (30) days' prior written notice from Borrower Agent of such proposed change, which notice shall set forth such information with respect thereto as Agent may require and Agent shall have received such agreements as Agent may reasonably require in connection therewith. No Borrower or Guarantor shall change its type of organization, jurisdiction of organization or other legal structure.

9.2 New Collateral Locations. Each Borrower and Guarantor may only open any new location within the continental United States provided such Borrower or Guarantor (a) gives Agent ten (10) days prior written notice of the intended opening of any such new location and (b) executes and delivers, or causes to be executed and delivered, to Agent such agreements, documents, and instruments as Agent may deem reasonably necessary or desirable to protect its interests in the Collateral at such location; provided, that, without limiting the obligations of Borrowers and Guarantors pursuant to Section 7.1 hereof or otherwise hereunder, Borrowers and Guarantors shall not be required to comply with the foregoing conditions with respect to the opening by them of any new retail or factory store locations.

9.3 Compliance with Laws, Regulations, Etc.

(a) Each Borrower and Guarantor shall, and shall cause any Subsidiary to, at all times, comply in all material respects with all laws, rules, regulations, licenses, approvals, orders and other Permits applicable to it and duly observe all requirements of any foreign, Federal, State or local Governmental Authority, including ERISA, the Code, the Occupational Safety and Health Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, all Federal, State and local statutes, regulations, rules and orders relating to consumer credit (including, without limitation, as each has been amended, the Truth-in-Lending Act, the Fair Credit Billing Act, the Equal Credit Opportunity Act and the Fair Credit Reporting Act, and regulations, rules and orders promulgated thereunder), all Federal, State and local statutes, regulations, rules and orders pertaining to sales of consumer goods (including, without limitation, the Consumer Products Safety Act of 1972, as amended, and the Federal Trade Commission Act of 1914, as amended, and all regulations, rules and orders promulgated thereunder) and all applicable Environmental Laws, in each case where the failure to so comply or observe has or could reasonably be expected to have a Material Adverse Effect.

(b) Borrowers and Guarantors shall give written notice to Agent promptly upon any Borrower's or Guarantor's receipt of any notice of, or any Borrower's or Guarantor's otherwise obtaining knowledge of, with respect to the Real Property subject to the Mortgages, (i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by any Borrower or Guarantor or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material other than in the ordinary course of business and other than as permitted under any applicable Environmental Law which is reasonably likely to result in a material liability. Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations of such matters shall be promptly furnished, or caused to be furnished, by such Borrower or Guarantor to Agent. Each Borrower and Guarantor shall take action in a commercially reasonable manner to respond to any material non-compliance with any of the Environmental Laws as required by law and shall regularly report to Agent on such response.

(c) Without limiting the generality of the foregoing, whenever Agent reasonably determines that, with respect to the Real Property subject to the Mortgages, there is non-compliance, or any condition which requires any action by or on behalf of any Borrower or Guarantor in order to avoid any non-compliance, with any Environmental Law which is reasonably likely to result in a material liability, Borrowers shall, at Agent's request and Borrowers' expense: (i) cause an independent environmental engineer reasonably acceptable to Agent to conduct such tests of any such Real Property subject to the Mortgages where non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to Agent a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any requirements of Environmental Laws with respect to the findings of such tests and an estimate of the costs thereof and (ii) provide to Agent a supplemental report of such engineer whenever the scope of such non-compliance, or such Borrower's or Guarantor's response thereto or the estimated costs thereof, shall change in any material respect.

(d) Each Borrower and Guarantor shall indemnify and hold harmless Agent and Lenders and their respective directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees and expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material at the Real Property subject to the Mortgages, including the costs of any required or necessary repair, cleanup or other remedial work with respect to any Real Property of any Borrower or Guarantor subject to the Mortgages and the preparation and implementation of any closure, remedial or other plans required by Environmental Laws. All representations, warranties, covenants and indemnifications in this Section 9.3 shall survive the payment of the Obligations and the termination of this Agreement.

9.4 Payment of Taxes and Claims. Each Borrower and Guarantor shall, and shall cause any Subsidiary to, duly pay and discharge all Taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for Taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to such Borrower, Guarantor or Subsidiary, as the case may be, and with respect to which adequate reserves have been set aside on its books. Each Borrower and Guarantor shall be liable for any Tax or penalties other than Excluded Taxes imposed on Agent or any Lender as a result of the financing arrangements provided for herein and each Borrower and Guarantor agrees to indemnify and hold Agent harmless with respect to the foregoing, and to repay to Agent, for the benefit of Lenders, on demand the amount thereof, and until paid by such Borrower or Guarantor such amount shall be added and deemed part of the Revolving Loans, provided, that, nothing contained herein shall be construed to require any Borrower or Guarantor to pay any income or franchise taxes attributable to the income of Agent or Lenders from any amounts charged or paid hereunder to Agent or Lenders. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement. If Agent or any Lender receives a tax refund or credit ("Tax Benefit"), or otherwise would have received a Tax Benefit in respect of Agent's or such Lender's Taxes which, in the good faith determination of Agent or such Lender, as the case may be, is allocable to a Borrower or Guarantor, Agent shall promptly remit such Tax Refund to such Borrower or Guarantor; provided, that, no Event of Default exists or has occurred and is continuing.

9.5 Insurance. Each Borrower and Guarantor shall, and shall cause any Subsidiary to, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be reasonably satisfactory to Agent as to form, amount and insurer. Borrowers and Guarantors shall furnish certificates, policies or endorsements to Agent as Agent shall reasonably require as proof of such insurance, and, if any Borrower or Guarantor fails to do so, Agent is authorized, but not required, to obtain such insurance at the expense of Borrowers. All policies shall provide for at least thirty (30) days prior written notice to Agent of any cancellation or reduction of coverage and that Agent may act as attorney for each Borrower and Guarantor in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Borrowers and Guarantors shall cause Agent to be named as a loss

payee and an additional insured (but without any liability for any premiums) under such insurance policies and Borrowers and Guarantors shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Agent as its interests may appear and further specify that Agent and Lenders shall be paid regardless of any act or omission by any Borrower, Guarantor or any of its or their Affiliates. Without limiting any other rights of Agent or Lenders, any insurance proceeds received by Agent at any time may be applied to payment of the Obligations, whether or not then due, in any order and in such manner as Agent may determine. Upon application of such proceeds to the Revolving Loans, Revolving Loans may be available subject and pursuant to the terms hereof to be used for the costs of repair or replacement of the Collateral lost or damages resulting in the payment of such insurance proceeds.

9.6 Financial Statements and Other Information.

(a) Each Borrower and Guarantor shall, and shall cause any Subsidiary to, keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the business of such Borrower, Guarantor and its Subsidiaries in accordance with GAAP. Borrowers and Guarantors shall furnish or cause to be furnished to Agent, the following: (i) within thirty (30) days after the end of each fiscal month, monthly unaudited consolidated financial statements (including balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and unaudited consolidating financial statements (consisting of balance sheets and statements of income and loss), all in reasonable detail, fairly presenting in accordance with GAAP the financial position and the results of the operations of Parent and its Subsidiaries as of the end of and through such fiscal month, certified by the chief financial officer or controller of Parent, subject to normal year-end adjustments and no footnotes and accompanied by a compliance certificate substantially in the form of Exhibit C hereto, along with a schedule in a form satisfactory to Agent of the calculations used in determining, as of the end of such month, whether Borrowers and Guarantors are in compliance with the covenants set forth in Sections 9.18 and 9.19 of this Agreement for such month and (ii) within ninety (90) days after the end of each fiscal year, audited consolidated financial statements (including in each case, balance sheets and statements of income and loss, statements of cash flow and statements of shareholders' equity) of Parent and its Subsidiaries, and the accompanying notes thereto (including in each case, balance sheets and statements of income and loss, statements of cash flow, and statements of shareholders' equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of Parent and its Subsidiaries as of the end of and for such fiscal year, together with the unqualified opinion of independent certified public accountants with respect to the audited consolidated financial statements, which accountants shall be an independent accounting firm selected by Borrowers and acceptable to Agent, that such audited consolidated financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Parent and its Subsidiaries as of the end of and for the fiscal year then ended.

(b) At such time as available, but in no event later than five (5) days prior to the end of each fiscal year (commencing with the fiscal year of Parent ending in January of 2003), projected consolidated financial statements (including in each case, balance sheets and

statements of income and loss, statements of cash flow, and statements of shareholders' equity) of Parent and its Subsidiaries for the next fiscal year (including forecasted income statements, cash flow statements and balance sheets and statements of income and loss), all in reasonable detail, and in a format consistent with the projections delivered by Parent to Agent prior to the date hereof, together with such supporting information as Agent may reasonably request. Such projected financial statements shall be prepared on a monthly basis for the next succeeding year. Such projections shall represent Borrowers' reasonable best estimate of the future financial performance of Borrowers for the periods set forth therein and shall have been prepared on the basis of the assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions (it being understood that actual results may differ from those set forth in such projected financial statements). Each year Borrowers shall provide to Agent a semi-annual update with respect to such projections.

(c) At such time as available, but in no event later than thirty (30) days after the end of each fiscal quarter, Borrower Agent shall furnish to Agent a profit and loss summary analysis on a store-by-store basis for all store locations with respect to the immediately preceding twelve (12) months.

(d) Borrowers and Guarantors shall promptly notify Agent in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to Collateral having a value of more than $1,000,000 or which if adversely determined would have a Material Adverse Effect, (ii) any Material Contract being terminated or amended or any new Material Contract entered into (in which event Borrowers and Guarantors shall provide Agent with a copy of such Material Contract), (iii) any order, judgment or decree in excess of $1,000,000 shall have been entered against any Borrower or Guarantor any of its or their properties or assets, (iv) any written notification of a material violation of laws or regulations received by any Borrower or Guarantor, (v) any ERISA Event, and (vi) the occurrence of any Default or Event of Default.

(e) Borrowers and Guarantors shall promptly after the sending or filing thereof furnish or cause to be furnished to Agent copies of all reports which any Borrower or Guarantor sends to its stockholders generally and copies of all reports and registration statements which any Borrower or Guarantor files with the Securities and Exchange Commission, any national securities exchange or the National Association of Securities Dealers, Inc.

(f) Borrowers and Guarantors shall furnish or cause to be furnished to Agent such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrowers and Guarantors, as Agent may, from time to time, reasonably request. Agent is hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrowers and Guarantors to any court or other Governmental Authority or to any Lender or Participant or prospective Lender or Participant or any Affiliate of any Lender or Participant. Each Borrower and Guarantor hereby irrevocably authorizes and directs all accountants or auditors to deliver to Agent, at Borrowers' expense, copies of the financial statements of any Borrower and Guarantor and any reports or management letters prepared by such accountants or auditors on behalf of any Borrower or Guarantor and to disclose to Agent and Lenders such information as they may have regarding the business of any Borrower

and Guarantor. Any documents, schedules, invoices or other papers delivered to Agent or any Lender may be destroyed or otherwise disposed of by Agent or such Lender one (1) year after the same are delivered to Agent or such Lender, except as otherwise designated by Borrower Agent to Agent or such Lender in writing.

9.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc. Each Borrower and Guarantor shall not, and shall not permit any Subsidiary to, directly or indirectly,

(a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it except that any wholly-owned Subsidiary of Parent (other than any Borrower) may merge with and into or consolidate with any other wholly-owned Subsidiary of Parent (other than any Borrower), and any Borrower may merge with and into or consolidate with any other Borrower, provided, that, each of the following conditions is satisfied as determined by Agent in good faith: (i) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention of such Subsidiaries to so merge or consolidate, which notice shall set forth in reasonable detail satisfactory to Agent, the persons that are merging or consolidating, which person will be the surviving entity, the locations of the assets of the persons that are merging or consolidating, and the material agreements and documents relating to such merger or consolidation, (ii) Agent shall have received such other information with respect to such merger or consolidation as Agent may reasonably request, (iii) as of the effective date of the merger or consolidation and after giving effect thereto, no Default or Event of Default shall exist or have occurred, (iv) Agent shall have received, true, correct and complete copies of all agreements, documents and instruments relating to such merger or consolidation, including, but not limited to, the certificate or certificates of merger to be filed with each appropriate Secretary of State (with a copy as filed promptly after such filing), (v) the surviving corporation shall expressly confirm, ratify and assume the Obligations and the Financing Agreements to which it is a party in writing, in form and substance reasonably satisfactory to Agent, and Borrowers and Guarantors shall execute and deliver such other agreements, documents and instruments as Agent may request in connection therewith;

(b) sell, issue, assign, lease, license, transfer, abandon or otherwise dispose of any Capital Stock or Indebtedness to any other Person or any of its assets to any other Person, except for

(i) sales of Inventory in the ordinary course of business,

(ii) the sale or other disposition of Equipment (including worn-out or obsolete Equipment or Equipment no longer used or useful in the business of any Borrower or Guarantor) so long as such sales or other dispositions do not involve Equipment having an aggregate fair market value in excess of $7,500,000 for all such Equipment disposed of in any fiscal year of Borrowers or as Agent may otherwise agree,

(iii) the issuance and sale by any Borrower or Guarantor of Capital Stock of such Borrower or Guarantor after the date hereof; provided, that, (A) Agent shall have received not less than ten (10) Business Days' prior written notice of such issuance and sale by such Borrower or Guarantor, which notice shall specify the parties to whom such shares are to be sold, the terms of such sale, the total amount which it is anticipated will be realized from the

issuance and sale of such stock and the net cash proceeds which it is anticipated will be received by such Borrower or Guarantor from such sale, (B) such Borrower or Guarantor shall not be required to pay any cash dividends or repurchase or redeem such Capital Stock or make any other payments in respect thereof, except as otherwise permitted in Section 9.11 hereof and except after the end of the then current term of this Agreement and the payment in full in cash or other immediately available funds of all of the Obligations, (C) the terms of such Capital Stock, and the terms and conditions of the purchase and sale thereof, shall not include any terms that include any limitation on the right of any Borrower to request or receive Revolving Loans or Letter of Credit Accommodations or the right of any Borrower and Guarantor to amend or modify any of the terms and conditions of this Agreement or any of the other Financing Agreements or otherwise in any way relate to or affect the arrangements of Borrowers and Guarantors with Agent and Lenders or are more restrictive or burdensome to any Borrower or Guarantor than the terms of any Capital Stock in effect on the date hereof, (D) except with respect to any sale and issuance of Capital Stock of Parent or Operating and as to the other Borrowers and Guarantors and their respective Subsidiaries, except as Agent may otherwise agree in writing, all of the proceeds of the sale and issuance of such Capital Stock shall be paid to Agent for application to the Obligations in accordance with Section 6.4(a) hereof and (E) after giving effect thereto, no Default or Event of Default shall exist or have occurred,

(iv) the issuance of Capital Stock of any Borrower or Guarantor consisting of common stock pursuant to an employee stock option or grant or similar equity plan or 401(k) plans of such Borrower or Guarantor for the benefit of its employees, directors and consultants, provided, that, in no event shall such Borrower or Guarantor be required to issue, or shall such Borrower or Guarantor issue, Capital Stock pursuant to such stock plans or 401(k) plans which would result in a Change of Control or other Event of Default,

(v) sales or other dispositions by any Borrower of assets in connection with the closing or sale of a retail store location of such Borrower in the ordinary course of such Borrower's business which consist of leasehold interests in the premises of such store, the Equipment and fixtures located at such premises and the books and records relating exclusively and directly to the operations of such store; provided, that, as to each and all such sales and closings, (A) on the date of, and after giving effect to, any such closing or sale, the aggregate number of retail store locations operated by Retail and Factory closed or sold by Borrowers in any fiscal year minus the number of retail stores operated by Retail and Factory opened by Borrowers in such fiscal year, shall not exceed the amount equal to twenty (20%) percent of the number of retail store locations of Borrowers operated by Retail and Factory, as of the end of the immediately preceding fiscal year, (B) Agent shall have received not less than ten (10) Business Days prior written notice of such sale or closing, which notice shall set forth in reasonable detail satisfactory to Agent, the parties to such sale or other disposition, the assets to be sold or otherwise disposed of, the purchase price and the manner of payment thereof and such other information with respect thereto as Agent may request, (C) after giving effect thereto, no Event of Default shall exist or have occurred and be continuing, (D) such sale shall be on commercially reasonable prices and terms in a bona fide arm's length transaction, and (E) any and all proceeds payable or delivered to such Borrower in respect of such sale or other disposition shall be paid or delivered, or caused to be paid or delivered, to Agent in accordance with the terms of this Agreement (except to the extent such proceeds reflect payment in respect of Indebtedness

secured by a properly perfected first priority security interest in the assets sold, in which case, such proceeds shall be applied to such indebtedness secured thereby),

(vi) the grant by any Borrower or Guarantor after the date hereof of a non-exclusive license or an exclusive license to any person for the use of any Intellectual Property consisting of trademarks owned by such Borrower or Guarantor; provided, that, as to any such license, each of the following conditions is satisfied, (A) such license is only for the use of trademarks in the manufacture, distribution or sale of products outside the United States of America and Canada or, if such license is for the use of such trademarks in the manufacture, distribution or sale of products within the United States of America or Canada, it is only for categories or types of Inventory other than men's or women's wearing apparel of the type or category being sold by any Borrower or Guarantor as of the date of this Agreement or that Borrower and Guarantors do not manufacture, distribute or sell, (B) such licenses shall be on commercially reasonable prices and terms in a bona fide arms' length transactions, (C) in the case of a non-exclusive license, the rights of the licensee shall be subject to the rights of Agent, and in the case of any license, shall not adversely affect, limit or restrict the rights of Agent to use any Intellectual Property of a Borrower or Guarantor to sell or otherwise dispose of any Inventory or other Collateral, (D) Agent shall have received, true, correct and complete copies of the executed license agreement, promptly upon the execution thereof and (E) as of the date of the grant of any such license, and after giving effect thereto, no Event of Default shall exist or have occurred and be continuing,

(vii) sales, transfers and dispositions to Operating or a Subsidiary of Operating (other than an Inactive Subsidiary); provided, that, any such sales, transfers or dispositions involving a Subsidiary that is not a Borrower or Guarantor shall be made in compliance with Section 9.12 hereof,

(c) wind up, liquidate or dissolve except that any Guarantor (other than Parent) may wind up, liquidate and dissolve, provided, that, each of the following conditions is satisfied, (i) the winding up, liquidation and dissolution of such Guarantor shall not violate any law or any order or decree of any court or other Governmental Authority in any material respect and shall not conflict with or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, or any other agreement or instrument to which any Borrower or Guarantor is a party or may be bound, (ii) such winding up, liquidation or dissolution shall be done in accordance with the requirements of all applicable laws and regulations, (iii) effective upon such winding up, liquidation or dissolution, all of the assets and properties of such Guarantor shall be duly and validly transferred and assigned to its shareholders, free and clear of any liens, restrictions or encumbrances other than the security interest and liens of Agent (and Agent shall have received such evidence thereof as Agent may require) and Agent shall have received such deeds, assignments or other agreements as Agent may request to evidence and confirm the transfer of such assets to of such Guarantor to such shareholders, (iv) Agent shall have received all documents and agreements that any Borrower or Guarantor has filed with any Governmental Authority or as are otherwise required to effectuate such winding up, liquidation or dissolution, (v) no Borrower or Guarantor shall assume any Indebtedness, obligations or liabilities as a result of such winding up, liquidation or dissolution, or otherwise become liable in respect of any obligations or liabilities of the entity that is winding up, liquidating or dissolving, unless such Indebtedness is otherwise expressly permitted hereunder, (vi) Agent shall have received not less

than ten (10) Business Days prior written notice of the intention of such Guarantor to wind up, liquidate or dissolve, and (vii) as of the date of such winding up, liquidation or dissolution and after giving effect thereto, no Event of Default shall exist or have occurred; or

(d) agree to any of the foregoing set forth in subsections (a) through (c) of this Section 9.7.

