As filed with the Securities and Exchange Commission on June 21, 2006

Registration No. 333-127628

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 8
TO
Form S-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

J. Crew Group, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	5600	22-2894486
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

J.Crew Group, Inc.
770 Broadway
New York, New York 10003
Telephone: (212) 209-2500
(Address including zip code, telephone number, including area code, of Registrant's Principal Executive Offices)

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J.Crew Group, Inc.
770 Broadway
New York, New York 10003
Telephone: (212) 209-2500
(Name, address including zip code, telephone number, including area code, of agent for service)

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

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price	Amount of registration fees

Common stock, $.01 par value per share	21,620,000	$17.00	$367,540,000	$41,466.78(3)

(1) Includes 2,820,000 shares that the underwriters have an option to purchase from the Registrant to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) promulgated under the Securities Act of 1933, as amended.
(3) Previously paid.

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Subject to Completion. Dated June 21, 2006.

18,800,000 Shares

J.CREW

Common Stock

This is the initial public offering of shares of common stock of J.Crew Group, Inc.

J.Crew® is offering all of the shares to be sold in the offering.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $15.00 and $17.00. The common stock has been approved for listing on the New York Stock Exchange under the symbol "JCG."

See " Risk Factors" beginning on page 9 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to J.Crew	$	$

To the extent that the underwriters sell more than 18,800,000 shares of common stock, the underwriters have the option to purchase up to an additional 2,820,000 shares from J.Crew at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2006.

Goldman, Sachs & Co. **Bear, Stearns & Co. Inc.**

Banc of America Securities LLC **Citigroup** **Credit Suisse**

JPMorgan **Lehman Brothers** **Wachovia Securities**

Prospectus dated , 2006.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. It does not contain all of the information that may be important to you. You should read the following summary together with the more detailed information regarding our company, the common stock offered and our consolidated financial statements, including the notes to those statements, appearing elsewhere in this prospectus. Except as the context otherwise requires, all references in this prospectus to "J.Crew," "we," "us," "our" and similar terms refer to J.Crew Group, Inc. together with our consolidated subsidiaries. Our fiscal year ends on the Saturday closest to January 31. The fiscal years 2001, 2002, 2003, 2004 and 2005 ended on February 2, 2002, February 1, 2003, January 31, 2004, January 29, 2005 and January 28, 2006, respectively, and consisted of 52 weeks each.

Our Company

J.Crew is a nationally recognized apparel and accessories brand that we believe embraces a high standard of style, craftsmanship, quality and customer service, while projecting an aspirational American lifestyle. We are a fully integrated multi-channel specialty retailer. We seek to consistently communicate our vision of J.Crew through every aspect of our business, including through the imagery in our catalogs and on our Internet website and the inviting atmosphere of our stores. In fiscal 2005, our revenues were $953.2 million, which represents an 18.5% increase over fiscal 2004. Growth in our comparable store sales for this period was 13.4%. In the first quarter of fiscal 2006, our revenues were $240.7 million, which represents a 14.3% increase over the first quarter of fiscal 2005. Growth in our comparable store sales for this period was 11.6%. Our net income for fiscal 2005 was $3.8 million compared to a loss of $100.3 million for fiscal 2004. The net loss in fiscal 2004 included a significant loss on the refinancing of debt in our fourth fiscal quarter, excluding which our net loss would have been $50.5 million in fiscal 2004. Our net income for the first quarter of fiscal 2006 was $7.8 million, compared to $4.9 million for the first quarter of fiscal 2005.

We focus on creating product lines featuring the high quality design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew. We offer complete assortments of women's and men's apparel and accessories, including business attire, weekend clothes, swimwear, loungewear, outerwear, wedding and special occasion attire, shoes, bags, belts and jewelry.

J.Crew products are distributed through our retail and factory stores, our J.Crew catalog and our Internet website located at www.jcrew.com. As of June 2, 2006 we operated 164 retail stores and 45 factory stores throughout the United States. In fiscal 2005, we distributed 20 catalog editions with a circulation of approximately 55 million copies and our website logged over 64 million visits, representing a 33% increase over fiscal 2004.

In early 2003, our newly-appointed chief executive officer and chairman of the board, Millard Drexler, and our newly-appointed president, Jeffrey Pfeifle, initiated a program to reposition J.Crew by:

- improving the design, fabrics and construction of our products by strengthening our design teams and sourcing fabrics from renowned European mills and designer-level fabric houses,
- expanding our product assortment to reflect our customers' affluent and active lifestyles by offering a range of high quality products such as Italian cashmere sweaters and blazers, wedding and special occasion attire, and women's and men's suits made in Italy,
- tightening inventory controls,
- creating sophisticated and inviting store environments,

- recruiting a new management team with experience across a broad range of disciplines in the specialty retail industry,
- slowing the pace of new store openings and closing underperforming stores, and
- enhancing our customer-service oriented culture.

Since our new management team began to influence our product line in late 2003 and early 2004, we have experienced eight consecutive quarters of growth in comparable store sales.

We attribute our success as a specialty retailer to the following competitive strengths:

- **Established and differentiated lifestyle brand.** The J.Crew brand is widely recognized. We believe that we differentiate ourselves from our competitors in three primary ways:
  - our signature "classic with a twist" product design—meaning our iconic styles refined with differentiating prints, fabrics and colors,
  - a multi-tiered pricing strategy—meaning we offer select designer-quality products at higher price points and more casual items at lower price points, and
  - by offering "one stop shopping" for our customers' wardrobe needs.
- **High quality product offerings.** We focus on creating complete product assortments featuring high quality apparel and accessories, which include luxury items such as European milled cashmere sweaters and jackets, suits made in Italy, and styled classics such as our broken-in chinos, cable knit sweaters and Legacy™ blazers.
- **Multiple sales channels producing "seamless retailing."** We sell our products through multiple sales channels, including our retail and factory stores, our J.Crew catalog and our Internet website. We encourage our customers to make purchases through all of our sales channels—a concept we refer to as "seamless retailing"—to build a base of customers loyal to the J.Crew brand rather than a single sales channel.
- **Experienced management team with a proven track record**. Since Messrs. Drexler and Pfeifle were appointed in early 2003, we have assembled a management team with extensive experience across a broad range of disciplines in the specialty retail industry.
- **Disciplined merchandise management.** We focus on controlling our inventory in order to maximize full-price sales and increase inventory turns. We believe our merchandising strategy enhances our brand image while maximizing profits.
- **Customer-service oriented culture.** We hire and train qualified sales associates committed to serving our customers and compensate them based on performance measures in order to enhance the customer-service oriented culture in our stores.

Our growth strategy includes the following: (1) continue to build on our core strengths, (2) leverage our multiple sales channels to further achieve "seamless retailing," (3) expand our store base, and (4) expand into new apparel and accessories markets.

We face risks in operating our business, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, financial condition and operating results. You should consider these risks before investing in our company. Risks relating to our business include:

- we may not be able to compete successfully in the highly competitive specialty retail industry,

- we may not successfully gauge fashion trends and changing consumer preferences,
- our revenues may decline due to a reduction in consumer spending on apparel and accessories,
- the loss of key personnel could adversely impact our business, and
- we may not successfully implement our plans to expand our store base, broaden our product offerings and expand our sales channels.

For a discussion of the significant risks associated with our business, our industry and investing in our common stock, you should read the section entitled "Risk Factors" beginning on page 9 of this prospectus.

Investment by Texas Pacific Group

In 1997, we completed a recapitalization as a result of which Texas Pacific Group, a private investment group, obtained a controlling interest in us. Following this offering and the transactions described in "Transactions in Connection with the Offering," TPG Partners II, L.P. and certain of its affiliates, which we refer to collectively as "TPG," will own approximately 40% of our common stock (approximately 37% if the underwriters' overallotment option is exercised in full).

Our principal executive offices are located at 770 Broadway, New York, New York 10003, and our telephone number is (212) 209-2500. Our corporate website is located at www.jcrew.com. Information contained on our website or links to our website do not constitute part of this prospectus.

We were incorporated in New York in 1988 and reincorporated in Delaware in October 2005. We are a holding company, and all of our business operations are conducted through J.Crew Operating Corp., a Delaware corporation, which we refer to as "Operating." Prior to October 2005, J.Crew Group, Inc. was the sole member of J.Crew Intermediate LLC, a Delaware limited liability company, which we refer to as "Intermediate," and Intermediate was the direct parent of Operating. We merged Intermediate into J.Crew Group, Inc. in October 2005 and J.Crew Group, Inc. became Operating's direct parent.

The J.Crew trademark appearing on the front cover of this prospectus and variations thereon such as crewcuts® are registered U.S. trademarks of J.Crew and are registered with or subject to pending trademark applications with the registries of various other countries.

The Offering

Common stock offered by us	18,800,000 shares
Common stock to be outstanding after this offering	56,921,000 shares
Use of proceeds	We intend to use the net proceeds from this offering and TPG's purchase of our common stock described below, together with additional borrowings under a new term loan, to redeem our preferred stock and pay the costs, fees and expenses identified in "Use of Proceeds." If the underwriters exercise their over-allotment option, we intend to use the net proceeds thereof to reduce our borrowings under the new term loan. Any remaining net proceeds will be used for general corporate purposes. See "Use of Proceeds."
Dividends	We do not anticipate paying any cash dividends in the foreseeable future.
Proposed New York Stock Exchange symbol	"JCG"
Risk factors	See "Risk Factors" beginning on page 9 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

Transactions in Connection with the Offering

During the last four fiscal years, we have incurred significant amounts of interest on our debt and dividends on our preferred stock. To decrease the amounts we incur in the future, a substantial portion of our outstanding debt and preferred stock has been or is expected to be redeemed, refinanced or converted into shares of our common stock. Specifically:

- on May 15, 2006, Operating repurchased, using $285.0 million in borrowings under our new term loan (the "New Term Loan") and $12.7 million of cash on hand, the total principal amount ($275.0 million) of its 9 3/4% Senior Subordinated Notes due 2014 (the "9 3/4% Notes") (plus accrued and unpaid interest of $10.6 million) in a tender offer and consent solicitation (the "Tender Offer") and paid premiums, tender fees and other expenses of $12.1 million,
- on May 15, 2006, we issued a notice to redeem on June 14, 2006 (the "13 1/8% Redemption") all $21.7 million aggregate principal amount of outstanding 13 1/8% Senior Discount Debentures due 2008 (the "13 1/8% Debentures") (plus accrued and unpaid interest of $0.5 million),
- we plan to redeem all outstanding $92.8 million liquidation value of our 14 1/2% Cumulative Preferred Stock (the "Series A Preferred Stock") (plus accrued and unpaid dividends of $227.0 million),
- we plan to redeem all outstanding $32.5 million liquidation value of our 14 1/2% Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") (plus accrued and unpaid dividends of $79.5 million), and

- TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, has agreed to convert the $20.0 million principal amount of Operating's 5.0% Notes Payable due 2008 (the "5.0% Notes Payable") (plus accrued and unpaid interest of $3.7 million) into shares of our common stock at a conversion price of $3.52 per share of common stock immediately prior to the consummation of this offering.

Subject to the consummation of this offering and upon the redemption of the Series A Preferred Stock and Series B Preferred Stock, TPG has agreed to purchase from us, at the initial public offering price, common stock with an aggregate purchase price equal to $73.5 million. At an assumed public offering price of $16.00 per share (the midpoint of the estimated price range set forth on the cover of this prospectus), TPG would purchase 4,593,750 shares of our common stock. We refer to TPG's purchase of our common stock as the "TPG Subscription." The TPG Subscription will be made in reliance on an exemption from the registration requirements of the Securities Act of 1933.

We refer to the conversion of the 5.0% Notes Payable into shares of our common stock as the "Conversion." We refer to the redemptions of the Series A Preferred Stock and the Series B Preferred Stock as the "Preferred Redemptions."

We expect to fund the Preferred Redemptions with:

- the net proceeds of this offering, including net proceeds, if any, from the exercise of the over-allotment option,
- the net proceeds of the TPG Subscription, and
- additional borrowings under the New Term Loan.

Unless otherwise indicated, all information in this prospectus:

- reflects a 1.935798 for one split of our common stock in the form of a stock dividend to be effected prior to the consummation of this offering,
- assumes our receipt of net proceeds of $279.8 million from the offering,
- reflects the TPG Subscription,
- assumes we have borrowed an additional $78.5 million net of expenses of $1.5 million under the New Term Loan,
- assumes the over-allotment option has not been exercised,
- reflects the Conversion, the 13 1/8% Redemption and the Preferred Redemptions, and
- excludes options to purchase 8,923,324 shares of common stock that were issued under our existing stock option plans with a weighted average exercise price of $7.50 per share and options to purchase 121,500 shares of common stock at the initial public offering price that we intend to grant to an executive officer and certain other employees on the day the offering is priced for sale to the public.

Summary Historical and Unaudited Pro Forma Financial Data

The summary historical consolidated financial data for each of the years in the three-year period ended January 28, 2006 and as of January 28, 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data for each of the years in the two-year period ended February 1, 2003 have been derived from our audited consolidated financial statements which are not included in this prospectus. The historical financial data for the thirteen weeks ended April 30, 2005 and April 29, 2006 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The consolidated financial statements for each of the years in the five-year period ended January 28, 2006 and as of the end of each such year have been audited.

The summary consolidated pro forma income statement and balance sheet data have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma condensed consolidated income statement data for the year ended January 28, 2006 and the thirteen weeks ended April 29, 2006 give effect to the offering, the TPG Subscription, $352.4 million in total borrowings under the New Term Loan, the Tender Offer, the 13 $^{1}/_{8}$% Redemption, the Conversion and the Preferred Redemptions as if they had occurred on January 29, 2005 and January 28, 2006, respectively. The unaudited pro forma condensed consolidated balance sheet data as of April 29, 2006 give effect to the offering, the TPG Subscription, $352.4 million in total borrowings under the New Term Loan, the 13 $^{1}/_{8}$% Redemption, the Conversion and the Preferred Redemptions as if they had occurred on April 29, 2006.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. This information should be read in conjunction with “Use of Proceeds,” “Capitalization,” “Selected Consolidated Financial Data,” “Unaudited Pro Forma Condensed Consolidated Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our financial statements and the related notes included elsewhere in this prospectus.

	Year Ended					Thirteen Weeks Ended	
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
Income Statement Data							
Revenues	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 953,188	$ 210,535	$ 240,687
Cost of goods sold(1)	454,491	472,262	440,276	478,829	555,192	114,089	131,293
Gross profit	323,449	296,082	249,689	325,387	397,996	96,446	109,394
Selling, general and administrative expense	303,448	301,718	280,464	287,745	318,499	73,460	81,100
Income (loss) from operations	20,001	(5,636)	(30,775)	37,642	79,497	22,986	28,294
Interest expense (net)	36,512	40,954	63,844	87,571	72,903	17,489	19,196
(Gain) loss on debt refinancing	—	—	(41,085)	49,780	—	—	—
Insurance proceeds	—	(1,800)	(3,850)	—	—	—	—
Provision (benefit) for income taxes	(5,500)	(4,200)	500	600	2,800	600	1,300
Net income (loss)	(11,011)	(40,590)	(50,184)	(100,309)	3,794	4,897	7,798
Preferred stock dividends	(30,442)	(33,578)	(26,260)	(13,456)	(13,456)	(3,364)	(3,364)
Net income (loss) applicable to common shareholders	$ (41,453)	$ (74,168)	$ (76,444)	$ (113,765)	$ (9,662)	$ 1,533	$ 4,434
Weighted average shares outstanding (in thousands)							
Basic	22,734	22,804	23,088	23,626	24,472	24,143	25,434
Diluted	22,734	22,804	23,088	23,626	24,472	32,736	37,880
Income (loss) per share							
Basic	$ (1.82)	$ (3.25)	$ (3.31)	$ (4.82)	$ (.39)	$ .06	$ .17
Diluted	$ (1.82)	$ (3.25)	$ (3.31)	$ (4.82)	$ (.39)	$ .05	$ .12
Pro forma interest expense (net)(2)					$ 24,220		$ 6,800
Pro forma net income(2)					$ 51,877		$ 20,044
Pro forma weighted average shares outstanding (in thousands)(2)							
Basic					54,116		55,417
Diluted					60,253		61,279
Pro forma income per share(2)							
Basic					$ .96		$ .36
Diluted					$ .86		$ .33

	January 28, 2006	As of April 29, 2006	
		Actual	Pro Forma(2)
Balance Sheet Data			
Cash and cash equivalents	$ 61,275	$ 67,623	$ 34,186
Working capital	72,657	96,661	72,881
Total assets	337,321	352,865	322,750
Total long-term debt and preferred stock	724,667	739,631	352,438
Stockholders' deficit	(587,843)	(581,727)	(214,992)

(1) Includes buying and occupancy costs.

(2) Pro forma numbers give effect to (i) the sale by us of 18,800,000 shares of our common stock at an assumed public offering price of $16.00 per share, the midpoint of the estimated price range set forth on the cover to this prospectus, and (ii) the TPG Subscription, $352.4 million in total borrowings under the New Term Loan, the Tender Offer, the 13 $^{1}/8$% Redemption, the Conversion and the Preferred Redemptions, as if the offering and those transactions had occurred on January 29, 2005 for income statement data for the fiscal year ended January 28, 2006 and on April 29, 2006 for balance sheet data as of April 29, 2006.
A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would increase (decrease) the net proceeds to us from this offering by $17.6 million and decrease (increase) our additional borrowings under the accordion feature of the New Term Loan by the same amount, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. As a result, a $1.00 increase (decrease) in the assumed initial public offering

price of $16.00 per share would (i) decrease (increase) pro forma interest expense (net) by $1.3 million, (ii) increase (decrease) pro forma net income by $1.2 million and (iii) increase (decrease) pro forma income per share by $.02 and (iv) decrease (increase) each of pro forma total long-term debt and pro forma preferred stock and stockholders' deficit by $17.6 million.

If the underwriters exercise their over-allotment option, we intend to use the net proceeds thereof to reduce our borrowings under the New Term Loan. As a result, (i) pro forma interest expense (net) would further decrease, (ii) pro forma net income would further increase, (iii) pro forma income per share would further increase and (iv) each of pro forma total long-term debt and pro forma preferred stock and stockholders' deficit would further decrease.

	Year Ended					Thirteen Weeks Ended	
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
	(In thousands, except percentages, numbers of stores and pages and per square foot data)						
Operating Data							
Revenues							
J.Crew Stores	$ 483,083	$ 484,292	$ 487,092	$ 579,793	$ 670,447	$145,208	$167,124
J.Crew Direct							
Catalog	135,353	108,531	61,883	76,548	93,870	23,025	22,392
Internet	122,844	139,456	111,653	121,954	159,812	36,346	43,819
Other(1)	36,660	36,065	29,337	25,921	29,059	5,956	7,352
Total revenues	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 953,188	$210,535	$240,687
J.Crew Stores:							
Sales per gross square foot(2)	$ 412	$ 349	$ 338	$ 400	$ 459	$ 99	$ 114
Number of stores open at end of period	177	194	196	197	203	198	206
Comparable store sales change(3)	(14.5)%	(11.2)%	(2.5)%	16.4%	13.4%	37.0%	11.6%
J.Crew Direct:							
Number of catalogs circulated	71,000	66,000	53,000	50,000	55,000	14,400	14,100
Number of pages circulated (in millions)	8,300	7,800	5,800	5,400	6,100	1,400	1,400
Depreciation and amortization	$ 39,963	$ 43,197	$ 43,075	$ 37,061	$ 33,461	$ 7,766	$ 7,158
Capital expenditures:							
New store openings	36,859	17,202	5,663	5,910	8,243	2,028	3,601
Other(4)	25,003	9,718	4,245	7,521	13,695	2,013	2,103
Total capital expenditures	$ 61,862	$ 26,920	$ 9,908	$ 13,431	$ 21,938	$ 4,041	$ 5,704

(1) Consists primarily of shipping and handling fees and royalties.
(2) Includes only stores that have been open for the full period.
(3) Comparable store sales includes sales at stores open at least twelve months.
(4) Consists primarily of expenditures on store remodels, information technology and warehouse equipment.

RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision. If any of the following risks actually occurs, our business, results of operations or financial condition would likely suffer. In such an event, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Relating to Our Business

We operate in the highly competitive specialty retail industry and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in loss of our market share.

We face intense competition in the specialty retail industry. We compete primarily with specialty retailers, high-end department stores, catalog retailers and Internet businesses that engage in the retail sale of women's and men's apparel, accessories, shoes and similar merchandise. We believe that the principal bases upon which we compete are the quality and design of merchandise and the quality of customer service. We also believe that price is an important factor in our customers' decision-making process. Many of our competitors are, and many of our potential competitors may be, larger and have greater financial, marketing and other resources and therefore may be able to adapt to changes in customer requirements more quickly, devote greater resources to the marketing and sale of their products, generate greater national brand recognition or adopt more aggressive pricing policies than we can. In addition, increased catalog mailings by our competitors may adversely affect response rates to our own catalog mailings. As a result, we may lose market share, which would reduce our revenues and gross profit.

If we are unable to gauge fashion trends and react to changing consumer preferences in a timely manner, our sales will decrease.

We believe our success depends in substantial part on our ability to:

- originate and define product and fashion trends,
- anticipate, gauge and react to changing consumer demands in a timely manner, and
- translate market trends into appropriate, saleable product offerings far in advance of their sale in our stores, our catalog or our Internet website.

Because we enter into agreements for the manufacture and purchase of merchandise well in advance of the season in which merchandise will be sold, we are vulnerable to changes in consumer demand, pricing shifts and suboptimal merchandise selection and timing of merchandise purchases. We attempt to reduce the risks of changing fashion trends and product acceptance in part by devoting a portion of our product line to classic styles that are not significantly modified from year to year. Nevertheless, if we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. Our brand image may also suffer if customers believe we are no longer able to offer the latest fashions. The occurrence of these events could hurt our financial results by decreasing sales. We may respond by increasing markdowns or initiating marketing promotions to reduce excess inventory, which would further decrease our gross profits and net income.

The specialty retail industry is cyclical, and a decline in consumer spending on apparel and accessories could reduce our sales and slow our growth.

The industry in which we operate is cyclical. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending, including general economic conditions and the level of disposable consumer income, the availability of consumer credit, interest rates, taxation and consumer confidence in future economic conditions. Because apparel and accessories generally are discretionary purchases, declines in consumer spending patterns may impact us more negatively as a specialty retailer. Therefore, we may not be able to maintain our recent rate of growth in revenues if there is a decline in consumer spending patterns, and we may decide to slow or alter our growth plans.

We rely on the experience and skills of key personnel, the loss of whom could damage our brand image and our ability to sell our merchandise.

We believe we have benefited substantially from the leadership and strategic guidance of, in particular, Mr. Drexler, our chief executive officer, Mr. Pfeifle, our president, and Tracy Gardner, our executive vice-president of merchandising, planning and production, who are primarily responsible for repositioning our brand and developing our philosophy. The loss, for any reason, of the services of any of these individuals and any negative market or industry perception arising from such loss could damage our brand image and delay the implementation of our strategy. Our other officers have substantial experience and expertise in the specialty retail industry and have made significant contributions to our growth and success. The unexpected loss of one or more of these individuals could delay the development and introduction of, and harm our ability to sell, our merchandise. In addition, products we develop without the guidance and direction of these key personnel may not receive the same level of acceptance.

In addition, our success depends in part on our ability to attract and retain other key personnel. Competition for these personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in the future.

Our plan to expand our store base may not be successful, and implementation of this plan may divert our operational, managerial and administrative resources, which could impact our competitive position.

We expanded our store base by six stores in fiscal 2005. We plan to further expand our store base by between 15 and 30 stores in fiscal 2006. Thereafter, in the near term, we plan to expand our store base by between 25 and 35 stores annually. The success of our business depends, in part, on our ability to open new stores and renew our existing store leases on terms that meet our financial targets. Our ability to open new stores on schedule or at all, to renew our existing store leases on favorable terms or to operate them on a profitable basis will depend on various factors, including our ability to:

- identify suitable markets for new stores and available store locations,
- negotiate acceptable lease terms for new locations or renewal terms for existing locations,
- manage and expand our infrastructure to accommodate growth,
- hire and train qualified sales associates,
- develop new merchandise and manage inventory effectively to meet the needs of new and existing stores on a timely basis,
- foster current relationships and develop new relationships with vendors that are capable of supplying a greater volume of merchandise, and
- avoid construction delays and cost overruns in connection with the build-out of new stores.

Our plans to expand our store base may not be successful and the implementation of these plans may not result in an increase in our revenues even though they increase our costs. Currently, our average net investment to open a retail store is approximately $844,000 and our average net investment to open a factory store is approximately $511,000. In addition, the opening of J.Crew stores may divert some revenues from Direct. Moreover, implementing our plans to expand our store base will place increased demands on our operational, managerial and administrative resources. The increased demands of operating additional stores could cause us to operate less effectively, which could cause the performance of our existing stores and our Direct operations to suffer materially. As a result, our revenues would decline and our profitability would be adversely affected.

Our plans to expand our product offerings and sales channels may not be successful, and implementation of these plans may divert our operational, managerial and administrative resources, which could impact our competitive position.

In addition to our store base expansion strategy, we plan to grow our business by expanding our product offerings and sales channels, including by marketing our crewcuts line of children's apparel and accessories. These plans involve various risks discussed elsewhere in these risk factors, including:

- implementation of these plans may be delayed or may not be successful,
- if our expanded product offerings and sales channels fail to maintain and enhance our distinctive brand identity, our brand image may be diminished and our sales may decrease,
- if we fail to expand our infrastructure, including by securing desirable store locations at reasonable costs and hiring and training qualified employees, we may be unable to manage our expansion successfully, and
- implementation of these plans may divert management's attention from other aspects of our business and place a strain on our management, operational and financial resources, as well as our information systems.

In addition, our ability to successfully carry out our plans to expand our product offerings and our sales channels may be affected by, among other things, economic and competitive conditions, changes in consumer spending patterns and changes in consumer preferences and style trends. Our expansion plans could be delayed or abandoned, could cost more than anticipated and could divert resources from other areas of our business, any of which could impact our competitive position and reduce our revenue and profitability.

If we fail to maintain the value of our brand, our sales are likely to decline.

Our success depends on the value of the J.Crew brand. The J.Crew name is integral to our business as well as to the implementation of our strategies for expanding our business. Maintaining, promoting and positioning our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high quality customer experience. Our brand could be adversely affected if we fail to achieve these objectives or if our public image or reputation were to be tarnished by negative publicity. Any of these events could result in decreases in sales.

The capacity of our order fulfillment and distribution facilities may not be adequate to support our recent growth and expected future growth plans, which could prevent the successful implementation of these plans or cause us to incur costs to expand these facilities.

The success of our stores depends on their timely receipt of merchandise, and the success of Direct depends on our ability to fulfill customer orders on a timely basis. The efficient flow of our merchandise requires that we have adequate capacity in our order fulfillment and distribution facilities to support our current level of operations, and the anticipated increased levels that may follow from our growth plans. We have identified the need to expand and upgrade these facilities in order to support recent and expected future growth. If we are unable to successfully implement this expansion and upgrade, the efficient flow of our merchandise could be disrupted, which could materially hurt our business. We may need to further increase the capacity of these facilities to support our growth, and any further expansion may require us to secure favorable real estate for these facilities and may require us to obtain additional financing. Appropriate locations or financing for the purchase or lease of such locations may not be available at all or at reasonable costs. Our failure to secure adequate order fulfillment and distribution facilities when necessary could impede our growth plans, and the further expansion of these facilities would increase our costs.

Our inability to maintain recent levels of comparable store sales could cause our stock price to decline.

Our recent comparable store sales have been higher than our historical average, and we may not be able to maintain these levels of comparable store sales in the future. If our future comparable store sales fail to meet market expectations, the price of our common stock could decline. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business—Comparable Store Sales." In addition, the results of operations of individual J.Crew stores have fluctuated in the past and can be expected to continue to fluctuate in the future. For example, over the past twelve fiscal quarters, our quarterly comparable store sales have ranged from a decrease of 11% in the first quarter of fiscal 2003 to an increase of 37% in the first quarter of fiscal 2005. A variety of factors affect comparable store sales, including fashion trends, competition, current economic conditions, pricing, inflation, the timing of the release of new merchandise and promotional events, changes in our merchandise mix, the success of marketing programs, timing and level of markdowns and weather conditions. These factors may cause our comparable store sales results to be materially lower than recent periods and our expectations, which could cause declines in our quarterly earnings and stock price.

An inability or failure to protect our trademarks could diminish the value of our brand and reduce demand for our merchandise.

The J.Crew trademark and variations thereon, such as crewcuts, are valuable assets that are critical to our success. We intend to continue to vigorously protect our trademarks against infringement, but we may not be successful in doing so. The unauthorized reproduction or other misappropriation of our trademarks would diminish the value of our brand, which could reduce demand for our products or the prices at which we can sell our products.

