

**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): October 20, 2005

Commission  
File Number

Registrant, State of Incorporation  
Address and Telephone Number

I.R.S. Employer  
Identification No.

333-42427

**J. CREW GROUP, INC.**

22-2894486

(Incorporated in Delaware)  
770 Broadway  
New York, New York 10003  
Telephone: (212) 209-2500

333-42423

**J. CREW OPERATING CORP.**

22-3540930

(Incorporated in Delaware)  
770 Broadway  
New York, New York 10003  
Telephone: (212) 209-2500

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):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Item 1.01. Entry into Material Definitive Agreements

On October 20, 2005, J. Crew Group, Inc. (“Parent”), J. Crew Operating Corp. (“Operating” and together with Parent, the “Company”) and Millard S. Drexler entered into an Amended and Restated Employment Agreement (the “Amended Employment Agreement”). The Amended Employment Agreement replaces the services agreement that previously governed Mr. Drexler’s employment. Pursuant to the Amended Employment Agreement, Mr. Drexler will continue to serve as the Chief Executive Officer of the Company until August 31, 2008, provided that the agreement will automatically extend for successive one-year periods unless Parent or Mr. Drexler provide at least 90 days’ written notice prior to the expiration of the then-current term. The Amended Employment Agreement provides Mr. Drexler with a minimum annual base salary of \$200,000, an opportunity to earn an annual bonus based on the achievement of earnings objectives to be determined each year and the reimbursement of business expenses. Beginning February 1, 2006, or beginning February 1, 2005 if the previously disclosed initial public offering of Parent’s common stock (the “IPO”), is consummated prior to April 15, 2006, Mr. Drexler will be eligible to receive a target bonus of \$800,000 and his total annual cash compensation will no longer be subject to a cap. Pursuant to the Amended Employment Agreement, if the Company terminates Mr. Drexler’s employment without “cause” or he terminates his employment for “good reason” (each as defined in the Amended Employment Agreement), Mr. Drexler will be entitled to receive (i) a payment of his annual base salary through the termination date, any accrued vacation pay and any unreimbursed expenses, (ii) a payment equal to his annual base salary and target bonus, one-half of such payment to be paid on the first business day that is six months and one day following the termination date and the remaining one-half of such payment to be paid in six equal monthly installments commencing on the first business day of the seventh calendar month following the termination date, (iii) a pro-rated bonus based on (A) the last bonus Mr. Drexler received prior to the termination date and (B) the number of days of service completed by Mr. Drexler in the year of termination, such amount to be paid on the first business day that is six months and one day following the termination date, and (iv) the accelerated vesting of any unvested restricted shares and/or unvested stock options. In the event that any payment or benefit provided to Mr. Drexler following the IPO becomes subject to the excise taxes imposed by the “parachute payment” provisions of the Internal Revenue Code, Mr. Drexler will be entitled to receive a “gross-up” payment in connection with any such excise taxes. Mr. Drexler remains subject to customary non-solicitation, non-competition and confidentiality covenants. The Employment Agreement is attached as Exhibit 10.1 hereto.

On October 20, 2005, Parent, Millard S. Drexler and Millard S. Drexler, Inc. entered into a Trademark License Agreement (the “License Agreement”) whereby Mr. Drexler granted Parent a thirty-year exclusive, worldwide license to use a trademark and associated intellectual property rights owned by him (the “Properties”). In consideration for the license, Parent will reimburse Mr. Drexler’s actual costs expended in acquiring and developing the Properties (not to exceed \$300,000 in total) (the “Up-Front Fee”), and pay royalties of \$1 per year during the term of the license. Parent also agreed that it will not assign or spin off ownership of the Properties during the term of Mr. Drexler’s employment without his consent other than as part of a sale of the entire company (except that Parent may pledge or hypothecate its interest in the Properties as part of bank or other financings). Mr. Drexler has further agreed to assign to Parent all of his residual rights in the Properties for no additional consideration if Parent (a) establishes an

operating business unit using the Properties and (b) invests at least \$7.5 million in developing the Properties; provided, however, that Mr. Drexler will have no obligation to assign such rights if Parent terminates his employment without cause or he resigns with good reason before Parent meets conditions (a) and (b) above. In addition, if one of the following events occurs prior to his assignment of his residual rights, Mr. Drexler will have the right to terminate the license within the first ninety days of the occurrence of such event: (a) Parent has not made the \$7.5 million capital commitment prior to Mr. Drexler's termination without cause or resignation with good reason, (b) Parent decides to discontinue its plans to use the licensed trademark and Parent has no bona fide intention to resume such use, or (c) Parent determines, during Mr. Drexler's employment and without his consent, to pursue a supplemental product line under any mark other than the licensed trademark or J. Crew. If Mr. Drexler terminates the license, he must repay the Up-Front Fee. The License Agreement is attached as Exhibit 10.2 hereto.

#### **Item 9.01 Financial Statements and Exhibits**

- (c)
- 10.1 Amended and Restated Employment Agreement by and among Parent, Operating and Millard S. Drexler dated as of October 20, 2005.
  - 10.2 Trademark License Agreement by and among Parent, Millard S. Drexler and Millard S. Drexler, Inc. dated as of October 20, 2005.

The information in this Current Report is being furnished under Items 1.01 and 9.01 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 and Operating (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 Annual Report on Form 10-K for the period ended January 31, 2005 (the "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.

By           /s/ James S. Scully

Name: James S. Scully  
Title: Executive Vice-President and Chief Financial Officer

Date: October 21, 2005

**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated this 20<sup>th</sup> day of October, 2005 (this "Agreement"), among J. Crew Group, Inc., a Delaware Corporation (the "Parent") and its operating subsidiary J. Crew Operating Corp. (collectively with the Parent, the "Company"), with offices at 770 Broadway, New York, New York 10003 and Millard S. Drexler (the "Executive").

1. Term; Position and Responsibilities; Company Headquarters and Executive Work Location.

(a) Term. Effective as of the date first written above (the "Effective Date"), this Amended and Restated Employment Agreement shall become effective and shall, except as specifically provided herein, amend and replace the Service Agreement, dated January 24, 2003. As of the Effective Date, the Company and the Executive agree to extend the original term of this Agreement that commenced on January 27, 2003 (as provided in the prior Services Agreement), so that it ends on August 31, 2008, unless terminated earlier pursuant to Section 4 hereof. The Agreement shall thereafter be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year each, unless either party, at least ninety (90) days prior to the expiration of the term or any extended term, gives written notice to the other of its intention not to renew such term (the term of this Agreement, as extended, being the "Term of Employment"). The parties agree that any references in any Stock Option Grant Agreements, Restricted Stock Grant Agreements or other agreements between the Company and the Executive to the "Services Agreement" or "Services" or the "Principal" shall hereafter be deemed to refer to this Agreement, the Term of Employment and the Executive, respectively.

(b) Position and Responsibilities. During the Term of Employment, the Company shall continue to engage the Executive on the terms, and subject to the conditions of this Agreement, and agrees to cause the Executive to be elected as Chairman of Board of Directors of the Company (the "Board") and to employ the Executive as the Company's Chief Executive Officer and in such other position or positions with the Company as the Board and the Executive may agree from time to time. During the Term of Employment, the Executive shall perform the duties and responsibilities that are customarily assigned to individuals serving in such position or positions and such other duties and responsibilities commensurate with such positions as the Board may reasonably specify from time to time, including but not limited to recruitment and retention of key personnel of the Company, hiring and terminating senior executives of the Company, establishment and execution of brand vision, and direct responsibility for assembling and guiding product, merchandising and marketing functions, and oversight of and accountability for the financial and strategic performance of the Company and all of its subsidiaries, affiliates and business units. The Executive shall report solely to the Board.

(c) During the Term of Employment, excluding any periods of vacation to which the Executive is entitled and periods of illness or disability, (i) the Executive shall devote substantially all of his working time and attention to the performance of his duties and responsibilities hereunder, and (ii) the Executive may not, without the prior written consent of

the Company, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as Chairman and Chief Executive Officer of the Company), provided that it shall not be a violation of the foregoing for the Executive to (A) act or serve as a director, trustee, committee member or principal of any type of business or civic or charitable organization, and (B) manage his personal, financial and legal affairs, (provided that the activities described in clauses (A) and (B) do not interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder).

(d) Company Headquarters; Principal Work Location. Unless otherwise mutually agreed upon, the Company's headquarters shall be the New York metropolitan area. The Executive shall travel as reasonably required to carry out his duties and obligations hereunder.