9.8 Encumbrances. Each Borrower and Guarantor shall not, and shall not permit any Subsidiary to, create, incur, assume or suffer to exist any security interest, mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets or properties, including the Collateral, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any security interest or lien with respect to any such assets or properties, except:

(a) the security interests and liens of Agent for itself and the benefit of Lenders and the security interests and liens of Agent for the benefit of itself, any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent (and in each case as to any such Lender, Affiliate or other financial institution only to the extent approved by Agent) that is party to a Hedge Agreement to the extent provided for herein and subject to the terms hereof;

(b) liens securing the payment of taxes, assessments or other governmental charges or levies either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to such Borrower, or Guarantor or Subsidiary, as the case may be and with respect to which adequate reserves have been set aside on its books;

(c) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of such Borrower's, Guarantor's or Subsidiary's business to the extent: (i) such liens secure Indebtedness which is not overdue or which is being contested in good faith and by appropriate proceedings, diligently pursued and available to such Borrower, Guarantor or Subsidiary or (ii) such liens secure Indebtedness relating to claims or liabilities that are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested in good faith by appropriate proceedings diligently pursued and available to such Borrower, Guarantor or such Subsidiary, but in each case under clause (i) and (ii) hereof, (A) prior to the commencement of foreclosure or other similar proceedings, (B) with respect to which adequate reserves have been set aside on its books, (C) subject to the right of Agent, at its option, to establish a Reserve in respect thereof (which Reserve shall be terminated upon the payment and satisfaction in full of such Indebtedness and the receipt by Agent of evidence thereof satisfactory to Agent or may be used by Agent to pay such Indebtedness after notice to Borrower Agent in the event of the commencement or threatened commencement (to the extent such threat is imminent as determined in good faith by Agent) of any action by the party to whom such Indebtedness is owed to exercise its remedies with respect thereto or to the extent necessary for Agent to exercise any of its rights or remedies); and (D) as to any such liens (or the Indebtedness secured thereby) that are being contested, the aggregate amount of the Indebtedness secured by all such liens at any time outstanding shall not exceed $1,000,000;

(d) zoning restrictions, easements, licenses, covenants and other restrictions affecting the use of Real Property which do not interfere in any material respect with the use of such Real Property or ordinary conduct of the business of such Borrower, Guarantor or such Subsidiary as presently conducted thereon or, in the case of Real Property subject to the Mortgages, materially impair the value of the Real Property which may be subject thereto;

(e) purchase money security interests in Equipment (including Capital Leases) and purchase money mortgages on Real Property to secure Indebtedness permitted under Section 9.9(b) hereof;

(f) pledges and deposits of cash by any Borrower or Guarantor after the date hereof in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security benefits consistent with the current practices of such Borrower or Guarantor as of the date hereof;

(g) pledges and deposits of cash by any Borrower or Guarantor after the date hereof to secure the performance of tenders, bids, leases, trade contracts (other than for the repayment of Indebtedness), statutory obligations and other similar obligations in each case in the ordinary course of business consistent with the current practices of such Borrower or Guarantor as of the date hereof; provided, that, in connection with any performance bonds issued by a surety or other person, the issuer of such bond shall have waived in writing any rights in or to, or other interest in, any of the Collateral in an agreement, in form and substance satisfactory to Agent in good faith;

(h) liens arising from (i) operating leases and the precautionary UCC financing statement filings in respect thereof and (ii) equipment or other materials which are not owned by any Borrower or Guarantor located on the premises of such Borrower or Guarantor (but not in connection with, or as part of, the financing thereof) from time to time in the ordinary course of business and consistent with current practices of such Borrower or Guarantor and the precautionary UCC financing statement filings in respect thereof;

(i) liens or rights of setoff against credit balances of Borrowers with Credit Card Issuers or Credit Card Processors or amounts owing by such Credit Card Issuers or Credit Card Processors to Borrower in the ordinary course of business, but not liens on or rights of setoff against any other property or assets of Borrowers, pursuant to the Credit Card Agreements (as in effect on the date hereof) to secure the obligations of Borrowers to the Credit Card Issuers or Credit Card Processors as a result of fees and chargebacks;

(j) statutory or common law liens or rights of setoff of depository banks with respect to funds of Borrowers or Guarantors at such banks to secure fees and charges in connection with returned items or the standard fees and charges of such banks in connection with the deposit accounts maintained by Borrowers and Guarantors at such banks (but not any other Indebtedness or obligations);

(k) deposits of cash with the owner or lessor of premises leased and operated by Borrowers in the ordinary course of the business of Borrowers to secure the performance by Borrowers of their respective obligations under the terms of the lease for such premises;

(l) judgments and other similar liens arising in connection with court proceedings that do not constitute an Event of Default, provided, that, (i) such liens are being contested in good faith and by appropriate proceedings diligently pursued and available to such Borrower, Guarantor or Subsidiary, (ii) adequate reserves or other appropriate provision, if any, as are required by GAAP have been made therefor, (iii) a stay of enforcement of any such liens is in effect and (iv) Agent may establish a Reserve with respect thereto (which Reserve shall be terminated simultaneously with the payment and satisfaction in full of the Indebtedness secured thereby and the receipt by Agent of evidence thereof satisfactory to Agent or may be used by Agent to pay such Indebtedness after notice to Borrower Agent in the event of the commencement or threatened commencement (to the extent such threat is imminent as determined in good faith by Agent) of any action by the party to whom such Indebtedness is owed to exercise its remedies with respect thereto or to the extent necessary for Agent to exercise any of its rights or remedies); and

(m) the security interests and liens set forth on Schedule 8.4 to the Information Certificate;

(n) the security interests and liens of the Noteholder Collateral Agent in the Collateral pursuant to the Black Canyon Security Agreement to secure (i) the Indebtedness of Operating and the Black Canyon Guarantors under the Black Canyon Documents to the extent such Indebtedness is permitted under Section 9.9(r) hereof and (ii) the Indebtedness of Intermediate evidenced by the remaining portion of the 16% Senior Discount Notes on an equal and ratable basis to the extent such Indebtedness is permitted under Section 9.9(q) hereof, which security interests and liens of the Noteholder Collateral Agent are and shall at all times be junior and subordinate to the security interests and liens of Agent pursuant to the Black Canyon Intercreditor Agreement;

(o) the security interests and liens of the financial institution or institutions providing the Indebtedness permitted pursuant to Section 9.9(t) hereof on the Intellectual Property and all other Collateral, in each case to secure the Indebtedness of Borrowers and Guarantors permitted under Section 9.9(t) hereof, which security interests and liens of such financial institution or institutions shall at all times be subject to an intercreditor agreement on terms and conditions reasonably acceptable to Agent, including a subordinate and junior lien of such financial institution or institutions as to all Collateral (other than Intellectual Property) and the priority of the security interests and liens of such financial institution or institutions as to the Intellectual Property and the right of Agent to use the Intellectual Property to realize on the Collateral.

9.9 Indebtedness. Each Borrower and Guarantor shall not, and shall not permit any Subsidiary to, incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any Indebtedness, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly), the Indebtedness, performance, obligations or dividends of any other Person, except:

(a) the Obligations;

(b) purchase money Indebtedness (including Capital Leases) arising after the date hereof to the extent secured by purchase money security interests in Equipment (including Capital Leases) and purchase money mortgages on Real Property not to exceed $20,000,000 in the aggregate at any time outstanding so long as such security interests and mortgages do not apply to any property of such Borrower, Guarantor or Subsidiary other than the Equipment or Real Property so acquired, and the Indebtedness secured thereby does not exceed the cost of the Equipment or Real Property so acquired, as the case may be;

(c) guarantees by any Borrower or Guarantor of the Obligations of the other Borrowers or Guarantors in favor of Agent for the benefit of Lenders;

(d) unsecured guarantees by Parent or a Borrower of the obligations of a Borrower arising pursuant to a lease or license by a third party in a bona fide arm's length transaction of real property for use as a retail store location in the ordinary course of the business of such Borrower; provided, that, (i) the Person issuing such guarantee is permitted hereunder to incur directly the obligation that is being guaranteed and (ii) as of the date on which such guarantee is issued no Event of Default exists or has occurred and is continuing;

(e) unsecured guarantees by any Borrower or Guarantor of the obligations to a third party of any other Borrower or Guarantor (other than Parent); provided, that, (i) the Person issuing such guarantee is permitted hereunder to incur directly the Indebtedness that is being guaranteed, and (ii) as of the date on which such guarantee is issued, no Event of Default exists or has occurred and is continuing;

(f) the Indebtedness of any Borrower or Guarantor to any other Borrower or Guarantor arising after the date hereof pursuant to loans by any Borrower or Guarantor permitted under Section 9.10(g) hereof;

(g) unsecured Indebtedness of any Borrower or Guarantor arising after the date hereof to any third party (but not to any other Borrower or Guarantor and other than any Indebtedness permitted under Sections 9.9(h) or 9.9(i) below) pursuant to loans in cash or other immediately available funds by such person to such Borrower or Guarantor, provided, that, each of the following conditions is satisfied as determined by Agent: (i) such Indebtedness shall be on terms and conditions reasonably acceptable to Agent, (ii) in no event shall any Borrower or Guarantor make, or be required to make under the terms thereof, payments in respect of such Indebtedness prior to the date one hundred eighty (180) days after the end of the then current term of this Agreement (other than regularly scheduled payments of interest and fees or payments pursuant to the issuance of additional Indebtedness on substantially the same terms as the initial Indebtedness), (iii) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention of such Borrower or Guarantor to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent the amount of such Indebtedness, the person or persons to whom such Indebtedness will be owed, the interest rate, the schedule of repayments and maturity date with respect thereto and such other information as Agent may reasonably request with respect thereto, (iv) Agent shall have received true, correct and complete copies of all agreements, documents and instruments evidencing or otherwise related to such Indebtedness, (v) except as Agent may otherwise agree in writing, all of the proceeds of the loans or other accommodations giving rise to such Indebtedness shall be paid to

Agent for application to the Obligations in such order and manner as Agent may determine, (vi) the aggregate principal amount of all such Indebtedness shall not exceed $20,000,000, (vii) as of the date of incurring such Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or have occurred, (viii) such Borrower and Guarantor shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto, except, that, such Borrower or Guarantor may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the interest rate or any fees in connection therewith, or (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness (except pursuant to regularly scheduled payments permitted herein), or set aside or otherwise deposit or invest any sums for such purpose, and (ix) Borrowers and Guarantors shall furnish to Agent all notices or demands in connection with such Indebtedness either received by any Borrower or Guarantor or on its behalf promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf concurrently with the sending thereof, as the case may be;

(h) unsecured Indebtedness of Parent arising after the date hereof to any Person (but not to any other Borrower or Guarantor and other than any Indebtedness permitted under Sections 9.9(g) above or 9.9(i) below) pursuant to loans in cash or other immediately available funds by such person to Parent, provided, that, each of the following conditions is satisfied as determined by Agent: (i) such Indebtedness shall be on terms and conditions reasonably acceptable to Agent, (ii) in no event shall any Borrower or Guarantor make, or be required to make under the terms thereof, payments in respect of such Indebtedness prior to the termination of this Agreement and the payment in full in cash or other immediately available funds of all of the Obligations (other than payments pursuant to the issuance of additional Indebtedness by Parent on substantially the same terms as the initial Indebtedness), (iii) Agent shall have received prior written notice of the intention of Parent to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent the amount of such Indebtedness, the person or persons to whom such Indebtedness will be owed, the interest rate, the schedule of repayments and maturity date with respect thereto and such other information as Agent may reasonably request with respect thereto, (iv) Agent shall have received true, correct and complete copies of all agreements, documents and instruments evidencing or otherwise related to such Indebtedness, (v) Parent shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto, except, that, Parent may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the interest rate or any fees in connection therewith, or (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness (except pursuant to payments in the form permitted herein), or set aside or otherwise deposit or invest any sums for such purpose, and (vi) Borrowers and Guarantors shall furnish to Agent all notices or demands in connection with such Indebtedness either received by any Borrower or Guarantor or on its behalf promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf concurrently with the sending thereof, as the case may be;

(i) unsecured Indebtedness of Operating arising after the date hereof to TPG Partners, any Affiliate of TPG Partners or any third party to the extent such Indebtedness of Operating to such third party is guaranteed by TPG Partners or any Affiliate of TPG Partners (other than any Indebtedness permitted under Sections 9.9(g) or 9.9(h) above) pursuant to loans in cash or other immediately available funds by such person to Operating, provided, that, each of the following conditions is satisfied as determined by Agent: (i) such Indebtedness shall be on terms and conditions reasonably acceptable to Agent, and such Indebtedness shall be subject and subordinate in right of payment to the right of Agent and Lenders to receive the prior indefeasible payment and satisfaction in full in cash or other immediately available funds of all of the Obligations pursuant to the terms of an intercreditor agreement between Agent and the person to whom such Indebtedness is owed, in form and substance satisfactory to Agent, (ii) Agent shall have received prior written notice of the intention of Operating to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent the amount of such Indebtedness, the person or persons to whom such Indebtedness will be owed, the interest rate, the schedule of repayments and maturity date with respect thereto and such other information as Agent may reasonably request with respect thereto, (iii) Agent shall have received true, correct and complete copies of all agreements, documents and instruments evidencing or otherwise related to such Indebtedness, (iv) Operating shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto, except, that, Operating may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to

forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the interest rate or any fees in connection therewith, or (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness (except pursuant to regularly scheduled payments that may be permitted under the terms of the intercreditor agreement referred to above), or set aside or otherwise deposit or invest any sums for such purpose, and (v) Borrowers and Guarantors shall furnish to Agent all notices or demands in connection with such Indebtedness either received by any Borrower or Guarantor or on its behalf promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf concurrently with the sending thereof, as the case may be;

(j) Indebtedness of Parent evidenced by the Senior Discount Debentures as in effect on the date hereof or as permitted to be amended pursuant to the terms hereof, provided, that:

(i) the aggregate amount of such Indebtedness shall not exceed $25,000,000, less the aggregate amount of all repayments or redemptions, whether optional or mandatory, in respect thereof, plus interest thereon at the rate provided for in the Senior Discount Debentures as in effect on the date hereof,

(ii) the Credit Facility is and shall at all times continue to be the "New Credit Facility" as such term is defined in the Senior Debenture Indenture as in effect on the date hereof and is and shall be entitled to all of the rights and benefits thereof, if any, under the Senior Debenture Indenture as in effect on the date hereof,

(iii) Borrowers and Guarantors shall not, directly or indirectly, make any payments in respect of such Indebtedness, except that they may make (A) regularly scheduled

payments of interest and fees, if any, in respect of such Indebtedness when due in accordance with the terms of the Senior Discount Debentures and the Senior Debenture Indenture, in each case as in effect on the date hereof and any reasonable and customary fees required to be paid to holders of the Senior Discount Debentures in connection with a consent solicitation and (B) payments permitted under clause (j)(v) below of this Section 9.9,

(iv) Borrowers and Guarantors shall not, directly or indirectly, amend, modify, alter or change, in each case, in any material respect any terms of such Indebtedness or any of the Senior Discount Debentures, the Senior Debenture Indenture or any related agreements, documents and instruments, except that Borrowers and Guarantors may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness other than pursuant to payments thereof, or to reduce the interest rate or any fees in connection therewith, or to eliminate any covenants contained therein, or make any such covenants less restrictive or otherwise more favorable to any Borrower or Guarantor, and

(v) Borrowers and Guarantors shall not, directly or indirectly, redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness other than at maturity (as set forth in the Senior Debenture Indenture as in effect on the date hereof or as extended after the date hereof), or set aside or otherwise deposit or invest any sums for such purpose, except that

(A) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness with Refinancing Indebtedness with respect thereto to the extent permitted under Section 9.9(o) hereof,

(B) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any portion of such Indebtedness with the net proceeds of the issuance and sale of Capital Stock of Parent or Operating permitted hereunder received by such Borrower or Guarantor in cash or other immediately available funds, provided, that, as of the date of any such redemption or purchase or any payment in respect thereof and after giving effect thereto, (1) Borrowers and Guarantors shall have complied with all of the requirements of Sections 9.7(b)(iii)(A), (B), (C) and (E) with respect to such issuance and sale of Capital Stock and in addition to such requirements, the notice provided to Agent pursuant thereto shall specify that the proceeds are to be used for the redemption, retirement, defeasance, purchase or acquisition of all or any part all of such Indebtedness (and shall specify which of the foregoing is intended), the maximum amount that Borrowers and Guarantors will pay in respect thereof and the range of the principal amount of the Senior Discount Debentures that Borrowers and Guarantors anticipate will be so redeemed, retired, defeased, purchased or otherwise acquired, (2) the redemption, retirement, defeasance, repurchase or acquisition of all or any part of such Indebtedness shall be substantially contemporaneous with the issuance and sale of the Capital Stock of Parent or Operating subject to such notice provided to Agent, (3) as of the date of any such payment and after giving effect thereto, there shall be Excess Availability, and (4) as of the date of any such payment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(C) Borrowers or Guarantors may redeem or repurchase such Indebtedness in cash or other immediately available funds (other than with proceeds of the issuance and sale of Capital Stock of Parent or Operating as provided in clause (B) above); provided, that, (1) Borrower Agent shall have provided to Agent not less than ten (10) Business Days' notice of the intention of such Borrower or Guarantor to redeem or repurchase such Indebtedness (specifying the amount to be paid by Borrowers or Guarantors and the principal amount of the Senior Discount Debentures that Borrowers and Guarantors anticipate will be so redeemed or repurchased), (2) for the two consecutive month period immediately prior to the date of any payment in respect of such redemption or repurchase, Excess Availability shall have been not less than $30,000,000, (3) Agent shall have received, not more than twenty (20) Business Days prior to such payment and not less than five (5) Business Days prior to such payment, current, updated projections of the amount of the Borrowing Base and Excess Availability for the one month period after the date of any payment in respect of such redemption or repurchase, in a form reasonably satisfactory to Agent, representing Borrowers' reasonable best estimate of the future Borrowing Base and Excess Availability for the period set forth therein as of the date not more than ten (10) days prior to the date of the payment in respect of such redemption and repurchase, which projections shall have been prepared on the basis of the assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions, (4) the amount of the Excess Availability as set forth in such projections for such one month period shall be not less than $20,000,000, and (5) as of the date of any such payment and after giving effect thereto, no Default or Event of Default exists or has occurred and is continuing;

(k) intentionally omitted;

(l) contingent Indebtedness arising pursuant to the guarantee existing on the date hereof by any Subsidiary of Operating of the Indebtedness of Operating evidenced by the 10 3/8% Subordinated Notes to the extent such Indebtedness of Operating is permitted hereunder, set forth in the 10 3/8% Subordinated Note Indenture as in effect on the date hereof;

(m) Indebtedness incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by a Borrower or Guarantor in the ordinary course of business consistent with current practices as of the date hereof;

(n) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (other than daylight overdrafts and drafts in the controlled disbursement accounts to be covered by Revolving Loans) inadvertently drawn against insufficient funds in the ordinary course of business; provided, that, such Indebtedness shall be repaid within five (5) days of its incurrence and shall not exceed $1,000,000 outstanding at any one time;

(o) Indebtedness of Parent, Operating or Intermediate, as the case may be, arising after the date hereof issued in exchange for, or the proceeds of which are used to extend, refinance, replace or substitute for Indebtedness permitted under Sections 9.9(j), 9.9(q), 9.9(r), 9.9(s), 9.9(t) or 9.9(u) hereof (the "Refinancing Indebtedness"); provided, that, as to any such Refinancing Indebtedness, each of the following conditions is satisfied: (i) Agent shall have

received not less than ten (10) Business Days' prior written notice of the intention to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent, the amount of such Indebtedness, the schedule of repayments and maturity date with respect thereto and such other information with respect thereto as Agent may reasonably request, (ii) promptly upon Agent's request, Agent shall have received true, correct and complete copies of all agreements, documents and instruments evidencing or otherwise related to such Indebtedness, as duly authorized, executed and delivered by the parties thereto, (iii) the Refinancing Indebtedness shall have a Weighted Average Life to Maturity and a final maturity equal to or greater than the Weighted Average Life to Maturity and the final maturity, respectively, of the Indebtedness being extended, refinanced, replaced, or substituted for, (iv) the Refinancing Indebtedness shall rank in right of payment no more senior than, and be at least as subordinated (if subordinated) to, the Obligations as the Indebtedness being extended, refinanced, replaced or substituted for, (v) the Refinancing Indebtedness shall not include terms and conditions with respect to any Borrower or Guarantor which are more burdensome or restrictive in any material respect than those included in the Indebtedness so extended, refinanced, replaced or substituted for, (vi) such Indebtedness incurred by any Borrower or Guarantor shall be at rates and with fees or other charges that are commercially reasonable, (vii) the incurring of such Indebtedness shall not result in an Event of Default, (viii) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of the Indebtedness so extended, refinanced, replaced or substituted for (plus the amount of refinancing fees and expenses incurred in connection therewith outstanding on the date of such event), (ix) Borrowers and Guarantors may only make payments of principal, interest and fees, if any, in respect of such Indebtedness to the extent such payments would have been permitted hereunder in respect of the Indebtedness so extended, refinanced, replaced or substituted for (and except as otherwise permitted below), (x) Borrowers and Guarantors shall not, directly or indirectly, (A) amend, modify, alter or change any terms of the agreements with respect to such Refinancing Indebtedness, except that Borrowers and Guarantors may, after prior written notice to Agent, amend, modify, alter or change the terms thereof to the extent permitted with respect to the Indebtedness so extended, refinanced, replaced or substituted for, or (B) redeem, retire, defease, purchase or otherwise acquired such Indebtedness, or set aside or otherwise deposit or invest any sums for such purpose (other than with Refinancing Indebtedness to the extent permitted herein and to the extent permitted with respect to the Indebtedness so extended, refinanced, replaced or substituted for), and (xi) Borrowers and Guarantors shall furnish to Agent copies of all material notices or demands in connection with Indebtedness received by any Borrower or Guarantor or on its behalf promptly after the receipt thereof or sent by any Borrower or Guarantor or on its behalf concurrently with the sending thereof, as the case may be; and

(p) the Indebtedness set forth on Schedule 9.9 to the Information Certificate; provided, that, (i) Borrowers and Guarantors may only make regularly scheduled payments of principal and interest in respect of such Indebtedness in accordance with the terms of the agreement or instrument evidencing or giving rise to such Indebtedness as in effect on the date hereof, (ii) Borrowers and Guarantors shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto as in effect on the date hereof except, that, Borrowers and Guarantors may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the

interest rate or any fees in connection therewith, or (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness, or set aside or otherwise deposit or invest any sums for such purpose, and (iii) Borrowers and Guarantors shall furnish to Agent all notices or demands in connection with such Indebtedness either received by any Borrower or Guarantor or on its behalf, promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf, concurrently with the sending thereof, as the case may be.