A reduction in the volume of mall traffic could significantly reduce our sales and leave us with unsold inventory.

Most of our stores are located in shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. Our stores benefit from the ability of the malls' "anchor" tenants, generally large department stores, and other area attractions to generate consumer traffic in the vicinity of our stores and the continuing popularity of the malls as shopping destinations. Sales volume and mall traffic may be adversely affected by regional economic downturns, the closing of anchor department stores and competition from non-mall retailers and other malls where we do not have stores. Any of these events, or a decline in the desirability of the shopping environment of a particular mall or in the popularity of mall shopping generally among our customers, would reduce our sales and leave us with excess inventory. We may respond by increasing markdowns or initiating marketing promotions to reduce excess inventory, which would further decrease our gross profits and net income.

Fluctuations in our results of operations for the fourth fiscal quarter would have a disproportionate effect on our overall financial condition and result of operations.

We experience seasonal fluctuations in revenues and operating income, with a disproportionate amount of our revenues and a majority of our income being generated in the fourth fiscal quarter holiday season. Our revenues and income are generally weakest during the first and second fiscal quarters. In addition, any factors that harm our fourth fiscal quarter operating results, including adverse weather or unfavorable economic conditions, could have a disproportionate effect on our results of operations for the entire fiscal year.

In order to prepare for our peak shopping season, we must order and keep in stock significantly more merchandise than we would carry at other times of the year. Any unanticipated decrease in demand for our products during our peak shopping season could require us to sell excess inventory at a substantial markdown, which could reduce our net sales and gross profit.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new store openings and of catalog mailings, the revenues contributed by new stores, merchandise mix and the timing and level of inventory markdowns. As a result, historical period-to-period comparisons of our revenues and operating results are not necessarily indicative of future period-to-period results. You should not rely on the results of a single fiscal quarter, particularly the fourth fiscal quarter holiday season, as an indication of our annual results or our future performance.

If our manufacturers are unable to produce our goods on time or to our specifications, we could suffer lost sales.

We do not own or operate any manufacturing facilities and therefore depend upon independent third party vendors for the manufacture of all of our products. Our products are manufactured to our specifications primarily by foreign manufacturers. We cannot control all of the various factors, which include inclement weather, natural disasters and acts of terrorism, that might affect a manufacturer’s ability to ship orders of our products in a timely manner or to meet our quality standards. Late delivery of products or delivery of products that do not meet our quality standards could cause us to miss the delivery date requirements of our customers or delay timely delivery of merchandise to our stores for those items. These events could cause us to fail to meet customer expectations, cause our customers to cancel orders or cause us to be unable to deliver merchandise in sufficient quantities or of sufficient quality to our stores, which could result in lost sales.

Third party failure to deliver merchandise from our distribution center to our stores and to customers could result in lost sales or reduce demand for our merchandise.

The success of our stores depends on their timely receipt of merchandise from our distribution facility, and the success of Direct depends on the timely delivery of merchandise to our customers. Independent third party transportation companies deliver our merchandise to our stores and to our customers. Some of these third parties employ personnel represented by a labor union. Disruptions in the delivery of merchandise or work stoppages by employees of these third parties could delay the timely receipt of merchandise, which could result in cancelled sales, a loss of loyalty to our brand and excess inventory. Timely receipt of merchandise by our stores and our customers may also be affected by factors such as inclement weather, natural disasters and acts of terrorism. We may respond by increasing markdowns or initiating marketing promotions, which would decrease our gross profits and net income.

Interruption in our foreign sourcing operations could disrupt production, shipment or receipt of our merchandise, which would result in lost sales and could increase our costs.

In fiscal 2005, approximately 94% were sourced from foreign factories. In particular, approximately 64% were sourced from China, Hong Kong and Macau. Any event causing a sudden disruption of manufacturing or imports from Asia or elsewhere, including the imposition of additional import restrictions, could materially harm our operations. We have no long-term merchandise supply contracts, and many of our imports are subject to existing or potential duties, tariffs or quotas that may limit the quantity of certain types of goods that may be imported into the United States from countries in Asia or elsewhere. We compete with other companies for production facilities and import quota capacity. Our business is also subject to a variety of other risks generally associated with doing business abroad, such as political instability, currency and exchange risks, disruption of imports by labor disputes and local business practices.

Our sourcing operations may also be hurt by political and financial instability, strikes, health concerns regarding infectious diseases in countries in which our merchandise is produced, adverse weather conditions or natural disasters that may occur in Asia or elsewhere or acts of war or terrorism in the United States or worldwide, to the extent these acts affect the production, shipment or receipt of merchandise. Our future operations and performance will be subject to these factors, which are beyond our control, and these factors could materially hurt our business, financial condition and results of operations or may require us to modify our current business practices and incur increased costs.

In addition, the raw materials used to manufacture our products are subject to availability constraints and price volatility caused by high demand for fabrics, weather, supply conditions, government regulations, economic climate and other unpredictable factors. Increases in the demand for, or the price of, raw materials could hurt our profitability.

Our ability to source our merchandise profitably or at all could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome.

Trade restrictions, including increased tariffs, safeguards or quotas, on apparel and accessories could increase the cost or reduce the supply of merchandise available to us. Under the World Trade Organization ("WTO") Agreement, effective January 1, 2005, the United States and other WTO member countries removed quotas on goods from WTO members, which in certain instances affords us greater flexibility in importing textile and apparel products from WTO countries from which we source our merchandise. However, as the removal of quotas resulted in an import surge from China, the United States in May 2005 imposed safeguard quotas on seven categories of goods and apparel imported from China. Effective January 1, 2006, the United States imposed quotas on approximately twelve categories of goods and apparel from China, and may impose additional quotas in the future. These and other trade restrictions could have a significant impact on our sourcing patterns in the future. The extent of this impact, if any, and the possible effect on our purchasing patterns and costs, cannot be determined at this time. We cannot predict whether any of the countries in which our merchandise is currently manufactured or may be manufactured in the future will be subject to additional trade restrictions imposed by the U.S. and foreign governments, nor can we predict the likelihood, type or effect of any such restrictions. Trade restrictions, including increased tariffs or quotas, embargoes, safeguards and customs restrictions against apparel items, as well as U.S. or foreign labor strikes, work stoppages or boycotts could increase the cost or reduce the supply of apparel available to us or may require us to modify our current business practices, any of which could hurt our profitability.

Increases in costs of mailing, paper and printing will affect the cost of our catalog and promotional mailings, which will reduce our profitability.

Postal rate increases and paper and printing costs affect the cost of our catalog and promotional mailings. In fiscal 2005, approximately 13% of our selling, general and administrative expenses were attributable to such costs. In January 2006, the U.S. Postal Service implemented a postal rate increase of 5.4%. In response to the increased cost of mailing we are considering reducing the number and size of certain catalog editions. In addition, we rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. We are not a party to any long-term contracts for the supply of paper. Our cost of paper has fluctuated significantly, and our future paper costs are subject to supply and demand forces that we cannot control. Future additional increases in postal rates or in paper or printing costs would reduce our profitability to the extent that we are unable to pass those increases directly to customers or offset those increases by raising selling prices or by implementing mailings that result in increased purchases.

If our independent manufacturers and Japan licensing partner do not use ethical business practices or comply with applicable laws and regulations, the J.Crew brand name could be harmed due to negative publicity.

While our internal and vendor operating guidelines promote ethical business practices and we, along with third parties that we retain for this purpose, monitor compliance with those guidelines, we do not control our independent manufacturers, our licensing partner or their business practices. Accordingly, we cannot guarantee their compliance with our guidelines.

Violation of labor or other laws by our independent manufacturers or our licensing partner, or the divergence of an independent manufacturer's or our licensing partner's labor practices from those generally accepted as ethical in the United States could diminish the value of the J.Crew brand and reduce demand for our merchandise if, as a result of such violation, we were to attract negative publicity.

Any significant interruption in the operations of our customer call, order fulfillment and distribution facilities could disrupt our ability to process customer orders and to deliver our merchandise in a timely manner.

Our customer call center, Direct's order fulfillment operations and distribution operations for J.Crew factory stores are housed together in a single facility, while distribution operations for J.Crew retail stores are housed in another single facility. Although we maintain back-up systems for these facilities, they may not be able to prevent a significant interruption in the operation of these facilities due to natural disasters, accidents, failures of the inventory locator or automated packing and shipping systems we use or other events. In addition, we have identified the need to expand and upgrade our operations and systems in order to support recent and expected future growth. Any significant interruption in the operation of these facilities, including an interruption caused by our failure to successfully upgrade our system or manage our transition to utilizing the upgrades could reduce our ability to receive and process orders and provide products and services to our stores and customers, which could result in lost sales, cancelled sales and a loss of loyalty to our brand.

We are subject to customs, advertising, consumer protection, zoning and occupancy and labor and employment laws that could require us to modify our current business practices and incur increased costs.

We are subject to numerous regulations, including customs, truth-in-advertising, consumer protection and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. If these regulations were to change or were violated by our management, employees, suppliers, buying agents or trading companies, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations. In addition, changes in federal and state minimum wage laws and other laws relating to employee benefits could cause us to incur additional wage and benefits costs, which could hurt our profitability.

Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

Any material disruption of our information systems could disrupt our business and reduce our sales.

We are increasingly dependent on information systems to operate our website, process transactions, respond to customer inquiries, manage inventory, purchase, sell and ship goods on a timely basis and maintain cost-efficient operations. We have identified the need to expand and upgrade our information systems to support recent and expected future growth. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, could cause information, including data related to customer orders, to be lost or delayed which could—especially if the disruption or slowdown occurred during the holiday season—result in delays in the delivery of merchandise to our stores and customers, which could reduce demand for our merchandise and cause our sales to decline. Moreover, we may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our customers and might lack sufficient resources to make the necessary investments in technology to compete with our competitors. Accordingly, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers.

We have taken over certain portions of our information systems needs that were previously outsourced to a third party and plan to make significant upgrades to our information systems. We may take over other outsourced portions of our information systems in the near future. If we are unable to manage these aspects of our information systems or the planned upgrades, our receipt and delivery of merchandise could be disrupted, which could result in a decline in our sales.

A failure in our Internet operations, which are subject to factors beyond our control, could significantly disrupt our business and lead to reduced sales and reputational damage.

Our Internet operations are an increasingly substantial part of our business, representing 63% of the Direct business in fiscal 2005. In addition to changing consumer preferences and buying trends relating to Internet usage, we are vulnerable to certain additional risks and uncertainties associated with the Internet, including changes in required technology interfaces, website downtime and other technical failures, security breaches, and consumer privacy concerns. Our failure to successfully respond to these risks and uncertainties could reduce Internet sales and damage our brand's reputation.

Our substantial amount of debt may limit the cash flow available for our operations and place us at a competitive disadvantage and may limit our ability to pursue our expansion plans.

We have, and will continue to have following this offering, a substantial amount of debt. On April 29, 2006, we had total debt, including preferred stock, of approximately $739.6 million and, after giving effect to the transactions described in "Transactions in Connection with the Offering," we would have had total debt of approximately $352.2 million. We discuss the terms of our debt instruments in more detail under "Description of Certain Indebtedness" below. Our level of indebtedness has important consequences to you and your investment in our common stock. For example, our level of indebtedness may:

- require us to use a substantial portion of our cash flow from operations to pay interest and principal on our debt, which would reduce the funds available to use for working capital, capital expenditures and other general corporate purposes,
- limit our ability to pay future dividends,

- limit our ability to obtain additional financing for working capital, capital expenditures, expansion plans and other investments, which may limit our ability to implement our business strategy,
- result in higher interest expense if interest rates increase on our floating rate borrowings,
- heighten our vulnerability to downturns in our business, the industry or in the general economy and limit our flexibility in planning for or reacting to changes in our business and the retail industry, or
- prevent us from taking advantage of business opportunities as they arise or successfully carrying out our plans to expand our store base, product offerings and sales channels.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in amounts sufficient to enable us to make payments on our indebtedness or to fund our operations.

The terms of our indebtedness contain various covenants that may limit our business activities.

The terms of our indebtedness contain, and our future indebtedness may contain, various restrictive covenants that limit our management's discretion in operating our business. In particular, these agreements are expected to include covenants relating to limitations on:

- dividends on, and redemptions and repurchases of, capital stock,
- payments on subordinated debt,
- liens and sale-leaseback transactions,
- loans and investments,
- debt and hedging arrangements,
- mergers, acquisitions and asset sales,
- transactions with affiliates, and
- changes in business activities conducted by us and our subsidiaries.

In addition, our indebtedness may require us, under certain circumstances, to maintain certain financial ratios. It also is expected to limit our ability to make capital expenditures. See "Description of Certain Indebtedness."

Compliance with these covenants and these ratios may prevent us from pursuing opportunities that we believe would benefit our business, including opportunities that we might pursue as part of our plans to expand our store base, our product offerings and sales channels.

We will incur increased costs as a result of being a public company.

Prior to this offering, the corporate governance and financial reporting practices and policies required of a publicly-traded company did not apply to us. As a public company, we will incur significant legal, accounting and other expenses that we did not directly incur in the past. In addition, the Sarbanes-Oxley Act of 2002, as well as rules implemented by the Securities and Exchange Commission and the New York Stock Exchange, require us to adopt corporate governance practices applicable to public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly.

Risks Relating to Our Common Stock and This Offering

Concentration of ownership among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Upon consummation of this offering, the Conversion and the TPG Subscription, our executive officers, directors and principal stockholders will own, in the aggregate, approximately 57% of our outstanding common stock. As a result, these stockholders will be able to exercise control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions and will have significant control over our management and policies. In addition, Emily Scott, a director, and TPG entered into a stockholders' agreement in 1997 under which TPG has agreed to vote for Ms. Scott and a nominee chosen by her as members of our board of directors and Ms. Scott has agreed to vote for three director nominees chosen by TPG. The directors elected by these stockholders pursuant to this agreement will be able to make decisions affecting our capital structure, including decisions to issue additional capital stock, implement stock repurchase programs and incur indebtedness. The interests of these stockholders may not be consistent with your interests as a stockholder.

This control may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company. In addition, our certificate of incorporation provides that the provisions of Section 203 of the Delaware General Corporation Law, which relate to business combinations with interested stockholders, do not apply to us.

No public market for our common stock currently exists, and we cannot assure you that an active, liquid trading market will develop or be sustained following this offering.

Prior to this offering, there has been no public market for our common stock. An active, liquid trading market for our common stock may not develop or be sustained following this offering. As a result, you may not be able to sell your shares of our common stock quickly or at the market price. The initial public offering price of our common stock will be determined by negotiations between us and the underwriters based upon a number of factors and may not be indicative of prices that will prevail following the consummation of this offering. The market price of our common stock may decline below the initial public offering price, and you may not be able to resell your shares of our common stock at or above the initial offering price and may suffer a loss on your investment.

As a specialty retailer whose business is seasonal and cyclical, the price of our common stock may fluctuate significantly.

The market price of our common stock after this offering is likely to fluctuate significantly from time to time in response to factors including:

- investors' perceptions of our prospects and the prospects of the retail industry,
- differences between our actual financial and operating results and those expected by investors,
- fluctuations in quarterly operating results,
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments,
- changes in general economic conditions, and
- broad market fluctuations.

These factors may lower the market price of our common stock, regardless of our actual operating performance. As a result, our common stock may trade at prices significantly below the initial public offering price.

Future sales of our common stock, or the perception that such sales may occur, could cause our stock price to fall.

Sales of substantial amounts of our common stock in the public market after the consummation of this offering, or the perception that such sales may occur, could adversely affect the market price of our common stock and could materially impair our ability to raise capital in the future through offerings of our common stock.

We and our executive officers, directors and holders of substantially all of our outstanding shares of common stock have agreed, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except, in our case, for the issuance of common stock upon exercise of options outstanding under existing option plans and the issuance of common stock in connection with the TPG Subscription and the Conversion. Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. may, in their sole discretion, release any of these shares from these restrictions at any time without notice.

Based on shares outstanding as of April 29, 2006, a total of 24,303,481 shares of common stock may be sold in the public market by existing stockholders 180 days after the date of this prospectus, subject to applicable volume and other limitations imposed under federal securities laws. See “Shares Eligible for Future Sale” for a more detailed description of the restrictions on selling shares of our common stock after this offering.

You will experience an immediate and substantial book value dilution after this offering, and will experience further dilution with the future exercise of stock options.

The initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of the outstanding common stock based on the historical adjusted net book value per share as of April 29, 2006. Based on an assumed initial public offering price of $16.00 per share (the midpoint of the range set forth on the cover of this prospectus) and our net tangible book value as of April 29, 2006, if you purchase our common stock in this offering you will pay more for your shares than existing stockholders paid for their shares and you will suffer immediate dilution of approximately $19.78 per share in pro forma net tangible book value. As a result of this dilution, investors purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares purchased in this offering in the event of a liquidation.

As of April 29, 2006, there were outstanding options, of which 5,475,716 were vested, to purchase 8,923,324 shares of our common stock at a weighted average exercise price of $7.50 per share. In addition, we intend to grant options to purchase an additional 121,500 shares of our common stock at the initial public offering price to an executive officer and certain other employees on the day the offering is priced for sale to the public. From time to time, we may issue additional options to employees, non-employee directors and consultants pursuant to our equity incentive plans. These options generally vest commencing one or two years from the date of grant and continue vesting over a four to five-year period. You will experience further dilution as these stock options are exercised.

Takeover defense provisions may adversely affect the market price of our common stock.

Various provisions of our charter documents may inhibit changes in control not approved by our board of directors and may have the effect of depriving you of an opportunity to receive a premium over the prevailing market price of our common stock in the event of an attempted hostile takeover. In addition, these provisions may adversely affect the market price of our common stock. These provisions will include a classified board, the availability of “blank check” preferred stock, provisions restricting stockholders from calling a special meeting of stockholders or requiring one to be called or from taking action by written consent and provisions that set forth advance notice procedures for stockholders’ nominations of directors and proposals of topics for consideration at meetings of stockholders.

We do not expect to pay any dividends for the foreseeable future.

We do not anticipate paying any dividends to our stockholders for the foreseeable future. Because we are a holding company, our ability to pay dividends depends on our receipt of cash dividends from our subsidiaries. The terms of certain of our and Operating’s outstanding indebtedness substantially restrict the ability of either company to pay dividends. Accordingly, investors must be prepared to rely on sales of their common stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our common stock. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial conditions, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements," which include information concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." When used in this prospectus, the words "estimate," "expect," "anticipate," project," "plan," "intend," "believe" and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but there can be no assurance that we will realize our expectations or that our beliefs will prove correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in this prospectus, including but not limited to those under the heading "Risk Factors." There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus or to reflect the occurrence of unanticipated events.

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TRANSACTIONS IN CONNECTION WITH THE OFFERING

During the last four fiscal years, we have incurred significant amounts of interest on our debt and dividends on our preferred stock. To decrease the amounts we incur in the future, a substantial portion of our outstanding debt and preferred stock has been or is expected to be redeemed, refinanced or converted into shares of our common stock in connection with this offering. Specifically:

- on May 15, 2006, Operating repurchased, using $285 million in borrowings under the New Term Loan and $12.7 million of cash on hand, the total principal amount ($275.0 million) of the 9 3/4% Notes (plus accrued and unpaid interest of $10.6 million) in the Tender Offer and paid premiums, tender fees and other expenses of $12.1 million,
- on May 15, 2006, we issued a notice to redeem on June 14, 2006 all $21.7 million aggregate principal amount of the 13 1/8% Debentures (plus accrued and unpaid interest of $0.5 million),
- we plan to redeem all outstanding $92.8 million liquidation value of the Series A Preferred Stock (plus accrued and unpaid dividends of $227.0 million),
- we plan to redeem all outstanding $32.5 million liquidation value of the Series B Preferred Stock (plus accrued and unpaid dividends of $79.5 million),
- TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, has agreed to convert the $20.0 million principal amount of 5.0% Notes Payable (plus accrued and unpaid interest of $3.7 million) into shares of our common stock at a conversion price of $3.52 per share of common stock immediately prior to the consummation of this offering,
- under the TPG Subscription, TPG has agreed to purchase from us, at the initial public offering price of $ per share, common stock with an aggregate purchase price equal to $73.5 million, and
- prior to the consummation of this offering, we expect to borrow an additional $78.5 million, net of expenses of $1.5 million under the New Term Loan.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the 18,800,000 shares of common stock offered by us will be approximately $279.8 million, or approximately $321.8 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of $16.00 per share of common stock (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus), after deducting the underwriting discount and estimated offering expenses payable by us of approximately $21.0 million. A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would increase (decrease) the net proceeds to us from this offering by $17.6 million and decrease (increase) our additional borrowings under the accordion feature of the New Term Loan by the same amount, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option, our additional borrowings under the accordion feature of the New Term Loan would be reduced by the amount of the net proceeds we receive from such exercise.

We intend to use the net proceeds to us from the sale of the common stock from this offering and the TPG Subscription, together with $78.5 million (net of fees of $1.5 million) of additional borrowings under the New Term Loan, to fund the Preferred Redemptions and pay costs, fees and expenses in connection with the offering, the TPG Subscription, the additional borrowings under the New Term Loan, the Conversion and the Preferred Redemptions. Any remaining net proceeds will be used for general corporate purposes. If the underwriters exercise their over-allotment option, we intend to use the net proceeds thereof to reduce our borrowings under the New Term Loan. Borrowings under the New Term Loan, including the additional borrowings under the accordion feature, bear interest, at our option, at a base rate plus a margin ranging from 0.75% to 1.25% or LIBOR plus a margin ranging from 1.75% to 2.25%. Operating is required to make quarterly amortization payments equal to 1.0% per annum of an amount equal to (i) the outstanding New Term Loan principal amount less (ii) all voluntary principal prepayments made by Operating. The remaining principal amount of the New Term Loan will mature on the earlier of (a) the seventh anniversary of the drawing and (b) six months prior to the maturity date or mandatory redemption date (unless extended or repaid in accordance with their terms) of the 13 $^{1}/_{8}$% Debentures, the 5.0% Notes Payable, the Series A Preferred Stock and the Series B Preferred Stock. For further details on the New Term Loan and the accordion feature, see “Description of Certain Indebtedness—New Term Loan.”

The following table sets forth estimated sources and uses of funds in connection with the offering, the additional borrowings under the New Term Loan and the Preferred Redemptions:

	Amount (In thousands)
Sources of Funds	
Gross proceeds from the offering	$ 300,800
Net proceeds from the TPG Subscription	73,500
Additional borrowings under New Term Loan	80,000
Credit Facility(1)	—
Total sources	$ 454,300
Uses of Funds	
Redemption of the Series A Preferred Stock	$ 319,800
Redemption of the Series B Preferred Stock	112,000
Transaction fees and expenses(2)	22,500
Total uses	$ 454,300

(1) The Credit Facility provides for revolving loans and letter of credit accommodations of up to $170.0 million (which may be increased to $250.0 million subject to certain conditions). The total amount of availability is subject to limitations based on specified percentages of eligible receivables, inventories and real property. See “Description of Certain Indebtedness— Credit Facility” for a further description of the Credit Facility.

(2) Includes estimated commitment, placement and other transaction fees and legal, accounting and other costs payable in connection with the offering, the TPG Subscription, the additional borrowings under the New Term Loan, the Conversion and the Preferred Redemptions.

DIVIDEND POLICY

We have never paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business, and we do not anticipate paying any cash dividends in the foreseeable future. In addition, because we are a holding company, our ability to pay dividends depends on our receipt of cash dividends from our subsidiaries. The terms of certain of our and Operating's outstanding indebtedness substantially restrict the ability of either company to pay dividends. For more information about these restrictions, see "Description of Certain Indebtedness." Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in current and future financing instruments and other factors that our board of directors deems relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of April 29, 2006. Our capitalization is presented (1) on an actual basis, and (2) on a pro forma as adjusted basis to give effect to (i) the sale by us of 18,800,000 shares of our common stock at an assumed public offering price of $16.00 per share, the midpoint of the estimated price range set forth on the cover of this prospectus, (ii) the TPG Subscription, $352.4 million in total borrowings under the New Term Loan, the 13 1/8% Redemption and the Conversion, and (iii) the intended application of the net proceeds of this offering, the TPG Subscription and the New Term Loan as described in “Transactions in Connection with the Offering” and “Use of Proceeds,” as if these events had occurred on January 29, 2005.

This presentation should be read in conjunction with “Transactions in Connection with the Offering,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of April 29, 2006	
	Actual	Pro Forma As Adjusted
	(In thousands)	
Cash and Cash Equivalents	$ 67,623	$ 34,186
Long-Term Debt (including Redeemable Preferred Stock):		
Credit Facility	$ —	$ —
13 1/8% Debentures	21,667	—
5.0% Notes Payable	23,484	—
9 3/4% Notes	275,000	—
New Term Loan	—	352,438
Redeemable Preferred Stock(1)	326,680	—
Total Long-Term Debt	646,831	352,438
Preferred Stock(2)	92,800	—
Stockholders’ Deficit:		
Common Stock, par value $.01 per share	278	569
Additional Paid-in Capital	—	376,467
Treasury Stock	(2,686)	(2,686)
Accumulated Deficit	(579,319)	(589,342)
Total Stockholders’ Deficit	(581,727)	(214,992)
Total Capitalization(3)	$ 157,904	$ 137,446

(1) Amount equals liquidation value of the Series B Preferred Stock plus accrued and unpaid dividends on the Series A Preferred Stock and Series B Preferred Stock. Under SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,” the accrued and unpaid dividends on the Series A Preferred Stock and the Series B Preferred Stock are classified as debt.

(2) Amount equals liquidation value of the Series A Preferred Stock.

(3) A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would decrease (increase) the pro forma as adjusted amounts of each of the New Term Loan, long-term debt, stockholders’ deficit, and total liabilities and stockholders’ deficit by $17.6 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option, the pro forma as adjusted amounts of each of the New Term Loan, long-term debt, stockholders’ deficit, and total liabilities and stockholders’ deficit would decrease by the amount of the net proceeds we receive from such exercise.

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DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share and the historical adjusted net tangible book value per share of common stock upon the consummation of this offering. The historical adjusted net tangible book value as of April 29, 2006 was approximately $(581.7) million, or approximately $(21.70) per share. Historical adjusted net tangible book value per share represents our total tangible assets less total liabilities divided by the pro forma total number of shares of common stock outstanding. Dilution in historical adjusted net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the net tangible book value per share of common stock immediately after the consummation of this offering.

After giving effect to the sale of the shares of common stock at an assumed initial public offering price of $16.00 per share (the midpoint of the offering range set forth on the cover of this prospectus) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us and giving effect to the TPG Subscription, $352.4 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions, our pro forma net tangible book value as of April 29, 2006 would have been approximately $(215.0) million, or $(3.78) per share of common stock. This represents an immediate increase in net tangible book value of $17.92 per share to our existing stockholders and an immediate dilution of $19.78 per share to new investors purchasing shares of common stock in this offering at the assumed initial offering price.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$16.00
Historical adjusted net tangible book value per share as of April 29, 2006	(21.70)	
Increase per share attributable to this offering, the TPG Subscription and the Conversion	17.92	
Pro forma as adjusted net tangible book value per share after the offering		(3.78)
Dilution per share to new investors in this offering		19.78

A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would increase (decrease) our pro forma net tangible book value by $17.6 million, our pro forma net tangible book value per share after this offering by $17.6 million and the dilution per share to new investors by $0.31, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes on a pro forma, as adjusted basis as of April 29, 2006 the number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share paid to us by our existing stockholders and to be paid by new investors purchasing shares of our common stock in this offering. The table assumes an initial public offering price of $16.00 per share, as specified above, and deducts underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		
	Number	Percentage	Amount	Percentage	Average Price Per Share
Existing stockholders	33,527	58.9%	$ 118.0	25.0%	$ 3.52
New investors	23,394	41.1%	$ 353.3	75.0%	$ 16.00
Total	56,921	100.0%	$ 471.3	100.0%	$ 8.28

The number of shares outstanding excludes:

- 8,923,324 shares of common stock available for issuance upon the exercise of outstanding options, of which 5,475,716 shares were subject to exercisable options as of April 29, 2006,
- 121,500 shares of common stock available for issuance upon the exercise of options that we intend to grant to an executive officer and certain other employees on the day the offering is priced for sale to the public, and
- 1,998,006 shares of common stock reserved for future issuances under our equity incentive plans.

If these outstanding options are exercised, new investors will experience further dilution.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data for each of the years in the three-year period ended January 28, 2006 and as of January 28, 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data for each of the years in the two-year period ended February 1, 2003 have been derived from our audited consolidated financial statements which are not included in this prospectus. The historical financial data for the thirteen weeks ended April 30, 2005 and April 29, 2006 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The consolidated financial statements for each of the years in the five-year period ended January 28, 2006 and as of the end of each such year have been audited.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. The information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds," "Capitalization," "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Summary Financial Data" and our financial statements and the related notes included elsewhere in this prospectus.