2. Compensation; Expenses; Benefits and Perquisites. As compensation for the performance of duties and responsibilities hereunder, during the Term of Employment and until February 1, 2006, the Executive shall continue to be entitled to the compensation, benefits and perquisites provided in Section 2 of the Services Agreement (except as provided in Section 3 below) instead of the provisions of this Section 2, provided that in the event an initial public offering (the "IPO") of Parent's common stock registered under the Securities Act of 1933, as amended, becomes effective (the "IPO Date") on or prior to April 15, 2006, then the provisions of this Section 2 shall apply effective as of February 1, 2005. Commencing on February 1, 2006 (or earlier as provided in the immediately preceding sentence) and thereafter during the Term of Employment, as compensation for the performance of the duties and responsibilities hereunder, the Executive shall be entitled to the following compensation from the Company:

(a) Base Salary. The Company shall pay the Executive, not less than once a month pursuant to the Company's normal and customary payroll procedures, a base salary at the rate of \$200,000 per annum (the "Base Salary"). The Board or a committee thereof shall annually reevaluate the Executive's Base Salary and bonus opportunities for increase based on the Company's performance and the Executive's contributions to the Company for the preceding fiscal year.

(b) Annual Bonus. In addition to the Base Salary, the Executive shall have an opportunity to earn an annual bonus (the "Bonus") in respect of each fiscal year in accordance with the terms of the J. Crew Operating Corp. Performance Incentive Plan then existing for such fiscal year based on the achievement of performance objectives as may be established from time to time by the Board or a committee thereof; provided, however, that, except as otherwise provided herein, the Bonus for any fiscal year shall be payable to the Executive only if the Executive is employed by the Company on the date on which such Bonus is paid. The Executive's target annual bonus opportunity shall be \$800,000 ("Target Bonus"), based on the achievement of performance objectives (i) if this provision becomes effective February 1, 2005, currently in place for the other senior executives at the Company as determined by the Board or a committee thereof and (ii) for fiscal year 2006 and thereafter, as determined by the Board or a

committee thereof. The actual Bonus payable may be greater or lesser than the Target Bonus and shall be determined by the Board or a committee thereof, in its sole discretion, based on such factors as it shall determine.

(c) Business Expenses. The Company shall promptly reimburse the Executive for all reasonable business expenses incurred by the Executive in connection with the performance of the Executive's employment hereunder, including without limitation airfare, upon the presentation of statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Company.

(d) Employee Benefits. The Executive shall be eligible to participate in the employee benefit plans and programs maintained by the Company from time to time and generally available to senior executives of the Company, including, to the extent maintained by the Company, medical, dental, accidental and disability insurance plans and profit sharing, pension, retirement, deferred compensation and savings plans, to the extent permitted by and in accordance with the terms and conditions of the applicable plan and applicable law in effect from time to time.

(e) Vacation. The Executive shall be entitled to twenty-five days of paid time off per annum pursuant to the Company's Paid Time Off Policy, without carryover accumulation, which may be taken at the Executive's sole discretion.

3. Relocation. The Company shall reimburse the Executive for up to \$250,000 (inclusive of relocation expenses already reimbursed by the Company) of moving expenses in connection with his relocation from California to New York. The reimbursement of such relocation expenses shall be excluded from the \$700,000 cap provided in Section 2 of the Services Agreement.

#### 4. Grant of Stock Options and Restricted Stock.

(a) Equity Grants. During the Term of Employment, the Executive shall continue to be eligible to receive grants of options, restricted stock and other equity securities of the Company at such times and in such amounts as the Compensation Committee of the Board shall determine, in its sole discretion. Prior grants shall continue to be governed by the terms and conditions of the plans and grant agreements pursuant to which they were made. All future grants shall be governed by the terms and conditions of the plans and grant agreements pursuant to which they are made. All equity grants made in connection with or since the commencement of the original Term of Employment shall be subject to equitable adjustment on the same basis and shall be appropriately adjusted in the event of extraordinary cash dividends.

(b) Stockholders' Agreement. Unless otherwise specified in such Stockholders' Agreement, all shares of Common Stock and all other securities issued in connection with this Agreement or the original Agreement or acquired by the Executive or any entity controlled by the Executive under this or the original Agreement or otherwise shall be subject to the Stockholders' Agreement, dated January 24, 2003.

5. Termination of Employment.

The Term of Employment may be terminated prior to August 31, 2008, or any extension of the term established pursuant to Section 1(a) hereof (the "Scheduled Termination Date"), upon the earliest to occur of the following events (at which time the Executive's employment provided hereunder shall be terminated):

(a) Death. The Executive's employment hereunder shall terminate upon the Executive's death.

(b) Disability. The Company shall be entitled to terminate the Executive's employment hereunder by reason of the Executive's "Disability" if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been unable to perform his duties hereunder for a period of six (6) consecutive months or for 180 days within any 365-day period, and within 30 days after written Notice of Termination (as defined below) for Disability is given following such 6-month or 180-day period, as the case may be, the Executive shall not have returned to the performance of his duties in accordance with this Agreement.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, the term "Cause" shall mean: (1) the willful and continued failure of the Executive substantially to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), after the Board delivers to the Executive a written demand for substantial performance that specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties; (2) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company; and (3) a breach of any of the obligations under Sections 9, 10 and 11 or any of the representations and covenants contained in Section 13 hereof. Any act or failure to act that is based upon authority given pursuant to a resolution duly adopted by the Board, or the advice of counsel for the Company, shall not constitute Cause. Cause shall not exist unless and until the Company has delivered to the Executive a copy of a resolution duly adopted by a majority of the Board at a meeting of the Board called and held for such purpose (after reasonable but in no event less than thirty (30) days' notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive was guilty of the conduct set forth above and specifying the particulars thereof in detail. This Section 5(c) shall not prevent the Executive from challenging in any court of competent jurisdiction the Board's determination that Cause exists or that the Executive has failed to cure any act (or failure to act) that purportedly formed the basis for the Board's determination.

(d) Good Reason. The Executive may terminate his employment hereunder for “Good Reason,” for any of the following reasons enumerated in this Section 5(d): (i) the diminution of, or appointment of anyone other than the Executive to serve in or handle, the Executive’s positions, authority, duties or responsibilities from the positions, authority, duties or responsibilities set forth in Section 1 of this Agreement without the Executive’s consent; (ii) any purported termination of the Term of Employment by the Company for a reason or in a manner not expressly permitted by this Agreement; (iii) relocation of the Executive’s principal work location to more than fifty (50) miles from the Executive’s principal work location, (iv) any failure by the Company to comply with Sections 2, 3 or 4 of this Agreement, or any other material breach of this Agreement, including without limitation Section 15(e)(ii), or (v) the removal of the Executive or any of the Executive’s nominees as directors under Section 4(d) of the Stockholders’ Agreement prior to the date such provision expires pursuant to the terms of the Stockholders’ Agreement. Termination pursuant to this Section 5(d) shall not be effective until the Executive delivers to the Board a written notice specifically identifying the conduct of the Company which he believes constitutes a reason enumerated in this Section 4(d) and the Executive provides the Board at least thirty (30) days to remedy such conduct and then provides an additional Notice of Termination in the event the Company does not cure such conduct.

(e) Without Cause. The Company may terminate the Executive’s employment hereunder without Cause.

(f) Without Good Reason. The Executive may terminate his employment hereunder without Good Reason, provided that the Executive provides the Company with notice of intent to terminate without Good Reason at least three months in advance of the Date of Termination. The Executive and the Company shall mutually agree on the time, method and content of any public announcement regarding the termination of Executive’s employment hereunder and neither the Executive nor the Company shall make any public statements which are inconsistent with the information mutually agreed upon by the Company and the Executive and the parties hereto shall cooperate with each other in refuting any public statements made by other persons, which are inconsistent with the information mutually agreed upon between the Executive and Company as described above.

#### 6. Termination Procedure.

(a) Notice of Termination. Any termination of the Executive’s employment hereunder by the Company or by the Executive during the Term of Employment (other than termination pursuant to Section 5(a)) shall be communicated by written notice of termination (“Notice of Termination”) to the other party hereto in accordance with Section 15(a).

(b) Date of Termination. “Date of Termination” shall mean (i) if the Executive’s employment is terminated by reason of the Executive’s death, the date of his death, (ii) if the Executive’s employment is terminated pursuant to Section 5(b), thirty (30) days after Notice of Termination (provided that the Executive shall not have returned to the substantial

performance of his duties in accordance with this Agreement during such thirty (30) day period), (iii) if the Executive's employment is terminated pursuant to Section 5(f), a date specified in the Notice of Termination which is at least three months from the date of such notice as specified in such Section 5(f); and (iv) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days (or any alternative time period agreed upon by the parties) after the giving of such notice) set forth in such Notice of Termination.