(q) Indebtedness of Intermediate evidenced by the 16% Senior Discount Notes as in effect on the date hereof or as permitted to be amended pursuant to the terms hereof, provided, that:

(i) the aggregate amount of such Indebtedness shall not exceed $75,000,000, plus Contingent Principal, less the aggregate amount of all repayments or redemptions, whether optional or mandatory, in respect thereof, plus interest thereon at the rate provided for in the 16% Senior Discount Note Indenture as in effect on the date hereof;

(ii) the Credit Facility is and shall at all times continue to be the "New Credit Facility" as such term is defined in the 16% Senior Discount Note Indenture as in effect on the date hereof and is and shall be entitled to all of the rights and benefits thereof, if any, under the 16% Senior Discount Note Indenture as in effect on the date hereof,

(iii) Borrowers and Guarantors shall not, directly or indirectly, make any payments in respect of such Indebtedness, except that (A) they may make regularly scheduled payments of interest by capitalizing such interest and adding such capitalized amount to the outstanding principal amount of such Indebtedness, and fees, if any, in respect of such Indebtedness when due in accordance with the terms of the 16% Senior Discount Notes in effect on the date hereof and the 16% Senior Discount Note Indenture as in effect on the date hereof, in each case in accordance with the terms of the

Exchange Offer Documents as in effect on the date hereof and any reasonable and customary fees required to be paid to holders of the 16% Senior Discount Notes in connection with a consent solicitation, it being understood and agreed that in no event shall the provisions of the 16% Senior Discount Notes as in effect on the date hereof and the 16% Senior Discount Note Indenture as in effect on the date hereof with respect thereto, vary from the provisions of the Exchange Offer Documents and (B) payments permitted under clause (q)(v) below of this Section 9.9,

(iv) Borrowers and Guarantors shall not, directly or indirectly, amend, modify, alter or change, in each case, in any material respect any terms of such Indebtedness or any of the 16% Senior Discount Notes, the 16% Senior Discount Note Indenture or any related agreements, documents and instruments, except that Borrowers and Guarantors may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness other than pursuant to payments thereof, or to reduce the interest rate or any fees in connection therewith, or to eliminate any covenants contained therein, or make any such covenants less restrictive or otherwise more favorable to any Borrower or Guarantor, and

(v) Borrowers and Guarantors shall not, directly or indirectly, redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness other than at maturity (as set forth in the 16% Senior Discount Note Indenture as in effect on the date hereof or as extended after such date), or set aside or otherwise deposit or invest any sums for such purpose, except that

(A) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness with Refinancing Indebtedness with respect thereto to the extent permitted under Section 9.9(o) hereof,

(B) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any portion of such Indebtedness with the net proceeds of the issuance and sale of Capital Stock of Parent or Operating permitted hereunder received by such Borrower or Guarantor in cash or other immediately available funds; provided, that, as of the date of any such redemption or purchase or any payment in respect thereof and after giving effect thereto, (1) Borrowers and Guarantors shall have complied with all of the requirements of Sections 9.7(b)(iii)(A), (B), (C) and (E) with respect to such issuance and sale of Capital Stock and in addition to such requirements, the notice provided to Agent pursuant thereto shall specify that the proceeds are to be used for the redemption, retirement, defeasance, purchase or acquisition of all or any part all of such Indebtedness (and shall specify which of the foregoing is intended), the maximum amount that Borrowers and Guarantors will pay in respect thereof and the range of the principal amount of the 16% Senior Discount Notes that Borrowers and Guarantors anticipate will be so redeemed, retired, defeased, purchased or otherwise acquired, (2) the redemption, retirement, defeasance, repurchase or acquisition of all or any part of such Indebtedness shall be substantially contemporaneous with the issuance and sale of the Capital Stock of Parent or Operating subject to such notice provided to Agent, (3) as of the date of any such payment and after giving effect thereto, there shall be Excess Availability, and (4) as of the date of any such payment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, and

(C) Borrowers or Guarantors may redeem or repurchase such Indebtedness in cash or other immediately available funds (other than with proceeds of the issuance and sale of Capital Stock of Parent or Operating as provided in clause (B) above); provided, that, (1) Borrower Agent shall have provided to Agent not less than ten (10) Business Days' notice of the intention of such Borrower or Guarantor to redeem or purchase such Indebtedness (specifying the amount to be paid by Borrowers or Guarantors and the principal amount of the 16% Senior Discount Notes that Borrowers and Guarantors anticipate will be so redeemed or repurchased), (2) for the two consecutive month period immediately prior to the date of any payment in respect of such redemption or repurchase, Excess Availability shall have been not less than $30,000,000, (3) Agent shall have received, not more than twenty (20) Business Days prior to such payment and not less than five (5) Business Days prior to such payment, current, updated projections of the amount of the Borrowing Base and Excess Availability for the one month period after the date of any payment in respect of such redemption or repurchase, in a form reasonably satisfactory to Agent, representing Borrowers' reasonable best estimate of the future Borrowing Base and Excess Availability for the period set forth therein as of the date not more than ten (10) days prior to the date of the payment in respect of such redemption and repurchase, which projections shall have been prepared on the basis of the

assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions, and (4) the amount of the Excess Availability as set forth in such projections for such one month period shall be not less than $20,000,000, and (5) as of the date of any such payment and after giving effect thereto, no Default or Event of Default exists or has occurred and is continuing;

(r) Indebtedness of Operating arising on the Black Canyon Closing Date under the Black Canyon Credit Agreement (or under the Black Canyon Indenture upon its execution and delivery after the Black Canyon Closing Date), provided, that:

(i) the aggregate amount of such Indebtedness shall not exceed $275,000,000 (or such greater amount as is permitted below), less the aggregate amount of all repayments or redemptions, whether optional or mandatory, in respect thereof, plus interest thereon at the rate provided for in the Black Canyon Credit Agreement (or provided for in the Black Canyon Indenture upon its execution and delivery after the date hereof), except, that, at the option of Borrowers, the aggregate principal amount of such Indebtedness outstanding at such time may be increased, provided, that, (A) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention of Borrowers to exercise such option, which notice shall specify the then current amounts of such Indebtedness, the amount of such increase and such other information with respect thereto as Agent may reasonably request, (B) each of the conditions to any such increase under the terms of the Black Canyon Credit Agreement as in effect on the date hereof have been satisfied and Agent shall have received such evidence thereof as Agent may request, (C) such Indebtedness shall be on the same terms and conditions as the Indebtedness of Borrowers under the Black Canyon Credit Agreement as in effect on the date hereof (or as permitted to be amended hereunder) or the same terms and conditions of the Black Canyon Indenture (as such terms and conditions are permitted hereunder) or terms and conditions more favorable to Borrowers and Guarantors and subject in all respects to the Black Canyon Intercreditor Agreement or other intercreditor agreements no less favorable to Agent in any respect, (D) Agent shall receive written confirmation from Borrower Agent that Borrowers have received the proceeds of the loans in immediately available funds giving rise to such increase in Indebtedness promptly upon the receipt thereof and the amount of such funds, (E) in no event shall the aggregate amount of all such increases exceed at any time the amount equal to $50,000,000 minus the amount of the outstanding Indebtedness permitted under Section 9.9(u) hereof, (F) after giving effect to any such increase, Excess Availability shall be not less than $20,000,000 and (G) as of the date of such increase and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(ii) the Credit Facility is and shall at all times continue to be the "Congress Credit Facility" as such term is defined in the Black Canyon Documents and the Obligations are and shall at all times constitute "Senior Debt" and "Designated Senior Debt" as each of such terms is defined in the Black Canyon Documents and is and shall be entitled to all of the rights and benefits thereof, if any, under the Black Canyon Documents,

(iii) Borrowers and Guarantors shall not, directly or indirectly, make any payments in respect of such Indebtedness, except that (A) they may make regularly scheduled payments of interest and fees, if any, in respect of such Indebtedness when due in accordance with the terms of the Black Canyon Credit Agreement (or in accordance with the terms of the

Black Canyon Indenture upon its execution and delivery after the Black Canyon Closing Date), and any reasonable and customary fees required to be paid to lenders or holders of the Indebtedness of Operating under the Black Canyon Documents and (B) payments permitted under clause (r)(v) below of this Section 9.9,

(iv) Borrowers and Guarantors shall not, directly or indirectly, amend, modify, alter or change, in each case, in any material respect any terms of such Indebtedness or any of the Black Canyon Documents or any related agreements, documents and instruments, except that Borrowers and Guarantors may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness other than pursuant to payments thereof, or to reduce the interest rate or any fees in connection therewith, or to eliminate any covenants contained therein, or make any such covenants less restrictive or otherwise more favorable to any Borrower or Guarantor or to execute and deliver a loan guarantee in the form attached as Exhibit B to the Black Canyon Credit Agreement (or the equivalent form attached to the Black Canyon Indenture), and

(v) Borrowers and Guarantors shall not, directly or indirectly, redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness other than at maturity (as set forth in the Black Canyon Credit Agreement or the Black Canyon Indenture upon its execution and delivery after the Black Canyon Closing Date), or set aside or otherwise deposit or invest any sums for such purpose, except that

(A) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness with Refinancing Indebtedness with respect thereto to the extent permitted under Section 9.9(o) hereof,

(B) Borrowers or Guarantors may redeem, retire, defease, purchase or otherwise acquire all or any portion of such Indebtedness with the net proceeds of the issuance and sale of Capital Stock of Parent or Operating permitted hereunder received by such Borrower or Guarantor in cash or other immediately available funds; provided, that, as of the date of any such redemption or purchase or any payment in respect thereof and after giving effect thereto, (1) Borrowers and Guarantors shall have complied with all of the requirements of Sections 9.7(b)(iii)(A), (B), (C) and (E) with respect to such issuance and sale of Capital Stock and in addition to such requirements, the notice provided to Agent pursuant thereto shall specify that the proceeds are to be used for the redemption, retirement, defeasance, purchase or acquisition of all or any part all of such Indebtedness (and shall specify which of the foregoing is intended), the maximum amount that Borrowers and Guarantors will pay in respect thereof and the range of the principal amount of such Indebtedness that Borrowers and Guarantors anticipate will be so redeemed, retired, defeased, purchased or otherwise acquired, (2) the redemption, retirement, defeasance, repurchase or acquisition of all or any part of such Indebtedness shall be substantially contemporaneous with the issuance and sale of the Capital Stock of Parent or Operating subject to such notice provided to Agent, (3) as of the date of any such payment and after giving effect thereto, there shall be Excess Availability, and (4) as of the date of any such payment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, and

(C) Borrowers or Guarantors may redeem or repurchase such Indebtedness in cash or other immediately available funds (other than with proceeds of the issuance and sale of Capital Stock of Parent or Operating as provided in clause (B) above); provided, that, (1) Borrower Agent shall have provided to Agent not less than ten (10) Business Days' notice of the intention of such Borrower or Guarantor to redeem or repurchase such Indebtedness (specifying the amount to be paid by Borrowers or Guarantors and the principal amount of such Indebtedness that Borrowers and Guarantors anticipate will be so redeemed or repurchased), (2) for the two consecutive month period immediately prior to the date of any payment in respect of such redemption or repurchase, Excess Availability shall have been not less than $30,000,000, (3) Agent shall have received, not more than ten (10) Business Days prior to such payment and not less than five (5) Business Days prior to such payment, current, updated projections of the amount of the Borrowing Base and Excess Availability for the one month period after the date of any payment in respect of such redemption or repurchase, in a form reasonably satisfactory to Agent, representing Borrowers' reasonable best estimate of the future Borrowing Base and Excess Availability for the period set forth therein as of the date not more than ten (10) days prior to the date of the payment in respect of such redemption and repurchase, which projections shall have been prepared on the basis of the assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions, (4) the amount of the Excess Availability as set forth in such projections for such one month period shall be not less than $20,000,000, and (5) as of the date of any such payment and after giving effect thereto, no Default or Event of Default exists or has occurred and is continuing.

(s) contingent Indebtedness arising pursuant to the guarantees existing on November 24, 2004 by the Black Canyon Guarantors (or thereafter pursuant to any person that becomes a Black Canyon Guarantor after November 24, 2004 in accordance with the terms of the Black Canyon Documents) of the Indebtedness of Operating arising under the Black Canyon Documents to the extent such Indebtedness of Operating is permitted hereunder, set forth in the Black Canyon Credit Agreement, or on substantially the same terms, in the Black Canyon Indenture upon the execution and delivery thereof.

(t) Indebtedness of any Borrower or Guarantor arising after the date hereof to any financial institution or institutions pursuant to loans in cash or other immediately available funds by such institution or institutions to such Borrower or Guarantor, provided, that, each of the following conditions is satisfied as determined by Agent: (i) such Indebtedness shall be owing to a financial institution or institutions reasonably acceptable to Agent, (ii) in no event shall any Borrower or Guarantor make, or be required to make under the terms thereof, any payments in respect of such Indebtedness prior to the date one hundred eighty (180) days after the end of the then current term of this Agreement, except for (A) regularly scheduled payments of interest and (B) regularly scheduled payments of principal so long as the aggregate amount of such payments of principal in any twelve (12) consecutive month period (but not

including payments on the final maturity date of such Indebtedness) do not exceed $10,000,000 (provided, that, the amount of any such payments of principal in excess of $2,500,000 to be made in any such twelve (12) month period shall be included in the calculation of the Fixed Interest Charge Coverage Ratio as provided herein), (iii) the terms and conditions of such Indebtedness shall be on "market" terms (based on the market for a secured term loan provided in conjunction with an asset-based facility of the type provided for in this Agreement) and otherwise on commercially

reasonable rates and terms in a bona fide transaction, (iv) such Indebtedness shall be secured only by a first priority security interest in the Intellectual Property and a security interest in such other Collateral as such financial institution or institutions may require which is subordinate and junior in all respects to the security interest and lien of Agent therein, (v) Agent shall have received an intercreditor agreement, in form and substance reasonably satisfactory to Agent, duly authorized, executed and delivered by the persons to whom such Indebtedness is owed, and acknowledged and agreed to by Borrowers and Guarantors, (vi) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention of such Borrower or Guarantor to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent the amount of such Indebtedness, the person or persons to whom such Indebtedness will be owed, the interest rate, the schedule of repayments and maturity date with respect thereto and such other information as Agent may reasonably request with respect thereto, (vii) on and after the incurrence of such Indebtedness, the Adjusted Borrowing Base shall be used for purposes hereof and as of the date of incurring such Indebtedness, immediately after giving effect to the Adjusted Borrowing Base, Excess Availability shall be not less than $20,000,000, (viii) Agent shall have received true, correct and complete copies of all material agreements, documents and instruments evidencing or otherwise related to such Indebtedness and such other agreements, documents and instruments as Agent may reasonably request, (ix) the net cash proceeds of such loans received by the Borrowers shall not be less than $20,000,000 and shall not exceed $80,000,000, (x) as of the date of incurring such Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, (xi) such Borrower and Guarantor shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto, except, that, such Borrower or Guarantor may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the interest rate or any fees in connection therewith, or in such other manner as Agent may agree or (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness (except pursuant to regularly scheduled payments permitted herein), or set aside or otherwise deposit or invest any sums for such purpose, and (xii) Borrowers and Guarantors shall furnish to Agent all material notices or demands in connection with such Indebtedness either received by any Borrower or Guarantor or on its behalf promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf concurrently with the sending thereof, as the case may be;

(u) Indebtedness of any Borrower or Guarantor arising after the date hereof to any financial institution or institutions pursuant to loans in cash or other immediately available funds by such institution or institutions to such Borrower or Guarantor, provided, that, each of the following conditions is satisfied as determined by Agent: (i) such Indebtedness shall be owing to a financial institution or institutions reasonably acceptable to Agent, (ii) each of the conditions to any increase in the amount of Indebtedness under the terms of the Black Canyon Credit Agreement as in effect on the date hereof shall have been satisfied and Agent shall have received such evidence thereof as Agent may request, (iii) such Indebtedness shall be on the same terms and conditions as the Indebtedness of Borrowers under the Black Canyon Credit Agreement as in effect on the date hereof (or as permitted to be amended hereunder) or the terms and conditions of the Black Canyon Indenture (as such terms and conditions are permitted hereunder) or terms and conditions more favorable to Borrowers and Guarantors, (iv) Agent shall

have received an intercreditor agreement, in form and substance satisfactory to Agent, duly authorized, executed and delivered by the persons to whom such Indebtedness is owed, and acknowledged and agreed to by Borrowers and Guarantors, which shall be no less favorable to Agent and Lenders than the Black Canyon Intercreditor Agreement, (v) Agent shall receive written confirmation from Borrower Agent that Borrowers have received the proceeds of the loans in immediately available funds giving rise to such Indebtedness on the date of the receipt thereof and the amount of such funds, (vi) in no event shall the aggregate amount of all such Indebtedness exceed at any time the amount equal to $50,000,000 minus the amount of all increases in the Indebtedness permitted under Section 9.9(r)(i) hereof above, (vii) after giving effect to any such Indebtedness, Excess Availability shall be not less than $20,000,000, (vii) Agent shall have received not less than ten (10) Business Days' prior written notice of the intention of such Borrower or Guarantor to incur such Indebtedness, which notice shall set forth in reasonable detail satisfactory to Agent the amount of such Indebtedness, the person or persons to whom such Indebtedness will be owed, the interest rate, the schedule of repayments and maturity date with respect thereto and such other information as Agent may reasonably request with respect thereto, (viii) Agent shall have received true, correct and complete copies of all material agreements, documents and instruments evidencing or otherwise related to such Indebtedness and such other agreements, documents and instruments as Agent may reasonably request, (ix) as of the date of incurring such Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, (x) such Borrower and Guarantor shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto, except, that, such Borrower or Guarantor may, after prior written notice to Agent, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the interest rate or any fees in connection therewith, or in such other manner as Agent may agree, (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness (except pursuant to regularly scheduled payments permitted herein), or set aside or otherwise deposit or invest any sums for such purpose, and (xi) Borrowers and Guarantors shall furnish to Agent all material notices or demands in connection with such Indebtedness either received by any Borrower or Guarantor or on its behalf promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf concurrently with the sending thereof, as the case may be; and

(v) Indebtedness of any Borrower or Guarantor entered into in the ordinary course of business pursuant to a Hedge Agreement; provided, that, (i) such arrangements are either with Agent, any Lender, or any Affiliate of any Lender or other financial institutions acceptable to Agent (and in each case as to any such Lender, Affiliate or other financial institution only to the extent approved by Agent), (ii) such arrangements are not for speculative purposes, and (iii) such Indebtedness shall be unsecured, except to the extent such Indebtedness constitutes part of the Obligations arising under or pursuant to Hedge Agreements with Agent, any Lender, any Affiliate of any Lender or another financial institution that are secured under the terms hereof.