	Year Ended					Thirteen Weeks Ended	
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
	(In thousands, except share and per share data)						
Income Statement Data							
Revenues	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 953,188	$ 210,535	$ 240,687
Cost of goods sold(1)	454,491	472,262	440,276	478,829	555,192	114,089	131,293
Gross profit	323,449	296,082	249,689	325,387	397,996	96,446	109,394
Selling, general and administrative expense	303,448	301,718	280,464	287,745	318,499	73,460	81,100
Income (loss) from operations	20,001	(5,636)	(30,775)	37,642	79,497	22,986	28,294
Interest expense (net)	36,512	40,954	63,844	87,571	72,903	17,489	19,196
(Gain) loss on debt refinancing	—	—	(41,085)	49,780	—	—	—
Insurance proceeds	—	(1,800)	(3,850)	—	—	—	—
Provision (benefit) for income taxes	(5,500)	(4,200)	500	600	2,800	600	1,300
Net income (loss)	(11,011)	(40,590)	(50,184)	(100,309)	3,794	4,897	7,798
Preferred stock dividends	(30,442)	(33,578)	(26,260)	(13,456)	(13,456)	(3,364)	(3,364)
Net income (loss) applicable to common shareholders	(41,453)	(74,168)	(76,444)	(113,765)	(9,662)	$ 1,533	$ 4,434
Weighted average shares outstanding (in millions)							
Basic	22,734	22,804	23,088	23,626	24,472	24,143	25,434
Diluted	22,734	22,804	23,088	23,626	24,472	32,736	37,880
Income (loss) per share							
Basic	$ (1.82)	$ (3.25)	$ (3.31)	$ (4.82)	$ (.39)	$ .06	$ .17
Diluted	$ (1.82)	$ (3.25)	$ (3.31)	$ (4.82)	$ (.39)	$ .05	$ .12

	As of					
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006	April 29, 2006
	(In thousands)					
Balance Sheet Data						
Cash and cash equivalents	$ 16,201	$ 18,895	$ 49,650	$ 23,647	$ 61,275	$ 67,623
Working capital	39,164	38,015	46,217	12,168	72,657	96,661
Total assets	401,320	348,878	297,611	278,194	337,321	352,865
Total long-term debt and preferred stock	510,147	556,038	609,440	669,733	724,667	739,631
Stockholders' deficit	(319,043)	(391,663)	(468,066)	(581,712)	(587,843)	(581,727)

(1) Includes buying and occupancy costs.

	Year Ended					Thirteen Weeks Ended	
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
	(In thousands, except percentages, numbers of stores and pages and per square foot data)						
Operating Data							
Revenues:							
J.Crew Stores	$ 483,083	$ 484,292	$ 487,092	$ 579,793	$ 670,447	$ 145,208	$ 167,124
J.Crew Direct							
Catalog	135,353	108,531	61,883	76,548	93,870	23,025	22,392
Internet	122,844	139,456	111,653	121,954	159,812	36,346	43,819
Other(1)	36,660	36,065	29,337	25,921	29,059	5,956	7,352
Total revenues	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 953,188	$ 210,535	$ 240,687
J.Crew Stores:							
Sales per gross square foot(2)	$ 412	$ 349	$ 338	$ 400	$ 459	$ 99	$ 114
Number of stores open at end of period	177	194	196	197	203	198	206
Comparable stores sales change(3)	(14.5)%	(11.2)%	(2.5)%	16.4%	13.4%	37.0%	11.6%
J.Crew Direct:							
Number of catalogs circulated	71,000	66,000	53,000	50,000	55,000	14,400	14,100
Number of pages circulated (in millions)	8,300	7,800	5,800	5,400	6,100	1,400	1,400
Depreciation and amortization	$ 39,963	$ 43,197	$ 43,075	$ 37,061	$ 33,461	$ 7,766	$ 7,158
Capital expenditures:							
New store openings	36,859	17,202	5,663	5,910	8,243	2,028	3,601
Other(4)	25,003	9,718	4,245	7,521	13,695	2,013	2,103
Total capital expenditures	$ 61,862	$ 26,920	$ 9,908	$ 13,431	$ 21,938	$ 4,041	$ 5,704

(1) Consists primarily of shipping and handling fees and royalties.
(2) Includes only stores that have been open for the full period.
(3) Comparable store sales includes sales at stores open for at least twelve months.
(4) Consists primarily of expenditures on store remodels, information technology and warehouse equipment.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables present our unaudited actual and pro forma condensed consolidated financial information for the year ended January 28, 2006 and for the thirteen weeks ended April 29, 2006. The unaudited pro forma financial information gives effect to this offering, the TPG Subscription, the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions. The unaudited pro forma condensed consolidated financial information reflects the payment of early redemption or premium and prepayment costs, interest, dividends and transaction fees and expenses.

The unaudited pro forma balance sheet as of April 29, 2006 gives effect to the above transactions as if they had occurred on April 29, 2006. The unaudited pro forma condensed consolidated statement of operations for the year ended January 28, 2006 and thirteen weeks ended April 29, 2006 gives effect to the above transactions as if they had occurred on January 30, 2005 and January 29, 2006, respectively. In connection with this offering, the TPG Subscription, the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions, we expect to record a charge of $10.0 million related to the write-off of deferred debt financing costs of $5.2 million and prepayment costs and premiums of $4.8 million associated with the debt to be extinguished in the transactions. Because this charge is directly related to these transactions rather than our continuing operations, we have not given effect to it in the unaudited pro forma condensed consolidated statements of operations. However, the unaudited pro forma condensed balance sheet gives effect to the charge as if it occurred on April 29, 2006.

Preparation of the pro forma financial information is based on assumptions deemed appropriate by our management. The pro forma information is unaudited and is not necessarily indicative of the results that actually would have occurred if the above transactions had been consummated at the beginning of the period presented, nor does it purport to represent the future financial position and results of operations for future periods. The unaudited pro forma financial information should be read in conjunction with “Use of Proceeds,” “Capitalization,” “Selected Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and the related notes included elsewhere in this prospectus.

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J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of April 29, 2006

	Actual April 29, 2006	Pro Forma Adjustments	Pro Forma As Adjusted
		(In thousands)	
Assets			
Current assets:			
Cash and cash equivalents	$ 67,623	$ (33,437)(1)	$ 34,186
Merchandise inventories	130,064	—	130,064
Prepaid expenses and other current assets	26,325	—	26,325
Refundable income taxes	8,600	—	8,600
Total current assets	232,612	(33,437)	199,175
Property and equipment—at cost	256,994	—	256,994
Less accumulated depreciation and amortization	(149,040)	—	(149,040)
Property and equipment, net	107,954	—	107,954
Other assets	12,299	3,322 (2)	15,621
Total assets	$ 352,865	$ (30,115)	$ 322,750
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	$ 73,046	$ —	$ 73,046
Other current liabilities	60,212	(9,657)(3)	50,555
Federal and state income taxes	2,693	—	2,693
Total current liabilities	135,951	(9,657)	126,294
Deferred credits	59,010	—	59,010
Long-term debt	646,831	(294,393)(4)	352,438 (7)
Preferred stock	92,800	(92,800)(5)	—
Stockholders' deficit	(581,727)	366,735 (6)	(214,992)(7)
Total liabilities and stockholders' deficit	$ 352,865	$ (30,115)	$ 322,750 (7)

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J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

	Year Ended January 28, 2006			Thirteen Weeks Ended April 29, 2006		
	Actual	Pro Forma Adjustments	Pro Forma As Adjusted	Actual	Pro Forma Adjustments	Pro Forma As Adjusted
	(In thousands except for per share data)					
Revenues:						
Net sales	$924,129	—	$ 924,129	$233,335	—	$ 233,335
Other	29,059	—	29,059	7,352	—	7,352
	953,188	—	953,188	240,687	—	240,687
Cost of goods sold, including buying and occupancy costs	555,192	—	555,192	131,293	—	131,293
Gross profit	397,996	—	397,996	109,394	—	109,394
Selling, general and administrative expenses	318,499	—	318,499	81,100	—	81,100
Income from operations	79,497	—	79,497	28,294	—	28,294
Interest expense—net	72,903	(48,683)(8)	24,220(11)	19,196	(12,396)(8)	6,800(12)
Income before income taxes	6,594	48,683	55,277	9,098	12,396	21,494
Income taxes	2,800	600 (9)	3,400	1,300	150(9)	1,450
Net income	3,794	48,083	51,877(11)	7,798	12,246	20,044(12)
Preferred stock dividends	(13,456)	13,456 (10)	—	(3,364)	3,364(10)	—
Net income (loss) applicable to common shareholders	$ (9,662)	61,539	$ 51,877(11)	$ 4,434	15,610	$ 20,044(12)
Weighted average shares outstanding (in millions)						
Basic	24,472		54,116(13)	25,434		55,417(13)
Diluted	24,472		60,253(13)	37,880		61,279(13)
Income (loss) per share						
Basic	$ (.39)		$ .96(11)	$ .17		$ .36(12)
Diluted	(.39)		$ .86(11)	$ .12		$ .33(12)

J.CREW GROUP, INC. AND SUBSIDIARIES
Notes to the Unaudited Pro Forma Financial Statements

(1) Adjustments to cash and cash equivalents give effect to (a) receipt of the net proceeds of this initial public offering of common stock as of April 29, 2006, estimated at $279.8 million (assuming the underwriters do not exercise their over-allotment option), after deduction of the estimated underwriting discount and offering expenses of $21.0 million, (b) redemption of all outstanding $92.8 million Series A Preferred Stock and $32.5 million Series B Preferred Stock, plus accrued and unpaid dividends as of April 29, 2006 of $218.0 million and $76.1 million, respectively, (c) redemption of all outstanding $21.7 million 13 $^{1}/_{8}$% Debentures, plus accrued interest as of April 29, 2006 of $0.1 million, (d) redemption of all outstanding $275.0 million 9 $^{3}/_{4}$% Notes, at 101.507% of principal, plus accrued interest as of April 29, 2006 of $9.5 million and tender fees of $0.7 million, (e) receipt of the net proceeds from the TPG Subscription as of April 29, 2006 of $73.5 million, and (f) receipt of the total net proceeds of the New Term Loan, estimated at $343.9 million after deduction of the estimated facility fees and other expenses of $8.5 million from the principal amount of $352.4 million.

(2) Adjustments to other assets give effect to (a) the write-off of unamortized deferred debt financing charges and discount related to the $21.7 million 13 $^{1}/_{8}$% Debentures and $275.0 million 9 $^{3}/_{4}$% Notes, and (b) the deferred debt financing charges estimated in connection with the New Term Loan.

(3) Adjustments to other current liabilities give effect to the payment of accrued interest expense on the $21.7 million 13 $^{1}/_{8}$% Debentures and $275.0 million 9 $^{3}/_{4}$% Notes.

(4) Adjustments to long-term debt give effect to (a) redemption of all outstanding $32.5 million Series B Preferred Stock, plus accrued and unpaid dividends as of April 29, 2006 of $76.1 million, and payment of $218.0 million of accrued and unpaid dividends on all outstanding $92.8 million Series A Preferred Stock, (b) redemption of all outstanding $21.7 million 13 $^{1}/_{8}$% Debentures, (c) redemption of all outstanding $275.0 million 9 $^{3}/_{4}$% Notes, (d) receipt of the total proceeds of $352.4 million under the New Term Loan, and (e) conversion into common stock of the $23.5 million 5.0% Notes Payable at a conversion price of $3.52 per share.

(5) Adjustment to preferred stock reflects redemption of all outstanding $92.8 million Series A Preferred Stock.

(6) Adjustments to stockholders' deficit give effect to (a) receipt of the net proceeds of this initial public offering of common stock as of April 29, 2006, estimated at $279.8 million (assuming the underwriters do not exercise their over-allotment option), after deduction of the estimated underwriting discount and offering expenses of $21.0 million, (b) conversion into common stock of the $23.5 million 5.0% Notes Payable at a conversion price of $3.52 per share, (c) receipt of the net proceeds from the TPG Subscription as of April 29, 2006 of $73.5 million, and (d) charges of $10.0 million directly related to redemption of all outstanding $275.0 million 9 $^{3}/_{4}$% Notes at 101.507% of principal and related expenses ($4.8 million) and the write-off of unamortized deferred debt financing charges and discount related to the $21.7 million 13 $^{1}/_{8}$% Debentures and $275.0 million 9 $^{3}/_{4}$% Notes ($5.2 million). Such charges were directly related to the redemptions and do not impact continuing operations.

(7) A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would decrease (increase) the pro forma as adjusted amounts of each of long-term debt, stockholders' deficit, and total liabilities and stockholders' deficit by $17.6 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option, we intend to use the net proceeds thereof to reduce our borrowings under the New Term Loan. As a result, the pro

forma as adjusted amounts of each of long-term debt, stockholders' deficit, and total liabilities and stockholders' deficit would decrease by the amount of the net proceeds we receive from such exercise.

(8) Adjustments to interest expense give effect to (a) redemption of all outstanding $92.8 million Series A Preferred Stock and $32.5 million Series B Preferred Stock, (b) redemption of all outstanding $21.7 million 13 $^{1}/_{8}$% Debentures, (c) redemption of all outstanding $275.0 million 9 $^{3}/_{4}$% Notes, (d) conversion into common stock of the $23.5 million 5.0% Notes Payable, and (e) total borrowings of $352.4 million under the New Term Loan bearing interest at LIBOR plus 2.25%.

(9) Pro forma adjustments for the year ended January 28, 2006 and the thirteen weeks ended April 29, 2006 reflect a disproportionate income tax effect because approximately $40.3 million and $11.3 million of the adjustment consists of preferred stock dividends that are not deductible for tax purposes, and net operating loss carryforwards are available to offset substantially all income taxes. The deferred tax asset resulting from these net operating loss carryforwards is offset by a valuation allowance.

(10) Adjustments to preferred stock dividends reflect the redemption of all outstanding Series A Preferred Stock.

(11) A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would increase (decrease) the net proceeds to us from this offering by $17.6 million and decrease (increase) our additional borrowings under the accordion feature of the New Term Loan by the same amount, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. As a result, a $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would (i) decrease (increase) pro forma as adjusted interest expense (net) by $1.3 million, (ii) increase (decrease) pro forma as adjusted net income by $1.2 million and (iii) increase (decrease) pro forma as adjusted income per share by $.02.

If the underwriters exercise their over-allotment option, we intend to use the net proceeds thereof to reduce our borrowings under the New Term Loan. As a result, (i) pro forma as adjusted interest expense (net) would further decrease, (ii) pro forma as adjusted net income would further increase and (iii) pro forma as adjusted income per share would further increase.

(12) A $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would increase (decrease) the net proceeds to us from this offering by $17.6 million and decrease (increase) our additional borrowings under the accordion feature of the New Term Loan by the same amount, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. As a result, a $1.00 increase (decrease) in the assumed initial public offering price of $16.00 per share would (i) decrease (increase) pro forma as adjusted interest expense (net) by $0.3 million, (ii) increase (decrease) pro forma as adjusted net income by $0.3 million and (iii) increase (decrease) pro forma as adjusted income per share by $.005.

If the underwriters exercise their over-allotment option, we intend to use the net proceeds thereof to reduce our borrowings under the New Term Loan. As a result, (i) pro forma as adjusted interest expense (net) would further decrease, (ii) pro forma as adjusted net income would further increase and (iii) pro forma as adjusted income per share would further increase.

(13) The calculation of pro forma basic income per share and pro forma diluted income per share is presented below:

	Year Ended January 28, 2006	Thirteen Weeks Ended April 29, 2006
Weighted average shares outstanding:		
Basic (as reported)	24,472	25,434
Shares issued in connection with the offering:		
Issued to the public pursuant to this prospectus	18,800	18,800
Issued in connection with the TPG Subscription	4,594	4,594
Issued upon conversion of the 5.0% Notes Payable	6,250	6,589
Basic (pro forma)	54,116	55,417
Dilutive effect of stock options	5,043	4,768
Dilutive effect of restricted stock	1,094	1,094
Diluted (pro forma)	60,253	61,279

There were no potentially dilutive securities excluded from the calculation of pro forma diluted income per share for the year ended January 28, 2006 and the thirteen weeks ended April 29, 2006.

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

This discussion summarizes our consolidated operating results, financial condition and liquidity during the three-year period ended January 28, 2006 and the thirteen weeks ended April 29, 2006. Our fiscal year ends on the Saturday closest to January 31. The fiscal years 2003, 2004 and 2005 ended on January 31, 2004, January 29, 2005 and January 28, 2006, respectively, and consisted of 52 weeks each. You should read the following discussion and analysis in conjunction with "Selected Consolidated Financial Data," our consolidated financial statements and the related notes included elsewhere in this prospectus.

This discussion contains forward-looking statements involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. Factors that might cause such differences include those described under "Risk Factors," "Disclosure Regarding Forward-Looking Statements" and elsewhere in this prospectus.

Overview

J.Crew is a nationally recognized apparel and accessories brand that we believe embraces a high standard of style, craftsmanship, quality and customer service, while projecting an aspirational American lifestyle.

On the basis of data collected on our Internet channel customers, we believe our customer base consists primarily of affluent, college-educated and professional and fashion-conscious women and men. As of June 2, 2006, we operated 164 retail stores and 45 factory stores throughout the United States.

We have two major operating divisions: Stores, which consists of our retail and factory stores, and Direct, which consists of our catalog and Internet website at www.jcrew.com, each of which operate under the J.Crew brand name. In fiscal 2005, net sales under the J.Crew brand generated $924.1 million in revenues, comprised of:

- $670.4 million from Stores, and
- $253.7 million from Direct.

In early 2003, our newly-appointed chief executive officer and chairman of the board, Millard Drexler, and our newly-appointed president, Jeffrey Pfeifle, initiated a program to reposition J.Crew by:

- **Improving product design and quality.** We have focused on improving the design, fabrics and construction of our products by strengthening our design teams and sourcing fabrics from renowned European mills and designer-level fabric houses.
- **Expanding our product assortment to reflect our customers' affluent and active lifestyles.** We have begun offering an expanded product line, including Italian cashmere sweaters and blazers, women's and men's suits made in Italy and wedding and special occasion attire.
- **Tightening inventory controls.** We have adopted a merchandising strategy that focuses on controlling inventory in order to maximize full-price sales and merchandise margins.
- **Creating sophisticated and inviting store environments.** We have focused on creating a distinctive, sophisticated and inviting atmosphere, with clear displays and information about product quality and fabrication in our stores, and implemented new customer service initiatives.

- **Recruiting a new management team with experience across a broad range of disciplines in the specialty retail industry.** We have expanded our management team to add new members with experience across a broad range of retail disciplines, including merchandising, design, marketing, human resources, store and direct operations and logistics functions.
- **Slowing the pace of new store openings and closing underperforming stores.** In response to several years of rapid store development, we temporarily decreased the number of new stores we opened per year and closed seven underperforming stores. This strategy improved our sales per gross square foot to $459 in fiscal 2005, which represents a 14.8% increase over fiscal 2004.
- **Enhancing our customer-service oriented culture.** Through our hiring policy and compensation structure, we have sought to attract sales associates who we believe are committed to maintaining high standards of visual presentation and customer service.

Our recent revenue growth has also led to increased selling, general and administrative expenses. The most significant components of these increases were wage costs, particularly at retail and factory stores. Wage costs increased due to higher incentive compensation paid as a result of increased sales and increased base compensation. We expect these expenses to continue to grow as our business continues to grow. We also expect these and other costs—particularly our store occupancy costs and employee wages and benefits costs—to increase as we pursue our strategy of expanding our retail and factory store base.

Our revenue and operating income growth in fiscal years 2004 and 2005 followed four fiscal years in which we experienced decreased revenues and decreased operating income (including operating losses in fiscal 2002 and fiscal 2003). Our net income for fiscal 2005 was $3.8 million. Despite our revenue and operating income growth in fiscal 2004, we recorded a net loss of $100.3 million in this period, compared to a net loss of $50.2 million in fiscal 2003. The net loss in fiscal 2004 included a significant loss on the refinancing of debt in our fourth fiscal quarter, while fiscal 2003 included a significant gain on exchange of debt and insurance proceeds. Excluding these items, our net loss would have been $50.5 million in fiscal 2004 and $95.1 million in fiscal 2003. Our net income for the first quarter of fiscal 2006 was $7.8 million compared to $4.9 million for the first quarter of fiscal 2005. Our ability to improve our revenues, operating income and net income depends primarily on our ability to successfully implement our plans to expand our store base, broaden our product offerings and expand our sales channels.

While we believe our growth strategy offers significant opportunities, it also presents significant risks and challenges, including, among others, the risks that we may not be able to hire and train qualified sales associates, that our new product offerings and expanded sales channels may not maintain or enhance our brand identity and that our order fulfillment and distribution facilities may not be adequate to support our growth plans. In addition, we must also seek to ensure that implementation of these plans does not divert management's attention from continuing to build on the strengths that we believe have driven our recent success, including, among others, our focus on improving the quality of our products, pursuing a disciplined merchandising strategy and improving our store environments and our customer service. For a more complete discussion of the risks facing our business, see "Risk Factors."

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are comparable store sales for Stores and net sales for Direct. We also consider gross profit and selling, general and administrative expenses in assessing the performance of our business.

Net Sales

Net sales reflect our revenues from the sale of our merchandise less returns and discounts.

We aggregate our merchandise into three sales categories: women's and men's apparel, which consist of items of clothing such as shirts, sweaters, pants, dresses, jackets, outerwear and suits, and accessories, which consists of items such as shoes, socks, jewelry, bags and belts.

The approximate percentage of our sales derived from these three categories, based on our internal merchandising systems, is as follows:

	Year Ended			Thirteen Weeks Ended	
	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
Apparel					
Women's	62%	64%	65%	67%	68%
Men's	27%	25%	21%	19%	18%
Accessories	11%	11%	14%	14%	14%
	100%	100%	100%	100%	100%

The increase in accessories sales as a percentage of sales in fiscal 2005 is due to management's efforts to expand the number of items in our accessories category.

Comparable Store Sales

Comparable store sales reflects net sales at stores that have been open for at least twelve months. Therefore, a store is included in comparable store sales on the first day it has comparable prior year sales. Non-comparable store sales include sales from new stores that have not been open for twelve months and sales from closed stores and temporary stores.

By measuring the change in year-over-year net sales in stores that have been open for twelve months or more, comparable store sales allows us to evaluate how our core store base is performing. Various factors affect comparable store sales, including:

- consumer preferences, buying trends and overall economic trends,
- our ability to anticipate and respond effectively to fashion trends and customer preferences,
- competition,
- changes in our merchandise mix,
- pricing,
- the timing of our releases of new merchandise and promotional events,
- the level of customer service that we provide in our stores,
- changes in sales mix among sales channels,
- our ability to source and distribute products efficiently, and
- the number of stores we open, close (including for temporary renovations) and expand in any period.

As we continue our store expansion program, we expect that a greater percentage of our revenues will come from non-comparable store sales.

The industry in which we operate is cyclical, and consequently our revenues are affected by general economic conditions. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence.

Our business is seasonal. As a result, our revenues fluctuate from quarter to quarter. We have four distinct selling seasons that align with our four fiscal quarters. Revenues are usually substantially higher in our fourth fiscal quarter, particularly December, as customers make holiday purchases. For example, in fiscal 2005, we realized approximately 30% of our revenues in the fourth fiscal quarter.

Gross Profit

Gross profit is equal to our revenues minus our cost of goods sold. Cost of goods sold includes the direct cost of purchased merchandise, inbound freight, design, buying and production costs, occupancy costs related to store operations (such as rent and utilities) and all shipping costs associated with our Direct business. Our cost of goods sold is substantially higher in the holiday season because cost of goods sold generally increases as revenues increase and cost of goods sold includes the cost of purchasing merchandise that we sell to generate revenues. Cost of goods sold also generally changes as we expand or contract our store base and incur higher or lower store occupancy and related costs. We review our inventory levels on an ongoing basis in order to identify slow-moving merchandise, and generally use markdowns to clear that merchandise. The timing and level of markdowns are not seasonal in nature but are driven by customer acceptance of our merchandise. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and be required to mark down those products in order to sell them. Significant markdowns have reduced our gross profit in some prior periods and may have a material adverse impact on our earnings for future periods depending on the amount of the markdowns and the amount of merchandise affected. The primary drivers of the costs of individual goods are the costs of raw materials and labor in the countries where we source our merchandise. Gross margin measures gross profit as a percentage of our revenues.

Our gross profit may not be comparable to other specialty retailers, as some companies include all of the costs related to their distribution network in cost of goods sold while others, like us, exclude all or a portion of them from cost of goods sold and include them in selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating expenses not included in cost of goods sold, primarily catalog production and mailing costs, certain warehousing expenses, administrative payroll, store expenses other than occupancy costs, depreciation and amortization and credit card fees. These expenses do not vary proportionally with net sales. As a result, selling, general and administrative expenses as a percentage of net sales are usually higher in the spring season than the fall season.

Results of Operations

The following table presents, for the periods indicated, our operating results as a percentage of revenues as well as selected store data:

	Fiscal Year Ended			Thirteen Weeks Ended	
	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold, including buying and occupancy costs(1)	63.8	59.5	58.2	54.2	54.5
Gross profit(1)	36.2	40.5	41.8	45.8	45.5
Selling, general and administrative expenses(1)	40.7	35.8	33.5	34.9	33.7
Income (loss) from operations	(4.5)	4.7	8.3	10.9	11.8
Interest expense, net	9.3	10.9	7.6	8.3	8.0
(Gain) loss on refinancing of debt	(6.0)	6.2	—	—	—
Insurance proceeds	(0.6)	—	—	—	—
Income (loss) before income taxes	(7.2)	(12.4)	0.7	2.6	3.8
Provision for income taxes	0.1	0.1	0.3	0.3	0.5
Net income (loss)	(7.3)%	(12.5)%	0.4%	2.3%	3.3%
Selected store data:					
Number of stores open at end of period	196	197	203	198	206
Sales per gross square foot	$ 338	$ 400	$ 459	$ 99	$ 114
Comparable store sales change	(2.5)%	16.4%	13.4%	37.0%	11.6%

(1) We exclude a portion of our distribution network costs from the cost of goods sold and include them in selling, general and administrative expenses. Our gross profit therefore may not be directly comparable to that of some of our competitors.

First Quarter of Fiscal 2006 Compared to First Quarter of Fiscal 2005

Revenues

Revenues for the first quarter of fiscal 2006 (the thirteen weeks ended April 29, 2006) increased by $30.2 million, or 14.3%, to $240.7 million from $210.5 million in the first quarter of fiscal 2005 (the thirteen weeks ended April 30, 2005). We believe the increase in revenues for the first quarter of fiscal 2006 resulted from the continuing appeal of our expanded product line in both Stores and Direct and continuing improvements in customer service in both Stores and Direct. Included in revenues for the first quarters of fiscal 2006 and fiscal 2005 were $0.8 million and $1.3 million, respectively, of unredeemed merchandise certificates that expired in that quarter. These certificates were issued in connection with a customer loyalty program which occurred in the fourth quarter of fiscal years 2005 and 2004, respectively.

Stores sales increased by $21.9 million, or 15.1%, to $167.1 million in the first quarter of fiscal 2006 from $145.2 million in the first quarter of fiscal 2005. Comparable store sales increased 11.6% to $159.6 million in the first quarter of fiscal 2006 from $143.0 million in the comparable period last year. Non-comparable store sales were $7.5 million in the first quarter of fiscal 2006. There were 163 retail stores and 43 factory stores open at April 29, 2006 compared to 157 and 41, respectively, at April 30, 2005.

Direct sales increased by $6.8 million, or 11.4%, to $66.2 million in the first quarter of fiscal 2006 compared to $59.4 million in the first quarter of fiscal 2005. The number of catalog pages circulated in the first quarter of fiscal 2006 increased by 1% from the first quarter of fiscal 2005.

The approximate percentage of our sales by product category during the first quarter, based on our internal merchandising system, is as follows:

	Thirteen Weeks Ended	
	April 30, 2005	April 29, 2006
Apparel		
Women's	67%	68%
Men's	19%	18%
Accessories	14%	14%
	100%	100%

The dollar increase in Stores and Direct sales in the first quarter of fiscal 2006 occurred primarily in women's apparel, while sales of men's apparel and accessories increased slightly during the period. The increase in women's apparel sales was driven by sales of dresses, knits, shorts and sweaters.