#### 7. Termination Payments.

(a) Without Cause or for Good Reason. In the event of the termination of the Executive's employment during the Term of Employment by the Company without Cause or by the Executive, for Good Reason, the Executive shall be entitled to (i) a payment, within ten (10) days following the Date of Termination, of Base Salary through the Date of Termination (to the extent not theretofore paid), for any accrued vacation pay, and any unreimbursed expenses under Sections 2(c), (d) and (f) hereof, (collectively, the "Accrued Obligations") and (ii) subject to the effectiveness of the Executive's execution of a general release and waiver of all claims against the Company, its affiliates and their respective officers and directors related to the Executive's employment, in the form annexed as Exhibit A (but excluding (1) his rights to receive the benefits provided under this Agreement or' under any and all equity agreements entered into in connection herewith or in connection with the predecessor of this Agreement and, to the extent then in effect, the Stockholders' Agreement, (2) his rights with respect to related investments in the Company and (3) his rights to be indemnified in accordance with the provisions of the Company's charter and bylaws and to receive any benefits to which he is entitled under the Company's directors' and officers' liability insurance policies, all in accordance with Section 8 hereof (collectively, the "Excluded Obligations")), and subject to the Executive's compliance with the terms and conditions contained in this Agreement, (A) a payment equal to one year's Base Salary and Target Bonus, one-half of such payment will be paid on the first business day that is six months and one day following the Date of Termination and the remaining one-half of such payment will be paid in six equal monthly installments commencing on the first business day of the seventh calendar month following the Date of Termination; (B) a payment equal to the product of (x) the last Bonus the Executive received prior to the date of termination, and (y) a fraction, the numerator of which is the number of days from the beginning of such year through the Date of Termination, and the denominator of which is 365, which will be paid on the first business day that is six months and one day following the Date of Termination; (C) the immediate vesting of such portion of the Company restricted stock granted to the Executive as provided in and pursuant to the terms of the Restricted Stock Agreements between the Parent and the Executive under the Company's 2003 Equity Incentive Plan as it may be amended from time to time (the "Equity Plan") and (D) the immediate vesting of such portion of the options granted to the Executive as provided in and pursuant to the terms of the Stock Option Grant Agreements between the Parent and the Executive under the Equity Plan. The Company shall have no additional obligations under this Agreement, but the Executive shall retain all rights with respect to the Excluded Obligations in accordance with the terms of the agreements under which such obligations are provided.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced, regardless of whether the Executive obtains other employment or is engaged to perform other services.

(b) Cause, Death, Disability, Without Good Reason, Failure to Renew. If the Executive's Employment is terminated during the Term of Employment by the Company for Cause, by the Executive without Good Reason, by either party serving a notice not to renew pursuant to Section 1(a) herein (such notice, a "Failure to Renew"), or as a result of the Executive's death or Disability, the Company shall pay the Accrued Obligations to the Executive within thirty (30) days following the Date of Termination. The Company shall have no additional obligations under this Agreement, but the Executive shall retain all rights with respect to the Excluded Obligations in accordance with the terms of the agreements under which such obligations are provided.

(c) Other Rights and Benefits. In the event of the termination of the Term of Employment for any reason, the Executive shall retain his rights under all employee benefit plans, including the Equity Plan, in accordance with the terms and conditions of such plans, provided that in no event will the Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

#### 8. Indemnification.

The Company agrees that if the Executive is made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the employment of the Executive hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any subsidiary of the Company or is or was serving at the request of the Company, as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law from and against any and all liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of (a) a written request for payment, (b) appropriate documentation evidencing the incurrence, amount and nature of the costs and expenses for which payment is being sought, and (c) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement. The Company and the Executive will consult in good faith with respect to the conduct of any Proceeding. If the Company or any of its successors or assigns consolidates with or merges into any other entity or transfers all or substantially all of its properties or assets, then in each such case, proper provisions shall be made so that the successors or assigns of the Company shall assume all of the obligations set forth in this Section 8.

During the Term of Employment and for a term of six years thereafter, the Company, or any successor to the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in the same amount as the other executive officers and directors of the Company.

During the Term of Employment and for a term of six years thereafter, the Company shall provide Executive with copies of all binders and policies issued in connection with any directors and officers liability insurance affording coverage to Executive, within 30 days following the Executive's request for such documents.

9. Non-Solicitation.

During the Term of Employment and for a period of two years following the Date of Termination, the Executive hereby agrees not to, directly or indirectly, for his own account or for the account of any other person or entity, (i) solicit or hire or assist any other person or entity in soliciting or hiring any employee of the Company or any of its subsidiaries or affiliates to perform any services for any entity (other than the Company or their respective subsidiaries or affiliates), attempt to induce any such employee to leave the employ of the Company or any affiliates of the Company, or otherwise interfere with or adversely modify such employee's relationship with the Company or any of its subsidiaries or affiliates, or (ii) induce any employee of the Company who is a member of management to engage in any activity which the Executive is prohibited from engaging in under any of Sections 9, 10 or 11 of this Agreement. For purposes of this Agreement, "employee" shall mean any natural person anywhere in the world who is employed by or otherwise engaged to perform services for the Company or any of its affiliates on the Date of Termination or during the one-year period preceding the Date of Termination.

10. Non-Compete.

In connection with the employment of the Executive under this Agreement and in recognition that the Executive shall be a significant stockholder in the Company, and except as specifically provided in Section 1(c) above, the Executive hereby agrees that, during the Term of Employment and for the one year period following any termination of the Executive's employment (other than a termination without Cause, for Good Reason or Failure to Renew as described in Sections 5(d), 5(e) and 7(b) above), the Executive shall not become associated with any entity, whether as a principal, partner, employee, consultant or shareholder (other than as a holder of a passive investment of not in excess of 5% of the outstanding voting shares of any publicly traded company), that is actively engaged in retail apparel business in any geographic area in which the Company or any of its subsidiaries or affiliates are engaged in such business.

11. Confidentiality; Non-Disclosure.

(a) The Executive hereby agrees that, during the Term of Employment and thereafter, he will hold in strict confidence any proprietary or Confidential Information related to the Company and its affiliates. For purposes of this Agreement, the term “Confidential Information” shall mean all information of the Company or any of its affiliates (in whatever form) which is not generally known to the public, including without limitation any inventions, processes, methods of distribution or customers’ or trade secrets.

(b) The Executive hereby agrees that, upon the termination of the Term of Employment, he shall not take, without the prior written consent of the Company, any drawing, blueprint, specification or other document (in whatever form) of the Company or its affiliates, which is of a confidential nature relating to the Company or its affiliates, or, without limitation, relating to its or their methods of distribution, or any description of any formulas or secret processes and will return any such information (in whatever form) then in his possession.

12. Injunctive Relief.

It is impossible to measure in money the damages that will accrue to the Company in the event that the Executive breaches any of the restrictive covenants provided in Sections 9, 10 or 11 hereof. In the event that the Executive breaches any such restrictive covenant, the Company shall be entitled to an injunction restraining the Executive from violating such restrictive covenant. If the Company shall institute any action or proceeding to enforce any such restrictive covenant, the Executive hereby waives the claim or defense that the Company has an adequate remedy at law and agrees not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company’s right to require the Executive to account for and pay over to the Company, and the Executive hereby agrees to account for and pay over, the compensation, profits, monies, accruals or other benefits derived or received by the Executive, directly or indirectly, as a result of any transaction constituting a breach of any of the restrictive covenants provided in Sections 9, 10 or 11 of this Agreement.

13. Representations and Covenants; Certain Reimbursements.

(a) The Executive and the Company hereby represent to each other that they have full power and authority to enter into this Agreement on behalf of themselves and that the execution of, and performance of duties or obligations under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive or the Company, as applicable, is a party.

(b) The Executive hereby represents and covenants to the Company that he will not utilize or disclose any confidential information obtained by the Executive in connection with his former employment with respect to his duties and responsibilities hereunder and the Company, and the Company covenants that it will not ask the Executive to do so.

14. Additional Payments.

In the event that, following a Change in Control IPO (as defined below), any payment, right or benefit made or provided to the Executive under this Agreement and under any other plan, program or agreement of the Company or any of its affiliates (collectively, the "Aggregate Payment") become subject to any tax (the "Excise Tax") imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay to the Executive an additional amount (the "Excise Tax Payment") such that the net amount retained by the Executive with respect to the Aggregate Payment, after deduction of any Excise Tax on the Aggregate Payment and any Federal, state and local income and employment tax and Excise Tax on the Excise Tax Payment (and any interest and penalties thereon), but before deduction for any Federal, state or local income or employment tax withholding on such Aggregate Payment, shall be equal to the amount of the Aggregate Payment. The Company shall pay the Excise Tax Payment to the Executive not later than 2 1/2 months after the end of the year in which the Executive becomes entitled to the Excise Tax Payment or, to the extent applicable, and as agreed by counsel for the parties, such agreement not to be unreasonably withheld, otherwise make the payment in a manner that complies with Section 409A of the Code and the regulations thereunder.

The determination of whether the Aggregate Payment will be subject to the Excise Tax and, if so, the amount to be paid to the Executive and the time of payment pursuant to this Section 14 shall be made by the Auditor (as defined below), subject to a different determination by the Internal Revenue Service. All fees and expenses of the Auditor shall be borne solely by the Company.

For purposes of determining the amount of any additional payments hereunder, the Executive shall be deemed to pay: (i) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the calendar year in which such payments are to be made, and, (ii) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which such payments are to be made, net of the maximum reduction in Federal incomes taxes that could be obtained from the deduction of such state or local taxes if paid in such year.