9.10 Loans, Investments, Etc. Each Borrower and Guarantor shall not, and shall not permit any Subsidiary to, directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution or otherwise) or purchase or repurchase the

Capital Stock or Indebtedness or all or a substantial part of the assets or property of any person, or form or acquire any Subsidiaries, or agree to do any of the foregoing, except:

(a) the endorsement of instruments for collection or deposit in the ordinary course of business;

(b) investments in cash or Cash Equivalents, provided, that, (i) no Revolving Loans are then outstanding and (ii) the terms and conditions of Section 5.2 hereof shall have been satisfied with respect to the deposit account, investment account or other account in which such cash or Cash Equivalents are held;

(c) the equity investments of each Borrower and Guarantor in its Subsidiaries, provided, that, no Borrower or Guarantor shall have any further obligations or liabilities to make any capital contributions or other additional investments or other payments to or in or for the benefit of any of such Subsidiaries;

(d) loans and advances by any Borrower or Guarantor to employees of such Borrower or Guarantor not to exceed the principal amount of $3,000,000 in the aggregate at any time outstanding for: (i) reasonably and necessary work-related travel or other ordinary business expenses to be incurred by such employee in connection with their work for such Borrower or Guarantor and (ii) reasonable and necessary relocation expenses of such employees (including home mortgage financing for relocated employees);

(e) stock or obligations issued to any Borrower or Guarantor by any Person (or the representative of such Person) in respect of Indebtedness of such Person owing to such Borrower or Guarantor in connection with the insolvency, bankruptcy, receivership or reorganization of such Person or a composition or readjustment of the debts of such Person; provided, that, the original of any such stock or instrument evidencing such obligations shall be promptly delivered to Agent, upon Agent's request, together with such stock power, assignment or endorsement by such Borrower or Guarantor as Agent may request;

(f) obligations of account debtors to any Borrower or Guarantor arising from Accounts which are past due evidenced by a promissory note made by such account debtor payable to such Borrower or Guarantor; provided, that, promptly upon the receipt of the original of any such promissory note by such Borrower or Guarantor, such promissory note shall be endorsed to the order of Agent by such Borrower or Guarantor and promptly delivered to Agent as so endorsed;

(g) loans by Operating to any Subsidiary of Operating (other than an Inactive Subsidiary) or by Intermediate or any Subsidiary of Operating to Operating or any other Subsidiary of Operating (other than an Inactive Subsidiary); provided, that, as to all of such loans, the Indebtedness arising pursuant to any such loan shall not be evidenced by a promissory note or other instrument, unless the single original of such note or other instrument is promptly delivered to Agent upon its request to hold as part of the Collateral, with such endorsement and/or assignment by the payee of such note or other instrument as Agent may require,

(h) the formation by Parent of a direct wholly-owned Subsidiary after the date hereof that is incorporated under the laws of a State of the United States of America; provided,

that, each of the following conditions is satisfied: (i) the only asset of such wholly-owned Subsidiary shall be Capital Stock of Operating issued after the date hereof to the extent such issuance is permitted under this Agreement and such Subsidiary shall not engage in any business or commercial activity or own or hold any other assets or properties, (ii) Parent shall cause any such Subsidiary to execute and deliver to Agent, each of the following, in each case in form and substance satisfactory to Agent: (A) an absolute and unconditional guarantee of payment of the Obligations, (B) a security agreement granting to Agent a first security interest in and lien upon all of the assets of any such Subsidiary, and (C) such other agreements, documents and instruments as Agent may require and (iii) Parent shall (A) execute and deliver to Agent, a pledge and security agreement, in form and substance satisfactory to Agent, granting to Agent a first pledge of and lien on all of the issued and outstanding shares of Capital Stock of any such Subsidiary, and (B) deliver the original stock certificates evidencing such shares of Capital Stock (or such other evidence as may be issued in the case of a limited liability company), together with stock powers with respect thereto duly executed in blank (or the equivalent thereof in the case of a limited liability company in which such interests are certificated, or otherwise take such actions as Agent shall require with respect to Agent's security interests therein),

(i) other investments in an aggregate amount not to exceed $1,000,000 at any time outstanding, provided, that, as of the date of any such investment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing;

(j) the loans and advances set forth on Schedule 9.10 to the Information Certificate; provided, that, as to such loans and advances, Borrowers and Guarantors shall not, directly or indirectly, amend, modify, alter or change the terms of such loans and advances or any agreement, document or instrument related thereto and Borrowers and Guarantors shall furnish to Agent all notices or demands in connection with such loans and advances either received by any Borrower or Guarantor or on its behalf, promptly after the receipt thereof, or sent by any Borrower or Guarantor or on its behalf, concurrently with the sending thereof, as the case may be;

(k) an intercompany loan by Operating to Intermediate on or about the Black Canyon Closing Date with a portion of the proceeds of the loans received by Operating under the Black Canyon Credit Agreement, the proceeds of which shall be used on or about the Black Canyon Closing Date by Intermediate solely to prepay a portion of the 16% Senior Discount Notes, provided, that, the Indebtedness arising pursuant to such loan shall not be evidenced by a promissory note or other instrument, unless the single original of such note or other instrument is promptly delivered to Agent upon its request to hold as part of the Collateral, with such endorsement and/or assignment by the payee of such note or other instrument as Agent may require.

(l) the acquisition after the date of the date hereof by any Borrower or Guarantor of any direct wholly-owned Subsidiary of such Borrower or Guarantor organized under the laws of a jurisdiction in the United States of America; provided, that, as to any such acquisition of any such Subsidiary, each of the following conditions is satisfied:

(i) as of the date of any such acquisition of such Subsidiary or any payments in connection with the acquisition of such Subsidiary, and in each case after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(ii) as of the date of any such acquisition of such Subsidiary or any payments in connection with the acquisition of such Subsidiary, for the two consecutive month period immediately prior to the date of any payment in respect of such redemption or repurchase, Excess Availability shall have been not less than $30,000,000,

(iii) Agent shall have received, not more than twenty (20) Business Days prior to the acquisition of such Subsidiary or any payment in connection with the acquisition of such Subsidiary, and not less than five (5) Business Days prior to such payment, current, updated projections of the amount of the Borrowing Base and Excess Availability for the one month period after the date of any payment in respect of such acquisition, in a form reasonably satisfactory to Agent, representing Borrowers' reasonable best estimate of the future Borrowing Base and Excess Availability for the period set forth therein as of the date not more than term (10) days prior to the date of such acquisition or any payment in connection with it, which projections shall have been prepared on the basis of the assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions,

(iv) the amount of the Excess Availability as set forth in such projections for such one month period shall be not less than $20,000,000,

(v) the Subsidiary acquired shall be engaged in a business related, ancillary or complementary to the business of Borrowers permitted in this Agreement,

(vi) the Borrower or Guarantor forming such Subsidiary shall, except as Agent may otherwise agree, (A) execute and deliver to Agent, a pledge and security agreement, in form and substance satisfactory to Agent, granting to Agent a first pledge of and lien on all of the issued and outstanding shares of Capital Stock of any such Subsidiary, and (B) deliver the original stock certificates evidencing such shares of Capital Stock (or such other evidence as may be issued in the case of a limited liability company), together with stock powers with respect thereto duly executed in blank (or the equivalent thereof in the case of a limited liability company in which such interests are certificated, or otherwise take such actions as Agent shall require with respect to Agent's security interests therein),

(vii) as to any such Subsidiary, except as Agent may otherwise agree, (A) the Borrower or Guarantor forming such Subsidiary shall cause any such Subsidiary to execute and deliver to Agent, the following (each in form and substance satisfactory to Agent), (A) an absolute and unconditional guarantee of payment of the Obligations, (B) a security agreement granting to Agent a first security interest and lien (except as otherwise consented to in writing by Agent) upon all of the assets of any such Subsidiary, and (C) such other agreements, documents and instruments as Agent may reasonably require in connection with the documents referred to above, including, but not limited to, supplements and amendments hereto and other loan agreements or instruments evidencing Indebtedness of such new Subsidiary to Agent,

(viii) Agent shall have received (A) not less than ten (10) Business Days' prior written notice thereof setting forth in reasonable detail the nature and terms thereof, (B) true, correct and complete copies of all material agreements, documents and instruments relating thereto and (C) such other agreements, documents and instruments relating thereto and information with respect thereto as Agent may reasonably request.

9.11 Restricted Payments. Each Borrower and Guarantor shall not, and shall not permit any Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except:

(a) Parent or Operating may make Restricted Payments with respect to its Capital Stock payable solely in additional shares of its Capital Stock that satisfies the requirements for issuance of Capital Stock by Parent or Operating under Section 9.7(b)(iii) hereof;

(b) Parent may make Restricted Payments with respect to the 14.50% Series A Preferred Stock of Parent and the 14.50% payment-in-kind Series B Redeemable Cumulative Preferred Stock of Parent, payable solely in additional shares of such preferred stock;

(c) Subsidiaries of Operating may make Restricted Payments to Operating and to wholly owned Subsidiaries of Operating (other than Inactive Subsidiaries) and may declare and pay dividends ratably with respect to their common stock;

(d) if at the time thereof and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, Operating may pay cash dividends to Parent, in an aggregate amount not exceeding $1,500,000 during any fiscal year, at such time and in such amounts as shall be necessary to permit Parent to (i) pay Taxes imposed upon it and liabilities incidental to its existence when due and (ii) pay directors' fees and management compensation to its directors when due; provided, that, any dividends permitted to be paid to Parent shall not be paid prior to the date that Parent will apply the proceeds of such dividends to the purposes for which such dividends are permitted;

(e) Operating and its Subsidiaries may make payments to Parent pursuant to and in accordance with the tax sharing agreement by and among Parent and its Subsidiaries to reimburse Parent for their respective shares of income taxes paid by Parent determined as if Operating or such Subsidiary had filed its tax returns separately from Parent;

(f) (i) Operating may declare and pay a dividend to Parent (directly, or by payment of such dividend to Intermediate), and Intermediate may declare and pay a dividend to Parent, from time to time, (A) in the amount equal to any payment by Parent of cash interest permitted to be made by Parent pursuant to Section 9.9(j) hereof in respect of the Senior Discount Debentures, the proceeds of which shall be used by Parent only to make a payment of the interest then due and payable in accordance with the terms of the Senior Discount Debentures as in effect on the date hereof, and (B) in the amount up to the amount of any prepayments of principal that Parent is then permitted to make in respect of the Senior Discount Debentures under Section 9.9(j)(v)(C) hereof, the proceeds of which shall only be used by Parent to make prepayments of principal under the Senior Discount Debentures to the extent that Parent is

permitted to make such prepayments permitted under Section 9.9(j)(v)(C) hereof and (C) in the amount of the payment of principal required to be made by Parent on the scheduled final maturity date under the Senior Discount Debentures as in effect on the date hereof (or as such maturity date may be extended), the proceeds of which shall only be used by Parent to make such required payment on such scheduled final maturity date and (ii) Operating may declare and pay a dividend to Intermediate, from time to time, (A) in the amount up to the amount of any prepayments of principal that Intermediate is then permitted to make in respect of the 16% Senior Discount Notes under Section 9.9(q)(v)(C) hereof, the proceeds of which shall only be used by Intermediate to make such prepayments permitted under Section 9.9(q)(v)(C) and (B) in the amount of the payment of principal required to be made by Intermediate on the scheduled final maturity date under the 16% Senior Discount Notes as in effect on the date hereof (or as such maturity date may be extended), the proceeds of which shall only be used by Intermediate to make such required payment on such scheduled final maturity date; provided, that, as to any of the dividends referred to in clauses (i)(A) and (i) (C) and (ii)(B) above, any such dividend shall not be paid more than ninety (90) days prior to the date such payment of interest or principal is due and payable and if such dividend is paid by Operating to Parent or Intermediate prior to the date that such interest or principal is due and payable, all such funds shall be held in an investment account or deposit account subject to an Investment Property Control Agreement or Deposit Account Control Agreement, as the case may be, in favor of Agent, as duly authorized, executed and delivered by the financial intermediary where such funds are held, Parent and/or Intermediate and Agent and as to any of the dividends referred to in clause (i)(B) and (ii)(A) above, any such dividend shall not be paid more than five (5) Business Days prior to the date of such prepayment and Agent shall have received not less than ten (10) Business Days' prior written notice of the intention of Operating to pay such dividends, which notice shall set forth the amount thereof that Operating is intending to pay,

(g) Operating may declare and pay to a dividend to Parent from time to time, in each case, in the amount equal to any payment by Parent of cash interest permitted to be made by Parent pursuant to Section 9.9(o) hereof in respect of Refinancing Indebtedness with respect to the Senior Discount Debentures, the proceeds of which shall be used by Parent only to make a payment of the interest then due and payable in accordance with the terms of such Refinancing Indebtedness, provided, that, any such dividend shall not be paid more than ninety (90) days prior to the date such payment of interest is due and payable and if such dividend is paid by Operating to Parent prior to the date that such interest is due and payable, all such funds shall be held in an investment account subject to an Investment Property Control Agreement in favor of Agent, as duly authorized, executed and delivered by the financial intermediary where such funds are held, Parent and Agent;

(h) Borrowers and Guarantors may repurchase Capital Stock consisting of common stock held by employees pursuant to any employee stock ownership plan thereof upon the termination, retirement or death of any such employee in accordance with the provisions of such plan, provided, that, as to any such repurchase, each of the following conditions is satisfied: (i) as of the date of the payment for such repurchase and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, (ii) such repurchase shall be paid with funds legally available therefor, (iii) such repurchase shall not violate any law or regulation or the terms of any indenture, agreement or undertaking to which such Borrower or Guarantor is a party or by which such Borrower or Guarantor or its or their property are bound,

and (iv) the aggregate amount of all payments for such repurchases in any calendar year shall not exceed $500,000;

(i) Borrowers and Guarantors may make Restricted Payments for the purpose of paying dividends and paying other distributions in respect of Capital Stock or the repurchase of Capital Stock, provided, that, (A) Borrower Agent shall have provided to Agent not less than ten (10) Business Days' prior written notice of the intention of such Borrower or Guarantor to pay such dividends or other distributions or make such other repurchases (specifying the amount to be paid by Borrowers or Guarantors), (B) for the two consecutive month period immediately prior to the date of any payment in respect of such dividends or other distributions or repurchases, Excess Availability shall have been not less than $30,000,000, (C) Agent shall have received, not more than twenty (20) Business Days prior to such payment and not less than five (5) Business Days prior to such payment, current, updated projections of the amount of the Borrowing Base and Excess Availability for the one month period after the date of any payment in respect of such dividends, other distributions or repurchases, in a form reasonably satisfactory to Agent, representing Borrowers' reasonable best estimate of the future Borrowing Base and Excess Availability for the period set forth therein as of the date not more than ten (10) days prior to the date of the payment in respect of such dividend or other distributions, which projections shall have been prepared on the basis of the assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions, (D) the amount of the Excess Availability as set forth in such projections for such one month period shall be not less than $20,000,000, and (E) as of the date of any such payment and after giving effect thereto, no Default or Event of Default exists or has occurred and is continuing.

9.12 Transactions with Affiliates. Each Borrower and Guarantor shall not, and shall not permit any Subsidiary, directly or indirectly, to sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except: (a) transactions in the ordinary course of business that do not involve Parent and are at prices and on terms no less favorable to such Borrower or Guarantor than could be obtained on an arm's-length basis from unrelated third parties or are otherwise permitted under Section 9.9(i) hereof, (b) transactions between and among Operating and the other Borrowers and Guarantors not involving any other Affiliate, and (c) any Restricted Payment permitted by Section 9.11.

9.13 Compliance with ERISA. Each Borrower and Guarantor shall, and shall cause each of its ERISA Affiliates, to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and State law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; (c) not terminate any of such Plans so as to incur any liability to the Pension Benefit Guaranty Corporation that would have a Material Adverse Effect; (d) not allow or suffer to exist any prohibited transaction involving any of such Plans or any trust created thereunder which would subject such Borrower, Guarantor or such ERISA Affiliate to a material tax or penalty or other material liability on prohibited transactions imposed under Section 4975 of the Code or ERISA; (e) make all required contributions to any Plan which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such Plan; (f) not allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such Plan; or (g)

allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the Pension Benefit Guaranty Corporation of any such Plan that is a single employer plan, which termination could result in any liability in excess of $5,000,000.

9.14 End of Fiscal Years; Fiscal Quarters. Each Borrower and Guarantor shall, for financial reporting purposes, cause its, and each of its Subsidiaries' (a) fiscal years to end on the Saturday closest to January 31st of each year and (b) fiscal quarters to end on or around each of April 30th, July 31st, October 31st, and January 31st of each year.

9.15 Credit Card Agreements. Each Borrower shall (a) observe and perform all material terms, covenants, conditions and provisions of the Credit Card Agreements to be observed and performed by it at the times set forth therein; and (b) at all times maintain in full force and effect the Credit Card Agreements and not terminate, cancel, surrender, modify, amend, waive or release any of the Credit Card Agreements, or consent to or permit to occur any of the foregoing; except, that, (i) any Borrower may terminate or cancel any of the Credit Card Agreements in the ordinary course of the business of such Borrower; provided, that, such Borrower shall give Agent not less than fifteen (15) days prior written notice of its intention to so terminate or cancel any of the Credit Card Agreements; (d) not enter into any new Credit Card Agreements with any new Credit Card Issuer unless (i) Agent shall have received not less than thirty (30) days prior written notice of the intention of such Borrower to enter into such agreement (together with such other information with respect thereto as Agent may request) and (ii) such Borrower delivers, or causes to be delivered to Agent, a Credit Card Acknowledgment in favor of Agent, (e) give Agent immediate written notice of any Credit Card Agreement entered into by such Borrower after the date hereof, together with a true, correct and complete copy thereof and such other information with respect thereto as Agent may request; and (f) furnish to Agent, promptly upon the request of Agent, such information and evidence as Agent may require from time to time concerning the observance, performance and compliance by such Borrower or the other party or parties thereto with the terms, covenants or provisions of the Credit Card Agreements.

9.16 Changes in Business. Each Borrower and Guarantor shall not engage in any business other than the business of such Borrower or Guarantor on the date hereof and any business reasonably related, ancillary or complimentary to the business in which such Borrower or Guarantor is engaged on the date hereof. Operating does and shall continue to fund the payments under the Letter of Credit Accommodations and issue checks and other payments for the purchase of substantially all of the Inventory for which the other Borrowers shall repay Operating on a regular basis in a manner consistent with the current practices of Borrowers as of the date hereof.

9.17 Limitation of Restrictions Affecting Subsidiaries. Each Borrower and Guarantor shall not, directly, or indirectly, create or otherwise cause or suffer to exist any encumbrance or restriction which prohibits or limits the ability of any Subsidiary of such Borrower or Guarantor to (a) pay dividends or make other distributions or pay any Indebtedness owed to such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor; (b) make loans or advances to such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor, (c) transfer any of its properties or assets to such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor; or (d) create, incur, assume or suffer to exist any lien upon any of its property, assets

or revenues, whether now owned or hereafter acquired, other than encumbrances and restrictions arising under (i) applicable law, (ii) this Agreement, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor, (iv) customary restrictions on dispositions of real property interests found in reciprocal easement agreements of such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor, (v) any agreement relating to permitted Indebtedness incurred by a Subsidiary of such Borrower or Guarantor prior to the date on which such Subsidiary was acquired by such Borrower or such Guarantor and outstanding on such acquisition date, and (vi) the extension or continuation of contractual obligations in existence on the date hereof; provided, that, any such encumbrances or restrictions contained in such extension or continuation are no less favorable to Agent and Lenders than those encumbrances and restrictions under or pursuant to the contractual obligations so extended or continued.