Other revenues, which consist primarily of shipping and handling fees and royalties, increased to $7.4 million in the first quarter of fiscal 2006 from $6.0 million in the first quarter of fiscal 2005. Other revenues in the first quarter of fiscal 2005 were negatively impacted by an adjustment of $1.3 million in that quarter due to the reversal of income recognized on unredeemed gift cards in prior years.

Gross Profit

Gross profit increased by $13.0 million to $109.4 million in the first quarter of fiscal 2006 from $96.4 million in the first quarter of fiscal 2005. This increase resulted from the following factors:

(a) increase in revenues	$17.7
(b) decrease in gross margin	(3.2)
(c) increase in buying and occupancy costs	(1.5)
	$13.0

Gross margin decreased to 45.5% in the first quarter of fiscal 2006 from 45.8% in the first quarter of fiscal 2005. The decrease in gross margin was due to a decrease of 130 basis points in merchandise margin (which is equal to cost of goods sold, excluding buying and occupancy costs) due primarily to increased markdowns, offset by a 100 basis point decrease in buying and occupying costs as a percentage of revenues since buying and occupancy costs increased at a lower rate than revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $7.6 million to $81.1 million in the first quarter of fiscal 2006 from $73.5 million in the first quarter of fiscal 2005. This increase was attributable primarily to increases in variable Stores and Direct operating expense ($3.3 million), increases in catalog production expenses ($1.0 million), an increase in stock option expense ($0.5 million) and expenses relating to the development of a new business under the Madewell® name ($0.5 million). As a percentage of revenues, selling, general and administrative expenses decreased to 33.7% in the first quarter of fiscal 2006 from 34.9% in the first quarter of fiscal 2005 resulting from the fact that revenues increased at a faster rate than selling, general and administrative expenses.

Interest Expense

An interest expense increased by $1.7 million to $19.2 million in the first quarter of fiscal 2006 from $17.5 million in the first quarter of fiscal 2005 due primarily to an increase of $1.9 million in redeemable preferred stock dividends.

Income Taxes

The provision for income taxes is based on the estimated effective tax rate for the year, which differs from statutory rates due primarily to the utilization of operating loss carryovers, which for alternative minimum tax purposes, are limited to 90% of taxable income in any fiscal year. Net deferred tax assets at January 28, 2006 and April 29, 2006 were fully reserved.

Net Income

Our net income increased by $2.9 million to $7.8 million for the first quarter of fiscal 2006 from $4.9 million for the first quarter of fiscal 2005, due primarily to the $13.0 million increase in gross profit resulting from the increase in revenues, which was partially offset by increases in selling, general and administrative expenses of $7.6 million and interest expense of $1.7 million.

Fiscal 2005 Compared to Fiscal 2004

Revenues

Revenues in fiscal 2005 increased by $149.0 million, or 18.5%, to $953.2 million from $804.2 million in fiscal 2004. We believe this increase reflects the continuing appeal of our expanded product line in both Stores and Direct and continuing improvements in our customer service. The increase in revenues was also due to the fact that low inventories in the first quarter of fiscal 2004 caused revenues for fiscal 2004 to be lower than they would otherwise have been.

Stores sales increased by $90.7 million, or 15.6%, to $670.4 million in fiscal 2005 from $579.7 million in fiscal 2004. Comparable store sales increased by 13.4% to $650.5 million in fiscal 2005 from $573.6 million in the prior year. Non-comparable store sales in fiscal 2005 were $19.9 million.

Direct sales increased by $55.2 million, or 27.8%, to $253.7 million in fiscal 2005 from $198.5 million in fiscal 2004. In addition to the factors that drove overall revenue growth, the Direct sales increase is also attributable to a 13% increase in the number of catalog pages circulated in fiscal 2005.

The increase in Stores and Direct sales occurred primarily in women's apparel and in accessories. The increase in women's apparel sales was driven by sales of jackets, loungewear, dresses and sweaters, while the increase in accessories sales was driven by an emphasis on increasing the assortment of products.

Other revenues increased by $3.0 million due primarily to an increase in shipping and handling fees of $4.8 million from $21.6 million in fiscal 2004 to $26.4 million in fiscal 2005 as a result of a 19% increase in orders in the Direct business. This increase was partially offset by an adjustment of $1.3 million in the first quarter of fiscal 2005 due to the reversal of income recognized on unredeemed gift cards in prior years.

Gross Profit

In fiscal 2005, gross profit increased by $72.6 million, or 22.3%, to $398.0 million from $325.4 million in fiscal 2004. This increase resulted from the following factors:

(a)	increase in revenues	$ 79.4
(b)	increase in gross margin	4.6
(c)	increase in buying and occupancy costs	(11.4)
		$ 72.6

Gross margin increased from 40.5% in fiscal 2004 to 41.8% in fiscal 2005. The increase in gross margin was due primarily to an increase of 50 basis points in merchandise margins (which is equal to cost of goods sold, excluding buying and occupancy costs, divided by revenues) resulting from a decrease in markdowns in the first half of fiscal 2005 and an 80 basis point decrease in buying and occupying costs as a percentage of revenues, resulting from the fact that buying and occupancy costs increased at a lower rate than revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $30.8 million, or 10.7%, to $318.5 million in fiscal 2005 from $287.7 million in fiscal 2004. The increase resulted primarily from:

- an increase in Direct and Stores variable operating expenses of $22.0 million,
- an increase in selling expense of $6.0 million, and
- the write-off in the fourth quarter of 2005 of $2.8 million of expenses related to the postponement of this offering.

These increases were offset by:

- a reduction in depreciation expense of $3.6 million related to an increase in fully depreciated assets (primarily computer equipment and software), and
- income of $1.1 million related to our estimated share of proceeds from the Visa/MasterCard antitrust litigation settlement.

The increase in Direct and Stores variable operating expenses was primarily attributable to payroll related costs related to the increased sales in fiscal 2005. The increase in selling expense resulted primarily from an increase in pages circulated to 6.1 billion in fiscal 2005 from 5.4 billion in fiscal 2004. As a percentage of revenues, selling, general and administrative expenses decreased to 33.3% in fiscal 2005 from 35.8% in fiscal 2004, resulting primarily from the fact that these expenses increased at a slower rate than revenues during fiscal 2005.

Interest Expense

Our interest expense decreased by $14.7 million to $72.9 million in fiscal 2005 from $87.6 million in fiscal 2004. This decrease was due primarily to decreases in the rate of interest on our long-term debt and the amount of long-term debt outstanding as a result of the refinancings in the fourth quarter of fiscal 2004. In the refinancings, we redeemed in full $150.0 million principal amount of 10 3/8% Senior Subordinated Notes due 2007 (the "10 3/8% Notes") and $169.0 million principal amount of Intermediate's 16% Senior Discount Contingent Principal Notes due 2008 (the "16% Notes"), with the proceeds of a new $275.0 million 9 3/4% term loan, which was converted into the 9 3/4% Notes in accordance with the terms of the loan agreement in March 2005, and $44.0 million in internally available funds. This decrease was partially offset by an increase of $7.2 million in dividends on the Series A and Series B Preferred Stock.

Income Taxes

The income tax provisions for fiscal years 2004 and 2005 were $0.6 million and $2.8 million, respectively, which consist of state and foreign taxes of $0.6 million and $2.3 million, respectively, and federal taxes of $0.5 million in 2005. We incurred significant losses in fiscal years 2003 and 2004 that we are unable to carry back to prior years. The federal tax provision in 2005 differs from statutory rates due to the utilization of these net operating loss carryovers, which for alternative minimum tax purposes are limited to 90% of taxable income in any fiscal year. As of January 28, 2006, we have approximately $83 million in net operating losses available to offset future federal taxable income.

Net deferred tax assets at January 29, 2005 and January 28, 2006 were fully reserved.

Net Income

Our net income for fiscal 2005 was $3.8 million compared to a loss of $100.3 million in fiscal 2004. The increase in net income of $104.1 million was primarily attributable to:

- a $49.8 million loss on the refinancing of debt in fiscal 2004 (without this charge our net loss in fiscal 2004 would have been $50.5 million),
- the $41.8 million increase in operating income in fiscal 2005, resulting from the effect on operating margin of the increase in revenues, and
- the $14.7 million decrease in interest expense.

Fiscal 2004 Compared to Fiscal 2003

Revenues

Revenues in fiscal 2004 increased by $114.2 million, or 16.6%, to $804.2 million from $690.0 million in fiscal 2003. We believe this increase reflects a positive customer response to our merchandise assortment and an emphasis on customer service.

Stores sales increased by $92.7 million, or 19.0%, to $579.8 million in fiscal 2004 from $487.1 million in fiscal 2003. Comparable store sales increased by 16.4% to $559.3 million in fiscal 2004 from $480.6 million in the prior year. Non-comparable store sales in fiscal 2004 were $20.5 million.

Direct sales increased by $25.0 million, or 14.4%, to $198.5 million in fiscal 2004 from $173.5 million in fiscal 2003. In addition to the factors that drove overall revenue growth, the Direct sales increase is also attributable to a 59% increase in the number of styles presented in our catalog and on our website, as well as the mailing of four new catalog editions, in the second half of fiscal 2004.

The increase in Stores and Direct sales occurred primarily in women's apparel, and was driven by sales of sweaters and jackets.

Other revenues decreased by $3.4 million due primarily to a decrease in shipping and handling fees of $3.6 million from $25.2 million in fiscal 2003 to $21.6 million in fiscal 2004 as a result of an 8.0% decline in orders in the Direct business and an increase in retail phone orders, which carry no shipping and handling fees.

Gross Profit

In fiscal 2004, gross profit increased by $75.7 million, or 30.3%, to $325.4 million from $249.7 million in fiscal 2003. This increase resulted from the following factors:

(a) increase in revenues	$ 55.8
(b) increase in gross margin	35.5
(c) increase in buying and occupancy costs	(15.6)
	$ 75.7

Gross margin increased to 40.5% in fiscal 2004 from 36.2% in fiscal 2003, due primarily to a 440 basis point increase in merchandise margins. The increase in merchandise margins resulted from fewer markdowns and improved inventory management in fiscal 2004 when compared to fiscal 2003, during which margins were negatively affected by the liquidation of prior season inventories in the first half of the year. The increase in buying and occupancy costs of 10 basis points as a percentage of revenues resulted primarily from increases in merchandise design expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $7.3 million, or 2.6%, to $287.7 million in fiscal 2004 from $280.4 million in fiscal 2003. Variable operating expenses in Direct and Stores increased by $14.9 million to $136.2 million in fiscal 2004 from $121.3 million in fiscal 2003. These increases were primarily attributable to payroll related costs resulting from the significant sales increases in our Direct and Stores operations in fiscal 2004. Furthermore, incentive compensation increased by $6.5 million due to the improvement in our operating results in fiscal 2004 compared to fiscal 2003. These increases were offset in part by a decrease in depreciation and amortization of $6.0 million related to an increase in fully depreciated assets, primarily computer equipment, and a decrease in catalog selling costs of $3.7 million due primarily to a reduction in pages circulated from 5.8 billion to 5.4 billion. As a percentage of revenues, selling, general and administrative expenses decreased to 35.8% in fiscal 2004 from 40.7% in fiscal 2003, resulting primarily from the fact that these expenses increased at a slower rate than revenues during fiscal 2004.

Interest Expense

Our interest expense increased by $23.8 million to $87.6 million in fiscal 2004 from $63.8 million in fiscal 2003. This increase consisted of $18.9 million in dividends on the Series A Preferred Stock and Series B Preferred Stock that were classified as interest for all of fiscal 2004 but only for the second half of fiscal 2003. We reclassified dividends on the Series A Preferred Stock and Series B Preferred Stock as interest beginning in the third quarter of 2003 in accordance with our adoption of Statement of Financial Accounting Standards (“SFAS”) No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” For more information on our adoption of SFAS No. 150, see Note 7 to our consolidated financial statements included elsewhere in this prospectus.

Another significant component of the increase in interest expense was a $4.9 million increase in interest on debt securities attributable primarily to:

- an increase of $8.2 million in interest and amortization of debt issuance discount and deferred financing charges on the 16% Notes issued in our May 2003 exchange offer, and
- $2.7 million of interest accrued on the $275.0 million 9 3/4% term loan we obtained in December 2004.

These increases were partially offset by:

- a $4.4 million decrease in interest on our 13 1/8% Debentures, approximately 85% of which were exchanged for 16% Notes in our May 2003 exchange offer, and
- a $1.5 million decrease in interest on 10 3/8% Notes that we redeemed in full in December 2004 with a portion of the proceeds of the $275.0 million 9 3/4% term loan.

Loss on Refinancing of Debt

In fiscal 2004 we had a loss on refinancing of debt of $49.8 million compared to a gain of $41.1 million in fiscal 2003. The fiscal 2004 loss of $49.8 million was incurred in connection with our fourth quarter redemption in full of $150.0 million aggregate principal amount of 10 3/8% Notes and $169.1 million of 16% Notes.

As a result of the refinancing, we:

- paid $15.3 million of redemption premiums,
- wrote off $3.2 million of deferred financing costs related to the redeemed notes, and
- wrote off $31.3 million of unamortized debt issuance costs related to the 16% Notes.

The gain of $41.1 million in fiscal 2003 resulted from the issuance of the 16% Notes in May 2003.

Insurance Proceeds

We did not receive any insurance proceeds in fiscal 2004. Insurance proceeds of $3.8 million in fiscal 2003 and $1.8 million in fiscal 2002 represent recoveries for claims related to the destruction of our World Trade Center store on September 11, 2001. The recovery in fiscal 2003 is the final settlement of this claim.

Income Taxes

We have incurred significant losses during the last three years and are unable to carry back these losses to prior years. Fiscal 2004 and 2003 include certain state and foreign tax provisions of $0.6 million and $0.5 million, respectively.

For a discussion of our current tax position, see "—Critical Accounting Policies—Income Taxes."

Net Loss

Our net loss for fiscal 2004 was $100.3 million compared to $50.2 million in fiscal 2003. The net loss in fiscal 2004 included a $49.8 million loss on the refinancing of debt while fiscal 2003 included a gain on exchange of debt of $41.1 million and insurance proceeds of $3.8 million. Excluding these items, our net loss would have been $50.5 million in fiscal 2004 and $95.1 million in 2003.

Quarterly Results and Seasonality

The following table sets forth our historical unaudited quarterly consolidated statements of operations data for each of the eight fiscal quarters ended April 29, 2006 and expressed as a percentage of our revenues. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this prospectus, and includes all necessary adjustments, consisting only of normal recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented. The quarterly data should be read in conjunction with our audited and unaudited consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	Fiscal 2004			Fiscal 2005				Fiscal 2006
	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
Income Statement Data								
Revenues	$ 188.6	$ 206.3	$ 263.6	$ 210.5	$ 229.4	$ 223.4	$ 289.9	$ 240.7
Gross profit	74.2	89.0	101.5	96.5	97.0	97.8	106.7	109.4
Net income (loss)	(13.8)	(9.9)	(52.9)	4.9	1.7	3.0	(5.8)	7.8
Year-over-year increase								
Revenues	13%	36%	26%	44%	22%	8%	10%	14%
Gross profit	45%	48%	26%	59%	31%	10%	5%	13%
% of year								
Revenues	23%	26%	33%	22%	24%	23%	30%	N/A
Gross profit	23%	27%	31%	24%	24%	25%	27%	N/A
Selected Operating Data								
Comparable store sales change	12%	30%	17%	37%	15%	3%	8%	12%

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under the Credit Facility. Our primary cash needs are capital expenditures in connection with opening new stores, making information technology system enhancements, meeting debt service requirements and funding working capital requirements. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts payable and other current liabilities. See "—Outlook" below.

Operating Activities

	Year Ended			Thirteen Weeks Ended	
	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
			(in millions)		
Net Income (loss)	$ (50.2)	$ (100.3)	$ 3.8	$ 4.9	$ 7.8
Adjustments to reconcile net loss to net cash provided by operations:					
Depreciation and amortization	43.1	37.1	33.5	7.8	7.2
Accreted dividends on redeemable preferred stock	14.2	33.1	40.3	9.4	11.3
Non-cash interest	28.9	32.8	2.2	0.3	0.3
(Gain) loss on refinancing of debt	(41.1)	49.8	—	—	—
Other non-cash reconciling items	5.0	0.1	0.8	0.4	1.0
Changes in inventories	41.3	(22.1)	(28.1)	(16.4)	(13.9)
Changes in accounts payable and other current liabilities	(19.3)	32.6	10.1	0.2	(5.6)
Other changes in operating assets and liabilities	(3.7)	(4.3)	(5.8)	(0.8)	3.0
Net cash provided by operations	$ 18.2	$ 58.8	$ 56.8	$ 5.8	$ 11.1

Cash provided by operating activities increased by $5.3 million to $11.1 million in the first quarter of fiscal 2006 from $5.8 million in the first quarter of fiscal 2005. Cash provided by operating activities in the first quarter of fiscal 2006 consisted of net income of $7.8 million and non-cash adjustments of $19.8 million. These factors were partially offset by a change in operating assets and liabilities of $16.5 million, primarily an increase in inventories of $13.9 million. Cash provided by operating activities in the first quarter of fiscal 2005 consisted of net income of $4.9 million and non-cash adjustments of

$17.9 million. These factors were partially offset by a change in operating assets and liabilities of $17.0 million, primarily an increase in inventories of $16.4 million. The increases in inventories in the first quarters of 2006 and 2005 were primarily due to anticipated sales increases.

Cash provided by operating activities decreased by $2.0 million to $56.8 million in the fiscal 2005 compared to $58.8 million in fiscal 2004. Cash provided by operating activities in fiscal 2005 consisted of net income of $3.8 million and non-cash adjustments of $76.8 million, reduced by an increase in working capital of $23.8 million. The increase in working capital consisted primarily of an increase in inventories of $28.1 million offset by an increase in accounts payable and other current liabilities of $10.1 million. Inventories were higher than prior years due to expected sales increases in Spring 2006, and the earlier receipt of a portion of these inventories. The increase in accounts payable and other current liabilities was primarily due to a $7.3 million increase in accounts payable which in turn was attributable to the increase in inventories.

Cash provided by operating activities in fiscal 2004 was $58.8 million and consisted of a net loss of $100.3 million offset by non-cash adjustments of $152.9 million and a decrease in working capital of $6.2 million. The reduction in working capital was due primarily to a $32.6 million increase in accounts payable and other current liabilities offset by an increase in inventories of $22.1 million. The increase in accounts payable and other current liabilities consisted of an increase of $19.2 million in accounts payable reflecting the increase in inventories and an increase of $13.4 million in other current liabilities. The increase in other current liabilities consisted primarily of (1) an increase of $5.0 million in customer liabilities from additional gift certificates, (2) an increase in accrued compensation of $5.0 million attributable to an increase in accrued bonuses in fiscal 2004 resulting from the improved operating performance, and (3) a $2.0 million increase in sales returns accrual due to increased sales in the fourth quarter of 2004. The increase in inventories reflected an increase of inventories for spring 2005.

Cash provided by operating activities in fiscal 2003 was $18.2 million and consisted of a net loss of $50.2 million offset by non-cash adjustments of $50.1 million and a reduction in working capital of $18.3 million. The reduction in working capital was due primarily to a $41.3 million decrease in merchandise inventories, partially offset by a decrease of $19.3 million in accounts payable and other current liabilities. The decrease in merchandise inventories resulted from the liquidation of prior season inventories primarily in the first half of fiscal year 2003 as a result of a change in inventory strategy that emphasized the liquidation of inventories in the current season. Furthermore, orders placed for spring 2004 merchandise were conservative, reducing the amount of spring 2004 inventories on hand at January 31, 2004 compared to the prior year. The decrease in accounts payable and other current liabilities of $19.3 million consisted of $5.6 million in accounts payable, resulting largely from the decrease in inventories, and $13.7 million in other current liabilities. The decrease in other current liabilities consisted primarily of (1) a $4.3 million decrease in accrued interest as a result of the May 2003 exchange offer, which converted cash pay interest to accreted interest that is reflected in long-term debt, (2) a $4.0 million decrease in accrued compensation due to severance and one-time bonus accruals at February 1, 2003, and (3) a $2.3 million decrease in sales returns accrual related to a decrease in sales during the fourth quarter of 2003.

Investing Activities

Capital expenditures were $5.7 million in the first quarter of fiscal 2006 compared to $4.0 million in the first quarter of fiscal 2005. Capital expenditures in the first quarter of fiscal 2006 consisted primarily of $1.3 million for information technology enhancements and $3.6 million for 5 new stores. Capital expenditures were $21.9 million in fiscal 2005, $13.4 million in fiscal 2004 and $9.9 million in fiscal 2003. Capital expenditures for the opening of new stores were $7.9 million in fiscal 2005 (11 stores), $5.9 million in fiscal 2004 (five stores) and $5.7 million is fiscal 2003 (four stores). The remaining capital expenditures in each period were for store renovation and refurbishment programs, investments in information systems and distribution center initiatives. Capital expenditures are planned at $55.0 million for the 2006 fiscal year, including $27.0 million for 28 new stores (including two Madewell and two crewcuts stores) and $10.0 million for information technology enhancements.

Financing Activities

	Fiscal Year Ended			Thirteen Weeks Ended	
	January 31, 2004	January 29, 2005	January 28, 2006	April 30, 2005	April 29, 2006
			(in thousands)		
Proceeds from issuance of debt, net of costs incurred	$ 23.2	$ 252.9	$ —	$ —	$ —
Repayment of debt	(0.8)	(324.2)	—	—	—
Other	—	—	2.7	—	1.0
Net cash (used in) provided by financing activities	$ 22.4	$ (71.3)	$ 2.7	$ —	$ 1.0

Cash provided by financing activities was $1.0 million in the first quarter of fiscal 2006, resulting from the exercise of stock options. Cash provided by financing activities was $2.7 million in fiscal 2005 resulting from the exercise of stock options, compared to a use of cash of $71.3 million in fiscal 2004. The $71.3 million use of cash in fiscal 2004 resulting primarily from the redemption of $150.0 million aggregate principal amount of 10 $^{3}/_{8}$% Notes and $169.0 million of 16% Notes partially offset by the proceeds of a $275.0 million 9 $^{3}/_{4}$% term loan net of costs of $22.1 million incurred in connection with the refinancing. Cash provided by financing activities in fiscal 2003 resulted from the issuance of $20.0 million aggregate principal amount of 5.0% Notes Payable and a $5.8 million term loan under the Credit Facility partially offset by costs incurred in the May 2003 exchange offer.

Credit Facility

On December 23, 2004, we, Operating and certain of its subsidiaries entered into an Amended and Restated Loan and Security Agreement (the “Credit Facility”) with Wachovia Capital Markets, LLC, as arranger and bookrunner, Wachovia Bank, National Association, as administrative agent (“Wachovia”), Bank of America N.A., as syndication agent, Congress Financial Corporation, as collateral agent, and a syndicate of lenders. The Credit Facility provides for revolving loans and letters of credit of up to $170.0 million (which can be increased to $250.0 million subject to certain conditions) at floating interest rates based on Wachovia’s prime rate plus a margin of up to 0.25% or LIBOR plus a margin ranging from 1.25% to 2.00%. The total amount of availability is limited to the sum of: (a) invested cash, (b) 90% of eligible receivables, (c) 92.5% of the net recovery percentage of inventories (as determined by inventory appraisal) for the period August 1 through November 30, or 90.0% of the net recovery percentage of inventories for the period December 1 through July 31, and (d) real estate availability of 65% of appraised fair market value. The Credit Facility expires in December 2009. Borrowings under the Credit Facility are guaranteed by us and all of Operating’s domestic direct or indirect subsidiaries and are secured by a perfected first priority security interest in substantially all of our and our subsidiaries’ assets.

The Credit Facility includes restrictions on our ability to incur additional indebtedness, pay dividends or make other distributions, make investments, make loans and make capital expenditures. We are required to maintain a fixed interest charge coverage ratio of 1.1x if excess availability is less than $20.0 million for any 30 consecutive day period. We have at all times been in compliance with this financial covenant.

There was $97.5 million available in short-term borrowings under the Credit Facility at April 29, 2006 based on the factors described above. There were no borrowings in fiscal 2004 and 2005, or in the first quarter of fiscal 2006.

For more information about the Credit Facility, see "Description of Certain Indebtedness—Credit Facility."

Senior Subordinated Term Loan and 9 3/4% Notes

On November 21, 2004, Operating entered into a Senior Subordinated Loan Agreement with entities managed by Black Canyon Capital LLC and Canyon Capital Advisors LLC, which provided for a term loan of $275.0 million. We used the proceeds of the term loan to redeem in full the aggregate principal amount of 10 3/8% Notes ($150.0 million) and in part the 16% Notes ($125.0 million). In January 2005, we redeemed the remaining $44.0 million of 16% Notes using internally available funds. On March 18, 2005, the term loan was converted into equivalent new 9 3/4% Notes in accordance with the terms of the loan agreement. On May 15, 2006, we repurchased all of the 9 3/4% Notes in the Tender Offer. See "Transactions in Connection with the Offering".

For more information about the senior subordinated term loan and 9 3/4% Notes, see "Description of Certain Indebtedness—Term Loan and 9 3/4% Notes."

Outlook

We will use the proceeds of this offering primarily to fund the Preferred Redemptions and pay costs associated with the Conversion, the Preferred Redemptions, the TPG Subscription and the additional borrowings under the New Term Loan, as described in "Transactions in Connection with the Offering" and "Use of Proceeds." Therefore, following this offering, we expect to use cash from operating activities and short-term borrowings under the Credit Facility primarily to maintain our business, implement our expansion plans and further implement our growth strategy.

Following this offering and the transactions in connection with the offering described in "Transactions in Connection with the Offering," our short-term and long-term liquidity needs will arise primarily from principal and interest payments on our indebtedness, capital expenditures associated with our expansion plans and growth strategy and working capital requirements. As of April 29, 2006, on a pro forma basis after giving effect to the transactions described in "Transactions in Connection with the Offering," we would be permitted to borrow $97.5 million of indebtedness under the Credit Facility. After giving effect to the transactions described in "Transactions in Connection with the Offering," assuming that those transactions had occurred on April 29, 2006 and that the interest rate on our variable rate indebtedness remained unchanged, our debt service requirement for the twelve months ending April 29, 2006 would be $26.1 million. Our annual debt service obligations will increase by $3.5 million per year for each 1.0% increase in the average interest rate we pay, based on the balance of variable interest rate debt outstanding at April 29, 2006, on a pro forma basis after giving effect to the transactions described in "Transactions In Connection with the Offering."

We anticipate that capital expenditures in fiscal 2006 will be approximately $55.0 million, primarily for opening 28 new stores and information technology enhancements.

We believe our current cash position, cash flow from operations and availability under the Credit Facility will be adequate to finance our working capital needs, planned capital expenditures and debt service obligations for the next twelve months.

Off Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate the international purchase of merchandise. We also enter into standby letters of credit to secure certain of our obligations, including insurance programs and duties related to import purchases. As of April 29, 2006, we had the following obligations under letters of credit in future periods.

Letters of credit	Within 1 Year	2-3 Years	4-5 Years	After 5 Years	Total
			(in millions)		
Standby	$ —	$ —	$ —	$ 6.7	$ 6.7
Documentary	63.9	—	—	—	63.9
Total	$ 63.9	$ —	$ —	$ 6.7	$70.6

Contractual Obligations

The following table summarizes, prior to the transactions described in "Transactions in Connection with the Offering," our contractual obligations as of April 29, 2006 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due By Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
			(in millions)		
Long-term debt obligations(1)	$ 320.1	$ —	$ 45.1	$ —	$ 275.0
Interest on long-term debt obligations	241,3	30.8	58.6	53.6	98.3
Redeemable preferred stock(2)	326.7	—	—	326.7	—
Operating lease obligations(3)	327.9	55.4	102.4	83.6	86.5
Purchase obligations					
Inventory commitments	224.3	224.3	—	—	—
Other	7.0	4.5	2.5	—	—
Employment agreements	4.5	1.9	2.6	—	—
Total Purchase Obligations	235.8	230.7	5.1	—	—
Total(4)	$1,451.8	$ 316.9	$ 211.2	$ 463.9	$ 459.8

(1) Taking into account the repurchase of the 9 3/4% Notes in the Tender Offer and assuming the 5.0% Notes Payable are converted into shares of our common stock, the 13 1/8% Debentures are redeemed, and borrowings under the New Term Loan are $352.4 million, each as described in "Transactions in Connection with the Offering," the total amount of long-term debt obligations would be $352.4 million, long-term debt obligations due in less than 1 year would be $1.8 million, long-term debt obligations due in 2-3 years would be $7.0 million, long-term debt obligations due in 4-5 years would be $7.0 million and long-term debt obligations after 5 years would be $336.6 million. These amounts would change if Operating were required under the New Term Loan to make mandatory prepayments of amounts outstanding under the New Term Loan. See "Description of Certain Indebtedness—New Term Loan—Mandatory Prepayments upon Certain Events."