For purposes of this Agreement, the following definitions shall have the following meanings:

(a) "Auditor" shall mean a nationally recognized United States public accounting firm, jointly selected by the Company and the Executive, which has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company. If the Executive and the Company cannot agree on the firm to serve as the Auditor, then the Executive and the Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor.

(b) “Change in Control IPO” shall mean the Company has equity securities that are readily tradable on an established securities market or otherwise within the meaning of Q&A 6 of Treasury Regulation 1.280G-1.

In the event that, prior to a Change in Control IPO, any Aggregate Payment becomes subject to the Excise Tax, the Executive will have the option (to be exercised in his sole discretion) to waive any portion of any payments or benefits due hereunder or under any other plan, program or agreement of the Company or any of its affiliates in order to avoid any such Excise Tax. The Company shall, in conformity with the requirements set forth at Q&A 7 of Treas. Reg. Section 1.280G-1, use its best efforts to seek approval from the stockholders of the Company of payment of such payments or benefits.

15. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and delivered personally or sent by registered or certified mail, postage prepaid, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company:

J. Crew Group, Inc.  
770 Broadway  
New York, NY 10003  
Attention: Board of Directors and Secretary

with a copy to:

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

If to the Executive:

To the address on file with the Company,

with a copy to:

Stephen T. Lindo, Esq.  
Willkie Farr & Gallagher  
787 Seventh Avenue  
New York, NY 10019-6099

or to such other address as any party hereto may designate by notice to the others, and shall be deemed to have been given upon receipt.

(b) The Company shall reimburse the Executive for reasonable legal fees incurred by the Executive in connection with the negotiation of this Agreement and any related agreements.

(c) This Agreement and the prior grant agreements and plans referenced herein constitute the entire agreement among the parties hereto with respect to the employment of the Executive.

(d) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(e) (i) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Company or the Executive.

(ii) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Agreement, the "Company" shall mean both the Company as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(f) If any provision of this Agreement or portion thereof is so broad, in scope or duration, so as to be unenforceable, such provision or portion thereof shall be interpreted to be only as broad as is enforceable.

(g) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

(h) This Agreement shall be governed by and construed in accordance with the laws of the State of NEW YORK, without reference to its principles of conflicts of law.

(i) Any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or the interpretation hereof or any agreements relating hereto or contemplated herein or the interpretation, breach, termination, validity or invalidity hereof shall be settled exclusively and finally by arbitration; provided that the Company shall not be required to submit claims for injunctive relief to enforce the covenants contained in Sections 8, 9 or 10 of this Agreement to arbitration. The arbitration shall be conducted in accordance with the Commercial ' Arbitration Rules (the "Rules") of the American Arbitration Association (the "AAA"), except as amplified or otherwise varied hereby. The Company and the Executive jointly shall appoint one individual to act as arbitrator within thirty (30) days of initiation of the arbitration. If the parties shall fail to appoint such arbitrator as provided above, such arbitrator shall be appointed by the President of the Association of the Bar of the City of New York and shall be a person who maintains his or her Executive place of business in the New York metropolitan area and shall be an attorney, accountant or other professional licensed to practice by the State of New York who has substantial experience in employment and executive compensation matters. All fees and expenses of such arbitrator shall be shared equally by the Company and the Executive. The situs of the arbitration shall be New York City. Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to seek review of such award by any court or tribunal. The arbitration award shall be paid within thirty (30) days after the award has been made. Judgment upon the award may be entered in any federal or state court having jurisdiction over the parties and shall be final and binding. Each party shall be required to keep all proceedings related to any such arbitration and the final award and judgment strictly confidential; provided that either party may disclose such award as necessary to enter the award in a court of competent jurisdiction or to enforce the award, and to the extent required by law, court order, regulation or similar order.

(j) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(k) The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

(l) This Agreement is intended to comply with Section 409A of the Code. Each party to this Agreement intends and agrees that this Agreement shall be modified to the minimum extent necessary, as mutually agreed by counsel for the parties, such agreement not to be unreasonably withheld, to comply with such Section 409A and the regulations thereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

J. CREW GROUP, INC.

/s/ James S. Scully

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Name: James S. Scully  
Title: Executive Vice-President and  
Chief Financial Officer

J. CREW OPERATING CORP.

/s/ James S. Scully

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Name: James S. Scully  
Title: Executive Vice-President and  
Chief Financial Officer

/s/ Millard S. Drexler

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Millard S. Drexler

**Exhibit A**

**FORM OF GENERAL RELEASE**

**GENERAL RELEASE OF CLAIMS**

1. Millard S. Drexler (the "Executive"), for himself and his family, heirs, executors, administrators, legal representatives and their respective successors and assigns, in exchange for the consideration contained in Section 6(a)(ii) of the Amended and Restated Employment Agreement to which this release is attached as Exhibit A (the "Employment Agreement"), which the Executive acknowledges is in addition to any amounts to which he would have otherwise been entitled but for the Employment Agreement and execution of this General Release of Claims, does hereby release and forever discharge J. Crew Group, Inc. ("Parent") and its operating subsidiary J. Crew Operating Corp. (together with Parent, the "Company") and their respective subsidiaries or affiliated companies, and their respective current or former directors, officers, employees, shareholders or agents in such capacities (collectively with the Company, the "Released Parties") from any and all actions, causes of action, suits, controversies, claims and demands whatsoever, for or by reason of any matter, cause or thing whatsoever, whether known or unknown, arising under or in connection with the Principal's employment or the termination of such employment with the Company, whether for tort, breach of express or implied employment contract, wrongful discharge, intentional infliction of emotional distress, or defamation or injuries incurred on the job or incurred as a result of the termination of the employment. The Executive acknowledges that the Company encouraged him to consult with an attorney of his choosing, and through this General Release of Claims encourages him to consult with his attorney with respect to possible claims under the Age Discrimination in Employment Act ("ADEA") and that he understands that the ADEA is a Federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefits and benefit plans. Without limiting the generality of the release provided above, the Executive expressly waives any and all claims under ADEA that he may have as of the date hereof. The Executive further understands that by signing this General Release of Claims he is in fact waiving, releasing and forever giving up any claim under the ADEA as well as all other laws within the scope of this paragraph 1 that may have existed on or prior to the date hereof. Notwithstanding anything in this paragraph 1 to the contrary, this General Release of Claims shall not apply to (i) any actions to enforce rights arising under, or any claim for benefits that may be due the Executive pursuant to any vested benefits under any employee benefit plan, or vested rights under any and all equity agreements entered into in connection with the Employment Agreement or the predecessor of the Employment Agreement and, to the extent in effect, the Stockholders' Agreement, (ii) any actions to enforce the Executive's rights with respect to his related investments in the Company, and (iii) any indemnification rights the Executive may have as a former officer or director of the Company or its subsidiaries or affiliated companies in accordance with the Company's charter and bylaws and any claims to receive any benefits to which he is entitled under the Company's directors' and officers' liability policies, all in accordance with Section 8 of the Employment Agreement.

2. The Executive represents that he has not filed against the Released Parties any complaints, charges, or lawsuits arising out of his employment, or any other matter arising on or prior to the date of this General Release of Claims, and covenants and agrees that he will never individually or with any person to file, or commence the filing of, any charges, lawsuits, complaints or proceedings with any governmental agency, or against the Released Parties with respect to any of the matters released by the Executive pursuant to paragraph 1 hereof.

3. The Executive hereby acknowledges that the Company has informed him that he has up to twenty-one (21) days to sign this General Release of Claims and he may knowingly and voluntarily waive that twenty-one (21) day period by signing this General Release of Claims earlier. The Executive also understands that he shall have seven (7) days following the date on which he signs this General Release of Claims within which to revoke it by providing a written notice of his revocation to the Company.

4. The Executive acknowledges that this General Release of Claims will be governed by and construed and enforced in accordance with the internal laws of the State of NEW YORK applicable to contracts made and to be performed entirely within such State.

5. The Executive acknowledges that he has read this General Release of Claims, that he has been advised that he should consult with an attorney before he executes this general release of claims, and that he understands all of its terms and executes it voluntarily and with full knowledge of its significance and the consequences thereof.

6. This General Release of Claims shall take effect on the eighth day following the Executive's execution of this General Release of Claims unless the Executive's written revocation is delivered to the Company within seven (7) days after such execution.

\_\_\_\_\_  
Millard S. Drexler

\_\_\_\_\_, 20\_\_

**The parties understand and agree that the release of claims provided in this form of general release shall be entered into by the parties to the Employment Agreement in connection with termination of the Executive's employment pursuant to a separation agreement or arrangement, which shall state, among other things, the consideration the Executive is entitled to receive in connection with such termination.**

**TRADEMARK LICENSE AGREEMENT**

**between**

**Millard S. Drexler,**

**Millard S. Drexler, Inc.**

**and**

**J. Crew Group, Inc.**

**Dated as of October 20, 2005**

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**TRADEMARK LICENSE AGREEMENT** (this "Agreement"), dated as of October 20, 2005 (the "Effective Date"), between Millard S. Drexler, Inc., a corporation incorporated under the laws of Delaware ("Licensor"), Millard S. Drexler ("MSD") and J. Crew Group, Inc., a corporation incorporated under the laws of Delaware ("Licensee").