9.18 Fixed Interest Charge Coverage Ratio. At any time that Excess Availability is less than $20,000,000, the Fixed Interest Charge Coverage Ratio of Operating and its Subsidiaries (on a consolidated basis) for the immediately preceding twelve (12) consecutive fiscal months (treated as a single account period) ending on the last day of the most recent fiscal month for which financial statements of Operating and its Subsidiaries have been received by Agent pursuant to Section 9.6(a) shall be not less than 1.10 to 1.00 with respect to such period.

9.19 Capital Expenditures.

(a) Subject to the terms of Section 9.19(b) below, Borrowers and Guarantors shall not permit the aggregate amount of all Capital Expenditures of Borrowers and Guarantors during the fiscal year of Borrowers and Guarantors ending on or about:

(i) January 31, 2005, to exceed $15,000,000;

(ii) January 31, 2006, to exceed the greater of (A) the amount equal to: (1) $40,000,000 as reduced by the amount by which the EBITDA of Operating and its Subsidiaries for the fiscal year ending January 31, 2005 as set forth in the audited year-end financial statements for such period is less than $75,000,000 or (B) $25,000,000;

(iii) January 31, 2007, to exceed the greater of (A) the amount equal to: (1) $50,000,000 as reduced by the amount by which the EBITDA of Operating and its Subsidiaries for the fiscal year ending January 31, 2006 as set forth in the audited year-end financial statements for such period is less than $85,000,000 or (B) $25,000,000;

(iv) January 31, 2008, to exceed the greater of (A) the amount equal to: (1) $60,000,000 as reduced by the amount by which the EBITDA of Operating and its Subsidiaries for the fiscal year ending January 31, 2007 as set forth in the audited year-end financial statements for such period is less than $95,000,000 or (B) $25,000,000;

(v) January 31, 2009, to exceed the greater of (A) the amount equal to: (1) $70,000,000 as reduced by the amount by which the EBITDA of Operating and its Subsidiaries for the fiscal year ending January 31, 2008 as set forth in the audited year-end financial statements for such period is less than $105,000,000 or (B) $25,000,000;

(vi) January 31, 2010, to exceed the greater of (A) the amount equal to: (1) $80,000,000 as reduced by the amount by which the EBITDA of Operating and its Subsidiaries for the fiscal year ending January 31, 2009 as set forth in the audited year-end financial statements for such period

is less than $115,000,000 or (B) $25,000,000.

(b) To the extent that the actual amount of Capital Expenditures in any fiscal year shall be less than the amount otherwise permitted hereunder for such fiscal year, Capital Expenditures may be made in the immediately subsequent fiscal year in the amount of up to $10,000,000 of such excess, in addition to the amount otherwise permitted hereunder for such subsequent fiscal year.

9.20 License Agreements.

(a) With respect to a License Agreement applicable to Intellectual Property that is owned by a third party and licensed to a Borrower or Guarantor and that is affixed to or otherwise used in connection with the manufacture, sale or distribution of any Inventory, each Borrower and Guarantor shall (i) give Agent not less than ninety (90) days prior written notice of its intention to not renew or to terminate, cancel, surrender or release its rights under any such License Agreement, or to amend any such License Agreement or related arrangements to limit the scope of the right of such Borrower or Guarantor to use the Intellectual Property subject to such License Agreement, either with respect to product, territory, term or otherwise, or to increase the amounts to be paid by such Borrower or Guarantor thereunder or in connection therewith (and Agent may establish such Reserves as a result of any of the foregoing as Agent may reasonably determine), (ii) give Agent prompt written notice of any such License Agreement entered into by such Borrower or Guarantor after the date hereof, or any material amendment to any such License Agreement existing on the date hereof, in each case together with a true, correct and complete copy thereof and such other information with respect thereto as Agent may in good request, (iii) give Agent prompt written notice of any material breach of any obligation, or any default, by the third party that is the licensor or by the Borrower or Guarantor that is the licensee or any other party under any such License Agreement, and deliver to Agent (promptly upon the receipt thereof by such Borrower or Guarantor in the case of a notice to such Borrower or Guarantor and concurrently with the sending thereof in the case of a notice from such Borrower or Guarantor) a copy of each notice of default and any other notice received or delivered by such Borrower or Guarantor in connection with any such a License Agreement that relates to the scope of the right, or the continuation of the right, of such Borrower or Guarantor to use the Intellectual Property subject to such License Agreement or the amounts required to be paid thereunder.

(b) With respect to a License Agreement applicable to Intellectual Property that is owned by a third party and licensed to a Borrower or Guarantor and that is affixed to or otherwise used in connection with the manufacture, sale or distribution of any Inventory, at any time an Event of Default shall exist or have occurred and be continuing or if after giving effect to any Reserves, or the reduction in the applicable Borrowing Base as a result of Eligible Inventory using such licensed Intellectual Property ceasing to be Eligible Inventory, Agent shall have, and is hereby granted, the irrevocable right and authority, at its option, to renew or extend the term of such License Agreement, whether in its own name and behalf, or in the name and behalf of a designee or nominee of Agent or in the name and behalf of such Borrower or Guarantor, subject

to and in accordance with the terms of such License Agreement. Agent may, but shall not be required to, perform any or all of such obligations of such Borrower or Guarantor under any of the License Agreements, including, but not limited to, the payment of any or all sums due from such Borrower or Guarantor thereunder. Any sums so paid by Agent shall constitute part of the Obligations.

9.21 After Acquired Real Property. If any Borrower or Guarantor hereafter acquires any Real Property, fixtures or any other property that is of the kind or nature described in the Mortgages and such Real Property, fixtures or other property is adjacent to, contiguous with or necessary or related to or used in connection with any Real Property then subject to a Mortgage, or if such Real Property is not adjacent to, contiguous with or related to or used in connection with such Real Property, then if such Real Property, fixtures or other property at any location (or series of adjacent, contiguous or related locations, and regardless of the number of parcels) has a fair market value in an amount equal to or greater than $1,000,000 (or if an Event of Default exists, then regardless of the fair market value of such assets), without limiting any other rights of Agent or any Lender, or duties or obligations of any Borrower or Guarantor, promptly upon Agent's request, such Borrower or Guarantor shall execute and deliver to Agent a mortgage, deed of trust or deed to secure debt, as Agent may determine, in form and substance substantially similar to the Mortgages and as to any provisions relating to specific state laws satisfactory to Agent and in form appropriate for recording in the real estate records of the jurisdiction in which such Real Property or other property is located granting to Agent a first and only lien and mortgage on and security interest in such Real Property, fixtures or other property (except as such Borrower or Guarantor would otherwise be permitted to incur hereunder or under the Mortgages or as otherwise consented to in writing by Agent) and such other agreements, documents and instruments as Agent may require in connection therewith provided, that, as to any such Real Property that is not adjacent, contiguous or related to Real Property then subject to a Mortgage, if the purchase price for such Real Property is paid with the initial proceeds of a loan from a financial institution giving rise to Indebtedness permitted under Section 9.9(b) hereof, then such Borrower or Guarantor shall not be required to execute and deliver such mortgage, deed of trust or deed to secure debt in favor of Agent with respect to such Real Property.

9.22 Costs and Expenses. Borrowers and Guarantors shall pay to Agent on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Agent's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all out-of-pocket costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) out-of-pocket costs and expenses and fees for insurance premiums, environmental audits, title insurance premiums, surveys, assessments, engineering reports and inspections, appraisal fees and search fees, costs and expenses of remitting loan proceeds, collecting checks and other items of payment, and establishing and maintaining the Blocked Accounts, together with Agent's customary charges and fees with respect thereto; (c) charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit

Accommodations; (d) costs and expenses of preserving and protecting the Collateral; (e) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Agent, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Agent or any Lender arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters); (f) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Agent during the course of periodic field examinations of the Collateral and such Borrower's or Guarantor's operations, plus a per diem charge at Agent's then standard rate for Agent's examiners in the field and office (which rate as of the date hereof is $850 per person per day), provided that periodic field examinations will be limited to two in any twelve (12) consecutive month period unless (i) Excess

Availability is less than $30,000,000, in which case, Agent shall be entitled to conduct a third field examination, and (ii) if an Event of Default shall have occurred and be continuing, there shall be no restriction on field examinations; and (g) the reasonable fees and disbursements of counsel (including legal assistants) to Agent in connection with any of the foregoing.

9.23 Further Assurances. At the request of Agent at any time and from time to time, Borrowers and Guarantors shall, at their expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Agent may at any time and from time to time request a certificate from an officer of any Borrower or Guarantor representing that all conditions precedent to the making of Revolving Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Agent, Agent and Lenders may, at Agent' s option, cease to make any further Revolving Loans or provide any further Letter of Credit Accommodations until Agent has received such certificate and, in addition, Agent has determined that such conditions are satisfied.

9.24 Minimum Excess Availability. Operating and its Subsidiaries (on a consolidated basis) shall maintain Excess Availability at all times in excess of $5,000,000.

9.25 Black Canyon Closing.

(a) On or prior to the Black Canyon Closing Date, the Black Canyon Credit Agreement shall have been duly authorized, issued and delivered by Operating, and the transactions contemplated thereunder shall have been performed in accordance with their terms by the respective parties thereto in all respects to the extent to be performed thereunder on or before the Black Canyon Closing Date, including the fulfillment (or the waiver) of all conditions precedent set forth therein.

(b) On or prior to the Black Canyon Closing Date, all actions and proceedings required by the Black Canyon Documents, applicable law or regulations, including, without limitation, all Securities Laws, shall have been taken in all material respects, and the transactions

required thereunder shall have been (or will be when required to under the Black Canyon Documents or applicable law) duly and validly taken and consummated.

(c) Borrowers shall provide written notice to Agent of the Black Canyon Closing Date on such date.

(d) The Black Canyon Closing Date shall occur on or about December 23, 2004 and Borrowers and Guarantors shall have received the proceeds of the initial loans under the Black Canyon Credit Agreement on or about such date.

SECTION 10. EVENTS OF DEFAULT AND REMEDIES

10.1 Events of Default. The occurrence or existence of any one or more of the following events are referred to herein individually as an "Event of Default", and collectively as "Events of Default":

(a) (i) any Borrower fails to pay any of the Obligations when due or (ii) any Borrower or Obligor fails to perform any of the covenants contained in Sections 7.1(a)(i), 7.1(a)(ii) or 7.1(a)(iii) of this Agreement and such failure shall continue for ten (10) days or Sections 9.2, 9.3, 9.4, 9.6(a), 9.6(c), 9.13, 9.14, 9.16 and 9.17 of this Agreement or any covenants contained in any of the Financing Agreements other than any note, guarantee, security agreement, mortgage or deed of trust and such failure shall continue for fifteen (15) days; provided, that, such five (5) day period or ten (10) day period, as applicable, shall not apply in the case of: (A) any failure to observe any such covenant which is not capable of being cured at all or within such ten (10) or fifteen (15) day period, as applicable, or which in the case of a failure to perform any covenant contained in Sections 7.1(a)(i), 7.1(a)(ii) or 7.1(a)(iii) has been the subject of two (2) prior failures within a calendar year or, in the case of a failure to perform any of the other covenants set forth in this clause (a)(ii) has been the subject of a prior failure within a six (6) month period or (B) an intentional breach by any Borrower or Obligor of any such covenant or (iii) any Borrower or Obligor fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements other than those described in Sections 10.1(a)(i) and 10.1(a)(ii) above;

(b) any representation, warranty or statement of fact made by any Borrower or Guarantor to Agent in this Agreement, the other Financing Agreements shall when made or deemed made be false or misleading in any material respect;

(c) any Obligor revokes or terminates or purports to revoke or terminate or fails to perform any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Agent or any Lender;

(d) any judgment for the payment of money is rendered against any Borrower or Obligor in excess of $7,500,000 in any one case or in excess of $10,000,000 in the aggregate outstanding at any time (to the extent not covered by insurance where the insurer has assumed responsibility in writing for such judgment) and shall remain undischarged and unvacated for a period in excess of sixty (60) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against any Borrower or Obligor that has or is reasonably likely to have a

Material Adverse Effect or any of the Collateral having a value in excess of $7,000,000 and shall remain undischarged and unvacated for a period in excess of sixty (60) days;

(e) any Obligor (being a natural person or a general partner of an Obligor which is a partnership) dies or any Borrower or Obligor, which is a partnership, limited liability company, limited liability partnership or a corporation, dissolves or suspends or discontinues doing business;

(f) any Borrower or Obligor makes an assignment for the benefit of creditors, makes or sends notice of a bulk transfer;

(g) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against any Borrower or Obligor or all or any part of its properties and such petition or application is not dismissed or vacated within sixty (60) days after the date of its filing or any Borrower or Obligor shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

(h) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by any Borrower or Obligor or for all or any part of its property;

(i) any default by any Borrower or any Obligor under any agreement, document or instrument relating to any Indebtedness owing to any person other than Lenders, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lenders, in any case in an amount in excess of $5,000,000, which default continues for more than the applicable cure period, if any, with respect thereto, or any default by any Borrower or any Obligor under any Material Contract (including, without limitation, any of the Credit Card Agreements), which default continues for more than the applicable cure period, if any, with respect thereto which default has or could reasonably be expected to have a Material Adverse Effect, or any Credit Card Issuer or Credit Card Processor (other than with a Credit Card Issuer or Credit Card Processor where the sales using the applicable card are less than ten (10%) percent of all such sales in the immediately preceding fiscal year) withholds payment of amounts otherwise payable to a Borrower to fund a reserve account or otherwise hold as collateral, or shall require a Borrower to pay funds into a reserve account or for such Credit Card Issuer or Credit Card Processor to otherwise hold as collateral, or any Borrower shall provide a letter of credit, guarantee, indemnity or similar instrument to or in favor of such Credit Card Issuer or Credit Card Processor such that in the aggregate all of such funds in the reserve account, other amounts held as collateral and the amount of such letters of credit, guarantees, indemnities or similar instruments shall exceed $2,000,000 or any such Credit Card Issuer or Credit Card Processor shall debit or deduct any amounts in excess of $50,000 in the aggregate in any fiscal year of Borrowers and Guarantors from any deposit account of any Borrower;

(j) any Credit Card Issuer or Credit Card Processor shall send written notice to any Borrower that it is ceasing to make or suspending payments to any Borrower of amounts due or to become due to any Borrower or shall cease or suspend such payments, or shall send written notice to any Borrower that it is terminating its arrangements with any Borrower or such arrangements shall terminate as a result of any event of default under such arrangements, which continues for more than the applicable cure period, if any, with respect thereto, unless such Borrower shall have entered into arrangements with another Credit Card Issuer or Credit Card Processor, as the case may be, within sixty (60) days after the date of any such notice;

(k) any material provision hereof or of any of the other Financing Agreements shall for any reason cease to be valid, binding and enforceable with respect to any party hereto or thereto (other than Agent) in accordance with its terms, or any such party shall challenge the enforceability hereof or thereof, or shall assert in writing, or take any action or fail to take any action based on the assertion that any provision hereof or of any of the other Financing Agreements has ceased to be or is otherwise not valid, binding or enforceable in accordance with its terms, or any security interest provided for herein or in any of the other Financing Agreements shall cease to be a valid and perfected first priority security interest in any of the Collateral purported to be subject thereto (except as otherwise permitted herein or therein);

(l) an ERISA Event shall occur which results in or could reasonably be expected to result in liability of any Borrower in an aggregate amount in excess of $5,000,000;

(m) any Change of Control;

(n) the indictment by any Governmental Authority, or as Agent may reasonably and in good faith determine, the threatened indictment by any Governmental Authority of any Borrower or Obligor of which any Borrower, Obligor or Agent receives notice, in either case, as to which there is a reasonable possibility of an adverse determination, in the good faith determination of Agent, under any criminal statute, or commencement or threatened commencement of criminal or civil proceedings against such Borrower or Obligor, pursuant to which statute or proceedings the penalties or remedies sought or available include forfeiture of (i) any of the Collateral having a value in excess of $5,000,000 or (ii) any other property of any Borrower or Guarantor which is necessary or material to the conduct of its business; or

(o) there shall be a Material Adverse Effect (it being understood that this Section 10.1(p) shall not constitute a limitation upon the dollar threshold amounts set forth in Section 10.1(d) hereof).

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Agent and Lenders shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the UCC and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Borrower or Obligor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Agent and Lenders hereunder, under any of the other Financing Agreements, the UCC or other applicable law, are cumulative, not exclusive and enforceable, in

Agent's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Borrower or Obligor of this Agreement or any of the other Financing Agreements. Subject to Section 12 hereof, Agent may, and at the direction of the Required Lenders shall, at any time or times, proceed directly against any Borrower or Obligor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Agent may, in its discretion, and upon the direction of the Required Lenders, shall (i) accelerate the payment of all Obligations and demand immediate payment thereof to Agent for itself and the ratable benefit of Lenders (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), all Obligations shall

automatically become immediately due and payable), (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (iii) require any Borrower or Obligor, at Borrowers' expense, to assemble and make available to Agent any part or all of the Collateral at any place and time designated by Agent, (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Agent or elsewhere) at such prices or terms as Agent may deem reasonable, for cash, upon credit or for future delivery, with the Agent having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of any Borrower or Obligor, which right or equity of redemption is hereby expressly waived and released by Borrowers and Obligors and/or (vii) terminate this Agreement. If any of the Collateral is sold or leased by Agent upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Agent. If notice of disposition of Collateral is required by law, ten (10) days prior notice by Agent to Borrower Agent designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Borrowers and Obligors waive any other notice. In the event Agent institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, each Borrower and Obligor waives the posting of any bond which might otherwise be required. At any time an Event of Default exists or has occurred and is continuing, upon Agent's request, Borrowers will either, as Agent shall specify, furnish cash collateral to the issuer to be used to secure and fund Agent's reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Agent for the Letter of Credit Accommodations. Such cash collateral shall be in the amount equal to one hundred ten (110%) percent of the amount of the Letter of Credit Accommodations plus the amount of any fees and expenses payable in connection therewith through the end of the latest expiration date of such Letter of Credit Accommodations.

(c) At any time or times that an Event of Default exists or has occurred and is continuing, Agent may, in its discretion, and upon the direction of the Required Lenders, Agent

shall, enforce the rights of any Borrower or Obligor against any account debtor, secondary obligor or other obligor in respect of any of the Accounts or other Receivables. Without limiting the generality of the foregoing, Agent may, in its discretion, and upon the direction of the Required Lenders, Agent shall, at such time or times (i) notify any or all account debtors (including Credit Card Issuers and Credit Card Processors), secondary obligors or other obligors in respect thereof that the Receivables have been assigned to Agent and that Agent has a security interest therein and Agent may direct any or all accounts debtors (including Credit Card Issuers and Credit Card Processors), secondary obligors and other obligors to make payment of Receivables directly to Agent, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Receivables or other obligations included in the Collateral and thereby discharge or release the account debtor or any secondary obligors or other obligors in respect thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Receivables or such other obligations, but without any duty to do so, and Agent and Lenders shall not be liable for any failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Agent may deem necessary or desirable for the protection of its interests and the interests of Lenders. At any time that an Event of Default exists or has occurred and is continuing, at Agent's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Agent and are payable directly and only to Agent and Borrowers and Obligors shall deliver to Agent such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Agent may require. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Borrowers shall, upon Agent's request, hold the returned Inventory in trust for Agent, segregate all returned Inventory from all of its other property, dispose of the returned Inventory solely according to Agent's instructions, and not issue any credits, discounts or allowances with respect thereto without Agent's prior written consent.