(2) Assuming the redemption of all of the outstanding Series A Preferred Stock and Series B Preferred Stock, each as described in "Transactions in Connection with the Offering," the total amount of redeemable preferred stock outstanding would be zero.

(3) Operating lease obligations represent obligations under various long-term operating leases entered in the normal course of business for retail and factory stores, warehouses, office space and equipment requiring minimum annual rentals. Operating lease expense is a significant component of our operating expenses. The lease terms range for various periods of time in various rental markets and are entered into at different times, which mitigates exposure to market changes that could have a material effect on our results of operations within any given year. Our operating leases do not include common area maintenance, insurance, taxes and other occupancy costs, which constitute approximately an additional 50% of the minimum lease obligations.

(4) These amounts do not include dividends on the Series A Preferred Stock and the Series B Preferred Stock to be redeemed as part of the Redemptions.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been minor.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an on-going basis. Actual results may differ from these estimates under different assumptions or conditions.

The following critical accounting policies, which we have discussed with our audit committee, reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. We do not believe that changes in these assumptions and estimates are likely to have a material impact on our consolidated financial statements.

Revenue Recognition

We recognize Store sales at the time of sale and Direct sales at the time merchandise is shipped to customers. Amounts billed to customers for shipping and handling of catalog and Internet sales are classified as other revenues and recognized at the time of shipment. We must make estimates of future sales returns related to current period sales. Management analyzes historical returns, current economic trends and changes in customer acceptance of our products when evaluating the adequacy of the reserve for sales returns. We license our trademark and know-how to Itochu Corporation in Japan, for which we receive percentage royalty fees. We defer recognition of advance royalty payments and recognize royalty revenue when sales entitling us to royalty revenue occur. Employee discounts are classified as a reduction of revenue. We account for gift cards by recognizing a liability at the time a gift card is sold, and recognizing revenue at the time the gift card is redeemed for merchandise. We review our gift card liability on an ongoing basis and recognize our estimate of the unredeemed gift card liability on a ratable basis over the estimated period of redemption.

Inventory Valuation

Merchandise inventories are carried at the lower of average cost or market value. We capitalize certain design, purchasing and warehousing costs in inventory. We evaluate all of our inventories to determine excess inventories based on estimated future sales. Excess inventories may be disposed of through our factory channel, Internet clearance sales and other liquidations. Based on historical results experienced through various methods of disposition, we write down the carrying value of inventories that are not expected to be sold at or above costs. Additionally, we reduce the cost of inventories based on an estimate of lost or stolen items each period.

Deferred Catalog Costs

The costs associated with direct response advertising, which consist primarily of catalog production and mailing costs, are capitalized and amortized over the expected future revenue stream of the catalog mailings, which we currently estimate to be four months. The expected future revenue stream is determined based on historical revenue trends developed over an extended period of time. If the current revenue streams were to diverge from the expected trend, our amortization of deferred catalog costs would be adjusted accordingly.

Asset Impairment

We are exposed to potential impairment if the book value of our assets exceeds their expected future cash flows. The major components of our long-lived assets are store fixtures, equipment and leasehold improvements. The impairment of unamortized costs is measured at the store level and the unamortized cost is reduced to fair value if it is determined that the sum of expected discounted future net cash flows is less than net book value.

Income Taxes

We have significant deferred tax assets resulting from net operating loss carryforwards and temporary differences, which will reduce taxable income in future periods. SFAS No. 109, “Accounting for Income Taxes” states that a valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence needs to be considered, including a company’s current and past performance, projections of future operating results, the market environment in which a company operates, and length of carryback and carryforward periods. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses weigh heavily in the overall assessment. As a result of our assessments, we established a valuation allowance to fully reserve our net deferred tax assets at January 29, 2005 and January 28, 2006. Although we realized pre-tax income in fiscal 2005, we do not expect to recognize any net tax benefits in future results of operations until we can demonstrate that an appropriate level of profitability can be sustained.

Quantitative and Qualitative Disclosures About Market Risks

Our principal market risk relates to interest rate sensitivity, which is the risk that future changes in interest rates will reduce our net income or net assets. Our variable rate debt consists of borrowings under the Credit Facility and the New Term Loan. The interest rates under the Credit Facility are a function of Wachovia’s prime rate or LIBOR, and the interest rates under the New Term Loan are a function of a base rate or LIBOR. A one percentage point increase in the interest rate on our variable rate debt would result in a change in income before taxes of approximately $100,000 for each $10.0 million of borrowings under the Credit Facility and approximately $2.8 million for the $285.0 million of borrowings under the New Term Loan.

We have a licensing agreement in Japan that provides for royalty payments in yen based on sales of J.Crew merchandise. We have entered into forward foreign exchange contracts from time to time in order to minimize this risk. At April 29, 2006, there were no forward foreign exchange contracts outstanding.

We also enter into letters of credit to facilitate the international purchase of merchandise. The letters of credit are primarily denominated in U.S. dollars. Outstanding letters of credit at April 29, 2006 were $70.6 million, including $6.7 million of standby letters of credit.

BUSINESS

Our Company

J.Crew is a nationally recognized apparel and accessories brand that we believe embraces a high standard of style, craftsmanship, quality and customer service while projecting an aspirational American lifestyle. We are a fully integrated multi-channel specialty retailer. We seek to consistently communicate our vision of J.Crew through every aspect of our business, including through the imagery in our catalogs and on our Internet website and the inviting atmosphere of our stores. In fiscal 2005, our revenues were $953.2 million, which represents an 18.5% increase over fiscal 2004. Growth in our comparable store sales for this period was 13.4%. In the first quarter of fiscal 2006, our revenues were $240.7 million, which represents a 14.3% increase over the first quarter of fiscal 2005. Growth in our comparable store sales for this period was 11.6%. Our net income for fiscal 2005 was $3.8 million compared to a loss of $100.3 million in fiscal 2004. The net loss in fiscal 2004 included a significant loss on the refinancing of debt in our fourth fiscal quarter, excluding which our net loss would have been $50.5 million in fiscal 2004. Our net income for the first quarter of fiscal 2006 was $7.8 million, compared to $4.9 million the first quarter of fiscal 2005.

We focus on creating product lines featuring the high quality design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew. We offer complete assortments of women's and men's apparel and accessories, including business attire, weekend clothes, swimwear, loungewear, outerwear, wedding and special occasion attire, shoes, bags, belts and jewelry.

J.Crew products are distributed through our retail and factory stores, our J.Crew catalog and our Internet website located at www.jcrew.com. As of June 2, 2006, we operated 164 retail stores and 45 factory stores throughout the United States. In fiscal 2005, we distributed 20 catalog editions with a circulation of approximately 55 million copies and our website logged over 64 million visits, representing a 33% increase over fiscal 2004. Our retail stores are designed by our in-house design staff and are fixtured to create a distinctive, sophisticated and inviting atmosphere, with clear displays that highlight the quality of our products and their fabrication. Our factory stores are designed with simple, volume-driving visuals to maximize sales of our key items and drive faster inventory turns.

We conduct our business through two primary sales channels: Stores, which consists of our retail and factory stores, and Direct, which consists of our catalog and Internet websites at www.jcrew.com and www.crewcutkids.com, each of which operates under the J.Crew brand name.

Our Market

According to NPD Fashionworld, the domestic apparel retailing market measured $181.2 billion in retail sales in 2005, which represents an increase of 3.6% from $174.9 billion in 2004. Women's apparel represented the largest percentage of the 2005 domestic apparel retailing market at 55.7%, followed by men's at 29.1% and children's at 15.1%. NPD Fashionworld estimates that specialty retailers were the largest distribution channel in 2005, representing 30.3% of the total market, or $54.9 billion in retail sales, an increase of 4.8% from 2004. According to NPD Fashionworld, catalog sales decreased 0.6% from 2004 to 2005 while website sales increased 12.1% from 2004 to 2005.

On the basis of data collected from our Internet channel customers, we believe our customer base consists primarily of affluent, college-educated and professional and fashion-conscious women and men. We seek to appeal to our customers by creating high quality products that reflect our customers' affluent and active lifestyles across a broad range of price points.

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Our Competitive Strengths

We attribute our success as a specialty retailer to the following competitive strengths:

- ***Established and Differentiated Lifestyle Brand.*** The J.Crew brand is widely recognized and features high quality designs, fabrics and craftsmanship. We believe that we differentiate ourselves from our competitors in three primary ways:
  - our signature product design, which we refer to as "classic with a twist"—meaning our iconic styles refined with differentiating prints, fabrics, colors and high quality craftsmanship,
  - our multi-tiered pricing strategy—meaning we offer select designer-quality products at higher price points and more casual items at lower price points, and
  - by offering our customers "one stop shopping" for their wardrobe needs, including apparel and accessories for weekend, business, wedding and special occasions.

  We seek to project our brand image through consistent creative messages in our catalog and on our Internet websites, our store environments and our superior customer service. To keep this image consistent, our stores are designed by in-house design staff and are fixtured with the goal of creating a distinctive, sophisticated and welcoming atmosphere, with clear displays and information about product quality and fabrication. We believe the J.Crew catalog features high-quality photography and paper, and places our products in settings designed to reflect our brand's aspirational lifestyle image such as beach houses in the summer and country cabins in the holiday months. We believe these strategies have, in part, increased our comparable store sales, revenues and margins in fiscal 2004 and 2005. We believe that our brand image, which we describe as an "aspirational lifestyle," is key to our success.
- ***High Quality Product Offerings.*** We focus on creating product assortments featuring high quality women's and men's apparel and accessories, designed internally by our design teams, which include business attire, weekend clothes, swimwear, loungewear, outerwear, wedding and special occasion attire, shoes, bags, belts and jewelry. Our product assortments include luxury items such as European milled cashmere sweaters and jackets, women's and men's suits made in Italy, men's haberdashery (which offers fine men's shirts), footwear made in Italy and English leather accessories. Our product assortments also include styled classics such as our broken-in chinos, cable knit sweaters and Legacy blazers. We also offer "twists" on our products with items such as our English silk tie belts, which use traditional necktie designs for women's and men's belts. In addition, we use a multi-tiered pricing strategy of offering a product assortment ranging from casual t-shirts and broken-in chinos at lower price points, to cashmere items and limited edition "collection" items, such as dresses, hand-beaded skirts and double-faced cashmere jackets at higher price points. We believe our "collection" items elevate the overall perception of our brand, while our multi-tiered pricing structure maintains a more accessible atmosphere. We focus throughout our product assortments on high quality design, fabric and construction.
- ***Multiple Sales Channels Producing "Seamless Retailing."*** We sell our products through multiple sales channels, including our retail and factory stores, our J.Crew catalog and our Internet websites, providing our customers the flexibility to shop in the setting they prefer. We encourage our customers to make purchases through all of our sales channels—a concept we refer to as "seamless retailing," and over 61% of the households in our customer database shop in multiple sales channels. Over 30% of our Internet customers reported that they had received a catalog in the mail prior to their Internet purchase, which we believe shows that our catalog drives sales on our Internet channel. Through our "We'll Find it For You"SM service a customer in one of our retail stores who desires to purchase an item that is out of stock in that store or available only through our catalog can be connected via a "redphone" telephone

hotline located in the store to our customer service center to obtain the desired item directly by mail from another retail store or from our distribution center.

We believe the seamless retailing concept supports our brand message while capitalizing on the unique attributes of each channel. Our research has shown that our cross-channel customers purchase on average twice as much merchandise, measured in dollars, than our single-channel customers. We foster multi-channel relationships with our customers to build a base of customers loyal to the J.Crew brand rather than a single sales channel.

- ***Experienced Management Team with a Proven Track Record.*** Our strong management team has extensive experience in the specialty retail industry. We believe J.Crew has benefited substantially, in particular, from the leadership and strategic guidance of Millard Drexler, our chief executive officer, and Jeffrey Pfeifle, our president. Since Messrs. Drexler and Pfeifle were appointed in early 2003, we have assembled a management team with extensive experience across a broad range of disciplines, including merchandising, design, marketing, human resources, store and direct operations, and logistics functions. Since our new management began to influence our product line in late 2003 and early 2004, we have experienced eight consecutive quarters of growth in comparable store sales. We believe this significant momentum demonstrates our management team's strength.
- ***Disciplined Merchandise Management.*** We focus on controlling our inventory in order to maximize full-price sales and increase inventory turns. We control our inventory of certain products so that demand for our products exceeds their supply, which is intended to encourage customers not to delay purchases, maximize full-price sales and increase inventory turns. Our merchandise managers are guided by return on investment objectives in determining their inventory purchases. We believe our merchandising strategy enhances our brand image while maximizing profits.
- ***Customer-Service Oriented Culture.*** We hire and train sales associates committed to serving our customers and compensate them based on performance measures in order to enhance the customer-service oriented culture in our stores. We focus on ensuring that our sales associates are committed to maintaining high standards of visual presentation and customer service. To improve our responsiveness to customer feedback, our management holds regular conference calls with store managers in which customer feedback is discussed and appropriate responses are formulated in a timely manner. We also make available to our customers "Client Specialists," who serve as personal shoppers and wardrobe consultants.

We believe another key aspect of our customer service is our "We'll Find it For You"℠ service, which focuses on doing everything we can to make sure a retail store customer is able to obtain a desired item. "We'll Find it For You"℠ includes the ongoing installation of "redphones" in our retail stores that allow our retail store associates and customers to locate and purchase items that are out of stock in a particular retail store or offered only through our catalog.

Our Growth Strategy

We believe we are positioned to take advantage of significant opportunities to continue to increase revenues and profits and broaden our product line. Our growth strategy includes the following:

- ***Continue to Build on Our Core Strengths.*** We believe our recent success is attributable to our focus on the quality of the design, fabric and construction of our apparel and accessories, and to our signature "classic with a twist" product design—meaning our iconic styles refined with differentiating fits, prints, fabrics, colors and high quality craftsmanship—our disciplined merchandising strategy and our recent focus on improving our stores by creating a sophisticated atmosphere and enhancing our customer-service oriented culture have also contributed to our growth.

We have also expanded the offerings of our specialty product lines such as J.Crew jewelry and J.Crew Wedding. This strategy also includes an increased emphasis on our lines of high quality shoes and other accessories. We intend to continue to leverage our multiple sales channels by test-marketing these and other new specialty product lines through our Direct channel. We believe these specialty product lines offer us opportunity to grow revenues and profits while strengthening our brand's association with the aspirational lifestyle of our customers.

- ***Leverage Our Multiple Sales Channels to Further Achieve "Seamless Retailing."*** We plan to take advantage of the unique attributes of each of our sales channels to increase sales across our entire business. For example, we intend to use the customer information gathered through our Direct operations to target specific marketing material at particular customer groups on the basis of their shopping history, spending habits and expressed merchandise preferences. We also collect customer information in our retail stores and send our catalog and targeted emails highlighting specific product offerings to those retail customers. In addition, our catalogs contain information about a customer's nearest J.Crew store in order to encourage the customer to visit that store. Our direct sales channels enable us to maintain a database of customer spending habits and preferences which facilitates targeted marketing strategies, like the mailing of particular catalog editions such as Resort Edition, J.Crew Wedding and Women's Collection to specific customer groups. We have implemented a similar marketing strategy in our stores by establishing specialized formats within stores, such as designated product areas within our retail stores, and we expect to establish specialized accessory "shops" within stores. We also intend to send our Internet customers targeted emails that will enable them to link directly to sections of our website which we believe they will find particularly appealing based on their shopping history. We intend to continue increasing our customer files and using our direct channel to test new concepts and product assortments and make store opening decisions. We also plan to continue maximizing our cross-channel product accessibility by promoting our "We'll Find it For You"SM service.
- ***Expand Our Store Base.*** We expanded our store base by six stores in fiscal 2005. We plan to further expand our store base by between 15 and 30 stores in fiscal 2006. Thereafter, in the near term, we plan to expand our store base by between 25 and 35 stores annually. We will look to open new stores predominately in affluent markets where we have demonstrated strong Direct sales, and to adhere to our already-successful retail store formats, which we believe reinforce our brand image and generate strong sales per square foot.
- ***Expand Into New Apparel and Accessories Markets.*** We have launched crewcuts, a line of apparel and accessories for children ages two through eight because we believe the market for quality, stylish children's clothing at attractive price points is underpenetrated. Our children's concept, crewcuts, includes a product assortment that reflects the high quality styled-classic apparel and accessories we offer under the J.Crew brand name, such as argyles, embroidered critters and cable knits at attractive price points. We currently market the crewcuts line through our Internet website at www.crewcutkids.com and in 10 existing retail stores and in one separate crewcuts store and in 2006 plan to offer the line in additional existing retail stores and open one additional separate crewcuts retail store. In addition, we are developing Madewell®, a supplemental clothing, footwear and accessories line using a trademark licensed to us by Mr. Drexler (as described in "Certain Relationships and Related Transactions—Madewell License Agreement"), and in 2006 plan to open two to three stores offering the Madewell line. We also expect to launch a Madewell website that will initially provide customers with a toll-free number to place orders for Madewell merchandise and may at a later date allow customers to place orders on-line. We expect that Madewell will feature high quality, casual women's clothing that ranges from jeans and chinos to t-shirts and sweaters.

Products

We offer complete assortments of women's and men's apparel and accessories that include business attire, weekend clothes, swimwear, loungewear, outerwear, wedding and special occasion attire, shoes, bags, belts and jewelry. We focus on creating product lines featuring the high quality design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew, and are designed internally by our design team to embody our “classic with a twist” branding and styling strategies. We use a multi-tiered pricing strategy of offering a product assortment ranging from casual t-shirts and broken-in chinos at lower price points, to cashmere items and limited edition “collection” items, such as dresses, hand-beaded skirts and double-faced cashmere jackets, at higher price points, which we believe elevates the overall perception of our brand.

We have introduced several successful new product lines and product line expansions, including men’s haberdashery, fine Italian cashmere, women’s and men’s suits made in Italy, footwear made in Italy, English leather accessories and J.Crew Wedding. Our J.Crew factory line offers the J.Crew brand with similar styles made at lower costs and sold at lower price points. We have launched crewcuts, an apparel and accessories line for children ages two through eight, as part of our growth strategy. Crewcuts includes a product assortment that reflects the high quality, styled-classic apparel and accessories we offer under the J.Crew brand, such as argyles, embroidered critters and cable knits for the children’s market. We currently market the crewcuts line through our Internet website and in 10 existing retail stores and in one separate crewcuts store and in 2006 plan to offer the line in additional existing retail stores and to open one additional separate crewcuts retail store. In addition, we are developing Madewell, a supplemental clothing, footwear and accessories line using a trademark licensed to us by Mr. Drexler (as described in “Certain Relationships and Related Transactions—Madewell License Agreement”) and in 2006 plan to open two to three separate stores offering the Madewell line. We also expect to launch a Madewell website that will initially provide customers with a toll-free number to place orders for Madewell merchandise and may at a later date allow customers to place orders on-line.

Design and Merchandising

We believe one of our key strengths is our internal design team, which designs products that reinforce our brand image. Our products are designed to reflect a clean and fashionable aesthetic that incorporates high quality fabrics and construction as well as comfortable, consistent fits and detailing.

Our products are developed in four seasonal collections and are subdivided for monthly product introductions in our monthly catalog mailings and in our retail stores. The design process begins with our designers developing seasonal collections eight to twelve months in advance. Our designers regularly travel domestically and internationally to develop color and design ideas. Once the design team has developed a season’s color palette and design concepts, they order a sample assortment in order to evaluate the details of the assortment, such as how color takes to a particular fabric.

Our design team consists of seasoned, talented designers who have experience in the specialty apparel industry, and we give them a significant amount of creative freedom in the design process. This method, which we refer to as “design-driven retailing,” allows our designers to be driven primarily by their artistic vision and industry experience, enables them to incorporate high quality fabrics, yarns and prints into their designs, and allows them to collaborate with our merchandisers rather than being directed by them, all of which we believe leads to high quality products that reinforce the J.Crew brand image.

From the sample assortment, our merchandising team selects which items to market in each of our sales channels and edits the assortment as necessary to increase its commerciality. Our teams communicate regularly and work closely with each other in order to leverage market data, ensure the quality of J.Crew products and remain true to a unified brand image. Our technical design teams develop construction and fit specifications for every product, ensuring quality workmanship and consistency across product lines. Because our product offerings originate from a single concept assortment, we believe that we are able to efficiently offer an assortment of styles within each season’s line while still maintaining a unified brand image. As a final step that is intended to ensure image consistency, our senior management reviews all of our products from all of our sales channels before they are manufactured.

We believe we further maintain our brand image by exercising substantial control over the presentation and pricing of our merchandise by selling all our products ourselves in North America.

Pricing

We offer our customers a mix of select designer-quality products at higher price points and more casual items at lower price points, consistent with our multi-tiered pricing strategy and our signature styling strategy of pairing luxury items with more casual items. We have introduced limited edition "collection" items such as hand-beaded skirts, which we believe elevates the overall perception of our brand. We also offer more moderately priced products, such as t-shirts, broken-in chinos and jeans. We believe offering a broad range of price points maintains a more accessible, less intimidating atmosphere.

Sales Channels

We conduct our business through two primary sales channels: Stores, which consists of our retail and factory stores, and Direct, which consists of the J.Crew catalog and our Internet website.

Stores

Stores consists of our retail and factory store operations. During fiscal 2005, Stores generated revenues of $670.4 million, representing 70.3% of our total revenues.

Retail Stores

As of June 2, 2006, we operated 164 retail stores throughout the United States. Our retail stores are located in upscale regional malls, lifestyle centers, shopping centers and street locations. We believe situating our stores in desirable locations is key to the success of our business, and we determine store locations based on several factors, including geographic location, demographic information, presence of anchor tenants in mall locations and proximity to other higher-end specialty retail stores. Our retail stores are designed by our in-house design staff and fixtured with the goal of creating a distinctive, sophisticated and inviting atmosphere, with clear displays and information about product quality and fabrication.

Each of our retail stores is led by a single store director, and each store has a management team that includes one manager primarily responsible for overseeing our customers' shopping experience and another manager primarily responsible for overseeing operations. Our store directors have experience in the retail industry prior to joining our team, or have been promoted from within J.Crew based on performance. Each store director has discretion, within company-wide guidelines, to implement marketing and store presentation strategies that he or she feels are appropriate for the particular local atmosphere. For example, store directors decide whether to organize special marketing events held within their store or at area locations, such as fashion shows where J.Crew merchandise is shown to an assembled group of invited guests. Store directors decide, within guidelines, which local businesses to partner with for cross-marketing initiatives. In addition to their base salary, store directors are eligible to receive monthly bonuses that are determined against sales and payroll goals.

In order to provide our sales associates with incentive to deliver superior customer service and to drive sales, each sales associate's compensation consists of a base hourly rate supplemented by eligibility for commissions on sales above a certain dollar amount. In addition, our associates are eligible to earn a bonus based on fiscal year sales thresholds, payable at the end of each month in which the threshold sales goal has been met. We believe our associate hiring policy and compensation structure enables us to maintain high standards of visual presentation and customer service standards in our stores. Our non-sales store employees' compensation consists of a base hourly rate supplemented by eligibility for a bonus based on store-wide sales goals.

In addition to our "We'll Find it For You"SM service, we also make available to our customers "Client Specialists," who serve as personal shoppers and wardrobe consultants.

Our retail stores averaged $3.5 million sales per store and produced sales per gross square foot of $462 at the end of fiscal 2005. Our retail stores averaged approximately 7,600 total square feet, but are "sized to the market," which means that we adjust the size of a particular retail store based on the projected revenues from that particular store. For example, at the end of fiscal 2005, our largest retail store, located in New York, was approximately 15,000 square feet, and our smallest retail store, also located in New York, was approximately 1,200 square feet. The table below highlights certain information regarding our retail stores open during the four years ended January 28, 2006 and through June 2, 2006:

Fiscal Year	Retail Stores Open At Beginning of Period	Retail Stores Opened During Period	Retail Stores Closed During Period	Retail Stores Open at End of Period	Total Gross Square Footage (in thousands)	Average Gross Square Footage Per Retail Store
2002	136	16	0	152	1,172	7,712
2003	152	4	2	154	1,183	7,680
2004	154	5	3	156	1,198	7,682
2005	156	5	2	159	1,209	7,604
2006 (through June 2, 2006)	159	6	1	164	1,230	7,498

We expanded our retail store base by three stores in fiscal 2005. We plan to further expand our store base by between 10 and 20 retail stores in fiscal 2006, in addition to two crewcuts stores and two to three stores offering the Madewell line. See "Certain Relationships and Related Transactions—Madewell License Agreement". Thereafter, in the near term, we plan to expand our retail store base by between 15 and 25 retail stores annually. In each year, we plan to open and close retail stores in varying numbers. Our new retail store operating model assumes a target store size of 5,500 square feet that achieves sales per square foot of $425 in the first twelve months. Our average net investment to open a retail store is approximately $844,000, which includes $660,000 of build-out costs net of landlord contributions, $149,000 of initial inventory net of payables and pre-opening expenses of $35,000. This operating model results in an average pretax cash return on investment of approximately 69%.

Factory Stores

As of June 2, 2006, we operated 45 factory stores throughout the United States. Our factory stores are located primarily in large factory-outlet malls. Factory stores are designed with simple, volume-driving visuals to maximize sales of key items and drive faster inventory turns. Our factory stores also use strategic and focused short-term promotional offerings designed to achieve higher margins and faster inventory turns. Sales associates in our factory stores adhere to the same customer-service focus as in our retail stores, and are trained to help customers locate styles similar to those they have seen in our retail stores or catalog. Compensation of factory sales associates is based on a similar model as that of our retail sales associates, with differences relating to bonus and commission structure.

Our factory stores averaged $2.7 million sales per store and produced sales per gross square foot of $447 at the end of fiscal 2005. Our factory stores averaged 6,100 total square feet, but are "sized to the market," which means that we adjust the size of a particular factory store based on the projected revenues from that particular store. For example, at the end of fiscal 2005, our largest factory store, located in New Hampshire, was 10,000 square feet, and our smallest factory store, also located in New Hampshire, was 3,600 square feet. The table below highlights certain information regarding our factory stores open during the four years ended January 28, 2006 and through June 2, 2006:

Fiscal Year	Factory Stores Open At Beginning of Period	Factory Stores Opened During Period	Factory Stores Closed During Period	Factory Stores Open at End of Period	Total Gross Square Footage (in thousands)	Average Gross Square Footage Per Factory Store
2002	41	2	1	42	265	6,306
2003	42	0	0	42	265	6,306
2004	42	0	1	41	258	6,296
2005	41	6	3	44	269	6,120
2006 (through June 2, 2006)	44	2	1	45	272	6,044

We expanded our factory store base by three stores in fiscal 2005. We plan to further expand our store base by between five and 10 factory stores in fiscal 2006. Thereafter, in the near term, we plan to expand our factory store base by between five and 15 factory stores annually. In each year, we plan to open and close factory stores in varying numbers. Our new factory store operating model assumes a target factory store size of 4,700 square feet that achieves sales per square foot of $380 in the first twelve months. Our average net investment to open a factory store is approximately $511,000, which includes $353,000 of build-out costs net of landlord contributions, $133,000 of initial inventory net of payables and pre-opening expenses of $25,000. This operating model results in an average pretax cash return on investment of approximately 87%.

Central Real Estate Management for Retail and Factory Stores

Our real estate management team focuses on a specific set of guidelines and considerations when selecting locations for retail and factory store openings, relocations, repositionings and closures. We lease all of our stores and generally seek to locate our stores in affluent markets where we previously have experienced strong catalog or Internet website sales. We analyze factors such as the demographics of the local markets, the performance of a particular shopping center, the quality and nature of existing shopping center tenants, the quality of the location, the configuration of the space and the lease terms being offered to us. We also try to limit our capital investment in new stores by seeking significant construction allowances from landlords, and size our stores based on the anticipated strength of the market.

Our real estate management team consists of real estate, construction, purchasing and lease administration professionals. While we use the services of outside architects and contractors in designing and constructing our stores, our in-house design and construction directors supervise and manage the process. Our real estate management team is also assisted by a third party that negotiates leases and lease renewals on our behalf.

Direct

Direct consists of the J.Crew catalog and our Internet website. During fiscal 2005, Direct generated $253.7 million in revenues, including $93.9 million from our catalog and $159.8 million from our Internet website, representing 26.6% of our total revenues. In addition to driving sales and revenue, we use our direct channel to introduce and test new product offerings, to sell specialty product lines such as J.Crew Wedding and to offer extended sizes and colors on various products and to expand customer files to drive targeted marketing campaigns by collecting customer data to further segment customer groups.