**WITNESSETH:**

WHEREAS, Licensor has acquired rights in the "Madewell" name and mark for use in connection with the apparel business and is the registered owner of certain Madewell Properties (as defined below);

WHEREAS, MSD is the Chairman and Chief Executive Officer of Licensee;

WHEREAS, Licensee desires to obtain a license to use the Madewell Properties in connection with certain clothing, footwear and accessories, and Licensor desires to grant such license, on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Licensee is also desirous of acquiring the right, interest and title in and to certain of Licensor's rights, and Licensor is willing to transfer such rights, subject to the terms and conditions set forth hereinafter.

NOW THEREFORE, in consideration of the foregoing and of the mutual representations, warranties and covenants contained herein, the undersigned parties hereby agree as follows:

**ARTICLE 1  
DEFINITIONS**

SECTION 1.01 Defined Terms. As used in this Agreement, the following capitalized terms shall have the meanings set forth below.

"Agreement" has the meaning set forth in the first paragraph of this Agreement.

"Assignment" has the meaning set forth in Section 7.01 of this Agreement.

"Cause" has the meaning set forth in the Employment Agreement.

"Effective Date" has the meaning set forth in the first paragraph of this Agreement.

"Employment Agreement" means the Amended and Restated Employment Agreement, dated as of October 20, 2005, by and between MSD, Licensee and J. Crew Operating Corp.

"Good Reason" has the meaning set forth in the Employment Agreement.

“Governmental Authority” means any court, government (national, federal, state, local or foreign), department, commission, board, bureau, agency, official or other regulatory, administrative, judicial or governmental authority.

“License” has the meaning set forth in Section 2.01 of this Agreement.

“Licensee” has the meaning set forth in the first paragraph of this Agreement.

“Licensor” has the meaning set forth in the first paragraph of this Agreement.

“Licensor Termination Events” has the meaning set forth in Section 9.02 of this Agreement.

“Madewell Business” means the clothing, accessories and footwear business based on the “Madewell” name, including, without limitation, the business formerly operated by the Madewell Manufacturing Co., Inc., relating to the design, sale and distribution of men’s, women’s and children’s clothing, accessories and footwear (including work-wear, pants, slacks, jeans, shirts and jackets).

“Madewell Properties” means the Trademark, all common law and state rights in the Trademark, the “Madewell” trade name and other associated and derivative trademarks, service marks, logos, trade names and any other intellectual property right that Licensor has acquired or may acquire in the future with respect to the MADEWELL mark, such as rights in any associated clothing, accessories or footwear designs and business know-how and any domain names including the Trademark.

“Minimum Capital Commitment” means a capital investment of at least \$7,500,000, which may include salary and compensation expenses of dedicated employees, fees for outside consultants and service providers, capital expenditures and store opening costs, and advertising, inventory and similar costs, but excluding overhead, allocated costs of Licensee’s personnel and similar allocated costs. For purposes of this Agreement, an employee shall be considered dedicated if such employee works on the Madewell Properties or Supplemental Product Line at least 75% of the time during an applicable quarter, and to the extent he/she works less than 100% of his/her time for the Supplemental Product Line the salary and compensation expense during such period shall be determined on a pro-rata basis.

“Notice” has the meaning set forth in Section 10.01.

“Operating Business Unit” means a business unit (regardless of whether it is a distinct legal entity or a functional division or group within an existing or future entity) to which market revenues can be attributed, and which has dedicated personnel resources.

“Party” means each of Licensor and Licensee. “Parties” has the correlative meaning.

“Person” means any legal or natural person or entity of any kind, legally constituted, including an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

“Residual Rights” means any and all intellectual property related to the Madewell Properties or to the Madewell Business, whether acquired before or after the Effective Date, which have not been granted to Licensee hereunder.

“Royalty” has the meaning set forth in Section 6.02.

“Supplemental Product Line” means a new line of men’s, women’s and children’s clothing, footwear and accessories developed by Licensee and separate from Licensee’s current lines, whether this line is branded with the Madewell Properties or another mark approved by Licensor pursuant to Section 9.02(c).

“Term” has the meaning set forth in Section 9.01.

“Trademark” means the trademark MADEWELL in respect of men’s, women’s and children’s clothing, footwear and accessories, as set forth on Exhibit A, and to the extent they exist, any corresponding trademark rights or rights of a similar nature that may exist anywhere in the world in the “Madewell” name, whether registered or unregistered, and all goodwill associated with any of the foregoing.

“Up-front Fee” has the meaning set forth in Section 6.01.

SECTION 1.02 Other Definitional Provisions. As used in this Agreement, neutral pronouns and any variations thereof shall be deemed to include the feminine and masculine and all terms used in the singular shall be deemed to include the plural, and vice versa, as the context may require. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole, as the same may from time to time be amended or supplemented and not to any particular subdivision contained in this Agreement. The word “including” when used herein is not intended to be exclusive, or to limit the generality of the preceding words, and means “including, without limitation.” References herein to an article, section, subsection, clause, paragraph or schedule shall refer to the appropriate Article, Section, subsection, clause, or paragraph of this Agreement, unless expressly stated otherwise. Where either Party’s consent is required hereunder, except as otherwise specified herein, such Party’s consent may be granted or withheld in such Party’s sole discretion.

**ARTICLE 2**  
**TRADEMARK LICENSE**

SECTION 2.01 Scope of License. During the Term, Licensor grants to Licensee an exclusive right and license throughout the world to use the Madewell Properties in connection with any clothing, footwear and accessory items, including in connection with any pre-existing “Madewell” product offerings to which Licensor may have any rights, and the Supplemental Product Line (the “License”). The foregoing License shall include the exclusive worldwide right to use the Madewell Properties, including as a trade name, service mark, and for any other purpose, including in any promotional materials, advertisements, as a domain name, company name and signage, that Licensee deems beneficial to the development and commercialization of the Madewell Properties.

SECTION 2.02 Form of Use. Without limiting the foregoing and for the avoidance of doubt, Licensee may use the Madewell Properties pursuant to the above License in combination with any trademarks, service marks, logos, symbols, slogans, trade names, corporate names, product names or commercial slogans whether owned by Licensee or by any other Person. Subject to Licensor’s interest in the Madewell Properties, Licensee shall own all rights in any new trademarks used in connection with the Madewell Properties.

SECTION 2.03 Trademark/Copyright Notice. Licensee agrees to use such trademark or copyright notices as may be reasonably requested by Licensor to protect Licensor’s rights in the Madewell Properties.

SECTION 2.04 Sublicense. The License includes the right of Licensee to grant a sublicense of lesser or of the same scope and extent as the License to other Persons. Each such sublicense shall be consistent with and subject to the terms and conditions of this Agreement, including, without limitation, with regard to quality control. Licensee agrees to guarantee the performance of each of its sublicensees.

SECTION 2.05 Recognition of Licensor’s Contribution. Licensee shall use commercially reasonable efforts to identify Licensor in catalogues and promotional materials describing the Madewell company as the “founder” and “creator” of any business developed by Licensee under or as part of the Madewell Properties, including the Supplemental Product Line, whether such business is operated by Licensee or its permitted assignee and regardless of any Assignment pursuant to Section 7.01 or any termination of this Agreement.

SECTION 2.06 Recording of Licenses. Licensee shall have the right to register the License at its expense in any jurisdictions. To the extent necessary, Licensor shall grant Licensee consents and powers of attorney for the limited purpose of recording the License. Nothing in the foregoing shall limit Licensor from, in its discretion, registering the License in any jurisdiction. Licensor shall not assign, license or otherwise purport to transfer any interest in the Madewell Properties during the Term without the prior written consent of Licensee.

SECTION 2.07 Ownership. All uses of the Madewell Properties shall inure to the sole benefit of Licensor. Licensee shall not acquire any rights in the Madewell Properties by virtue of any use it makes of the Madewell Properties. Licensee shall not attempt to register the

Trademark as a trademark, service mark or other designation of source, either alone or as part of its own mark, nor shall Licensee use, adopt as its own, or attempt to register any trade name or domain name comprising or including any of the Madewell Properties without Licensor's prior written consent, such consent not to be unreasonably withheld or delayed. Licensor represents and warrants that it is the sole and exclusive owner of all right, title and interest to the trademark registrations listed in Exhibit A hereto, that it has all the rights necessary to effectuate the transfers granted under this Agreement without payment to any other Party, and that it has not provided any contingent interest, option or security interest in any Madewell Properties. To the best of MSD's knowledge, Licensor is not aware of any conflicting claims to the Trademark.