(d) To the extent that applicable law imposes duties on Agent or any Lender to exercise remedies in a commercially reasonable manner (which duties cannot be waived under such law), each Borrower and Guarantor acknowledges and agrees that it is not commercially unreasonable for Agent or any Lender (i) to fail to incur expenses reasonably deemed significant by Agent or any Lender to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain consents of any Governmental Authority or other third party for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors, secondary obligors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as any Borrower or Guarantor, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the

types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure Agent or Lenders against risks of loss, collection or disposition of Collateral or to provide to Agent or Lenders a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Agent in the collection or disposition of any of the Collateral. Each Borrower and Guarantor acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Agent or any Lender would not be commercially unreasonable in the exercise by Agent or any Lender of remedies against the Collateral and that other actions or omissions by Agent or any Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation of the foregoing, nothing contained in this Section shall be construed to grant any rights to any Borrower or Guarantor or to impose any duties on Agent or Lenders that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(e) For the purpose of enabling Agent to exercise the rights and remedies hereunder, each Borrower and Obligor hereby grants to Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable at any time an Event of Default shall exist or have occurred and for so long as the

same is continuing) without payment of royalty or other compensation to any Borrower or Obligor, to use, assign, license or sublicense any of the trademarks, service-marks, trade names, business names, trade styles, designs, logos and other source of business identifiers and other Intellectual Property and general intangibles now owned or hereafter acquired by any Borrower or Obligor, wherever the same maybe located, 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 programs used for the compilation or printout thereof, which license shall be provided for in, and subject to, the terms of the intercreditor agreement described in Section 9.8(o) hereof on and after the incurrence of any Indebtedness permitted pursuant to Section 9.9(t) hereof.

(f) Agent may apply the cash proceeds of Collateral actually received by Agent from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Agent may elect, whether or not then due. Borrowers and Guarantors shall remain liable to Agent and Lenders for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including attorneys' fees and expenses.

(g) Without limiting the foregoing, (i) upon the occurrence of a Default (other than a Default as a result of the failure of any Borrower or Obligor to perform any of the covenants contained in Sections 7.1(a)(i), 7.1(a)(ii), 7.1(a)(iii), 9.6(a), 9.6(b) or 9.6(c) hereof) or an Event of Default, Agent and Lenders may, at Agent's option, and upon the occurrence of an Event of Default at the direction of the Required Lenders, Agent and Lenders shall, without notice, (A) cease making Revolving Loans or arranging for Letter of Credit Accommodations or reduce the lending formulas or amounts of Revolving Loans and Letter of Credit Accommodations available to Borrowers and/or (B) terminate any provision of this Agreement providing for any future Revolving Loans or Letter of Credit Accommodations to be made by

Agent and Lenders to Borrowers and (ii) Agent may, at its option, establish such Reserves as Agent determines, without limitation or restriction, notwithstanding anything to the contrary contained herein.

SECTION 11. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

11.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements (other than the Mortgages to the extent provided therein) and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

(b) Borrowers, Guarantors, Agent and Lenders irrevocably consent and submit to the non-exclusive jurisdiction of the Supreme Court of the State of New York for New York County and the United States District Court for the Southern District of New York, whichever Agent may elect, and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Agent and Lenders shall have the right to bring any action or proceeding against any Borrower or Guarantor or its or their property in the courts of any other jurisdiction which Agent deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against any Borrower or Guarantor or its or their property).

(c) Each Borrower and Guarantor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Agent's option, by service upon any Borrower or Guarantor (or Borrower Agent on behalf of such Borrower or Guarantor) in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Borrower or Guarantor shall appear in answer to such process, failing which such Borrower or Guarantor shall be deemed in default and judgment may be entered by Agent against such Borrower or Guarantor for the amount of the claim and other relief requested.

(d) BORROWERS, GUARANTORS, AGENT AND LENDERS EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN

RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWERS, GUARANTORS, AGENT AND LENDERS EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY BORROWER, ANY GUARANTOR, AGENT OR ANY LENDER MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Agent and Lenders shall not have any liability to any Borrower or Guarantor (whether in tort, contract, equity or otherwise) for losses suffered by such Borrower or Guarantor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Agent and such Lender, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. Each Borrower and Guarantor: (i) certifies that neither Agent, any Lender nor any representative, agent or attorney acting for or on behalf of Agent or any Lender has represented, expressly or otherwise, that Agent and Lenders would not, in the event of litigation, seek to enforce any of the waivers provided for in this Agreement or any of the other Financing Agreements and (ii) acknowledges that in entering into this Agreement and the other Financing Agreements, Agent and Lenders are relying upon, among other things, the waivers and certifications set forth in this Section 11.1 and elsewhere herein and therein.

11.2 Waiver of Notices. Each Borrower and Guarantor hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and chattel paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Borrower or Guarantor which Agent or any Lender may elect to give shall entitle such Borrower or Guarantor to any other or further notice or demand in the same, similar or other circumstances.

11.3 Amendments and Waivers.

(a) Neither this Agreement nor any other Financing Agreement nor any terms hereof or thereof may be amended, waived, discharged or terminated unless such amendment, waiver, discharge or termination is in writing signed by Agent and the Required Lenders or at Agent's option, by Agent with the authorization of the Required Lenders, and as to amendments to any of the Financing Agreements (other than with respect to any provision of Section 12 hereof), by any Borrower; except, that, no such amendment, waiver, discharge or termination shall:

(i) reduce the interest rate or any fees or extend the time of payment of principal, interest or any fees or reduce the principal amount of any Loan or Letter of Credit Accommodations, in each case without the consent of each Lender directly affected thereby,

(ii) increase the Commitment of any Lender over the amount thereof then in effect or provided hereunder, in each case without the consent of the Lender directly affected thereby,

(iii) release any Collateral (except as expressly required hereunder or under any of the other Financing Agreements or applicable law and except as permitted under Section 12.11(b) hereof), without the consent of Agent and all of Lenders,

(iv) reduce any percentage specified in the definition of Required Lenders, without the consent of Agent and all of Lenders,

(v) consent to the assignment or transfer by any Borrower or Guarantor of any of their rights and obligations under this Agreement, without the consent of Agent and all of Lenders,

(vi) amend, modify or waive any terms of this Section 11.3 hereof, without the consent of Agent and all of Lenders, or

(vii) increase the advance rates constituting part of the Borrowing Base, without the consent of Agent and all of Lenders.

(b) Agent and Lenders shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its or their rights, powers and/or remedies unless such waiver shall be in writing and signed as provided herein. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent or any Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Agent or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

(c) Notwithstanding anything to the contrary contained in Section 11.3(a) above, in connection with any amendment, waiver, discharge or termination, in the event that any Lender whose consent thereto is required shall fail to consent or fail to consent in a timely manner (such Lender being referred to herein as a "Non-Consenting Lender"), but the consent of any other Lenders to such amendment, waiver, discharge or termination that is required are obtained, if any, then Congress shall have the right, but not the obligation, at any time thereafter, and upon the exercise by Congress of such right, such Non-Consenting Lender shall have the obligation, to sell, assign and transfer to Congress or such Eligible Transferee as Congress may specify, the Commitment of such Non-Consenting Lender and all rights and interests of such Non-Consenting Lender pursuant thereto. Congress shall provide the Non-Consenting Lender with prior written notice of its intent to exercise its right under this Section, which notice shall specify on date on which such purchase and sale shall occur. Such purchase and sale shall be pursuant to the terms of an Assignment and Acceptance (whether or not executed by the Non-Consenting Lender), except that on the date of such purchase and sale, Congress, or such Eligible Transferee specified by Congress, shall pay to the Non-Consenting Lender the amount equal to: (i) the principal balance of the Revolving Loans held by the Non-Consenting Lender outstanding as of the close of business on the business day immediately preceding the effective date of such purchase and sale, plus (ii) amounts accrued and unpaid in respect of interest and fees payable to

the Non-Consenting Lender to the effective date of the purchase (but in no event shall the Non-Consenting Lender be deemed entitled to any early termination fee), minus (iii) the amount of the closing fee received by the Non-Consenting Lender pursuant to the terms hereof or of any of the other Financing Agreements multiplied by the fraction, the numerator of which is the number of months remaining in the then current term of the Credit Facility and the denominator of which is the number of months in the then current term thereof. Such purchase and sale shall be effective on the date of the payment of such amount to the Non-Consenting Lender and the Commitment of the Non-Consenting Lender shall terminate on such date.

(d) The consent of Agent shall be required for any amendment, waiver or consent affecting the rights or duties of Agent hereunder or under any of the other Financing Agreements, in addition to the consent of the Lenders otherwise required by this Section and the exercise by Agent of any of its rights hereunder with respect to Reserves or Eligible Credit Card Receivables or Eligible Inventory shall not be deemed an amendment to the advance rates provided for in this Section 11.3.

(e) The consent of Agent and any Lender, any Affiliate of any Lender or any other financial institution acceptable to Agent, as the case may be, that is party to a Hedge Agreement at such time shall be required for any amendment to the priority of payment of Obligations arising under or pursuant to any Hedge Agreements of a Borrower or Guarantor as set forth in Section 6.4(a) hereof.

11.4 Waiver of Counterclaims. Each Borrower and Guarantor waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other then compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

11.5 Indemnification. Each Borrower and Guarantor shall, jointly and severally, indemnify and hold Agent and each Lender, and its officers, directors, agents, employees, advisors and counsel and their respective Affiliates (each such person being an "Indemnitee"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses (including reasonable attorneys' fees and expenses) imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement (but only after notice to Borrower Agent), court costs, and the reasonable fees and expenses of counsel except that Borrowers and Guarantors shall not have any obligation under this Section 11.5 to indemnify an Indemnitee with respect to a matter covered hereby resulting from the gross negligence or wilful misconduct of such Indemnitee as determined pursuant to a final, non-appealable order of a court of competent jurisdiction (but without limiting the obligations of Borrowers or Guarantors as to any other Indemnitee) or which is a liability for Taxes (to the extent that the indemnification for such Taxes is subject to Section 6.4 hereof). To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Borrowers and Guarantors shall pay the maximum portion which it is permitted to pay under applicable law to Agent and Lenders in

satisfaction of indemnified matters under this Section. To the extent permitted by applicable law, no Borrower or Guarantor shall assert, and each Borrower and Guarantor hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any of the other Financing Agreements or any undertaking or transaction contemplated hereby. All amounts due under this Section shall be payable upon demand. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

SECTION 12. THE AGENT

12.1 Appointment, Powers and Immunities. Each Lender irrevocably designates, appoints and authorizes Congress to act as Agent hereunder and under the other Financing Agreements with such powers as are specifically delegated to Agent by the terms of this Agreement and of the other Financing Agreements, together with such other powers as are reasonably incidental thereto. Agent (a) shall have no duties or responsibilities except those expressly set forth in this Agreement and in the other Financing Agreements, and shall not by reason of this Agreement or any other Financing Agreement be a trustee or fiduciary for any Lender; (b) shall not be responsible to Lenders for any recitals, statements, representations or warranties contained in this Agreement or in any of the other Financing Agreements, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any other Financing Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Financing Agreement or any other document referred to or provided for herein or therein or for any failure by any Borrower or any Obligor or any other Person to perform any of its obligations hereunder or thereunder; and (c) shall not be responsible to Lenders for any action taken or omitted to be taken by it hereunder or under any other Financing Agreement or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. Agent may deem and treat the payee of any note as the holder thereof for all purposes hereof unless and until the assignment thereof pursuant to an agreement (if and to the extent permitted herein) in form and substance satisfactory to Agent shall have been delivered to and acknowledged by Agent. Wachovia Capital Markets LLC is hereby designated as the sole lead arranger and sole bookrunner with respect to the Credit Facility, Wachovia Bank, National Association is hereby designated as the administrative agent with respect to the Credit Facility and Bank of America, N.A. is hereby designated as the syndication agent. The designation of Wachovia Capital Markets LLC as sole lead arranger and sole bookrunner, Wachovia Bank, National Association as administrative agent and Bank of America, N.A. as syndication agent shall not as to any of them create any rights in favor of it in such capacity nor subject it to any duties or obligations in such capacity.

12.2 Reliance by Agent. Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent

accountants and other experts selected by Agent. As to any matters not expressly provided for by this Agreement or any other Financing Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders or all of Lenders as is required in such circumstance, and such instructions of such Agents and any action taken or failure to act pursuant thereto shall be binding on all Lenders.

12.3 Events of Default.

(a) Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or an Event of Default or other failure of a condition precedent to the Revolving Loans and Letter of Credit Accommodations hereunder, unless and until Agent has received written notice from a Lender, or a Borrower specifying such Event of Default or any unfulfilled condition precedent, and stating that such notice is a "Notice of Default or Failure of Condition". In the event that Agent receives such a Notice of Default or Failure of Condition, Agent shall give prompt notice thereof to the Lenders. Agent shall (subject to Section 12.7) take such action with respect to any such Event of Default or failure of condition precedent as shall be directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to or by reason of such Event of Default or failure of condition precedent, as it shall deem advisable in the best interest of Lenders. Without limiting the foregoing, and notwithstanding the existence or occurrence and continuance of an Event of Default or any other failure to satisfy any of the conditions precedent set forth in Section 4 of this Agreement to the contrary, Agent may, but shall have no obligation to, continue to make Revolving Loans and issue or cause to be issued Letter of Credit Accommodations for the ratable account and risk of Lenders from time to time if Agent believes making such Revolving Loans or issuing or causing to be issued such Letter of Credit Accommodations is in the best interests of Lenders.

(b) Except with the prior written consent of Agent, no Lender may assert or exercise any enforcement right or remedy in respect of the Revolving Loans, Letter of Credit Accommodations or other Obligations, as against any Borrower or Obligor or any of the Collateral or other property of any

Borrower or Obligor.

12.4 Congress in its Individual Capacity. With respect to its Commitment and the Revolving Loans made and Letter of Credit Accommodations issued or caused to be issued by it (and any successor acting as Agent), so long as Congress shall be a Lender hereunder, it shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Congress in its individual capacity as Lender hereunder. Congress (and any successor acting as Agent) and its Affiliates may (without having to account therefor to any Lender) lend money to, make investments in and generally engage in any kind of business with Borrowers (and any of its Subsidiaries or Affiliates) as if it were not acting as Agent, and Congress and its Affiliates may accept fees and other consideration from any Borrower or Guarantor and any of its Subsidiaries and Affiliates for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

12.5 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Borrowers hereunder and without limiting any obligations of Borrowers hereunder) ratably, in accordance with their Pro Rata Shares, for any and all claims of any kind and nature whatsoever that may be imposed on, incurred by or asserted against Agent (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other Financing Agreement or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses that Agent is obligated to pay hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents, provided, that, no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of the party to be indemnified as determined by a final non-appealable judgment of a court of competent jurisdiction. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

12.6 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on Agent or other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrowers and Obligors and has made its own decision to enter into this Agreement and that it will, independently and without reliance upon Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Financing Agreements. Agent shall not be required to keep itself informed as to the performance or observance by any Borrower or Obligor of any term or provision of this Agreement or any of the other Financing Agreements or any other document referred to or provided for herein or therein or to inspect the properties or books of any Borrower or Obligor. Agent will use reasonable efforts to provide Lenders with any information received by Agent from any Borrower or Obligor which is required to be provided to Lenders hereunder or deemed to be requested by Lenders hereunder and with a copy of any Notice of Default or Failure of Condition received by Agent from any Borrower or any Lender; provided, that, Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Except for notices, reports and other documents expressly required to be furnished to Lenders by Agent hereunder, Agent shall not have any duty or responsibility to provide any Lender with any other credit or other information concerning the affairs, financial condition or business of any Borrower or Obligor that may come into the possession of Agent.

12.7 Failing to Act. Except for action expressly required of Agent hereunder and under the other Financing- Agreements, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under Section 12.5 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

12.8 Additional Loans. Agent shall not make any Revolving Loans intentionally and with actual knowledge that such Revolving Loans would cause the aggregate amount of the total outstanding Revolving Loans to exceed the Borrowing Base or make any Revolving Loans or

provide any Letter of Credit Accommodations intentionally and with actual knowledge that such Revolving Loans or Letter of Credit Accommodations would cause the aggregate amount of the total outstanding Revolving Loans and Letter of Credit Accommodations to exceed the Borrowing Base, without the prior consent of all Lenders, except, that, Agent may make such additional Revolving Loans intentionally and with actual knowledge that such Revolving Loans will cause the total outstanding Revolving Loans to exceed the Borrowing Base and Agent may make such additional Revolving Loans and provide such additional Letter of Credit Accommodations on behalf of Lenders, intentionally and with actual knowledge that such Revolving Loans or Letter of Credit Accommodations will cause the total outstanding Revolving Loans and Letter of Credit Accommodations to exceed the Borrowing Base, as Agent may deem necessary or advisable in its discretion, provided, that: (a) the total principal amount of the additional Revolving Loans which Agent may make after obtaining actual knowledge that the aggregate principal amount of the Revolving Loans equal or exceed the Borrowing Base and the additional Revolving Loans and additional Letter of Credit Accommodations which Agent may make or provide after obtaining such actual knowledge that the aggregate principal amount of the Revolving Loans and Letter of Credit Accommodations equal or exceed the Borrowing Base, plus the amount of Special Agent Advances made pursuant to Section 12.11(a)(ii) hereof then outstanding, shall not exceed the aggregate amount equal to the lesser of $10,000,000 or ten (10%) percent of the Maximum Credit outstanding at any time and shall not cause the total principal amount of the Revolving Loans and Letter of Credit Accommodations to exceed the Maximum Credit and (b) no such additional Revolving Loan or Letter of Credit Accommodation shall be outstanding more than sixty (60) days after the date such additional Revolving Loan or Letter of Credit Accommodation is made or issued (as the case may be), except as the Required Lenders may otherwise agree. Each Lender shall be obligated to pay Agent the amount of its Pro Rata Share of any such additional Revolving Loans or Letter of Credit Accommodations.

12.9 Concerning the Collateral and the Related Financing Agreements. Each Lender authorizes and directs Agent to enter into this Agreement and the other Financing Agreements. Each Lender agrees that any action taken by Agent or Required Lenders in accordance with the terms of this Agreement or the other Financing Agreements and the exercise by Agent or Required Lenders of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

12.10 Field Audit, Examination Reports and Other Information; Disclaimer by Lenders. By signing this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report and a report with respect to the Borrowing Base prepared by Agent (each field audit or examination report and report with respect to the

Borrowing Base being referred to herein as a "Report" and collectively, "Reports");

(b) expressly agrees and acknowledges that Agent (i) does not make any representation or warranty as to the accuracy of any Report, or (ii) shall not be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or any other party performing any audit or examination will inspect only specific information regarding Borrowers and Guarantors and will rely significantly upon Borrowers' and Guarantors' books and records, as well as on representations of Borrowers' and Guarantors' personnel; and

(d) agrees to keep all Reports confidential and strictly for its internal use in accordance with the terms of Section 14.5 hereof, and not to distribute or use any Report in any other manner.

12.11 Collateral Matters.

(a) Agent may, at its option, from time to time, at any time on or after an Event of Default and for so long as the same is continuing or upon any other failure of a condition precedent to the Revolving Loans and Letter of Credit Accommodations hereunder, make such disbursements and advances ("Special Agent Advances") which Agent, in its sole discretion, (i) deems necessary or desirable either to preserve or protect the Collateral or any portion thereof or (ii) to enhance the likelihood or maximize the amount of repayment by Borrowers and Guarantors of the Revolving Loans and other Obligations, provided, that, the aggregate principal amount of the Special Agent Advances pursuant to this clause (ii), plus the then outstanding principal amount of the additional Loans and Letter of Credit Accommodations which Agent may make or provide as set forth in Section 12.8 hereof, shall not exceed the aggregate amount of the lesser of $10,000,000 or ten (10%) percent of the Maximum Credit outstanding at any time or (iii) to pay any other amount chargeable to any Borrower or Guarantor pursuant to the terms of this Agreement or any of the other Financing Agreements consisting of (A) costs, fees and expenses and (B) payments to any issuer of Letter of Credit Accommodations. Special Agent Advances shall be repayable on demand and be secured by the Collateral. Special Agent Advances shall not constitute Revolving Loans but shall otherwise constitute Obligations hereunder. Without limitation of its obligations pursuant to Section 6.10, each Lender agrees that it shall make available to Agent, upon Agent's demand, in immediately available funds, the amount equal to such Lender's Pro Rata Share of each such Special Agent Advance. If such funds are not made available to Agent by such Lender, such Lender shall be deemed a Defaulting Lender and Agent shall be entitled to recover such funds, on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of New York or at Agent's option based on the arithmetic mean determined by Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of the three leading brokers of Federal funds transactions in New York City selected by Agent) and if such amounts are not paid within three (3) days of Agent's demand, at the highest Interest Rate provided for in Section 3.1 hereof applicable to Prime Rate Loans.