We currently obtain customer information for 100% of our catalog and Internet customers. As of April 2006, our customer database contained approximately 21 million individual customer names, of which 2.0 million were households that had placed a catalog or Internet order with us or made a store purchase from us within the previous 12 months, and 2.7 million email addresses that had agreed to receive promotional emails from us.

We maintain a database of “customer files,” which include sales patterns, detailed purchasing information, certain demographic information, geographic locations and email addresses of our customers. This database enables us to see how our customers use our various sales channels to shop and facilitates targeted marketing strategies. We segment our customer files based on several variables, and we tailor our catalog offerings and email notifications to address the different product needs of our customer groups. For example, we currently send targeted emails to such customer groups as purchasers of shoes, petite items and high dollar amount items. We focus on continually improving the segmentation of customer files and the acquisition of additional customer names from several sources, including our retail stores, our Internet website, list rentals and list exchanges with other catalog companies.

In fiscal 2005, approximately 60% of J.Crew Direct revenues were generated by customers who had made a purchase from a J.Crew catalog or on our Internet website in the prior 12 months.

Catalog

The J.Crew catalog is the primary branding and advertising vehicle for the J.Crew brand. We believe our catalog reinforces the J.Crew brand image and drives sales across all of our sales channels. For example, over 30% of our Internet customers reported that they had received a catalog in the mail prior to their Internet purchase, which we believe shows that our catalog drives sales on our Internet channel. We believe we have distinguished ourselves from other catalog retailers by utilizing high quality photography and paper and by placing our products in settings designed to reflect our brand’s aspirational lifestyle image, such as beach houses in the summer and country cabins in the holiday months. We have furthered this image recently by eliminating clearance catalogs and instead redirecting primary liquidation activity through our website. In fiscal 2005, we distributed 20 catalog editions with a circulation of approximately 55 million copies and approximately 6.1 billion pages circulated.

We segment our customer files and tailor our catalog offerings to address the different product needs of our customer groups. To increase catalog productivity and improve the effectiveness of marginal and prospecting circulation, each customer group is offered a distinct array of catalog editions. For example, we circulate a “Women’s Collections” edition to our women’s product customers and a men’s only edition to our men’s product customers. Our focus is consistently to deliver the most relevant catalogs possible to identified customer groups.

All creative work on the J.Crew catalog is coordinated by our in-house personnel, and we believe this allows us to shape and reinforce our brand image. Photography is executed both on location and in studios, and creative design and copy writing are executed on a desktop publishing system. Digital images are transmitted directly to outside printers, thereby reducing lead times and improving reproduction quality.

While we do not have long-term contracts with our suppliers of paper for our catalog, we believe our long-standing relationships with a number of the largest coated paper mills in the United States allow us to purchase paper at favorable prices. Projected paper requirements are communicated on an annual basis to paper mills to ensure the availability of an adequate supply.

Internet Websites

Since 1996, our website located at www.jcrew.com has allowed our customers to purchase our merchandise over the Internet. In fiscal 2005, our website logged over 64 million visits, an increase of 33% over our fiscal 2004 visits of 48 million, which represented 63% of the Direct business in fiscal 2005, compared to 61% of the Direct business in fiscal 2004. In 2006, we launched a website devoted to our crewcuts line at www.crewcutkids.com. We design and operate our websites using an in-house technical staff. Our websites emphasize simplicity and ease of customer use while integrating the J.Crew brand’s aspirational lifestyle imagery used in the catalog. We update our websites periodically throughout the day to accurately reflect product availability and to determine where on the websites a particular product generates the best sales. In addition to selling our regular merchandise on our www.jcrew.com website, we also use that website as a means to sell marked-down merchandise.

We have enhanced our Internet business by adding category-based “shops” to our www.jcrew.com website, such as J.Crew swimfinder, wedding & party shop and denim shop. We believe these “shops” will offer our customers a more personalized and interactive shopping experience.

Marketing and Advertising

The J.Crew catalog is the primary branding and advertising vehicle for the J.Crew brand. We believe our catalog reinforces the J.Crew brand image and drives sales in all of our sales channels. Our direct sales channels enable us to maintain a database of customer sales patterns and we are thus able to target segments of our customer base with specific marketing. Depending on their spending habits, we send certain customers special catalog editions and/or emails.

Our other marketing approach seeks to attract positive attention to our brand and products in less conventional, but, we believe, highly effective manners. We refer to this marketing approach as “advertising without advertising.” For example, during the summer of 2004, we ran a “beach delivery service” in which our beach delivery team delivered some of our summer items to the East Hampton area and generated positive press coverage. We have also recognized the loyalty of our top customers by sending them “thank you letters” from top executives, some of which include shopping incentives such as discount offerings. We also plan to test print advertising in select publications targeting specific markets.

We also offer a private-label credit card through an agreement with World Financial Network National Bank (“WFNNB”), under which WFNNB owns the credit card accounts and Alliance Data Systems Corporation provides services to our private-label credit card customers. In fiscal 2005, sales on J.Crew credit cards made up 15% of our total net sales. We believe that our credit card program encourages frequent store and website visits and catalog sales and promotes multiple-item purchases, thereby cultivating customer loyalty to the J.Crew brand and increasing sales.

Sourcing Production and Quality

Our Sourcing Strategy

We do not own or operate any manufacturing facilities and instead contract with third-party vendors for production of our merchandise. Our sourcing strategy emphasizes the quality fabrics and construction that our customers expect of the J.Crew brand. To ensure that our high standards of quality and timely delivery of merchandise are met, we work with a select group of vendors and factories among which are some of what we believe to be the most reputable producers currently supplying the designer fashion industry with such products as English silk, Scottish tweed and Italian leather and cashmere. We seek to ensure the quality of our manufacturers’ products by inspecting preproduction samples, making periodic site visits to our vendors' foreign production factories and by selectively inspecting inbound shipments at our distribution center. We also monitor quality by "scoring" each factory at the end of each year on the basis of the number of defective products detected in that factory's output.

We believe our sourcing strategy maximizes our speed to market and allows us to respond quickly to our customers' preferences. The majority of our vendors can have merchandise ready to be shipped to us within 45 to 60 days of us placing a refill order with them, enabling quick inventory replenishment. We believe our strong relationships with our vendors have also provided us with the ability to negotiate favorable pricing terms, further improving our overall cost structure.

Our Sourcing Methods

We have no long-term merchandise supply contracts, and we typically transact business on an order-by-order basis. We source our merchandise in two ways: through the use of buying agents, and by purchasing merchandise directly from trading companies and manufacturers. In fiscal 2005, we worked with nine buying agents, who together supported our relationships with vendors of approximately 70% to 75% of our merchandise, with one buying agent supporting our relationships with vendors that supplied approximately 50% of our merchandise. In exchange for a commission, our buying agents identify suitable vendors and coordinate our purchasing requirements with the vendors by placing orders for merchandise on our behalf, ensuring the timely delivery of goods to us, obtaining samples of merchandise produced in the factories, inspecting finished merchandise and carrying out other administrative communications on our behalf. In fiscal 2005, we worked with three trading companies, purchasing approximately 15% of our merchandise from one trading company. Trading companies control factories which manufacture merchandise and also handle certain other shipping and customs matters related to importing the merchandise into the United States. We sourced the remainder of our merchandise by dealing directly with manufacturers both within the United States and abroad with the majority of whom we have long-term, and we believe, stable relationships.

Our sourcing base currently consists of approximately 100 vendors who operate 250 factories in approximately 23 countries, with about half of our merchandise supplied by our top 10 vendors.

Each of our top 10 vendors uses multiple factories to produce its merchandise, which we believe gives us a high degree of flexibility in placing production of our merchandise. We believe we have developed strong relationships with our vendors, some of which rely upon us for a significant portion of their business.

In fiscal 2005, approximately 80% of our merchandise was sourced in Asia (with 64% of our products sourced from China, Hong Kong and Macau), 5% was sourced in the United States and 15% was sourced in Europe and other regions. Substantially all of our foreign purchases are negotiated and paid for in U.S. dollars.

Vendors located abroad ship our merchandise to us primarily by boat, which in most cases takes approximately 28 to 30 days in transit. The remainder of our merchandise from abroad is shipped to us by plane, which takes an average of approximately seven to 10 days in transit. In the case of merchandise manufactured abroad, vendors deliver merchandise to one of our overseas consolidators. From there, the merchandise is shipped to one of our two U.S. deconsolidators, one of which is located on the east coast and the other on the west coast. From our U.S. deconsolidators, independent trucking companies transport our merchandise to one of our distribution centers, which generally takes two to three days of transit time. In the case of merchandise manufactured in the United States, we contract with an independent trucking company to transport merchandise from its manufacturer to one of our distribution centers, which generally takes a week or less.

Regardless of the sourcing method used, each factory, subcontractor, supplier and agent that manufactures our merchandise is required to adhere to our Code of Vendor Conduct, which is designed to ensure that each of our suppliers' operations are conducted in a legal, ethical and responsible manner. Our Code of Vendor Conduct requires that each of our suppliers operates in compliance with applicable wage, benefit, working hours and other local laws, and forbids the use of practices such as child labor or forced labor. Our Code of Vendor Conduct is currently administered internally by J.Crew employees, including a dedicated J.Crew employee, and two outside compliance audit firms that we contract with to make periodic visits to the facilities that produce our goods to monitor compliance, and includes prequalification of new suppliers and a requirement that each supplier execute an annual compliance certification.

Distribution Facilities

We operate one customer call center and two distribution facilities. We own a 162,000 square foot facility in Asheville, North Carolina that houses our distribution operations for our retail stores. This facility employs approximately 100 full and part-time employees during our non-peak season and approximately 30 additional employees during our peak season. We plan to expand this facility to support recent and expected future growth. Merchandise is transported from this distribution center to our retail stores by independent trucking companies, Federal Express or UPS, with a transit time of approximately two to five days.

We also own a 262,000 square foot facility, and lease a 63,700 square foot facility, both located in Lynchburg, Virginia. These facilities contain our customer call center, order fulfillment operations for Direct and distribution operations for our factory stores. These facilities employ approximately 900 full and part-time employees during our non-peak season and an additional 600 employees during our peak season. Merchandise is transported from this distribution center to our factory stores by Federal Express or UPS, with a transit time of approximately two to five days. Merchandise sold via our Direct channels is sent directly to customers from this distribution center via the United States Postal Service, UPS or Federal Express.

Each owned facility is equipped with an automated warehouse locator system and inventory bar coding system and our owned facility in Lynchburg has automated packing and shipping sorters. We believe our customer call center, order fulfillment operations and distribution operations are designed to handle customer orders and distribute merchandise to stores in a customer-friendly, efficient and cost-effective manner. However, we have identified the need to expand and upgrade these facilities, operations and systems in order to support recent and expected future growth. We plan to begin needed expansions and upgrades in 2006. We currently outsource a portion of customer calls to two vendors and plan to use only one of these vendors in the near future.

Management Information Systems

Our management information systems are designed to provide, among other things, comprehensive order processing, production, accounting and management information for the marketing, manufacturing, importing and distribution functions of our business. Since February 2001, we have used an SAP Enterprise Resource Planning system along with an IBM mainframe system for our information technology requirements. We have point-of-sale systems in our retail and factory stores that enable us to track inventory from store receipt to final sale on a real-time basis. We have an agreement with Electronic Data Systems Corporation, a third party, to provide services and administrative support for most of the information systems in our headquarters, stores and distribution and call center facilities. Our websites are hosted by a third party at its data center. We have identified the need to expand and upgrade our information systems to support recent and expected future growth and plan to begin needed expansion and upgrades in 2006.

We believe our merchandising and financial systems, coupled with our point-of-sale systems and software programs, allow for rapid stock replenishment, concise merchandise planning and real-time inventory accounting practices. Our telephone and telemarketing systems, warehouse package sorting systems, automated warehouse locator and inventory bar coding systems use current technology, and are designed with our highest-volume periods, such as the holiday season, in mind, which results in our having substantial flexibility and ample capacity in our lower-volume periods. We periodically update our ATG website software and our point-of-sale systems, and in 2005 implemented standard upgrades to provide additional functionality to both information systems.

We believe our management information systems provide us with a number of benefits, including enhanced customer service, improved operational efficiency and increased management control and reporting. In addition, our real-time inventory systems provide inventory management on a stock keeping unit basis and allow for an efficient fulfillment process.

Employees and Labor Relations

As of April 29, 2006, we had approximately 6,900 employees (including seasonal employees), of whom approximately 2,600 were full-time employees and 4,300 were part-time employees. Approximately 900 of these employees are employed in our customer call center and order fulfillment operations facility in Lynchburg, Virginia, and approximately 100 of these employees work in our store distribution center in Asheville, North Carolina. Approximately 2,000 employees are hired on a seasonal basis to meet demand during the peak season.

None of our employees are represented by a union. We have had no labor-related work stoppages and we believe our relationship with our employees is good.

Competition

The specialty retail industry is highly competitive. We compete primarily with specialty retailers, higher-end department stores, catalog retailers and Internet businesses that engage in the retail sale of women's, men's and children's apparel, accessories, shoes and similar merchandise. We believe the principal bases upon which we compete are quality, design, customer service and price. We believe that our primary competitive advantages are consumer recognition of the J.Crew brand name and our presence in many major shopping malls in the United States as well as our multiple sale channels which enable our customers to shop in the setting they prefer. We believe that we also differentiate ourselves from competitors on the basis of our J.Crew signature product design, our ability to offer both designer-quality products at higher price points and more casual items at lower price points, our focus on the quality of our product offerings and our customer-service oriented culture. We believe our success depends in substantial part on our ability to originate and define product and fashion trends as well as to timely anticipate, gauge and react to changing consumer demands. Certain of our competitors are larger and have greater financial, marketing and other resources than us. Accordingly, there can be no assurance that we will be able to compete successfully with them in the future.

Trademarks and Licensing

The J.Crew trademark and variations thereon such as crewcuts are registered or are subject to pending trademark applications with the United States Patent and Trademark Office and with the registries of many foreign countries. We believe our trademarks have significant value and we intend to continue to vigorously protect them against infringement.

In addition, we license our J.Crew trademark and know-how to Itochu Corporation in Japan for which we receive royalty fees based on a percentage of sales. Under the license agreement, which is an exclusive license with regard to Japan, we retain a high degree of control over the manufacture, design, marketing and sale of merchandise by Itochu Corporation under the J.Crew trademark. This agreement expires in January 2007. In fiscal 2005, licensing revenues totaled $2.9 million.

Government Regulation

We are subject to customs, truth-in-advertising and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers and/or govern the promotion and sale of merchandise and the operation of retail stores and warehouse facilities. We monitor changes in these laws and believe that we are in material compliance with applicable laws.

A substantial portion of our products are manufactured outside the United States. These products are imported and are subject to U.S. customs laws, which impose tariffs as well as import quota restrictions for textiles and apparel. Some of our imported products are eligible for duty-advantaged programs. While importation of goods from foreign countries from which we buy our products may be subject to embargo by U.S. Customs authorities if shipments exceed quota limits, we closely monitor import quotas and believe we have the sourcing network to efficiently shift production to factories located in countries with available quotas. The existence of import quotas has, therefore, not had a material adverse effect on our business.

Properties

We are headquartered in New York City. Our headquarter offices are leased under a lease agreement expiring in 2012, with an option to renew thereafter. We own two facilities: a 262,000 square foot customer contact call center, order fulfillment and distribution center in Lynchburg, Virginia and a 162,000 square foot distribution center in Asheville, North Carolina. We also lease a 63,700 square foot facility in Lynchburg, Virginia under a lease agreement expiring in April 2008, with an option to renew thereafter.

As of June 2, 2006, we operated 164 retail stores and 45 factory stores in 39 states and the District of Columbia. All of the retail and factory stores are leased from third parties and the leases historically have in most cases had terms of 10 to 12 years. A portion of our leases have options to renew for periods typically ranging from five to ten years. Generally, the leases contain standard provisions concerning the payment of rent, events of default and the rights and obligations of each party. Rent due under the leases is generally comprised of annual base rent plus a contingent rent payment based on the store's sales in excess of a specified threshold. Some of the leases also contain early termination options, which can be exercised by us or the landlord under certain conditions. The leases also generally require us to pay real estate taxes, insurance and certain common area costs. Excluding our stores and headquarter offices, all of our properties, whether owned or leased, are subject to liens or security interests under the Credit Facility.

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The table below sets forth the number of retail and factory stores, including crewcuts stores, operated by us in the United States as of June 2, 2006.

	Retail Stores	Factory Stores	Total Number of Stores
Alabama	2	1	3
Arizona	4	—	4
California	19	4	23
Colorado	4	2	6
Connecticut	6	1	7
Delaware	—	1	1
Florida	7	4	11
Georgia	4	2	6
Illinois	9	1	10
Indiana	1	2	3
Iowa	1	—	1
Kansas	1	—	1
Kentucky	2	—	2
Louisiana	1	—	1
Maine	—	2	2
Maryland	3	1	4
Massachusetts	6	2	8
Michigan	6	1	7
Minnesota	4	—	4
Missouri	2	—	2
Nevada	1	—	1
New Hampshire	1	2	3
New Jersey	9	2	11
New Mexico	1	—	1
New York	16	4	20
North Carolina	5	—	5
Ohio	7	—	7
Oklahoma	2	—	2
Oregon	3	—	3
Pennsylvania	8	3	11
Rhode Island	1	—	1
South Carolina	2	2	4
Tennessee	3	1	4
Texas	9	2	11
Utah	2	—	2
Vermont	1	1	2
Virginia	5	2	7
Washington	3	1	4
Wisconsin	1	1	2
District of Columbia	2	—	2
Total	164	45	209

Legal Proceedings

In June 2005, we settled a suit alleging patent infringement brought against us and seventeen other defendants by Charles E. Hill & Associates, Inc. The terms of the settlement did not have a material adverse effect on our financial condition or results of operations.

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. Although the outcome of these other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on our financial condition or results of operations.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the name, age and position of individuals who are serving as our executive officers and directors:

Name	Age	Position
Millard Drexler	61	Chief Executive Officer and Chairman of the Board
Jeffrey Pfeifle	48	President
Tracy Gardner	42	Executive Vice President, Merchandising, Planning & Production
James Scully	41	Executive Vice President, Chief Financial Officer
Bridget Ryan Berman	46	Director
Richard Boyce	52	Director
Mary Ann Casati	51	Director
Jonathan Coslet	41	Director
James Coulter	46	Director
Steven Grand-Jean	63	Director
Emily Scott	45	Director
Thomas Scott	40	Director
Stuart Sloan	62	Director
Josh Weston	77	Director

Millard Drexler. Mr. Drexler has been our Chief Executive Officer since January 2003 and Chairman of the Board of Directors and a director since March 2003. Before joining J.Crew, Mr. Drexler was Chief Executive Officer of The Gap, Inc. from 1995 until September 2002, and was President of The Gap, Inc. from 1987 to 1995. Mr. Drexler also serves on the Board of Directors of Apple Computer, Inc.

Jeffrey Pfeifle. Mr. Pfeifle has been our President since February 2003. Before joining J.Crew, Mr. Pfeifle was Executive Vice President, Product and Design of the Old Navy division of The Gap, Inc. from 1995 and Vice President of Men's Product and Design for the Banana Republic division of The Gap, Inc. from 1993. Prior to that, Mr. Pfeifle was Director of Merchandising for Ralph Lauren from 1989.

Tracy Gardner. Ms. Gardner has been our Executive Vice President, Merchandising, Planning & Production since March 2004. Prior to joining J.Crew, Ms. Gardner held various positions at The Gap, Inc., including Senior Vice President of Adult Merchandising for the GAP brand from 2002 to March 2004, Vice President of Women's Merchandising for the Banana Republic division from 2001 to 2002, Vice President of Men's Merchandising for the Banana Republic division from 1999 to 2001 and Divisional Merchandising Manager of Men's Wovens for the Banana Republic division prior to 1999.

James Scully. James Scully has been our Executive Vice President and Chief Financial Officer since September 2005. Prior to joining us, Mr. Scully served as Executive Vice President of Human Resources and Strategic Planning of Saks Incorporated from 2004. Before that Mr. Scully served as Saks Incorporated's Senior Vice President of Strategic and Financial Planning from 1999 to 2004 and as Senior Vice President, Treasurer from 1997 to 1999. Prior to joining Saks Incorporated, Mr. Scully held the position of Senior Vice President of Corporate Finance at Bank of America (formerly NationsBank) from 1994 to 1997.

Bridget Ryan Berman. Ms. Berman has been a director since August 2005. Ms. Berman was appointed as Chief Executive Officer of Giorgio Armani Corporation, a U.S. subsidiary of Giorgio Armani S.p.A., effective April 2006. Prior to that, Ms. Berman was Vice President and Chief Operating Officer of Retail Stores for Apple Computer, Inc. from April 2004 to August 2005. Prior to joining Apple

Computer, Inc., Ms. Berman held various positions at Polo Ralph Lauren Corporation, including Group President of Polo Global Retail from 2003 to 2004, President and Chief Operating Officer of Polo Ralph Lauren Retail from 2001 to 2003 and President of Polo Factory Store Concepts from 1998 to 2001.

Richard Boyce. Mr. Boyce has been a director since 1997. Mr. Boyce periodically served as our Chief Executive Officer between 1997 and 1999, while also providing operating oversight to the remainder of the Texas Pacific Group portfolio. Mr. Boyce is a Senior Operating Partner of Texas Pacific Group, and affiliate of ours, and joined Texas Pacific in 1997. Mr. Boyce is on the Executive and Corporate Governance Committee of the Board of Directors of Burger King Corporation and serves on the Board of Directors of KRATON Polymers, Inc. and ON Semiconductor.

Mary Ann Casati. Ms. Casati has been appointed a director, effective the day after this offering is priced for sale to the public. Ms. Casati is a founding partner of Circle Financial Group LLC, a private wealth management membership practice, and has served as such since 2003. Prior to that, Ms. Casati was a partner and managing director of Goldman, Sachs & Co. for more than five years. Ms. Casati also serves on the board of directors of Blue Tulip Corporation.

Jonathan Coslet. Mr. Coslet has been a director since 2003. Mr. Coslet has been a partner of Texas Pacific Group, an affiliate of ours, since 1993 and is currently a senior partner and member of the firm's Executive, Management and Investment Committees. Prior to joining Texas Pacific Group, Mr. Coslet worked at Donaldson, Lufkin & Jenrette, specializing in leveraged acquisitions and high yield finance from 1991 to 1993. Mr. Coslet also serves on the Board of Directors of Quintiles Transnational Corp., IASIS Healthcare Corp., Fidelity National Information Services and The Neiman Marcus Group, Inc.

James Coulter. Mr. Coulter has been a director since 1997. Mr. Coulter co-founded Texas Pacific Group, an affiliate of ours, in 1993 and has been Managing General Partner of Texas Pacific Group for more than eight years. From 1986 to 1992, Mr. Coulter was a Vice President of Keystone, Inc. From 1986 to 1988, Mr. Coulter was also associated with SPO Partners, an investment firm that focuses on public market and private minority investments. Mr. Coulter also serves on the Board of Directors of Lenovo Group Limited, Seagate Technology, Zhone Technologies, Inc. and The Neiman Marcus Group, Inc.

Steven Grand-Jean. Mr. Grand-Jean has been a director since 2003. Mr. Grand-Jean has been President of Grand-Jean Capital Management for more than five years.

Emily Scott. Ms. Scott has been a director since 1992. Ms. Scott served as Chairman of the Board of Directors from 1997 to 2003. Ms. Scott worked at J.Crew from 1983, the year that it was founded, until 2003 and has previously served as our Chief Executive Officer and Vice Chairman. Ms. Scott is married to Thomas Scott, a director of J.Crew, and is a founding partner of Plum TV, LLC, a television station network operating in select resort markets.

Thomas Scott. Mr. Scott has been a director since 2002. Mr. Scott is a founding partner of Plum TV, LLC, and has served as its Chief Executive Officer and Executive Co-Chairman since September 2003. He is also a founding partner of Nantucket Allserve Inc., a beverage supplier, and has served as Co-Chairman thereof since 1989 and as Co-Chairman and Co-Chief Executive Officer from 1989 to 2000. Mr. Scott has also served as Co-Chairman of Shelflink, a supply chain software company, since 2000. Mr. Scott is married to Emily Scott, a director of J.Crew.

Stuart Sloan. Mr. Sloan has been a director since September 2003. Mr. Sloan is the founder of Sloan Capital Companies, a private investment company, and has been a Principal thereof since 1984. Mr. Sloan also serves on the Board of Directors of Anixter International, Inc. and Rite Aid Corp.

Josh Weston. Mr. Weston has been a director since 1998. Mr. Weston also served as Honorary Chairman of the Board of Directors of Automatic Data Processing, a computing services business, from 1998 to November 2004. Mr. Weston was Chairman of the Board of Directors of Automatic Data Processing from 1996 until 1998, and Chairman and Chief Executive Officer for more than five years prior thereto. Mr. Weston also serves on the Board of Directors of Gentiva Health Services, Inc. and Russ Berrie & Company, Inc.

All of our directors were nominated pursuant to the terms of stockholders' agreements. Ms. Scott and Mr. Scott were nominated by Ms. Scott pursuant to a stockholders' agreement between her and TPG Partners II, L.P. ("Partners II"). Messrs. Boyce, Coslet and Coulter were nominated by Partners II pursuant to this stockholders' agreement.

Messrs. Drexler, Grand-Jean and Sloan were nominated by Mr. Drexler pursuant to a stockholders' agreement between him and Partners II. Mr. Weston and Mss. Berman and Casati were nominated by Mr. Drexler and Partners II pursuant to this agreement.

Our Board of Directors

Board Size and Composition. Our board of directors currently has 10 members. We have appointed Mary Ann Casati to the board of directors, effective the day after this offering is priced for sale to the public. Upon the consummation of this offering, a majority of our board of directors will satisfy the current independence requirements of the New York Stock Exchange and the SEC.

Our bylaws provide that our board of directors consists of no less than three persons. The exact number of members of our board of directors will be determined from time to time by resolution of a majority of our full board of directors.

Our board is divided into three classes as described below, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. Messrs. Boyce, Scott and Sloan will serve initially as Class I directors (with a term expiring in 2007). Mss. Berman and Casati and Messrs. Coslet and Weston will serve initially as Class II directors (with a term expiring in 2008). Messrs. Coulter, Drexler and Grand-Jean and Ms. Scott will serve initially as Class III directors (with a term expiring in 2009).

Committees of the Board. Our standing board committees will consist of an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit Committee. The audit committee will consist of Mr. Weston (Chairperson) and Mss. Berman and Casati. Each member of our audit committee will satisfy the independence requirements of the New York Stock Exchange and the SEC. Our board of directors will determine that each member of the audit committee is financially literate. The board of directors will determine that Mr. Weston qualifies as an "audit committee financial expert" under SEC rules and regulations.

The audit committee will assist the board in monitoring the integrity of our financial statements, our independent auditors' qualifications and independence, the performance of our audit function and independent auditors, and our compliance with legal and regulatory requirements. The audit committee will have direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent auditors, and our independent auditors report directly to the audit committee.

Compensation Committee. The compensation committee will consist of Messrs. Coulter (Chairperson) and Mr. Coslet. Each member of the compensation committee will satisfy the independence requirements of the New York Stock Exchange and will be an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Securities Exchange Act of 1934, as amended.

The primary duty of the compensation committee will be to discharge the responsibilities of the board of directors relating to compensation practices for our executive officers and other key employees, as the committee may determine and to ensure that management's interests are aligned with the interests of our equity holders. The compensation committee will review and makes recommendations to the board of directors with respect to our employee benefits plans, compensation and equity-based plans and compensation of directors. The compensation committee will make recommendations to the board of directors with respect to the compensation and benefits of the chief executive officer and approve the compensation and benefits of the other executive officers.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee will consist of Messrs. Coslet (Chairperson), Coulter and Weston. Each member of the nominating and corporate governance committee will satisfy the independence requirements of the New York Stock Exchange. The nominating and corporate governance committee will identify qualified individuals to become members of the board of directors, determine the composition of the board of directors and its committees and develop and recommend to the board of directors sound corporate governance policies and procedures.

Compensation of Directors. Directors who are our employees or representatives of TPG (Messrs. Boyce, Coslet, Coulter and Drexler) do not receive any compensation for their services. All other directors (Messrs. Grand-Jean, Scott, Sloan and Weston and Ms. Scott) received the following as compensation in 2005: (1) a cash retainer of $30,000 and (2) a non-qualified stock option to purchase 38,716 shares of our common stock. The options have an exercise price of $6.51 per share, have a term of 10 years and become exercisable and vest in equal installments over a two-year period. Ms. Berman became a director in August 2005 and therefore received a pro-rated share of the cash retainer and a non-qualified stock option to purchase 38,716 shares of our common stock. Ms. Berman's options have an exercise price of $6.92 per share and all other terms are the same. If a director ceases to serve as a director for any reason, other than removal for cause, any options vested at the time of termination of his or her services will remain exercisable for 90 days (but no longer than the 10-year term of the options). In addition, Mr. Weston, the chairman of the audit committee, received additional cash compensation of $10,000 in 2005 for his services on such committee.