**ARTICLE 3**  
**COVENANTS RESPECTING THE MADEWELL PROPERTIES**

SECTION 3.01 Avoidance of Adverse Actions by Licensor. Licensor hereby covenants that it shall not take any action that would jeopardize or impair Licensee's rights in the Madewell Properties, the legality and/or enforceability of the Madewell Properties or Licensee's right to acquire all right, title and interest in the Residual Rights.

SECTION 3.02 Notices. Licensee agrees to use reasonable commercial efforts during the Term to include notices and legends in accordance with its existing policies relating to trademarks that it owns.

SECTION 3.03 Infringement. Licensor represents that it is not aware of any infringement by a third party of any of the Madewell Properties, and to the best of its knowledge, the use of the Madewell Properties, including the Trademark, as contemplated hereunder shall not infringe on the rights of any third parties.

**ARTICLE 4**  
**MAINTENANCE OF QUALITY CONTROL**

SECTION 4.01 Quality Control. Licensee agrees that all uses of the Trademark shall be in connection with goods of a quality commensurate with the quality of similar goods provided by Licensee as of the Effective Date, and that the manufacture, marketing and sale of all items in the Supplemental Product Line bearing the Trademark shall conform to all applicable laws and regulations. Subject to Licensor's right of approval as set forth below, Licensee shall have sole and exclusive right to select the designs, clothing and logos to be used with the Madewell Properties, provided that it complies with the foregoing provision.

SECTION 4.02 Inspection and Approval. In the event MSD is no longer employed or otherwise involved in the management of Licensee, Licensee agrees to submit, at Licensor's request and at no cost to Licensor, production samples of new products that are introduced in to the Supplemental Product Line (collectively "Samples") for Licensor's inspection and approval. If Licensor disapproves any Samples, it shall set forth its reasonable basis for such disapproval in writing within three days of receiving such samples, otherwise they shall be deemed approved, and Licensee shall make such reasonable changes as may be necessary to comply with Licensor's reasonable requirements.

SECTION 4.03 Product Warranties. Licensee shall at its own cost handle all product warranty and/or guarantee issues, compliance requirements and consumer inquires or complaints relative to any of the Supplemental Product Line (collectively, "Consumer Inquiries"). In the event MSD is no longer an employee or otherwise involved in the management of Licensee, upon Licensor's request, Licensee shall advise Licensor in writing of the manner in which it handled any specific product quality and design issues that have resulted in an abnormal level of Consumer Inquiry over the past six months relative to Licensee's other similar product lines.

SECTION 4.04 Product Recalls. In the event MSD is no longer employed or otherwise involved in the management of Licensee, Licensee shall promptly advise Licensor of any product recall considerations or deliberations related to the Supplemental Product Line and provide Licensor with the right to attend and have input into such deliberations. Licensee shall bear any and all costs related to any product recall, whether voluntary or required by a governmental authority or Licensor.

## ARTICLE 5 REGISTRATION, MAINTENANCE AND PROTECTION OF PROPERTIES

SECTION 5.01 Registrations. Licensee shall be responsible for the registration and maintenance of the Madewell Properties in any jurisdiction. Subject to pre-existing registrations and applications and applicable trademark law, Licensee may, at its sole discretion and at its own cost, file all appropriate applications deemed necessary by Licensee to protect the Madewell Properties, including, without limitation, applications for registration in any jurisdiction where such Madewell Properties are not registered and where an application to register is not pending with a Governmental Authority, and applications for renewal of existing registrations. Licensor shall assist Licensee, at Licensee's expense, to the extent necessary in Licensee's reasonable opinion, in the registration and maintenance of the Madewell Properties, including, without limitation, in the filing and prosecution of any trademark application, copyright application or other applications for the Madewell Properties. In the event that Licensee elects not to prosecute any trademark or service mark application for the Trademark, or not to maintain any trademark, service mark or domain name registration comprising or including the Trademark, Licensee shall provide Licensor with written notice sufficiently in advance of any pending deadline to enable Licensor to assume the foregoing tasks if it so desires.

SECTION 5.02 Protection. Licensee shall be responsible for taking and for determining whether or not to take, any action(s) it deems appropriate in its sole discretion with respect to any opposition, challenge, unauthorized use, infringement or dilution of the Madewell Properties, and Licensor shall fully cooperate with Licensee, at Licensee's sole cost and expense, in connection with any such actions, including, if necessary, by joining Licensee as a party to any proceeding; provided, however, that Licensee shall, at Licensor's reasonable request, promptly: (i) notify Licensor of material developments with respect to such actions; (ii) deliver to Licensor copies of all material pleadings, judicial orders and other material court filings respecting such actions; and (iii) notify Licensor of any offers of settlement related to such actions that it receives or proposes to make. Licensor shall have the right to approve any settlement, such approval not to be unreasonably withheld or delayed. Licensor may at any time upon written Notice to Licensee decide to pursue any opposition, challenge, unauthorized use,

infringement or dilution of the Madewell Properties, which has not been pursued by Licensee, and Licensee shall fully cooperate with Licensor, at Licensor's sole cost and expense, in connection with any such action, provided, however, that if Licensee reasonably informs Licensor in writing of reasonable grounds why pursuit of such opposition, challenge, unauthorized use, infringement or dilution is inconsistent with the business interests of Licensee, Licensor will not take any action before the protection of such interests of Licensee are guaranteed. Licensor shall not have any rights against Licensee for damages or other remedies by reason of Licensee's decision not to prosecute any opposition, challenge, unauthorized use, infringement or dilution by third parties of the Madewell Properties.

SECTION 5.03 Damages Recovered. Without limiting the foregoing, any damages recovered from any entity that is found to have infringed any Madewell Properties during the Term (whether on the basis of proven damage, payment of the infringer's profit or as a royalty at a normal rate) shall be allocated as follows: the Party bringing the action shall be entitled to any damages awarded in connection therewith after all costs of the action of each Party (which have not been compensated by the infringer) have been covered.

SECTION 5.04 Notice of Infringement. The Parties promptly shall inform each other of any infringement or imitation of the Madewell Properties by third parties of which they become aware, or of any claim that any of the Madewell Properties are invalid or that the use of the Madewell Properties infringes any third party rights. Licensor shall make no comment or admission to any third party in respect thereof except pursuant to any judicial order binding upon it.

## **ARTICLE 6 ROYALTY AND UP-FRONT FEE**

SECTION 6.01 Up-front Fee. In consideration of Licensor's acquisition costs to date associated with the Madewell Properties, Licensee shall pay to Licensor the one-time up-front fee specified in Exhibit B (the "Up-front Fee") in the amount of Licensor's documented costs in acquiring and developing the Madewell Properties and negotiating this Agreement, including attorneys' fees. Licensee shall pay the Up-front Fee to Licensor within thirty (30) days of the Effective Date. If the Up-front Fee is not paid when due, it shall bear interest at a rate of twelve percent (12%) per annum or the highest rate permitted by law, whichever is least, from the date on which payment is due until paid.

SECTION 6.02 Royalty. In consideration of the License granted by Licensor to Licensee hereunder, during each fiscal year during the Term Licensee shall be required to pay to Licensor a royalty of \$1 (one US dollar) (the "Royalty"), which amount may be prepaid to Licensor upon execution of this Agreement; otherwise, Licensee shall make such Royalty payments sixty (60) days after the end of each fiscal year or as otherwise agreed.

SECTION 6.03 Taxes. Each payment made under this Agreement shall, except as required by law, be made without withholding or deduction for or on account of any taxes. If any taxes are required to be withheld or deducted from any such payment, the payor shall make payment thereof when due to the appropriate Governmental Authority. As soon as practicable after each such payment of taxes, the payor shall deliver to the payee an official receipt or a certified copy thereof evidencing such payment.

SECTION 6.04 Audit Right. Upon Licensee's providing notice that it has satisfied the Minimum Capital Commitment, Licensor or its authorized agent shall have the right for ninety (90) days from such date, during regular business hours and upon reasonable notice, to have an independent auditor under an appropriate agreement of confidentiality examine and copy, subject to reasonable confidentiality obligations, Licensee's books, records and accounts relating to the Minimum Capital Commitment. Licensee shall segregate its records related to the Minimum Capital Commitment from its other records and agrees that such audit may be used as a basis for resolving disputes under this Agreement.

## ARTICLE 7 ASSIGNMENT OF RESIDUAL RIGHTS

SECTION 7.01 Assignment. In the event that after the Effective Date (i) the Supplemental Product Line has become an Operating Business Unit of Licensee or any subsidiary of Licensee and (ii) Licensee has made the Minimum Capital Commitment with respect to the Supplemental Product Line, Licensor shall, without further consideration, assign, transfer, convey and deliver to Licensee, and Licensee shall accept from Licensor, all of Licensor's right, title and interest throughout the world in, to and under the Madewell Properties and the Residual Rights, and all of Licensor's rights and interests in this Agreement, except for Licensor's rights and interests under Sections 2.05 and 7.04 (the "Assignment"), provided that Licensor's employment by Licensee has not been terminated by Licensee without Cause or by Licensor for Good Reason on or prior to the date the conditions in clauses (i) and (ii) have been satisfied. The Assignment shall be deemed effective from the date Licensee provides notice to Licensor that such events have occurred, provided that they have in fact occurred as of that date.