(b) Lenders hereby irrevocably authorize Agent, at its option and in its discretion to release any security interest in, mortgage or lien upon, any of the Collateral (i) upon termination of the Commitments and payment and satisfaction of all of the Obligations and delivery of cash collateral to the extent required under Section 14.1 below, or (ii) constituting property being sold or disposed of if Borrower Agent or any Borrower or Guarantor certifies to

Agent that the sale or disposition is made in compliance with Section 9.7 hereof (and Agent may rely conclusively on any such certificate, without further inquiry), or (iii) constituting property in which any Borrower or Guarantor did not own an interest at the time the security interest, mortgage or lien was granted or at any time thereafter, or (iv) having a value in the aggregate in any twelve (12) month period of less than $5,000,000, or (v) if required or permitted under the terms of any of the other Financing Agreements, including any intercreditor agreement, or (vi) approved, authorized or ratified in writing by all of Lenders. Except as provided above, Agent will not release any security interest in, mortgage or lien upon, any of the Collateral without the prior written authorization of all of Lenders. Upon request by Agent at any time, Lenders will promptly confirm in writing Agent's authority to release particular types or items of Collateral pursuant to this Section.

(c) Without any manner limiting Agent's authority to act without any specific or further authorization or consent by the Required Lenders, each Lender agrees to confirm in writing, upon request by Agent, the authority to release Collateral conferred upon Agent under this Section. Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the security interest, mortgage or liens granted to Agent upon any Collateral to the extent set forth above; provided, that, (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligations or entail any consequence other than the release of such security interest, mortgage or liens without recourse or warranty and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any security interest, mortgage or lien upon (or obligations of any Borrower or Guarantor in respect of) the Collateral retained by such Borrower or Guarantor.

(d) Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by any Borrower or Guarantor or is cared for, protected or insured or has been encumbered, or that any particular items of Collateral meet the eligibility criteria applicable in respect of the Revolving Loans or Letter of Credit Accommodations hereunder, or whether any particular reserves are appropriate, or that the liens and security interests granted to Agent pursuant hereto or any of the Financing Agreements or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the other Financing Agreements, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any other Lender.

12.12 Agency for Perfections. Each Lender hereby appoints Agent and each other Lender as agent and bailee for the purpose of perfecting the security interests in and liens upon the Collateral of Agent in assets which, in accordance with Article 9 of the UCC can be perfected only by possession (or where the security interest of a secured party with possession has priority over the security interest of another secured party) and Agent and each Lender

hereby acknowledges that it holds possession of any such Collateral for the benefit of Agent as secured party. Should any Lender obtain possession of any such Collateral, such Lender shall notify

Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

12.13 Successor Agent. Agent may resign as Agent upon thirty (30) days ' notice to Lenders and Parent. If Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for Lenders. If no successor agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with Lenders and Parent, a successor agent from among Lenders. Upon the acceptance by the Lender so selected of its appointment as successor agent hereunder, such successor agent shall succeed to all of the rights, powers and duties of the retiring Agent and the term "Agent" as used herein and in the other Financing Agreements shall mean such successor agent and the retiring Agent' s appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 12 shall inure to its benefit as to any actions taken or omitted by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is thirty (30) days after the date of a retiring Agent 's notice of resignation, the retiring Agent's resignation shall nonetheless thereupon become effective and Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

12.14 Co-Agent. Agent may at any time and from time to time determine that a Lender may, in addition, be a "Co-Agent", "Co-Documentation Agent" or similar designation hereunder and enter into an agreement with such Lender to have it so identified for purposes of this Agreement. Agent shall provide written notice to Borrower Agent of any such agreement. Any Lender that is so designated as a Co-Agent, Co-Documentation Agent or such similar designation by Agent shall have no right, power, obligation, liability, responsibility or duty under this Agreement or any of the other Financing Agreements other than those applicable to all Lenders as such. Without limiting the foregoing, the Lenders so identified shall not have or be deemed to have any fiduciary relationship with any Lender and no Lender shall be deemed to have relied, nor shall any Lender rely, on a Lender so identified as a Co-Agent, Co-Documentation Agent or such similar designation in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 13. ACKNOWLEDGMENT AND RESTATEMENT

13.1 Existing Obligations. Each Borrower and Guarantor hereby acknowledges, confirms and agrees that (a) Borrowers and Guarantors are indebted to Agent and Lenders for outstanding loans and advances to Borrowers under the Existing Agreements and in respect of Letter of Credit Accommodations (as defined in the Existing Agreements), together with all interest accrued and accruing thereon (to the extent applicable), and all fees, costs, expenses and other charges relating thereto, all of which are unconditionally owing by Borrowers and Guarantors to Agent and Lenders to the extent set forth in the Existing Agreements, without offset, defense or counterclaim of any kind, nature or description whatsoever.

13.2 Acknowledgment of Security Interests

(a) Each Borrower and Guarantor hereby acknowledges, confirms and agrees that Agent on behalf of itself and Lenders shall continue to have a security interest in and lien

upon the Collateral heretofore granted to Agent pursuant to the Existing Agreements to secure the Obligations, as well as any Collateral granted under this Agreement or under any of the other Financing Agreements or otherwise granted to or held by Agent or any Lender.

(b) The liens and security interests of Agent in the Collateral shall be deemed to be continuously granted and perfected from the earliest date of the granting and perfection of such liens and security interests to Agent, whether under the Existing Agreements, this Agreement or any of the other Financing Agreements.

13.3 Existing Agreements. Borrowers and Guarantors each hereby acknowledge, confirm and agree that, subject to Section 13.4 hereof: (a) the Existing Agreements have been duly executed and delivered by Borrowers and Guarantors and are in full force and effect as of the date hereof; (b) the agreements and obligations of Borrowers and Guarantors contained in the Existing Agreements constitute the legal, valid and binding obligations of Borrowers or Guarantors, as the case may be, enforceable against such Borrower or Guarantor in accordance with its terms and no Borrower or Guarantor has a valid defense to the enforcement of such obligations; and (c) Agent and Lenders are entitled to all of the rights, remedies and benefits provided for in or arising pursuant to the Existing Agreements.

13.4 Restatement.

(a) Except as otherwise stated in Section 13.2 hereof and this Section 13.4, as of the date hereof, the terms, conditions, agreements, covenants, representations and warranties set forth in the Existing Agreements are simultaneously amended and restated in their entirety, and as so amended and restated, replaced and superseded by the terms, conditions, agreements, covenants, representations and warranties set forth in this Agreement and the other Financing Agreements executed and/or delivered on or after the date hereof, except that nothing herein or in the other Financing Agreements shall impair or adversely affect the continuation of the liability of Borrowers and Guarantors for the Obligations heretofore incurred and the security interests, liens, hypothecs and other interests in the Collateral heretofore granted, pledged and/or assigned by Borrowers or Guarantors to Agent, Agent or any Lender (whether directly, indirectly or otherwise).

(b) The amendment and restatement contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Indebtedness and other obligations and liabilities of Borrowers or Guarantors evidenced by or arising under the Existing Agreements, and the liens and security interests of Agent securing such Indebtedness and other obligations and liabilities, which shall not in any manner be impaired, limited, terminated, waived or released, but shall continue in full force and effect in favor of Agent for the benefit of itself and Lenders.

(c) All loans, advances and other financial accommodations under the Existing Agreements and all other Obligations of Borrowers and Guarantors to Agent and Lenders outstanding and unpaid as of the date hereof pursuant to the Existing Agreements or otherwise shall be deemed Obligations of Borrowers and Guarantors pursuant to the terms hereof. The principal amount of the Revolving Loans and the amount of the Letters of Credit Accommodations outstanding as of the date hereof under the Existing Agreements shall be

allocated to the Revolving Loans and Letter of Credit Accommodations hereunder in such manner and in such amounts as Agent shall determine in accordance with the terms hereof.

SECTION 14. TERM OF AGREEMENT; MISCELLANEOUS

14.1 Term.

(a) This Agreement and the other Financing Agreements shall continue in full force and effect for a term ending on December 23, 2009 (the "Renewal Date"), and from year to year thereafter, unless sooner terminated pursuant to the terms hereof. Agent may, at its option (or shall at the direction of any Lender in writing received by Agent at least ninety (90) days prior to the Renewal Date or the anniversary of any Renewal Date, as the case may be), terminate this Agreement and the other Financing Agreements, or Borrower Agent may terminate this Agreement and the other Financing Agreements, each case, effective on the Renewal Date or on the anniversary of the Renewal Date in any year by giving to the other party at least sixty (60) days prior written notice; provided, that, this Agreement and all other Financing Agreements must be terminated simultaneously. In addition, Borrowers may terminate this Agreement at any time upon ten (10) days prior written notice to Agent (which notice shall be irrevocable) and Agent may, at its option, and shall at the direction of Required Lenders, terminate this Agreement at any time on or after an Event of Default. Upon any effective date of termination of the Financing Agreements, Borrowers shall pay to Agent all outstanding and unpaid monetary Obligations and shall furnish cash collateral to Agent (or at Agent's option, a letter of credit issued for the account of Borrowers and at Borrowers' expense, in form and substance satisfactory to Agent, by an issuer acceptable to Agent and payable to Agent as beneficiary) in such amounts as Agent determines are reasonably necessary to secure Agent and Lenders from loss, cost, damage or expense, including reasonable attorneys' fees and expenses, in connection with any contingent Obligations, including issued and outstanding Letter of Credit Accommodations and checks or other payments provisionally credited to the Obligations and/or as to which Agent or any Lender has not yet received final and indefeasible payment (and including any contingent liability of Agent to any bank at which deposit accounts of Borrowers and Guarantors are maintained under any Deposit Account Control Agreement) and for any of the Obligations arising under or in connection with any Hedge Agreement in such amounts as the other party to such Hedge Agreement may require (unless such Obligations arising under or in connection with any Hedge Agreement are paid in full in cash and terminated in a manner satisfactory to such other party). The amount of such cash collateral (or letter of credit, as Agent may determine) as to any Letter of Credit Accommodations shall be in the amount equal to one hundred ten (110%) percent of the amount of the Letter of Credit Accommodations plus the amount of any fees and expenses payable in connection therewith through the end of the latest expiration date of such Letter of Credit Accommodations. Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in Federal funds to the Agent Payment Account or such other bank account of Agent, as Agent may, in its discretion, designate in writing to Borrower Agent for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by Borrowers to the Agent Payment Account or other bank account designated by Agent are received in such bank account later than 12:00 noon, New York City time.

(b) No termination of this Agreement or the other Financing Agreements shall relieve or discharge any Borrower or Guarantor of its respective duties, obligations and covenants under this Agreement or the other Financing Agreements until all monetary Obligations have been fully and finally discharged and paid and as to contingent Obligations, Agent shall have received such cash collateral (or letter of credit, as Agent may determine), as is required pursuant to the terms hereof, and Agent's continuing security interest in the Collateral and the rights and remedies of Agent and Lenders hereunder, under the other Financing Agreements and applicable law, shall remain in effect until all such monetary Obligations have been so paid and as to contingent Obligations, Agent shall have received such cash collateral (or letter of credit, as Agent may determine) as is required pursuant to the terms hereof. Accordingly, each Borrower and Guarantor waives any rights it may have under the UCC to demand the filing of termination statements with respect to the Collateral and Agent shall not be required to send such termination statements to Borrowers or Guarantors, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all monetary Obligations paid in full in immediately available funds and as to contingent Obligations, Agent shall have received such cash collateral (or letter of credit, as Agent may determine), as required pursuant to the terms hereof.

(c) If for any reason this Agreement is terminated prior to the Renewal Date and upon such termination the Obligations are repaid with proceeds of loans that are secured by any assets of a Borrower or Guarantor not provided by Agent or any of its Affiliates where Agent or such Affiliate is the administrative and collateral agent (with rights and duties consistent with the rights and duties of Agent hereunder), in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Agent's and each Lender' s lost profits as a result thereof, Borrowers agree to pay to Agent for itself and the ratable benefit of Lenders, upon the effective date of such termination, an early termination fee in the amount equal to

Amount	Period
(i) 0.50% of Maximum Credit	From the date hereof to and including the second anniversary of the date hereof
(ii) 0.25% of Maximum Credit	From and after the second anniversary of the date hereof to and including the third anniversary of the date hereof

Such early termination fee shall be presumed to be the amount of damages sustained by Agent and Lenders as a result of such early termination and Borrowers and Guarantors agree that it is reasonable under the circumstances currently existing.

(d) Notwithstanding anything to the contrary contained in Section 14.1(c) above, in the event of the termination of this Agreement at the request of Borrower Agent prior to the end of the term of this Agreement and the full and final repayment of all Obligations and the receipt by Agent of cash collateral all as provided in Section 14.1(a) above, Borrowers shall not be required to pay to Agent, for the benefit of Lenders an early termination fee if such

payments are made to Agent, for the benefit of Lenders, with the initial proceeds of an unsecured credit facility provided by Wachovia Bank, National Association, to Borrowers.

14.2 Interpretative Provisions.

(a) All terms used herein which are defined in Article 1, Article 8 or Article 9 of the UCC shall have the meanings given therein unless otherwise defined in this Agreement.

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires.

(c) All references to any Borrower, Guarantor, Agent and Lenders pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns.

(d) The words “hereof”, “herein”, “hereunder”, “this Agreement” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(e) The word “including” when used in this Agreement shall mean “including, without limitation”.

(f) An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 11.3 or is cured in a manner satisfactory to Agent, if such Event of Default is capable of being cured as determined by Agent.

(g) All references to “store” or “retail store” as applied to Borrowers shall include both factory outlet stores and other retail stores operated by Borrowers.

(h) All references to the term “knowledge” used herein when applicable to any Borrower or Guarantor shall mean the actual knowledge of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel, Chief Accounting Officer of a Borrower or Guarantor or persons having the same or similar responsibilities or functions as such positions as in effect on the date hereof, or as customarily understood to be the case for companies similarly situated.

(i) All references to the term “good faith” used herein or the term “reasonable” or “reasonably” when applicable to Agent or any Lender shall be based upon the manner in which a comparable asset-based lender similarly situated, with similar rights and providing a credit facility of the type and with the Collateral and information then available to it set forth herein, would act in such circumstances.

(j) Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for

inventory valuation as used in the preparation of the financial statements of Parent most recently received by Agent prior to the date hereof.

(k) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”, the words “to” and “until” each mean “to but excluding” and the word “through” means “to and including”.

(l) Unless otherwise expressly provided herein, (i) references herein to any agreement, document or instrument shall be deemed to include all subsequent amendments, modifications, supplements, extensions, renewals, restatements or replacements with respect thereto, but only to the extent the same are not prohibited by the terms hereof or of any other Financing Agreement, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, recodifying, supplementing or interpreting the statute or regulation.

(m) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(n) This Agreement and other Financing Agreements may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(o) This Agreement and the other Financing Agreements are the result of negotiations among and have been reviewed by counsel to Agent and the other parties, and are the products of all parties. Accordingly, this Agreement and the other Financing Agreements shall not be construed against Agent or Lenders merely because of Agent’s or any Lender’s involvement in their preparation.

14.3 Notices. All notices, requests and demands hereunder shall be in writing and deemed to have been given or made: if delivered in person, immediately upon delivery; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to any Borrower or Guarantor: J. Crew Group, Inc.
770 Broadway
New York, New York 10013

Attention: Chief Financial Officer
Telephone No.: 212-209-2545

with a copy to: J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: General Counsel
Telephone No.: 212-209-8254

If to Agent: Congress Financial Corporation
1133 Avenue of the Americas
New York, New York 10036
Attention: Portfolio Manager
Telephone No.: 212-840-2000
Telecopy No.: 212-545-4283

14.4 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

14.5 Confidentiality.

(a) Agent and each Lender shall use all reasonable efforts to keep confidential, in accordance with its customary procedures for handling confidential information and safe and sound lending practices, any non-public information supplied to it by any Borrower pursuant to this Agreement which is clearly and conspicuously marked as confidential at the time such information is furnished by such Borrower to Agent or such Lender, provided, that, nothing contained herein shall limit the disclosure of any such information: (i) to the extent required by statute, rule, regulation, subpoena or court order, (ii) to bank examiners and other regulators, auditors and/or accountants, in connection with any litigation to which Agent or such Lender is a party, (iii) to any Lender or Participant (or prospective Lender or Participant) or to any Affiliate of any Lender so long as such Lender or Participant (or prospective Lender or Participant) or Affiliate shall have been instructed to treat such information as confidential in accordance with this Section 14.5, or (iv) to counsel for Agent or any Lender or Participant (or prospective Lender or Participant).

(b) In the event that Agent or any Lender receives a request or demand to disclose any confidential information pursuant to any subpoena or court order, Agent or such Lender, as the case may be, agrees (i) to the extent permitted by applicable law or if permitted by applicable law, to the extent Agent or such Lender determines in good faith that it will not create any risk of liability to Agent or such Lender, Agent or such Lender will promptly notify Borrower Agent of such request so that Borrower Agent may seek a protective order or other appropriate relief or remedy and (ii) if disclosure of such information is required, disclose such information and, subject to reimbursement by Borrowers of Agent's or such Lender's expenses, cooperate with Borrower Agent in the reasonable efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to such portion of the disclosed information which Borrower Agent so designates, to the extent permitted by applicable law or if permitted by applicable law, to the extent Agent or such Lender determines in good faith that it will not create any risk of liability to Agent or such Lender.

(c) In no event shall this Section 14.5 or any other provision of this Agreement, any of the other Financing Agreements or applicable law be deemed: (i) to apply to or restrict disclosure of information that has been or is made public by any Borrower, Guarantor or any third party or otherwise becomes generally available to the public other than as a result of a disclosure in violation hereof, (ii) to apply to or restrict disclosure of information that was or becomes available to Agent or any Lender (or any Affiliate of any Lender) on a non-confidential basis from a person other than a Borrower or Guarantor, (iii) to require Agent or any Lender to return any materials furnished by a Borrower or Guarantor to Agent or a Lender or prevent Agent or a Lender from responding to routine informational requests in accordance with the Code of Ethics for the Exchange of Credit Information promulgated by The Robert Morris Associates or other applicable industry standards relating to the exchange of credit information. The obligations of Agent and Lenders under this Section 14.5 shall supersede and replace the obligations of Agent and Lenders under any confidentiality letter signed prior to the date hereof.

14.6 Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Agent, Lenders, Borrowers, Guarantors and their respective successors and assigns, except that Borrower may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Agent and Lenders. Any such purported assignment without such express prior written consent shall be void. No Lender may assign its rights and obligations under this Agreement without the prior written consent of Agent, except as provided in Section 14.7 below. The terms and provisions of this Agreement and the other Financing Agreements are for the purpose of defining the relative rights and obligations of Borrowers, Guarantors, Agent and Lenders with respect to the transactions contemplated hereby and there shall be no third party beneficiaries of any of the terms and provisions of this Agreement or any of the other Financing Agreements.

14.7 Assignments; Participations

(a) Each Lender may, with the prior written consent of Agent, assign all or, if less than all, a portion equal to at least $10,000,000 in the aggregate for the assigning Lender, of such rights and obligations under this Agreement to one or more Eligible Transferees (but not including for this purpose any assignments in the form of a participation), each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Acceptance; provided, that, (i) such transfer or assignment will not be effective until recorded by Agent on the Register and (ii) Agent shall have received for its sole account payment of a processing fee from the assigning Lender or the assignee in the amount of $5,000.

(b) Agent shall maintain a register of the names and addresses of Lenders, their Commitments and the principal amount of their Revolving Loans (the "Register"). Agent shall also maintain a copy of each Assignment and Acceptance delivered to and accepted by it and shall modify the Register to give effect to each Assignment and Acceptance. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error,

and any Borrowers, Obligors, Agent and Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be

available for inspection by Borrower Agent and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and to the other Financing Agreements and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations (including, without limitation, the obligation to participate in Letter of Credit Accommodations) of a Lender hereunder and thereunder and the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement.