Our board of directors has also approved the following to be paid as compensation to all eligible directors for their services in 2006: (1) a cash retainer of $35,000; (2) an additional cash payment of $2,000 for each board meeting attended in person; and (3) a non-qualified stock option to purchase 14,518 shares of our common stock. The options will have an exercise price per share equal to the fair market value at the time of grant, have a term of 10 years and vest in equal installments over a two year period. If a director ceases to serve as a director for any reason, other than removal for cause, any options vested at the time of termination of his or her services will remain exercisable for 90 days (but no longer than the 10 year term of the options). In addition, the chairman of the audit committee received additional cash compensation of $20,000, and the chairman of the compensation committee will receive additional cash compensation of $10,000 for their respective services on such committees.

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Executive Compensation

The following table sets forth compensation paid by us for fiscal 2005, 2004 and 2003:

- to our chief executive officer during fiscal 2004,
- to each of our three other most highly compensated executive officers serving as of the end of fiscal 2005, and
- to an additional executive officer who was not employed as of the end of fiscal 2005.

We refer to these individuals as the named executive officers elsewhere in this prospectus.

Summary Compensation Table

				Long Term Compensation				
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Fiscal Year	Salary($)	Bonus($)	Other Annual Compensation ($)(1)	Restricted Stock Award(s) ($)(2)	Securities Underlying Options/ SARS(#)	LTIP Payouts ($)	All Other Compensation ($)(3)
Millard Drexler	2005	200,000	—	751,000(4)	804,000(5)		—	—
Chief Executive Officer and Chairman	2004	200,000	—	484,500(4)	55,500(5)		—	—
	2003	200,000	—	500,000(4)	598,654(5)	—	—	—
Jeffrey Pfeifle	2005	781,200	400,000	—	201,000(8)		—	8,400
President	2004	760,000	500,000	—	18,500(8)		800,000	8,900
	2003	760,000	2,400,000(7)	—	119,731(8)	—	400,000	—
James Scully	2005	188,200	250,000(10)	230,700(11)	469,000(12)	—	—	—
Executive Vice President and Chief Financial Officer	2004	—	—	—	—	—	—	—
	2003	—	—	—	—		—	—
Tracy Gardner	2005	492,300	350,000	—	327,000(15)	—	—	—
Executive Vice President, Merchandising, Planning & Production	2004	398,100	450,000(13)	95,500(14)	37,000(15)		—	—
	2003	—	—	—	—		—	—
Roxane Al-Fayez(16)	2005	243,300	—	55,500(18)	126,000(19)		—	8,400
Former Executive Vice President, Catalog & e-Commerce	2004	377,900	275,000(17)	83,800(18)	7,400(19)		—	1,700
	2003	155,400	100,000(17)	—	18,500(19)		—	—

(1) We have concluded that the aggregate amount of perquisites and other personal benefits paid to each of the named executive officers, other than Mr. Drexler, for each of fiscal 2005, 2004 and 2003 did not exceed the lesser of 10% of his or her total annual salary and bonus for such year or $50,000; such amounts are not included in the table.

(2) Holders of restricted stock have the same right to receive dividends as other holders of our common stock. We have not paid any cash dividends on our common stock. Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $6.51 as of March 31, 2005 and $6.92 as of August 8, 2005. Restricted stock awards in fiscal 2005 reflect an estimated share value on the respective dates of grant, and awards in 2004 and fiscal 2003 reflect an estimated share value of $0.38 on the date of grant. As of April 29, 2006, the named executive officers held the following aggregate number of restricted shares of our common stock: Mr. Drexler 1,177,426 vested shares and 649,952 unvested shares; Mr. Pfeifle 234,907 vested shares and 155,733 unvested shares; Mr. Scully—0 vested shares and 67,753 unvested shares; Ms. Gardner 24,197 vested shares and 120,987 unvested shares; Ms. Al-Fayez 12,099 vested shares and 0 unvested shares.

(3) For Mr. Pfeifle and Ms. Al-Fayez, all amounts represent contributions made by us on behalf of such named executive officers to our 401(k) plan.

(4) Under the terms of his services agreement and amended and restated employment agreement, Mr. Drexler is entitled to the reimbursement of business expenses, provided that in each of fiscal 2005, 2004 and 2003, his salary, bonus and reimbursement of business expenses could not exceed $700,000 per annum in the aggregate. We have determined that for fiscal year 2005, only business expenses related to aircraft usage (which is described further below) will count toward the aggregate $700,000 cap. We have also reimbursed Mr. Drexler for other business expenses not subject to the cap that were incurred in the ordinary course of business and therefore are not reflected in the table above. For Mr. Drexler, the amount

listed under “Other Annual Compensation” for fiscal 2005 also includes: (i) reimbursement for relocation expenses ($201,000) and (ii) the portion of annual salary and benefits for a driver provided by us that is allocable to personal use ($50,000). We have reimbursed a company of which Mr. Drexler is a principal for the use for corporate business of a private aircraft owned by that company. We use the aircraft primarily to facilitate multiple store visits in a single day as well as for business group travel with other executives. The total reimbursements for the use of such aircraft in fiscal 2004 and 2005 were approximately $255,600 and $636,000, respectively. The amounts applicable to Mr. Drexler’s business use of the aircraft in fiscal 2004 and 2005 were $255,600 and $500,000, respectively, and are included in the total amounts described in this footnote. The remaining $136,000 reimbursed to Mr. Drexler’s company was for other employees’ use of the aircraft for business purposes during fiscal year 2005. The Board recently approved a change effective immediately in the method for reimbursement of the aircraft usage from a time share-fuel based formula to a charter arrangement. Under the new arrangement, TAG Aviation will charter the aircraft owned by Mr. Drexler’s company to us for business use at a rate of $5,300 per operating hour plus incidentals, which we believe represents a 15% discount to current market rates for similar aircraft. The arrangement is subject to a total annual cap of $750,000, unless the Board otherwise approves. The Board also concurrently approved retroactively re-valuing all usage by us of the aircraft between January 30, 2006 and April 30, 2006 based on the new charter rate and we expect to reimburse Mr. Drexler’s company an additional amount of approximately $30,000 for that usage.

(5) In August 2005, Mr. Drexler was granted 116,148 shares of our common stock, of which 50% will vest on each of August 8, 2008 and August 8, 2009. In November 2004, Mr. Drexler was granted 145,185 shares of our common stock, of which 50% will vest on each of November 1, 2007 and November 1, 2008. In September 2003, Mr. Drexler was granted 162,005 shares of our common stock, of which 11,568 shares vested immediately upon grant, 37,611 shares vested on January 27, 2004, 37,609 shares vested on January 27, 2005 and 37,609 shares vested on January 27, 2006, and the remainder will vest on January 27, 2007. In February 2003, Mr. Drexler was granted 1,404,040 shares of our common stock, of which 351,011 shares vested on each of January 27, 2004, January 27, 2005 and January 27, 2006 the remainder of which will vest on January 27, 2007. Mr. Drexler paid us $800,000 for the shares granted to him in February 2003, which was in excess of their fair market value at the time of grant. In addition, in February 2003, a corporation of which Mr. Drexler is a principal was also granted 108,004 shares of our common stock, all of which vested immediately upon grant.

(6) This amount includes the grant of 3,240,096 replacement stock options to Mr. Drexler in May 2004 following his surrender of the same number of stock options in September 2003. We refer you to “Employment Agreements and Other Compensation Arrangements—Employment and Other Agreements” for information on these replacement options.

(7) This amount represents one-time bonuses in the total amount of $2,000,000 and a $400,000 guaranteed annual bonus for fiscal 2003.

(8) In August 2005, Mr. Pfeifle was granted 29,037 shares of our common stock, of which 100% will vest on August 14, 2009. In November 2004, Mr. Pfeifle was granted 48,395 shares of our common stock, of which 50% will vest on each of November 1, 2007 and November 1, 2008. In September 2003, Mr. Pfeifle was also granted 97,202 shares of our common stock, of which 24,302 shares vested on February 1, 2004, 24,300 shares vested on February 1, 2005 and 24,300 shares vested on February 1, 2006, and the remainder will vest on February 1, 2007. In addition, in February 2003, Mr. Pfeifle was granted 216,006 shares of our common stock, of which 54,003 shares vested on February 1, 2004, 54,001 shares vested on February 1, 2005 and 54,001 shares vested on February 1, 2006, and the remainder will vest on February 1, 2007.

(9) This amount includes the grant of 432,012 replacement stock options to Mr. Pfeifle in May 2004 following his surrender of the same number of stock options in September 2003. We refer you to “Employment Agreements and Other Compensation Arrangements—Employment and Other Agreements” for information on these replacement options.

(10) This amount represents a guaranteed annual bonus for fiscal 2005.

(11) This amount represents $65,700 in housing allowances and commuting reimbursements, including applicable tax gross-up amounts, and a $165,000 transition bonus.

(12) In September 2005, Mr. Scully was granted 67,753 shares of our common stock, of which 25% will vest on each of September 7, 2006, 2007, 2008 and 2009.

(13) This amount represents a $150,000 sign-on bonus and a $300,000 annual bonus for fiscal 2004.

(14) This amount represents $95,500 in reimbursement for or payment of relocation expenses and includes applicable tax gross-up amounts.

(15) In August 2005, Ms. Gardner was granted 29,037 shares of our common stock, of which 100% will vest on August 14, 2009. In May 2005, Ms. Gardner was granted 19,358 shares of our common stock, of which 50% will vest on each of May 5, 2008 and May 5, 2009. In May 2004, Ms. Gardner was granted 96,790 shares of our common stock, which will vest in equal annual installments on each of April 1 of 2006, 2007, 2008 and 2009.

(16) Ms. Al-Fayez resigned from her position with us effective as of August 19, 2005.

(17) In fiscal 2004, this amount represents a $25,000 one-time bonus paid in October 2004 and a $250,000 annual bonus for fiscal 2004. In fiscal 2003, this amount represents a $50,000 sign-on bonus and a $50,000 guaranteed annual bonus for fiscal 2003.

(18) These amounts represent $83,800 and $55,500 in fiscal 2004 and 2005, respectively, in housing allowances and commuting reimbursements and includes applicable tax gross-up amounts.

(19) In May 2005, Ms. Al-Fayez was granted 19,358 shares of our common stock, of which 50% were scheduled to vest on each of May 5, 2008 and May 5, 2009. In November 2004, Ms. Al-Fayez was also granted 19,358 shares of our common stock, of which 50% were scheduled to vest on each of November 1, 2007 and November 1, 2008. In October 2003, Ms. Al-Fayez was granted 48,395 shares of our common stock, of which 12,099 shares vested on October 22, 2004 and the remainder were scheduled to vest in equal annual installments on each of October 22, 2005, 2006 and 2007. All of these shares, other than the 12,099 shares that vested on October 22, 2004, were forfeited upon Ms. Al-Fayez’s resignation.

The following table shows information concerning options to purchase shares of our common stock granted to each of the named executive officers during fiscal 2005.

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(a)	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees In Fiscal Year	Exercise Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Millard Drexler	77,432	3.9%	7.75	2015	1,417,959	2,613,321
	77,432	3.9%	12.91	2015	1,018,410	2,213,772
Jeffrey Pfeifle	48,395	2.5%	6.51	2015	946,234	1,693,335
	48,395	2.5%	6.92	2015	926,392	1,673,493
James Scully	96,790	4.9%	6.92	2015	1,852,785	3,346,987
	77,432	3.9%	7.75	2015	1,417,959	2,613,321
	77,432	3.9%	12.91	2015	1,018,410	2,213,772
Tracy Gardner	38,716	2.0%	7.75	2015	708,980	1,306,660
	38,716	2.0%	12.91	2015	509,205	1,106,886
	96,790	4.9%	6.51	2015	1,892,468	3,386,670
	19,358	1.0%	7.75	2015	354,490	653,330
	19,358	1.0%	12.91	2015	254,602	553,443
	67,753	3.5%	6.92	2015	1,296,949	2,342,891
Roxane Al-Fayez	48,395	2.5%	6.51	2005	946,234	1,693,335
	19,358	1.0%	7.75	2005	354,490	653,330
	19,358	1.0%	12.91	2005	254,602	553,443

(a) Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $6.51 as of March 31, 2005 and $6.92 as of August 8, 2005. The potential realizable value is calculated based on the term of the option at the time of grant. Assumed rates of stock price appreciation of 5% and 10% are prescribed by rules of the SEC and do not represent our prediction of our stock price performance. The potential realizable values at 5% and 10% appreciation are calculated by using a stock price of $16.00 per share (the midpoint of the estimated price range set forth on the cover of this prospectus), and assuming that the per share price appreciates at the indicated rate for the entire term of the option and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. The $16.00 per share value used to calculate the potential realizable values at 5% and 10% annual appreciation is higher than the exercise prices of the options in the above table.

The following table shows the number of options to purchase shares of our common stock held by our named executive officers of at the end of fiscal 2005.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

			Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year-End($)(a)	
Name	Shares Acquired on Exercise(#)	Value Realized($)(a)	Exercisable	Unexercisable	Exercisable	Unexercisable
Millard Drexler	270,009	3,369,712	1,902,235	2,351,220	12,702,831	17,251,368
Jeffrey Pfeifle	81,003	1,010,923	108,006	663,803	612,215	5,767,186
James Scully	—	—	—	—	0/0	0/0
Tracy Gardner	—	—	—	—	0/0	0/0
Roxane Al-Fayez	21,778	271,786	—	—	0/0	0/0

(a) Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $3.31 as of January 28, 2006. The amounts of value realized and of value of unexercised in-the money options at fiscal year-end have been calculated using a stock price of $16.00 per share (the midpoint of the estimated price range set forth on the cover of the prospectus) rather than the value of our common stock on the dates the options were exercised and on the last day of the 2005 fiscal year, respectively.

Employment Agreements and Other Compensation Arrangements

Employment and Other Agreements

Millard Drexler. On October 20, 2005, we entered into an amended and restated employment agreement with Mr. Drexler, which replaces the services agreement that previously governed Mr. Drexler's employment. Pursuant to this amended and restated agreement, Mr. Drexler will continue to serve as our Chief Executive Officer until August 31, 2008, provided that the amended and restated agreement will automatically extend for successive one-year periods unless we or Mr. Drexler provide at least 90 days' written notice prior to the expiration of the then-current term. The amended and restated 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, provided that his total cash compensation cannot exceed $700,000 per year. We have agreed to reimburse Mr. Drexler $250,000 of moving expenses in connection with his relocation from California to New York and have reimbursed Mr. Drexler $250,000 pursuant to this provision. Pursuant to the amended and restated agreement, the reimbursement of such relocation expenses was excluded from the $700,000 cap for 2005. Pursuant to the amended and restated agreement, beginning February 1, 2006, Mr. Drexler became eligible to receive a target bonus of $800,000 (provided that his bonus may be greater or lesser in the compensation committee's discretion) and, as of that date his total annual cash compensation is no longer subject to a cap. Pursuant to the amended and restated agreement, if we terminate Mr. Drexler's employment without "cause" or he terminates his employment for "good reason" (each as defined in the 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 as provided for in any applicable grant agreement. In the event that any payment or benefit provided to Mr. Drexler following this offering 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.

In September 2003, Mr. Drexler surrendered to us all of his "premium options" which were granted to him in accordance with his previous services agreement. The premium options consisted of options to purchase 1,620,048 shares at an exercise price equal to $12.91 per share and 1,620,048 shares at an exercise price equal to $18.08 per share. In consideration of the surrender, we granted to Mr. Drexler replacement premium options in May 2004 as follows: options to purchase 1,620,048 shares at an exercise price equal to $7.75 per share and options to purchase an additional 1,620,048 shares at an exercise price equal to $12.91 per share. The replacement premium options are subject to the same terms and conditions (other than the expiration date and exercise price), including vesting schedule, as the surrendered premium options. This option repricing was approved by a majority of our board of directors.

Mr. Drexler's previous services agreement provided for the grant of 108,004 restricted shares of our common stock that vested immediately and the grant of 1,404,040 restricted shares of our common stock that vest in equal annual installments over four years commencing on January 27, 2005 (the second anniversary of the date his service commenced). We refer to these shares collectively as the “Drexler Restricted Shares.” Mr. Drexler paid us $800,000 for the 1,404,040 share grant of the Drexler Restricted Shares. The Drexler Restricted Shares remain subject to these terms under Mr. Drexler’s amended and restated employment agreement.

We refer you to footnote (4) to the Summary Compensation Table for information on the Drexler Restricted Shares and vesting of those shares.

Mr. Drexler has entered into a stockholders’ agreement with us, the TPG Funds and TPG 1999 Equity II, L.P. (an affiliate of TPG) relating to the Drexler Restricted Shares and any other shares of our common stock that he may subsequently acquire. Under the provisions of the stockholders’ agreement that will survive the consummation of this offering:

- Mr. Drexler has the right to include the Drexler Restricted Shares in any registered offering of our common stock that includes shares of our common stock held by the TPG II Funds or TPG 1999 Equity II, L.P. and, one year after the consummation of this offering, to require us to register the Drexler Restricted Shares under the Securities Act,
- if a third party acquires all or substantially all of our shares and the TPG II Funds or TPG 1999 Equity II, L.P. intends to transfer its shares to such purchaser, the TPG II Funds or TPG 1999 Equity II, L.P. may require Mr. Drexler to transfer the Drexler Restricted Shares as well, and
- Mr. Drexler has the right to transfer the Drexler Restricted Shares in a transaction described in the previous bullet point.

Jeffrey Pfeifle. Mr. Pfeifle has entered into an employment agreement with us pursuant to which he has agreed to serve as President for five years beginning on February 1, 2003, subject to automatic one-year renewals unless we or Mr. Pfeifle provide at least three months’ written notice prior to the expiration of the then current term. The agreement provides for an annual base salary of $760,000, (with such amount to be reviewed by the board annually), one-time bonuses in the total amount of $2,000,000 which became payable after his start date, an annual bonus based on the achievement of earnings objectives to be determined each year provided that the minimum bonus payable for fiscal 2003 would be $400,000, a long-term cash incentive payment between $800,000 and $1,200,000 based on the achievement of performance objectives to be determined each year payable in installments at the end of fiscal years 2003 and 2004, and reimbursement of business expenses. The annual bonus shall be a percentage of the base salary, with the target bonus ranging from 25% to a maximum of 100% of base salary. The agreement also provides for (i) the grant of options to purchase 324,010 shares of our common stock at an exercise price equal to $3.52 per share, which we refer to as “initial options,” and (ii) the grant of premium options to purchase an additional 216,006 shares at an exercise price equal to $12.91 per share and 216,006 shares at an exercise price equal to $35.00 per share, which we refer to as “premium options.” The initial options and the premium options vest in equal annual installments over four years commencing on the second anniversary of the date Mr. Pfeifle commenced his employment with us. The agreement also provides for the grant of 111,585 shares of our common stock, which we refer to as the “Pfeifle Restricted Shares.” Under the agreement, Mr. Pfeifle is subject to customary non-solicitation, non-competition and confidentiality covenants.

Under Mr. Pfeifle’s employment agreement, if Mr. Pfeifle’s employment is terminated by us without “cause” or by him for “good reason” (each as defined in the employment agreement), or as a result of the provision of notice of our intent not to renew his employment period, Mr. Pfeifle will be entitled to receive his base salary for two years, a pro-rated amount of any bonus that he would have otherwise received for the fiscal year ending before the termination date, and the immediate vesting of that portion of the initial options, premium options and Pfeifle Restricted Shares that would have become vested on the next scheduled vesting date following the termination date. If termination occurs within the two year period following a “change in control” (as defined in the employment agreement) or within six months before a “change in control,” all of the unvested initial options, premium options and Pfeifle Restricted Shares will immediately vest and become exercisable.

In September 2003, Mr. Pfeifle surrendered all of his premium options to us. In consideration of the surrender, we granted Mr. Pfeifle replacement premium options in May 2004 as follows: options to purchase 216,006 shares at an exercise price equal to $7.75 per share and options to purchase an additional 216,006 shares at an exercise price equal to $12.91 per share. The replacement premium options are subject to the same terms and conditions (other than expiration date), including vesting schedule, as the surrendered premium options. This option repricing was approved by a majority of our board of directors.

We refer you to footnote (6) to the Summary Compensation Table for information on the Pfeifle Restricted Shares and the vesting of those shares.

Mr. Pfeifle has entered into a stockholders' agreement with us and Partners II. The only provisions of the stockholders' agreement that will survive the consummation of this offering impose certain restrictions on the transfer of Mr. Pfeifle's shares (Pfeifle Restricted Shares and any other shares he may subsequently acquire) and give us rights to purchase Mr. Pfeifle's shares in certain circumstances.

Tracy Gardner. Ms. Gardner has entered into an employment agreement with us pursuant to which she has agreed to serve as Executive Vice President, Merchandising, Planning and Production for four years beginning in March 2004, subject to renewal upon mutual agreement. The agreement provides for a minimum annual base salary of $450,000, a one-time sign-on bonus of $150,000, and an annual bonus with a target of 50% of base salary and a maximum of 100% of base salary, based on the achievement of earnings objectives and individual performance goals to be determined each year, provided that the minimum bonus payable with respect to fiscal 2004 was $112,500. The agreement also provides for (i) the grant of options to purchase 96,790 shares of our common stock at an exercise price equal to $3.52 per share, which we refer to as "initial options," and (ii) the grant of premium options to purchase an additional 38,716 shares of our common stock at an exercise price equal to $7.75 per share and 38,716 shares of our common stock at an exercise price equal to $12.91 per share, which we refer to as "premium options." The agreement also provides for the grant in March 2005 of (x) an additional option to purchase 38,716 shares of our common stock at an exercise price equal to $7.75 per share and (y) an additional option to purchase 38,716 shares of our common stock at an exercise price equal to $12.91 per share, which we refer to as the "additional premium options." The initial options vest in equal annual installments over four years commencing on the first anniversary of the grant date. The premium options and the additional premium options vest in equal installments over four years commencing on the second anniversary of their respective grant dates. The agreement also provides for the grant of 96,790 shares of our common stock, which we refer to as the "Gardner Restricted Shares." Ms. Gardner also received relocation benefits in connection with her relocation to the New York City area. Under the agreement, Ms. Gardner is subject to customary non-solicitation, non-competition and confidentiality covenants.

We refer you to footnote (11) to the Summary Compensation Table for information on the Gardner Restricted Shares and vesting of those shares.

Ms. Gardner has entered into a stockholders' agreement with us and Partners II. The only provisions of the stockholders' agreement that will survive the consummation of this offering impose certain restrictions on the transfer of Ms. Gardner's shares (Gardner Restricted Shares and any other shares she may subsequently acquire) and give us rights to purchase Ms. Gardner's shares in certain circumstances.

Under Ms. Gardner's employment agreement, if we terminate her employment without "cause" or she terminates her employment for "good reason" (each as defined in the employment agreement), Ms. Gardner will be entitled to receive her base salary for one year and a pro-rated amount of any bonus that she would have otherwise received for the fiscal year ending before the termination date. However, Ms. Gardner's right to the continuation of her base salary for one year following the termination of her employment will cease upon the date that she becomes employed by a new employer or otherwise begins providing services for another entity, provided that if the cash compensation she receives from her new employer or otherwise is less than her base salary in effect immediately prior to her termination date, she will be entitled to receive the difference between her base salary and her new amount of cash compensation during the remainder of the severance period.

James Scully. We have entered into an employment agreement dated August 16, 2005, with James Scully, pursuant to which he has agreed to serve as our Executive Vice President and Chief Financial Officer, effective September 7, 2005, for a three year period, subject to automatic one-year renewals unless we or Mr. Scully provide four month's written notice prior to the expiration of the then current term. The agreement provides for a base salary of $475,000, which will be reviewed annually by us. He is eligible to receive an annual bonus with a target bonus of 50% of base salary and a maximum of 100% of base salary, based upon the achievement of certain company and individual performance objectives, provided that for fiscal 2005, Mr. Scully received a guaranteed bonus of $250,000. Mr. Scully also received a $165,000 transition support payment, provided that in the event he voluntarily terminates his employment without "good reason" or we terminate his employment for "cause" (each as defined in the agreement) within the first year of employment, Mr. Scully will be required to immediately pay us back a pro-rata portion of the transition support payment. The agreement also provides Mr. Scully with relocation assistance in connection with his relocation to New York in accordance with our executive homeowner relocation policy, provided that in the event that he voluntarily terminates his employment without good reason prior to the first anniversary of his employment, he will be required to immediately pay back a pro-rata portion of all relocation assistance payments that he received. In addition we have granted to Mr. Scully the following equity awards: (i) options to purchase 96,790 shares of our common stock at an exercise price per share equal to $6.92 on the date of grant, which we refer to as "initial options," (ii) premium options to purchase an additional 77,432 shares at an exercise price equal to $7.75 per share and 77,432 shares at an exercise price equal to $12.91 per share, which we refer to as "premium options," and (iii) 67,753 restricted shares, all of which will vest in equal annual installments beginning on the first anniversary of the grant date. We refer to these shares as the "Scully Restricted Shares." Under the agreement, Mr. Scully is subject to customary non-solicitation, non-competition and confidentiality covenants.

Under Mr. Scully's agreement, if we terminate his employment without "cause" or he terminates his employment for "good reason", he will be entitled to receive his base salary for one year, continuation of medical benefits for one year, which may be provided by us reimbursing payment of COBRA premiums, and a pro-rated amount of any bonus that he would have otherwise received for the fiscal year that includes the termination date. However, Mr. Scully's right to the continuation of his base salary and medical coverage for the one-year period following termination of employment will cease, respectively, upon the date that he becomes employed by a new employer or otherwise begins providing services for another entity and the date he becomes eligible for coverage under another group health plan, provided that if the cash compensation he receives from his new employer or otherwise is less than his base salary in effect immediately prior to his termination date, he will be entitled to receive the difference between his base salary and his new amount of cash compensation during the remainder of the severance period.

Amended and Restated 1997 Stock Option Plan

Our board of directors adopted the 1997 Stock Option Plan ("1997 Plan") on October 17, 1997, and our stockholders approved the 1997 Plan on December 29, 1997.

Share Reserve. We have authorized 3,697,374 shares of our common stock for issuance under the 1997 Plan. The aggregate number of shares available for issuance under the 1997 Plan may be adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 1997 Plan. In addition, shares subject to stock awards that have expired, been forfeited or otherwise terminated without having been exercised may be subject to new awards under the 1997 Plan. As of April 29, 2006, options to purchase 3,229,817 shares of our common stock at a weighted average exercise price of $4.87 per share were outstanding under the 1997 Plan.

Eligibility. Key employees, officers, and consultants of our company or our subsidiaries are eligible to participate in the 1997 Plan.

Administration. The 1997 Plan is currently administered by our compensation committee. Our compensation committee determines, among other things, which eligible persons are to receive awards, the number of shares of our common stock subject to each award, the exercise price per share underlying each option, the vesting schedule for each stock option, and the other terms and conditions of each award, consistent with the provisions of the 1997 Plan. The terms and conditions of each award shall be set forth in a written award agreement with the recipient. Our compensation committee has authority to interpret and administer the 1997 Plan and any award agreement and to establish rules and regulations for the administration of the 1997 Plan.

Options. Options granted under the 1997 Plan will be nonqualified stock options. The holder of an option granted under the 1997 Plan will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, as determined by our compensation committee. Options granted under the 1997 Plan may become exercisable based on the optionee's continued employment and, prior to this offering, may be exercised only if the optionee agrees to be bound by a stockholders' agreement. The exercise price for an option may be paid in cash, in shares of our common stock valued at fair market value on the exercise date, or by such other method as the compensation committee may approve. Options granted under the 1997 Plan generally may be transferred with or without written consent only by will or by the laws of descent and distribution.

Certain Corporate Transactions; Change in Control. In the event of certain corporate transactions, such as a merger or consolidation in which we are not the surviving entity or a sale of all or substantially all of the assets of our company, the 1997 Plan provides that the compensation committee has the power to provide for the exchange of each outstanding option for a comparable option or stock appreciation right issued by our successor company or its parent and make an equitable adjustment to the exercise price and number of shares or, if appropriate, provide for a cash payment to the optionee in partial consideration for the option exchange. No award agreement entered into pursuant to the 1997 Plan provides for the acceleration of any exercise schedule or vesting schedule with respect to an award solely because of a "change in control" of our company. However, awards may provide for the acceleration of the exercise schedule or vesting schedule in the event of the termination of the recipient's employment with us by us without cause or by the recipient for good reason within a specified period of time following a change in control.