SECTION 7.02 Rights Assigned. Without limiting Section 7.01, the Assignment shall include (i) all common law rights in the Madewell Properties and the Residual Rights and (ii) all rights in the registrations and applications for registration throughout the world that relate to the Madewell Properties and the Residual Rights together with all benefits of the registrations or applications for registration and all right, title and interest in and to any renewals and extensions that may be granted, and together also with all goodwill arising from all use of the Madewell Properties and the Residual Rights before and after registration and any other benefit to be derived therefrom, and including all right and interest in actions and rights of recovery and damages for past infringement of the Madewell Properties, the Residual Rights and any other intellectual property rights related to the Madewell Properties and the Supplemental Product Line that may vest in Licensor or Licensor's future assigns or beneficiaries (whether current, conditional or future interest) at the time of the Assignment. The Assignment is intended to be an absolute assignment and not by way of security. The right, title and interest is to be held and enjoyed by Licensee and Licensee's successors and assigns as fully and exclusively as it would have been held and enjoyed by Licensor had this Assignment not been made.

SECTION 7.03 Further Assurances. At Licensee's expense, Licensor agrees to execute and deliver such documents and to take all such actions as Licensee may reasonably

request to effect the terms of the Assignment, and to execute and deliver any and all affidavits, testimonies, declarations, oaths, samples, exhibits, specimens and other documentation as may be reasonably required to effect the terms of the Assignment.

SECTION 7.04 No Further Assignments. For so long as Licensor is employed by Licensee, Licensee shall not, without the prior written consent of Licensor (which may not be unreasonably withheld), sell, assign, transfer, convey or deliver to any Person any right, title or interest, which was the subject of the Assignment pursuant to Sections 7.01 and 7.02, provided, however, that the consent of Licensor for such assignment shall not be required in the case that Licensee is sold to any other Person or undergoes an initial public offering, merger, spin off, consolidation or any similar corporate reorganization, and such right, title or interest is assigned by Licensee to its legal successor following such transfer, reorganization or initial public offering. The Parties acknowledge and agree that the foregoing shall not be construed to prohibit the bargaining, sale, conveyance, assignment, mortgage, pledge, hypothecation, setting over or transfer to any Person of a security interest in any and all of Licensee's rights or interests in and to the Residual Rights or the Madewell Properties in connection with bank or other financings, which actions Licensor hereby acknowledges as permitted and to which actions Licensor hereby consents. Following termination of Licensor's employment with Licensee, Licensee shall have the right to assign to any Person at any time and from time to time any right, title or interest, which was the subject of the Assignment pursuant to Sections 7.01 and 7.02 of this Agreement.

## **ARTICLE 8 INDEMNITY**

SECTION 8.01 Defense of Claims. If claims are made against Licensor and/or Licensee by any third party with respect to use of the Madewell Properties or the Supplemental Product Line, the Parties shall consult with each other on a suitable course of action. In no event shall either Party, without the prior written consent of the other Party, which shall not be unreasonably withheld, acknowledge the validity of the claim of such party, obtain or seek a license from such party, or take any other action that might impair the ability of either party to contest the claim of such party. Licensor shall have the right to participate fully, at its own expense, in the defense of any claims or suit instituted against Licensee with respect to the use by Licensee of the Madewell Properties. Licensee agrees to make reasonable modifications requested by Licensor in Licensee's use of the Madewell Properties to resolve or settle a claim or suit or to eliminate the imminent threat of a claim or suit by any party, subject to Licensee's consent, not to be unreasonably delayed or withheld.

SECTION 8.02 Indemnity. Without limiting Sections 5.02, 5.03 and 5.04, Licensee agrees to indemnify, hold harmless and defend Licensor and its affiliates, consultants, agents and attorneys from and against any and all claims, debts, judgments, demands, liabilities, losses, damages, settlements, costs or expenses, including reasonable attorneys' fees, incurred as a result of any claim brought by any third party, to the extent arising out of or in any way related to, in whole or in part: (a) Licensee's use of the Madewell Properties; (b) Licensee's manufacturing, distributing or marketing of products under the Madewell Properties or rendering services using the Madewell Properties, whether such claims are based on product liability laws, the violation of rights of third parties or otherwise; (c) Licensee's registration of, or application to register, any Madewell Properties in any jurisdiction; (d) any misrepresentation or breach of any representation, warranty or covenant of Licensee contained in this Agreement; or (e) Licensee's fraud, gross negligence or willful misconduct.

**ARTICLE 9**  
**TERM AND TERMINATION**

SECTION 9.01 Term. This Agreement shall become effective as of Licensor's receipt of the Up-front Fee and shall, unless terminated earlier pursuant to Sections 9.02, 9.03, 9.04 or 9.05, remain in full force and effect for thirty (30) years (the "Term").

SECTION 9.02 Termination by Licensor. In case of occurrence of any of the following events (the "Licensor Termination Events"), Licensor shall have a period of ninety (90) days from the date of the Licensor Termination Event during which Licensor may terminate the License granted by Licensor under this Agreement by providing written Notice to Licensee, which Notice shall specify an effective date of the termination of the License (not less than five (5) days from date of Licensee's receipt of such Notice):

(a) Prior to Licensee making the Minimum Capital Commitment with respect to the Supplemental Product Line, MSD's employment with Licensee is terminated by Licensee without Cause or by MSD for Good Reason;

(b) Prior to Licensee making the Minimum Capital Commitment with respect to the Supplemental Product Line, Licensee discontinues its use of the Trademark as the primary mark for the Supplemental Product Line in the United States, with no bona fide intention to resume such use; or

(c) Licensee decides, prior to the Assignment but during MSD's employment with Licensee and without Licensor's consent, to pursue or develop a supplemental product line that is similar to the proposed Supplemental Product Line under any mark other than the Trademark or J. CREW (or, in each case, associated and derivative marks, and marks developed with Licensor's consent in connection with the development of the Madewell concept).

SECTION 9.03 Termination for Bankruptcy. This Agreement shall terminate and all rights shall, without the requirement of further action, revert to Licensor if Licensee makes any assignment for the benefit of creditors, or files any petition under Title 11 of the United States Code, or files in bankruptcy or is adjudicated as bankrupt or insolvent, or if any trustee in bankruptcy or insolvency is appointed under the laws of the United States or of any state, in which event no assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Licensee's assets or business may continue this Agreement or exploit the Madewell Properties if this Agreement terminates pursuant to this paragraph. Notwithstanding the foregoing, if, pursuant to Title 11 of the United States Code, or any amendment or successor thereto, a trustee in bankruptcy or Licensee, as debtor, is permitted to assume this Agreement and does so and, thereafter, wishes to assign this Agreement to a third party, and that assignment complies with Title 11 of the United States Code, the trustee or Licensee shall notify Licensor of same. Said notice shall set forth the name and address of the proposed assignee, the proposed consideration for assignment and all other relevant details of the assignment. Nothing contained herein shall be deemed to preclude or impair any rights Licensor may have as a creditor in any bankruptcy proceeding

SECTION 9.04 Obligations of Licensee. Notwithstanding anything to the contrary herein, but without limitation upon Licensee's obligations under Article 5, Licensee shall have no obligation or requirement to develop, promote or commercialize any of the Madewell Properties, including the Trademark, or a Supplemental Product Line using the Madewell Properties and no such obligation shall be implied in fact or under any applicable law, including with respect to any implied contractual covenants. Sections 9.02(b) and (c) constitute Licensor's sole recourse relating to the Licensee's election not to pursue the use of the Trademark or other Madewell Properties prior to the assignment of the Madewell Properties to Licensee under the terms of this Agreement.

SECTION 9.05 Termination Due to Material Breach. If either Party fails to correct a material default hereunder, the other Party may give written Notice specifying the material default and indicating an intent to terminate this Agreement if the material default is not cured. The Party receiving such Notice shall have ninety (90) days from the date of receipt of such Notice to cure such material default. If such material default is not cured by the end of the ninety (90) day period set forth immediately above, the non-defaulting Party may terminate this Agreement immediately by written Notice given at any time after the end of such period, provided that the material default is continuing on the date of such termination Notice. Notwithstanding the foregoing, with respect to any material default that cannot reasonably be cured within ninety (90) days, if the defaulting Party in good faith promptly proceeds to commence to cure the material default and thereafter proceeds with all diligence substantially to cure the same, the defaulting Party shall have another ninety (90) days (for a total of one hundred eighty (180) days) to cure substantially the material default. If the material default is not substantially cured by the end of such additional ninety (90) day period, the other Party shall have the right to terminate this Agreement at any time after the end of such period, effective immediately upon delivery of a written termination Notice to the defaulting Party, provided that the material default is continuing on the date of such termination Notice.