(d) By execution and delivery of an Assignment and Acceptance, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any of the other Financing Agreements or the execution, legality, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Financing Agreements furnished pursuant hereto, (ii) the assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower, Obligor or any of their Subsidiaries or the performance or observance by any Borrower or Obligor of any of the Obligations; (iii) such assignee confirms that it has received a copy of this Agreement and the other Financing Agreements, together with such other documents and information it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such assignee will, independently and without reliance upon the assigning Lender, Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Financing Agreements, (v) such assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Financing Agreements as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Financing Agreements are required to be performed by it as a Lender. Agent and Lenders may furnish any information concerning any Borrower or Obligor in the possession of Agent or any Lender from time to time to assignees and Participants.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement and the other Financing Agreements (including, without limitation, all or a portion of its Commitments and the Revolving Loans owing to it and its participation in the Letter of Credit Accommodations, without the consent of Agent or the other Lenders); provided, that, (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) and the other Financing Agreements shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and Borrowers, Guarantors,

the other Lenders and Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Financing Agreements, and (iii) the Participant shall not have any rights under this Agreement or any of the other Financing Agreements (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by any Borrower or Obligor hereunder shall be determined as if such Lender had not sold such participation.

(f) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Revolving Loans hereunder to a Federal Reserve Bank in support of borrowings made by such Lenders from such Federal Reserve Bank.

(g) Borrowers and Guarantors shall assist Agent or any Lender permitted to sell assignments or participations under this Section 14.7 in whatever manner reasonably necessary in order to enable or effect any such assignment or participation, including (but not limited to) the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and the delivery of informational materials, appraisals or other documents for, and the participation of relevant management in meetings and conference calls with, potential Lenders or Participants. Borrowers shall certify the correctness, completeness and accuracy, in all material respects, of all descriptions of Borrowers and Guarantors and their affairs provided, prepared or reviewed by any Borrower or Guarantor that are contained in any selling materials and all other information provided by it and included in such materials.

14.8 Entire Agreement. This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

14.9 Counterparts, Etc. This Agreement or any of the other Financing Agreements may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement or any of the other Financing Agreements by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement or any of such other Financing Agreements. Any party delivering an executed counterpart of any such agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Administrative Agent, Syndication Agent, Agent, Lenders, Borrowers and Guarantors have caused these presents to be duly executed as of the day and year first above written.

BORROWERS

J. CREW OPERATING CORP.

By: _____

Title: _____

J. CREW INC.

By: _____

Title: _____

GRACE HOLMES, INC. d/b/a J. CREW RETAIL

By: _____

Title: _____

H.F.D. NO. 55, INC. d/b/a J. CREW FACTORY

By: _____

Title: _____

GUARANTORS

J. CREW GROUP, INC.

By: _____

Title: _____

J. CREW INTERNATIONAL, INC.

By: _____

Title: _____

J. CREW INTERMEDIATE LLC

By: _____

Title: _____

ADMINISTRATIVE AGENT

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: _____

Title: _____

SYNDICATION AGENT

BANK OF AMERICA, N.A.,
as Syndication Agent

By: _____

Title: _____

AGENT

CONGRESS FINANCIAL CORPORATION,
as Agent

By: _____

Title: _____

LENDERS

CONGRESS FINANCIAL CORPORATION

By: _____

Title: _____

Commitment: $

BANK OF AMERICA, N.A.

By: _____

Title: _____

Commitment: $

THE CIT GROUP/BUSINESS CREDIT, INC.

By: _____

Title: _____

Commitment: $

LASALLE RETAIL FINANCE, a division of Lasalle Business Credit, as agent for Standard Federal Bank National Association

By: _____

Title: _____

Commitment: $

EXHIBIT A
to
LOAN AND SECURITY AGREEMENT

ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Assignment and Acceptance") dated as of , 200 is made between (the "Assignor") and (the "Assignee").

W I T N E S S E T H:

WHEREAS, Wachovia Bank, National Association, in its capacity as administrative agent pursuant to the Loan Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, "Administrative Agent"), Bank of America, N.A., in its capacity as syndication agent pursuant to the Loan Agreement acting for and on behalf of the parties thereto as lenders (in such capacity, "Syndication Agent"), Congress Financial Corporation, in its capacity as collateral agent pursuant to the Loan Agreement acting for and on behalf of the parties thereto as lenders (in such capacity, "Agent"), Wachovia Capital Markets, LLC, in its capacity as sole lead arranger and sole bookrunner (in such capacity, "Arranger"), and the parties to the Loan Agreement as lenders (individually, each a "Lender" and collectively, "Lenders") have entered or are about to enter into financing arrangements pursuant to which Administrative Agent, Syndication Agent, Agent and Lenders may make loans and advances and provide other financial accommodations to J. Crew Operating Corp., J. Crew, Inc., Grace Holmes, Inc. d/b/a J. Crew Retail, and HFD No. 55, Inc. d/b/a J. Crew Factory (collectively, "Borrowers") as set forth in the Amended and Restated Loan and Security Agreement, dated December __, 2004, by and among Borrowers, certain of their affiliates, Administrative Agent, Syndication Agent, Agent, Arranger and Lenders (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement"), and the other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements");

WHEREAS, as provided under the Loan Agreement, Assignor committed to making Revolving Loans (the "Committed Loans") to Borrowers in an aggregate amount not to exceed $ (the "Commitment");

WHEREAS, Assignor wishes to assign to Assignee [part of the] [all] rights and obligations of Assignor under the Loan Agreement in respect of its Commitment in an amount equal to $ (the "Assigned Commitment Amount") on the terms and subject to the conditions set forth herein and Assignee wishes to accept assignment of such rights and to assume such obligations from Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, Assignor hereby sells, transfers and assigns to Assignee, and Assignee hereby purchases, assumes and undertakes from Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) an interest in (i) the Commitment and each of the Committed Loans of Assignor and (ii) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Loan Agreement and the other Financing Agreements, so that after giving effect thereto, the Commitment of Assignee shall be as set forth below and the Pro Rata Share of Assignee shall be (%) percent.

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), Assignee shall be a party to the Loan Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Loan Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Commitment Amount. Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender. It is the intent of the parties hereto that the Commitment of Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Commitment Amount and Assignor shall relinquish its rights and be released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee; provided, that, Assignor shall not relinquish its rights under Sections 2.1, 6.4, 6.8 and 6.9 of the Loan Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date Assignee's Commitment will be $.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date Assignor's Commitment will be $ (as such amount may be further reduced by any other assignments by Assignor on or after the date hereof).

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, Assignee shall pay to Assignor on the Effective Date in immediately available funds an amount equal to $, representing Assignee's Pro Rata Share of the principal amount of all Committed Loans.

(b) Assignee shall pay to Agent the processing fee in the amount specified in Section 14.7(a) of the Loan Agreement.

3. Reallocation of Payments. Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment, Committed Loans and outstanding Letter of Credit Accommodations shall be for the account of Assignor. Any interest, fees and other

payments accrued on and after the Effective Date with respect to the Assigned Commitment Amount shall be for the account of Assignee. Each of Assignor and Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision. Assignee acknowledges that it has received a copy of the Loan Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements of and its Subsidiaries, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance and agrees that it will, independently and without reliance upon Assignor, Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Loan Agreement.

5. Effective Date; Notices.

(a) As between Assignor and Assignee, the effective date for this Assignment and Acceptance shall be , 200 (the "Effective Date"); provided, that, the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Assignment and Acceptance shall be executed and delivered by Assignor and Assignee;

(ii) the consent of Agent as required for an effective assignment of the Assigned Commitment Amount by Assignor to Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) written notice of such assignment, together with payment instructions, addresses and related information with respect to Assignee, shall have been given to Borrower Agent and Agent;

(iv) Assignee shall pay to Assignor all amounts due to Assignor under this Assignment and Acceptance; and

(v) the processing fee referred to in Section 2(b) hereof shall have been paid to Agent.

(b) Promptly following the execution of this Assignment and Acceptance, Assignor shall deliver to Borrower Agent and Agent for acknowledgment by Agent, a Notice of Assignment in the form attached hereto as Schedule 1.

[6. Agent. [INCLUDE ONLY IF ASSIGNOR IS AN AGENT]

(a) Assignee hereby appoints and authorizes Assignor in its capacity as Agent to take such action as agent on its behalf to exercise such powers under the Loan Agreement as are delegated to Agent by Lenders pursuant to the terms of the Loan Agreement.

(b) Assignee shall assume no duties or obligations held by Assignor in its capacity as Agent under the Loan Agreement.]

7. Withholding Tax. Assignee (a) represents and warrants to Assignor, Agent and Borrowers that under applicable law and treaties no tax will be required to be withheld by Assignee, Agent or Borrowers with respect to any payments to be made to Assignee hereunder or under any of the Financing Agreements, (b) agrees to furnish (if it is not a "United States Person" as such term is defined in Section 7701(a)(30) of the Code) to Agent and Borrowers prior to the time that Agent or Borrowers are required to make any payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form W-8 ECI or U.S. Internal Revenue Service Form W-8 BEN (wherein Assignee claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms W-8 ECI or W-8 BEN upon the expiration of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

(a) Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any security interest, lien, encumbrance or other adverse claim, (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder, (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance, and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of Assignor, enforceable against Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any of the other Financing Agreements or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto. Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of Borrowers, Guarantors or any of their respective Affiliates, or the performance or observance by Borrowers, Guarantors or any other Person, of any of its respective obligations under the Loan Agreement or any other instrument or document furnished in connection therewith.

(c) Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder, (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of Assignee, enforceable against Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights to general equitable principles.

9. Further Assurances. Assignor and Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or instruments to Borrowers or Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous

(a) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other for further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) Assignor and Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF . Assignor and Assignee each irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in County, over any suit, action or proceeding arising out of or relating to this Assignment and Acceptance and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such State or Federal court. Each party to this Assignment and

Acceptance hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) ASSIGNOR AND ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE LOAN AGREEMENT, ANY OF THE OTHER FINANCING AGREEMENTS OR ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____

Title: _____

[ASSIGNEE]

By: _____

Title: _____

SCHEDULE 1

NOTICE OF ASSIGNMENT AND ACCEPTANCE

, 20

Attn.:

Re:

Ladies and Gentlemen:

Congress Financial Corporation, in its capacity as agent pursuant to the Loan Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, "Agent"), Wachovia Bank, National Association, in its capacity as arranger pursuant to the Loan Agreement (in such capacity, "Arranger") and the financial institutions which are parties to the Loan Agreement as lenders (individually, each a "Lender" and collectively, "Lenders") have entered or are about to enter into financing arrangements pursuant to which Agent and Lenders may make loans and advances and provide other financial accommodations to , , , and (collectively, "Borrowers") as set forth in the Loan and Security Agreement, dated , 2002, by and among Borrowers, certain of their affiliates, Agent and Lenders (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement"), and the other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

1. We hereby give you notice of, and request your consent to, the assignment by (the "Assignor") to (the "Assignee") such that after giving effect to the assignment Assignee shall have an interest equal to (%) percent of the total Commitments pursuant to the Assignment and Acceptance Agreement attached hereto (the "Assignment and Acceptance"). We understand that

the Assignor's Commitment shall be reduced by $, as the same may be further reduced by other assignments on or after the date hereof.

2. Assignee agrees that, upon receiving the consent of Agent to such assignment, Assignee will be bound by the terms of the Loan Agreement as fully and to the same extent as if the Assignee were the Lender originally holding such interest under the Loan Agreement.

3. The following administrative details apply to Assignee:

(A) Notice address:

Assignee name:
Address:
Attention:
Telephone:
Telecopier:

(B) Payment instructions:

Account No.:
At:

Reference:
Attention:

4. You are entitled to rely upon the representations, warranties and covenants of each of Assignor and Assignee contained in the Assignment and Acceptance.

IN WITNESS WHEREOF, Assignor and Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[NAME OF ASSIGNOR]

By: _____

Title: _____

[NAME OF ASSIGNEE]

By: _____

Title: _____

ACKNOWLEDGED AND ASSIGNMENT
CONSENTED TO:

CONGRESS FINANCIAL CORPORATION,
as Agent

By: _____

Title: _____

EXHIBIT C
TO
LOAN AND SECURITY AGREEMENT

Compliance Certificate

To: Congress Financial Corporation, as Agent
1133 Avenue of the Americas
New York, New York 10036

Ladies and Gentlemen:

I hereby certify to you in my capacity as [Chief Financial Officer] [Controller] pursuant to Section 9.6 of the Loan Agreement (as defined below) as follows:

1. I am the duly elected [Chief Financial Officer] [Controller] of J. Crew Operating Corp., J. Crew Inc., a New Jersey corporation, Grace Holmes, Inc. and HFD No. 55, Inc. (collectively, "Borrowers"). Capitalized terms used herein without definition shall have the meanings given to such terms in the Loan and Security Agreement, dated , 2002, by and among Congress Financial Corporation as agent for the financial institutions party thereto as lenders (in such capacity, "Agent"), Wachovia Bank, National Association, as arranger (in such capacity "Arranger") and the parties thereto as lenders (collectively, "Lenders"), Borrowers and certain of their affiliates (as such Loan and Security Agreement is amended, modified or supplemented, from time to time, the "Loan Agreement").

2. I have reviewed the terms of the Loan Agreement, and have made, or have caused to be made under my supervision, a review in reasonable detail of the transactions and the financial condition of Borrowers and Guarantors, during the immediately preceding fiscal month.

3. The review described in Section 2 above did not disclose the existence during or at the end of such fiscal month, and I have no knowledge of the existence and continuance on the date hereof, of any condition or event which constitutes a Default or an Event of Default, except as set forth on Schedule I attached hereto. Described on Schedule I attached hereto are the exceptions, if any, to this Section 3 listing, in detail, the nature of the condition or event, the period during which it has existed and the action which any Borrower or Guarantor has taken, is taking, or proposes to take with respect to such condition or event.

4. I further certify that, based on the review described in Section 2 above, no Borrower or Guarantor has not at any time during or at the end of such fiscal month, except as specifically

described on Schedule II attached hereto or as permitted by the Loan Agreement, done any of the following:

(a) Changed its respective corporate name, or transacted business under any trade name, style, or fictitious name, other than those previously described to you and set forth in the Financing Agreements.

(b) Changed the location of its chief executive office, changed its jurisdiction of incorporation, changed its type of organization or changed the location of or disposed of any of its properties or assets (other than pursuant to the sale of Inventory in the ordinary course of its business or as otherwise permitted by Section 9.7 of the Loan Agreement), or established any new asset locations.

(c) Materially changed the terms upon which it sells goods (including sales on consignment) or provides services, nor has any vendor or trade supplier to any Borrower or Guarantor during or at the end of such period materially adversely changed the terms upon which it supplies goods to any Borrower or Guarantor.

(d) Permitted or suffered to exist any security interest in or liens on any of its properties, whether real or personal, other than as specifically permitted in the Financing Agreements.

(e) Received any notice of, or obtained knowledge of any of the following not previously disclosed to Agent: (i) the occurrence of any event involving the release, spill or discharge of any Hazardous Material in violation of applicable Environmental Law in a material respect or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any applicable Environmental Law by any Borrower or Guarantor in any material respect or (B) the release, spill or discharge of any Hazardous Material in violation of applicable Environmental Law in a material respect or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials in violation of applicable Environmental Laws in a material respect or (D) any other environmental, health or safety matter, which has a material adverse effect on any Borrower or Guarantor or its business, operations or assets or any properties at which such Borrower or Guarantor transported, stored or disposed of any Hazardous Materials.

(f) Become aware of, obtained knowledge of, or received notification of, any breach or violation of any material covenant contained in any instrument or agreement in respect of Indebtedness for money borrowed by any Borrower or Guarantor.

5. Attached hereto as Schedule III are the calculations used in determining, as of the end of such fiscal month whether Borrowers and Guarantors are in compliance with the covenants set forth in Sections 9.18 and 9.19 of the Loan Agreement for such fiscal month.

The foregoing certifications are made and delivered this day of , 200 .

Very truly yours,

_____

By: _____

Title: _____

J. CREW INTERMEDIATE LLC

December 23, 2004

U.S. Bank National Association, as Trustee
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department / Michael Hopkins

Re: J. Crew Intermediate LLC 16.0% Senior Discount Contingent Principal Notes due 2008 (the "Notes")

On December 23, 2004, J. Crew Operating Corp. (the "Borrower") made a borrowing of loans (the "Loans") in an aggregate principal amount of $275,000,000 under the Senior Subordinated Loan Agreement (the "Loan Agreement"), dated as of November 21, 2004, by and among Borrower, certain of its subsidiaries, as guarantors (the "Guarantors"), U.S. Bank National Association, as administrative agent (the "Administrative Agent"), and certain lenders thereunder (the "Lenders"). The obligations of the Borrower and the Guarantors thereunder will be secured by second-priority security interests (collectively, the "Liens") in a significant portion of the assets of the Borrower and the Guarantors (collectively, the "Collateral").

In accordance with their obligations under the Loan Agreement, the Borrower, the Guarantors and J. Crew Intermediate LLC ("Intermediate") entered into the Security Agreement (the "Security Agreement"), dated as of November 21, 2004, by and among the Borrower, the Guarantors, Intermediate and U.S. Bank National Association, as collateral agent (in such capacity, the "Collateral Agent"), pursuant to which the Liens in the Collateral were granted in favor of the Collateral Agent on behalf of the Lenders and the holders of the Notes. In addition, the Collateral Agent, on behalf of the Lenders and the holders of the Notes, entered into the Intercreditor Agreement (the "Intercreditor Agreement"), dated as of November 21, 2004, by and among the Collateral Agent, the Borrower, the Guarantors, Intermediate and Congress Financial Corporation, as senior credit agent (together with its permitted successors and assigns, the "Senior Credit Agent"), on behalf of certain senior secured creditors of the Borrower, the Guarantors and Intermediate, pursuant to which the Collateral Agent has agreed, among other things, to certain terms subordinating the Liens to first-priority liens in the Collateral granted to the Senior Credit Agent, on behalf of senior secured creditors of the Borrower and its affiliates from time to time. In accordance with their respective terms, each of the Intercreditor Agreement and the Security Agreement, including the grant of the Liens under the Security Agreement, became effective as of December 23, 2004.

In order to comply with the Section 4.12 of the Indenture dated as of May 6, 2003 (the "Indenture") among Intermediate and U.S. Bank National Association, as trustee (the "Trustee"), the Collateral pledged under the Security Agreement to secure the obligations of the

Borrower and the Guarantors under the Loan Agreement also secures, on an equal and ratable basis, the obligations of Intermediate under the Notes.

Attached hereto please find executed copies of the Security Agreement, the Intercreditor Agreement and the Loan Agreement. In the event that, from time to time, additional Liens are created to secure the obligations of the Borrower and the Guarantors under the Loan Agreement, and/or additional documentation evidencing or creating such Liens is executed, we will supply you with copies of thereof. The Notes will share equally and ratably in any additional Collateral pledged under any such additional security agreements.

Upon the terms and subject to the conditions set forth therein, the Intercreditor Agreement and the Security Agreement provide that the Liens securing the respective obligations of the Borrower, the Guarantors and Intermediate under each of the Loan Agreement and the Notes will be released upon the occurrence of certain events, including, without limitation, (i) upon certain releases of corresponding first-priority liens granted in favor of the Senior Credit Agent on behalf of senior secured creditors of the Borrower and the Guarantors, (ii) in connection with certain sales or transfers of assets in the ordinary course of business of the Borrower and the Guarantors and (iii) under other circumstances provided for in the Loan Agreement. The Liens will no longer apply to the Notes upon the occurrence of any of these events.

In addition, pursuant to the terms of the Intercreditor Agreement and the Security Agreement, (i) the Collateral Agent will not be required to take any enforcement or other action in respect of the Collateral unless instructed to do so by Lenders holding specified principal amounts of the Loans, regardless of whether any default or event of default or similar circumstance exists under the terms of the Notes, and (ii) in any event, the Collateral Agent is prohibited from taking enforcement or other action in respect of the Collateral except in compliance with the provisions of the Intercreditor Agreement, which strictly limits the Collateral Agent's ability to take any such action at any time that the Senior Credit Agent holds liens on the Collateral in favor of any senior secured creditors of the Borrower or any of its affiliates.

[The remainder of this page has been intentionally left blank.]

Please contact Arlene Hong at 212-209-8254 with any questions or comments relating to this letter or any of the attached documents.

Very truly yours,

By /s/ Arlene S. Hong
Name: Arlene S. Hong
Title: Senior Vice President, Secretary and General Counsel

Enclosures