SECTION 9.06 Rights and Obligations Upon Expiration or Termination. Upon expiration or termination of this Agreement prior to the Assignment, Licensee shall be permitted to sell its remaining inventory of Supplemental Product Line through a sell-off period of six (6) months (the "Sell Off Period"). At the end of the Sell Off Period, Licensee shall immediately discontinue the manufacture, promotion, advertisement, sale and distribution of products using the Trademark, and other trademarks, service marks, logos or trade names that include or become exclusively associated with the name "Madewell" and any domain names including the Trademark, and Licensee shall deliver to Licensor, or destroy or alter, all molds, dies, prints or other equipment that embody such marks and shall provide Licensor with a letter signed by an officer of Licensee confirming depletion or destruction of such inventory and materials.

SECTION 9.07 Rights and Obligations Upon Termination in Accordance with Section 9.02. Without limiting Section 9.06 of this Agreement, and in addition to the rights and obligations set forth thereunder, upon termination of this Agreement by Licensor in accordance with Section 9.02:

- (a) Licensor shall pay back to Licensee the Up-front Fee within ten (10) days of the completion of the transition period under Section 9.06; and

(b) Subject to the payment of the Up-front Fee and conclusion of the transition period, as set forth immediately above, Licensee's License to use the Madewell Properties, including any associated goodwill, immediately and automatically shall terminate and all rights in the Madewell Properties granted to Licensee under this Agreement shall revert to Licensor.

SECTION 9.08 Survival. Sections 2.05, 2.07, 6.03, 8, 9.06, 9.07, 9.08 and 10 shall survive any termination of this Agreement.

**ARTICLE 10**  
**MISCELLANEOUS**

SECTION 10.01 Notices. All notices hereunder to each Party (each, a "Notice") shall be in writing and shall be deemed to have been given and received when (i) delivered personally (against receipt) or by courier; (ii) received by certified or registered mail, return receipt requested, postage prepaid; or (iii) sent by confirmed facsimile transmission, in each case, at the respective addresses for the Parties set forth below or at such other address as the intended recipient may specify in a Notice pursuant to this Section:

If to Licensor:

Millard S. Drexler, Inc. and/or  
Millard S. Drexler  
345 California Street, Suite 3300  
San Francisco, CA 94104  
Attention: Millard S. Drexler

With a copy, which does not constitute notice, to:

Stephen T. Lindo, Esq.  
Willkie Farr & Gallagher LLP  
787 Seventh Avenue  
New York, NY 10019-6099

If to Licensee:

J. Crew Group, Inc.  
770 Broadway  
New York, NY 10003  
Attention: Board of Directors

With a copy, which does not constitute notice, to:

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

SECTION 10.02 Entire Agreement; Amendment. This Agreement (including the Exhibits hereto, which are hereby incorporated in the terms of this Agreement) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties and/or their affiliates, written or oral, to the extent they related in any way to the subject matter hereof. None of the terms of this Agreement may be waived, amended or modified in any way except by an express agreement in writing, signed by both Parties.

SECTION 10.03 No Waiver. No delay or failure on the part of either of the Parties in the exercise of any right granted under this Agreement, or available at law or equity, shall be construed as a waiver of such right, nor shall any single or partial exercise thereof preclude the other Party from the exercise thereof. All waivers must be in writing and signed by the Party against whom the waiver is to be effective. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the Party granting such waiver in any other respect or at any other time.

SECTION 10.04 Severability. In the event that any provision (or portion thereof) of this Agreement is determined by a court to be unenforceable as drafted by virtue of the scope, duration, extent, or character of any obligation contained herein, it is the Parties' intention that such provision (or portion thereof) shall be construed in a manner designed to effectuate the purposes of such provision to the maximum extent enforceable under such applicable law. The Parties shall enter into whatever amendment to this Agreement that may be necessary to effectuate such purposes.

SECTION 10.05 No Assignment. For so long as Licensor is employed by Licensee, Licensee shall not have the right, without the prior written consent of Licensor (which may not be unreasonably withheld), to assign (whether by operation of law, contract or otherwise) any of its interests, rights or benefits or delegate any of its duties or obligations under this Agreement, provided, however, that the consent of Licensor shall not be required in the case that Licensee is sold to any other Person or undergoes an initial public offering, merger, spin off, consolidation or any similar corporate reorganization. Licensee shall require any successor (whether direct or indirect, by purchase, merger, consolidation, operation of law or otherwise) expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Licensee would have been required to perform it if no such succession had taken place. As used in the Agreement, the "Licensee" shall mean both Licensee as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise. Any attempted assignment in breach of this provision shall be void *ab initio* and of no effect. The Parties acknowledge and agree that the foregoing shall not be construed to prohibit the bargaining, sale, conveyance, assignment, mortgage, pledge, hypothecation, setting over or transfer to any Person of a security interest in any and all of Licensee's rights or interests in and to the Madewell Properties in connection with bank or other financings. Following termination of Licensor's employment with Licensee, Licensee shall have the right to assign to any Person at any time and from time to time any of its interests, rights or benefits or delegate any of its duties or obligations under this Agreement.

SECTION 10.06 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York arising out of or relating to this Agreement and the Parties hereby submit to the exclusive jurisdiction of such courts in any action or proceeding to enforce an arbitration decision pursuant to Section 10.11 and irrevocably agree to the laying of venue in such courts and waive the defense of an inconvenient forum to the maintenance of any such action.

SECTION 10.07 Benefits. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors and legal representatives.

SECTION 10.08 Remedies Cumulative. All remedies in this Agreement are cumulative, in addition to and not in lieu of any other remedies available to a Party at law or in equity, subject only to the express limitations on liabilities and remedies set forth herein.

SECTION 10.09 No Third-Party Beneficiaries. Except as expressly provided herein, no third party is intended, or shall be deemed, to be a beneficiary of any provision of this Agreement.

SECTION 10.10 No Partnership or Joint Venture. Nothing in this Agreement nor in the course of performance under this Agreement shall be construed to constitute a partnership or joint venture between Licensor and Licensee. The parties agree that each is an independent contractor. Licensee shall have no right to obligate or bind Licensor in any manner whatsoever and nothing contained herein nor in the course of performance hereunder shall give or is intended to give any right of any kind to any third party.

SECTION 10.11 Dispute Resolution. Any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or the interpretation hereof shall be settled exclusively and finally by arbitration conducted in accordance with the Commercial Arbitration Rules (the "Rules") or the American Arbitration Association (the "AAA"), except as amplified or otherwise varied hereby. Licensee and Licensor jointly shall appoint one individual to act as an arbitrator within thirty (30) days of initiation of the arbitration. If the parties fail to appoint such arbitrator, the president of the Association of the Bar of the City of New York shall appoint as the arbitrator an attorney, accountant or other professional licensed to practice by the State of New York who: (i) maintains its/her principal place of business in the New York metropolitan area; (ii) has substantial experience in trademark matters; and (iii) has no professional relationship with the parties or their respective law firms or accountants. Licensee and Licensor shall share equally all fees and expenses of such arbitrator. The arbitration shall take place in New York, NY. Any decision or award of the arbitrator shall be final and binding upon the parties, which hereby waive to the extent permitted by law any right to appeal or seek review of such award by any court or tribunal. Any arbitration award shall be paid within thirty (30) days after the decision of the arbitrator. Judgment upon the award may be entered in any federal or state court having jurisdiction over the parties and shall be final and binding. Each Party shall be required to keep all proceedings related to any such arbitration and the final award and judgment strictly confidential; provided that either Party may disclose such award as necessary to enter the award in a court of competent jurisdiction or to enforce the award, and to the extent required by law, court order, regulation or similar order.

SECTION 10.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and both of which together shall constitute one instrument.

SECTION 10.13 Headings. The section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

Millard S. Drexler, Inc.

J. Crew Group, Inc.,

By: /s/ Millard S. Drexler

By: /s/ James S. Scully

\_\_\_\_\_  
Name: Millard S. Drexler  
Title: President

\_\_\_\_\_  
Name: James S. Scully  
Title: Executive Vice-President and  
Chief Financial Officer

Millard S. Drexler

/s/ Millard S. Drexler  
\_\_\_\_\_

**EXHIBIT A**

**THE MADEWELL TRADEMARK**

<u>Country</u>	<u>Filing No</u>	<u>Filing Date</u>	<u>Registration No</u>	<u>Registration Date</u>
United States	72416485	2/24/1972	968,685	9/18/1973
Japan	2004-056130	6/17/2004	4858862	4/22/2005

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**EXHIBIT B**

**UP-FRONT FEE**

Amount equal to Licensor's documented costs in acquiring and developing the Madewell Properties and negotiating this Agreement, including attorneys' fees, not to exceed three hundred thousand dollars (\$300,000).