Amendment and Termination. The compensation committee may amend or modify the 1997 Plan or the terms of any option at any time, subject to any required approval of our stockholders or the recipients of outstanding awards. The compensation committee may, at any time, terminate any outstanding option for consideration equal to the fair market value per share less the exercise price.

Federal Income Tax Consequences. The following is a summary of the general federal income tax consequences to our company and to U.S. taxpayers of awards granted under the 1997 Plan. Tax consequences for any particular individual or under state or non-U.S. tax laws may be different.

Non-Qualified Stock Option (each, an "NSO"). No taxable income is reportable when an NSO is granted. Upon exercise, generally, the recipient will have ordinary income equal to the fair market value of the underlying shares of stock on the exercise date minus the exercise price. Any gain or loss upon the disposition of the stock received upon exercise will be capital gain or loss to the recipient.

Tax Effect for Our Company. We generally will receive a tax deduction for any ordinary income recognized by a participant in respect of an award under the 1997 Plan (for example, upon the exercise of a NSO). Special rules limit the deductibility of compensation paid to our CEO and to each of our four most highly compensated executive officers. Under Section 162(m), the annual compensation paid to each of these executives may not be deductible to the extent that it exceeds $1 million. However, we intend to rely on Treas. Reg. Section 1.162-27(f) which provides that the deduction limit of Section 162(m) does not apply to any remuneration paid pursuant to a compensation plan or agreement that existed during the period in which the company was not publicly held. We may rely on this grandfather provision for up to three years after we become publicly held. Additionally, after the expiration of the grandfather, we can preserve the deductibility of compensation over $1 million if certain conditions of Section 162(m) are met, including obtaining shareholder approval of the 1997 Plan and setting limits on the number of awards that any individual may receive. Our deduction may also be limited by Section 280G of the Code.

2003 Equity Incentive Plan

Our board of directors adopted the 2003 Equity Incentive Plan (“2003 Plan”) on January 25, 2003, and our stockholders approved the 2003 Plan on February 10, 2003.

Share Reserve. We have authorized 9,249,552 shares of our common stock for issuance under the 2003 Plan. Unless our compensation committee determines otherwise, of the maximum number of shares reserved for issuance: (a) 2,159,987 shares are reserved for the issuance of stock options with an exercise price of $3.52 per share, provided that if the fair market value of a share of our common stock is greater than $3.52, such exercise price may be greater than $3.52 per share; (b) 2,159,987 shares are reserved for the issuance of stock options with an exercise price of $12.91 per share, provided that if the fair market value of a share of our common stock is greater than $12.91, such exercise price may be greater than $12.91 per share; (c) 2,159,987 shares are reserved for the issuance of stock options with an exercise price of $18.08 per share, provided that if the fair market value of a share of our common stock is greater than $18.08, such exercise price may be greater than $18.08 per share; and (d) 2,808,308 shares are reserved for the issuance of restricted shares. The aggregate number of shares available for issuance under the 2003 Plan may be adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 2003 Plan. As of April 29, 2006, options to purchase 5,693,507 shares of our common stock at a weighted average exercise price of $8.99 per share were outstanding under the 2003 Plan.

Eligibility. Key employees, officers, directors and consultants of our company or our subsidiaries are eligible to participate in the 2003 Plan.

Types of Awards. The 2003 Plan permits the granting of nonqualified stock options and shares of restricted stock.

Administration. The 2003 Plan is currently administered by our compensation committee. Our compensation committee determines, among other things, which eligible persons are to receive awards, the number of shares of our common stock subject to each award, the exercise price of shares underlying the stock options, the vesting schedule for each stock option and restricted stock award, and the other terms and conditions of each award, consistent with the provisions of the 2003 Plan. The terms and conditions of each award shall be set forth in a written award agreement with the recipient. Our compensation committee has authority to interpret and administer the 2003 Plan and any award agreement and to establish rules and regulations for the administration of the 2003 Plan.

Options. Options granted under the 2003 Plan will be nonqualified stock options. The holder of an option granted under the 2003 Plan will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, as determined by our compensation committee. Options granted under the 2003 Plan may become exercisable based on the recipient's continued employment and, prior to this offering, may be exercised only if the optionee agrees to be bound by a stockholders' agreement. To the extent that any option or restricted stock granted under the 2003 Plan is forfeited, terminates, expires or is canceled without having been exercised, the shares of common Stock covered by such option or restricted stock shall again be available for grant under the 2003 Plan. The exercise price for an option may be paid in cash, in shares of our common stock valued at fair market value on the exercise date, or by such other method as the compensation committee may approve. Options granted under the 2003 Plan generally may be transferred without our prior written consent only by will or by the laws of descent and distribution.

Shares of Restricted Stock. A participant who is issued shares of restricted stock pursuant to the 2003 Plan will own shares of our common stock subject to such restrictions as determined by our compensation committee. Shares of restricted stock and restricted stock units granted under the 2003 Plan will vest at such times or upon the occurrence of such events as determined by our compensation committee. Shares of restricted stock that have not vested generally will be subject to forfeiture by the participant, without payment of any consideration by our company, if the participant's employment or service terminates. Unless otherwise permitted by our compensation committee, shares of restricted stock granted under the 2003 Plan may not be transferred by the participant prior to vesting.

Certain Corporate Transactions; Change in Control. In the event of certain corporate transactions, such as a merger or consolidation in which we are not the surviving entity or a sale of all or substantially all of the assets of our company, the 2003 Plan provides that (a) each outstanding option or restricted stock award may be assumed or substituted with a comparable option or restricted stock award by our successor company or its parent, (b) each outstanding option or restricted stock award may be cancelled and the recipient will receive a cash payment equal to, with respect to a stock option, the excess of the value of securities and property (including cash) received by the holders of shares of our common stock as a result of such event over the exercise price of such option, and with respect to restricted stock, the value of securities and property (including cash) received by the holders of the shares of our common stock as a result of such event; or (c) any combination of (a) or (b). No award agreement entered into pursuant to the 2003 Plan provides for the acceleration of any exercise schedule or vesting schedule with respect to an award solely because of a "change in control" of our company. However, awards may provide for the acceleration of the exercise schedule or vesting schedule in the event of the termination of the recipient's employment with us by us without cause or by the recipient for good reason within a specified period of time following a change in control.

Amendment and Termination. Our board of directors may amend or modify the 2003 Plan at any time, subject to any required approval of our stockholders or the recipients of outstanding awards. The compensation committee may, at any time, terminate any outstanding option for consideration equal to the fair market value per share less the exercise price.

Federal Income Tax Consequences. The following is a summary of the general federal income tax consequences to our company and to U.S. taxpayers of awards granted under the 2003 Plan. Tax consequences for any particular individual or under state or non-U.S. tax laws may be different.

Non-Qualified Stock Options (each, an "NSO"). No taxable income is reportable when an NSO is granted. Upon exercise, generally, the recipient will have ordinary income equal to the fair market value of the underlying shares of stock on the exercise date minus the exercise price. Any gain or loss upon the disposition of the stock received upon exercise will be capital gain or loss to the recipient.

Restricted Stock. A recipient of restricted stock will not have taxable income upon the grant unless he or she elects to be taxed at that time. Instead, he or she will have ordinary income at the time of vesting equal to the fair market value on the vesting date of the shares (or cash) received minus any amount paid for the shares.

Tax Effect for Our Company. We generally will receive a tax deduction for any ordinary income recognized by a participant in respect of an award under the 2003 Plan (for example, upon the exercise of a NSO). Special rules limit the deductibility of compensation paid to our CEO and to each of our four most highly compensated executive officers. Under Section 162(m), the annual compensation paid to each of these executives may not be deductible to the extent that it exceeds $1 million. However, we intend to rely on Treas. Reg. Section 1.162-27(f) which provides that the deduction limit of Section 162(m) does not apply to any remuneration paid pursuant to a compensation plan or agreement that existed during the period in which the company was not publicly held. We may rely on this grandfather provision for up to three years after we become publicly held. Additionally, after the expiration of the grandfather, we can preserve the deductibility of compensation over $1 million if certain conditions of Section 162(m) are met, including obtaining shareholder approval of the 2003 Plan and setting limits on the number of awards that any individual may receive. Our deduction may also be limited by Section 280G of the Code.

2005 Equity Incentive Plan

Our board of directors adopted the 2005 Equity Incentive Plan (“2005 Plan”) on October 11, 2005, subject to the approval of our compensation committee. Our compensation committee has approved the 2005 Plan conditioned on the consummation of this offering.

Share Reserve. We have authorized 1,900,000 shares (three percent of our outstanding shares, after giving effect to this offering, on a fully-diluted basis) of our common stock for issuance under the 2005 Plan; *provided* that to the extent that any award granted under the 1997 Plan or the 2003 Plan terminates, expires or is canceled or is forfeited without having been exercised, the shares of our common stock covered by such award shall be treated as not issued pursuant to such plans and shall be available for grant under the 2005 Plan, but shall not be counted toward the aggregate number of shares of our common stock reserved for issuance under the 2005 Plan. Out of such aggregate, the maximum number of shares of our common stock that may be covered by incentive stock options, within the meaning of Section 422 of the Code shall not exceed 1,900,000 shares of common stock. To the extent that any equity based award granted under the 2005 Plan is forfeited, terminates, expires or is canceled without having been exercised, the shares of our common stock covered by such award shall again be available for grant under the 2005 Plan. The aggregate number of shares available for issuance under the 2005 Plan may be adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 2005 Plan.

Eligibility. Employees, independent contractors and directors of our company or our subsidiaries are eligible to participate in the 2005 Plan.

Types of Awards. The 2005 Plan permits the granting of incentive stock options, nonqualified stock options, shares of restricted stock, restricted stock units, stock appreciation rights, phantom stock, performance shares, deferred share units and share-denominated performance units.

Administration. The 2005 Plan is administered by a committee, which shall consist solely of two or more persons, each of whom qualifies as a “non-employee director” (within the meaning of

Rule 16b-3 promulgated under Section 16 of the Exchange Act), as an "outside director" within the meaning of Treasury Regulation Section 1.162-27(e)(3), and as "independent" within the meaning of any applicable stock exchange or similar regulatory authority, which such composition will be phased in pursuant to any applicable transition period. The committee determines, among other things, which eligible employees and independent contractors are to receive awards, the number of shares of our common stock subject to each award, and the terms and conditions of each award granted to employees and independent contractors, consistent with the provisions of the 2005 Plan. Our board of directors will have parallel authority with respect to awards granted to directors. The terms and conditions of each award shall be set forth in a written award agreement with the recipient. The committee has authority to interpret and administer the 2005 Plan and any award agreement and to establish rules and regulations for the administration of the 2005 Plan.

Options. Options granted under the 2005 Plan may be either incentive stock options or nonqualified stock options, and such designation shall be stated on the award agreement. The holder of an option granted under the 2005 Plan will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, as determined by our compensation committee. The exercise price per share of our common stock covered by any option shall not be less than 100% of the fair market value of a share of our common stock on the date on which such option is granted. The aggregate fair market value of shares of common stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year under the 2005 Plan and any other stock option plan of our company or our subsidiaries shall not exceed $100,000.

An option shall be exercised by such methods and procedures as the committee determines from time to time, including without limitation through net physical settlement or other method of cashless exercise. Options granted under the 2005 Plan generally may be transferred without our prior written consent only by will or by the laws of descent and distribution.

Other Stock-Based Awards. The committee may grant other stock-based awards to employees and independent contractors and our board of directors may grant such awards to directors subject to such terms and conditions as the committee or our board of directors, as appropriate, may determine. Each such award may (i) involve the transfer of actual shares of our common stock to participants, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of our common stock, (ii) be subject to performance-based and/or service-based conditions, (iii) be in the form of stock appreciation rights, phantom stock, restricted stock, restricted stock units, performance shares, deferred share units or share-denominated performance units, (iv) be designed to comply with applicable laws of jurisdictions other than the United States, and (v) be designed to qualify as performance-based compensation (by satisfying the requirements of Section 162(m) of the Code for deductibility of remuneration paid to "covered employees"); provided that each such award shall be denominated in, or shall have a value determined by reference to, a number of shares of our common stock that is specified at the time of the grant of such award.

Performance-Based Compensation. The amount payable with respect to an award that is intended to qualify as performance-based compensation under the 2005 Plan shall be determined in any manner permitted by Section 162(m) of the Code. The committee shall establish performance measures, the level of actual achievement of performance goals and the amount payable with respect to an award intended to qualify under Section 162(m) of the Code. The committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may, subject to certain limitations, exercise its discretion to reduce the amounts payable under any award subject to performance conditions.

The grant, exercise and/or settlement of such performance or annual incentive award shall be contingent upon achievement of pre-established performance goals which shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) and regulations thereunder.

One or more of the following business criteria for our company shall be used by the committee in establishing performance goals for such awards: (i) net income or operating net income (before or after taxes, interest, depreciation, amortization, and/or nonrecurring/unusual items), (ii) return on assets, return on capital, return on equity, return on economic capital, return on other measures of capital, return on sales, or other financial criteria, (iii) revenue or net sales, (iv) gross profit or operating gross profit, (v) cash flow, (vi) productivity or efficiency ratios, (vii) share price or total shareholder return, (viii) earnings per share, (ix) budget and expense management, (x) customer and product measures, including market share, high value client growth, and customer growth, (xi) working capital turnover and targets, (xii) margins, (xiii) economic value added or other value added measurements, (xiv) customer satisfaction based on specific goals, such as customer survey results or loyalty measures, (xv) employee measures based on specified goals, such as turnover, satisfaction surveys or sales per employee; staffing, diversity, training and development, (xvi) inventory turnover or inventory shrinkage, and (xvii) market penetration, geographic expansion or new concept development, in any such case (x) considered absolutely or relative to historic performance or relative to one or more other businesses, (y) determined for the Company or any business unit or division thereof, and/or (z) compared to the actual performance by a competitor or group of competitors determined in the discretion of the committee. Performance goals may differ for awards granted to any one participant or to different participants.

Certain Corporate Transactions; Change in Control. In the event of certain corporate transactions, such as a merger or consolidation in which we are not the surviving entity or a sale of all or substantially all of the assets of our company, the 2005 Plan provides that the committee shall, in its sole discretion, have the power to (i) cancel each outstanding award and pay to the participant to whom such award was granted an amount in cash, for each share of our common stock subject to such award and/or (ii) provide for the exchange of each outstanding award for an award with respect to, as appropriate, some or all of the property which a holder of the number of shares of our common stock subject to such award would have received in such transaction with an equitable adjustment to the exercise price of such award, or to the number of shares or amount of property subject to such award, or if appropriate, provide for a cash payment to the participant to whom such award was granted in partial consideration for the exchange of the award.

Amendment and Termination. Our board of directors may amend or modify the 2005 Plan at any time, subject to any required approval of our stockholders or the recipients of outstanding awards.

Federal Income Tax Consequences. The following is a summary of the general federal income tax consequences to our company and to U.S. taxpayers of awards granted under the 2005 Plan. Tax consequences for any particular individual or under state or non-U.S. tax laws may be different.

Non-Qualified Stock Options (each, an "NSO") and Stock Appreciation Rights (each, a "SAR"). No taxable income is reportable when a NSO or SAR is granted. Upon exercise, generally, the recipient will have ordinary income equal to the fair market value of the underlying shares of stock on the exercise date minus the exercise price. Any gain or loss upon the disposition of the stock received upon exercise will be capital gain or loss to the recipient.

Incentive Stock Options (each an "ISO"). No taxable income is reportable when an ISO is granted or exercised (except for participants who are subject to the alternative minimum tax, who may be required to recognize income in the year in which the ISO is exercised). If the recipient exercises the ISO and then sells the underlying shares of stock more than two years after the grant date and more than one year after the exercise date, the excess of the sale price over the exercise price will be taxed as capital gain or loss. If the recipient exercises the ISO and sells the shares before the end of the two- or one-year holding periods, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the ISO.

Restricted Stock and Performance Shares. A recipient of restricted stock, restricted stock units or performance shares will not have taxable income upon the grant unless, in the case of restricted stock, he or she elects to be taxed at that time. Instead, he or she will have ordinary income at the time of vesting equal to the fair market value on the vesting date of the shares (or cash) received minus any amount paid for the shares.

Other Awards. With respect to other awards involving the issuance of shares of our common stock or other property that is restricted as to transferability and subject to a substantial risk of forfeiture, the participant must generally recognize ordinary income equal to the fair market value of the shares or other property received at the first time the shares or other property become transferable or no longer subject to a substantial risk of forfeiture, whichever occurs earlier. With respect to other awards that result in the payment or issuance of cash or shares of our common stock or other property that is either not restricted as to transferability or not subject to a substantial risk of forfeiture, the participant must generally recognize ordinary income equal to the cash or the fair market value of Shares or other property received. Any deferral of the time of payment or issuance will generally result in the deferral of the time the participant will be liable for income taxes with respect to such payment or issuance.

Tax Effect for Our Company. We generally will receive a tax deduction for any ordinary income recognized by a participant in respect of an award under the 2005 Plan (for example, upon the exercise of a NSO). In the case of ISOs that meet the requirements described above, the participant will not recognize ordinary income; therefore, we will not receive a deduction. Special rules limit the deductibility of compensation paid to our CEO and to each of our four most highly compensated executive officers. Under Section 162(m), the annual compensation paid to each of these executives may not be deductible to the extent that it exceeds $1 million. However, we intend to rely on Treas. Reg. Section 1.162-27(f) which provides that the deduction limit of Section 162(m) does not apply to any remuneration paid pursuant to a compensation plan or agreement that existed during the period in which the company was not publicly held. We may rely on this “grandfather” provision for up to three years after we become publicly held. Additionally, after the expiration of the grandfather provision, we can preserve the deductibility of compensation over $1 million if certain conditions of Section 162(m) are met. These conditions include shareholder approval of the 2005 Plan, setting limits on the number of awards that any individual may receive and establishing performance criteria that must be met before the award will actually be granted, be settled, vest or be paid. The 2005 Plan has been designed to permit the committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m). Our deduction may also be limited by Section 280G of the Code.

Company Bonus Plan

On April 10, 2006, our compensation committee approved the financial goals under our bonus plan for fiscal 2006, which we refer to as the “2006 Plan,” for the annual cash bonus awards payable to eligible employees participating in the 2006 Plan, including Messrs. Pfeifle and Scully and Ms. Gardner. The bonuses payable under the 2006 Plan will be based on the extent to which we meet or exceed specific financial goals established by the compensation committee and individual performance assessments as determined in the discretion of our management. For Messrs. Drexler Pfeifle and Scully and Ms. Gardner, the amount of the actual bonus award could range from zero to 100% of annual base salary, with a target of 50% of his or her annual base salary. Mr. Drexler is eligible to receive a target bonus of $800,000.

Option Grants in Connection with this Offering

We intend to grant options to purchase 121,500 shares of our common stock at the initial public offering price, including 15,000 to James Scully, our Chief Financial Officer, and the remainder to other employees, on the day the offering is priced for sale to the public.

Compensation Committee Interlocks and Insider Participation

In fiscal 2005, the members of our compensation committee were Messrs. Coulter (Chairman) and Sloan and Ms. Scott. Ms. Scott is a former Chairman, former Chief Executive Officer and former Vice-Chairman of J.Crew. Mr. Sloan is the President of UV, Inc., which is the general partner of University Village Limited Partnership, the owner and operator of University Village Shopping Center in Seattle, Washington. J.Crew has entered into a 10-year lease agreement with University Village Limited Partnership with respect to the lease of 7,400 square feet at the University Village Shopping Center for the operation of one of our retail stores. See "Certain Relationships and Related Transactions—University Village Lease."

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership of shares is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, we believe that each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by that person. Shares of common stock subject to options currently exercisable or exercisable within 60 days of April 29, 2006 are deemed outstanding for calculating the percentage of outstanding shares of the person holding these options, but are not deemed outstanding for calculating the percentage of any other person. The beneficial ownership of shares of our common stock after the offering as set forth below is calculated assuming an aggregate of 18,800,000 shares will be sold in this offering and an aggregate of 11,316,000 shares will be issued in connection with the Conversion and the TPG Subscription. In the event that a different number of shares is sold, the beneficial ownership of holders of our common stock may be significantly different from that set forth below.

The following table sets forth information regarding the beneficial ownership of the shares of our common stock as of April 29, 2006 by stockholders known by us to beneficially own more than five percent of our outstanding common stock.

			Percent of Class	
Title of Class	**Name and Address of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Before Offering**	**After Offering(1)**
Common stock	TPG Advisors II, L.P. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102	17,490,899 shares(2)(3)	56%	40%
Common stock	Millard S. Drexler J.Crew Group, Inc. 770 Broadway New York, NY 10003	6,790,282 shares(4)	22%	12%
Common stock	Emily Scott J.Crew Group, Inc. 770 Broadway New York, NY 10003	5,386,120 shares(5)	17%	10%

(1) Gives effect to this offering, the Conversion and the TPG Subscription. See “Transactions in Connection with the Offering.”

(2) TPG Advisors II, Inc. is the general partner of TPG Gen Par II, L.P. (“GenPar II”), which is the general partner of each of Partners II, TPG Parallel II, L.P. (“Parallel II”), TPG Investors II, L.P. (together with Partners II and Parallel II, the “TPG II Funds”), and TPG 1999 Equity II, L.P. (“Equity II”). The TPG II Funds and Equity II beneficially own 17,449,860 shares of our common stock directly. TPG Advisors II, Inc. may be deemed to be the beneficial owner of shares beneficially owned by the TPG II Funds and Equity II but disclaims such beneficial ownership pursuant to rules promulgated under the Exchange Act. David Bonderman, James G. Coulter and William S. Price, III (the “Shareholders”) are directors, officers and shareholders of TPG Advisors II, Inc. and may be deemed to be the beneficial owners of shares owned by the TPG II Funds and Equity II. Each Shareholder disclaims beneficial ownership of any securities beneficially owned by the TPG II Funds and Equity II.

(3) Includes 3,332,683 shares not currently owned but issuable to the TPG II Funds and Equity II upon conversion of the 5.0% Notes Payable. The TPG II Funds and Equity II together hold a 50% membership interest in TPG-MD Investment, LLC, which beneficially owns the 5.0% Notes Payable directly. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. The TPG II Funds and Equity II have agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $3.52 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(4) Includes (i) 1,329,355 shares owned by Mr. Drexler, (ii) 508,193 shares beneficially owned by a family trust for which Mr. Drexler is a trustee, (iii) 1,620,050 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable, and (iv) 3,332,683 shares not currently owned but issuable to TPG-MD Investment, LLC upon conversion of the 5.0% Notes Payable. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. An entity controlled by Mr. Drexler, MDJC LLC, holds a 50% membership interest in TPG-MD Investment LLC, which beneficially owns the 5.0% Notes Payable directly. Mr. Drexler has agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $3.52 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(5) Includes 991,516 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable.

The following table sets forth information regarding the beneficial ownership of each class of our equity securities as of April 29, 2006 by each of our directors and executive officers, and our directors and executive officers as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class	
			Before Offering	After Offering(1)
Common stock	Bridget Ryan Berman	19,358	*	*
Common stock	Richard Boyce	106,856	*	*
Common stock	James Coulter	17,490,899(2)	56%	40%
Common stock	Steven Grand-Jean	55,654(3)	*	*
Common stock	Emily Scott	5,386,120(4)	17%	10%
Common stock	Thomas Scott	55,654(3)	*	*
Common stock	Stuart Sloan	55,654(3)	*	*
Common stock	Josh Weston	85,616(5)	*	*
Common stock	Millard Drexler	6,790,282(6)	22%	12%
Common stock	Roxane Al-Fayez	33,876	*	*
Common stock	Tracy Gardner	91,950(7)	*	*
Common stock	Jeffrey Pfeifle	534,621(8)	2%	1%
Common stock	All directors and executive officers as a group	30,706,540	98%	65%
Series A preferred stock	James Coulter	73,475(9)	79%	*
Series A preferred stock	Emily Scott	2,979	3%	*
Series A preferred stock	Josh Weston	60	*	*
Series A preferred stock	All directors and executive officers as a group	76,514	82%	*

* Represents less than 1% of the class.

(1) Gives effect to this offering, the Conversion and the TPG Subscription. See "Transactions in Connection with the Offering."

(2) As a Shareholder, Mr. Coulter may be deemed to be the beneficial owner of shares owned by the TPG II Funds and Equity II. Includes 3,332,863 shares not currently owned but issuable to the TPG II Funds and Equity II upon conversion of the 5.0% Notes Payable. We refer you to "Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable" for more information. Mr. Coulter disclaims beneficial ownership of the shares owned by the TPG II Funds and Equity II. The TPG II Funds and Equity II have agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $3.52 per share of common stock immediately prior to the consummation of this offering. We refer you to "Transactions in Connection with the Offering" for more information.

(3) Includes 45,975 shares for Messrs. Scott and Sloan and 31,457 shares for Mr. Grand-Jean not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(4) Includes 991,516 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(5) Includes 26,617 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(6) Includes (i) 1,329,355 shares owned by Mr. Drexler, (ii) 508,194 shares beneficially owned by a family trust of which Mr. Drexler is a trustee, (iii) 1,620,050 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days, and (iv) 3,332,683 shares not currently owned but issuable to TPG-MD Investment, LLC upon conversion of the 5.0% Notes Payable. An entity controlled by Mr. Drexler, MDJC LLC, holds a 50% membership interest in TPG-MD Investment LLC, which beneficially owns the 5.0% Notes Payable directly. We refer you to "Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable" for more information. Mr. Drexler has agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $3.52 per share of common stock immediately prior to the consummation of this offering. We refer you to "Transactions in Connection with the Offering" for more information.

(7) Includes 67,753 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(8) Includes 297,011 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(9) Mr. Coulter, together with Messrs. Bonderman and Price, are directors, officers and shareholders of TPG Advisors II, Inc., which is the general partner of GenPar II, which in turn is the general partner of each of the TPG II Funds. Mr. Coulter may be deemed to be the beneficial owner of 73,475 shares of our Series A Preferred Stock held directly by TPG II Funds. Mr. Coulter disclaims beneficial ownership of any securities beneficially owned by such funds.

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of us.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Tax Sharing Arrangement

We and our subsidiaries entered into a tax sharing agreement which generally provides (among other things) that our consolidated tax liability will be allocated among us and our subsidiaries in proportion to separate taxable incomes.

5.0% Notes Payable

Pursuant to a credit agreement with TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, we issued to TPG-MD Investment, LLC the 5.0% Notes Payable. The 5.0% Notes Payable bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest is compounded and capitalized and added to the principal amount on each interest payment date. Under the terms of TPG-MD Investment, LLC's operating agreement, the distributions payable to Mr. Drexler under this credit agreement go directly to MDJC LLC, an entity whose sole members are Mr. Drexler, a trust for which Mr. Drexler and his wife are trustees and Grand-Jean Capital Management, which is owned by Steven Grand-Jean, a director of J.Crew. As payment for certain financial advisory services that Mr. Grand-Jean rendered to Mr. Drexler and pursuant to MDJC LLC's operating agreement, Mr. Grand-Jean is entitled to distributions under certain circumstances from his equity interest in MDJC LLC.

As a result of this arrangement, Mr. Grand-Jean will receive shares of our common stock that MDJC LLC acquires from TPG-MD Investment, LLC and, which TPG-MD Investment, LLC, in turn, acquires pursuant to its conversion of the 5.0% Notes Payable. See "Transactions in Connection With the Offering".

For a more detailed discussion of the 5.0% Notes Payable, see "Description of Certain Indebtedness—5.0% Notes Payable".

Madewell License Agreement

On October 20, 2005 we entered into a trademark license agreement with Mr. Drexler, our Chairman and Chief Executive Officer, and Millard S. Drexler, Inc., a corporation of which Mr. Drexler is a principal, whereby Mr. Drexler granted us a thirty-year exclusive, worldwide license to use the "Madewell" trademark and associated intellectual property rights owned by him to develop a supplemental clothing, footwear and accessories line. In consideration for the license, we have reimbursed Mr. Drexler $242,300 for the actual costs expended in acquiring and developing this mark, and will pay royalties of $1 per year during the term of the license, and recognize Mr. Drexler as "founder" and "creator" of any business developed in connection with this mark. We also agreed that, during Mr. Drexler's employment, we will not assign or spin off ownership of the mark without his consent other than as part of a sale of the entire company (except that we may pledge or hypothecate our interest in the mark as part of bank or other financings).

Mr. Drexler has further agreed to assign to us all of his residual rights in this mark and all associated intellectual property for no additional consideration if we (a) establish an operating business unit using this mark and (b) invest at least $7.5 million in developing this mark; provided, however, that Mr. Drexler will have no obligation to assign such rights if we terminate his employment without cause or he resigns with good reason before we meet 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) we have not made the $7.5 million capital commitment prior to Mr. Drexler's termination without cause or resignation with good reason, (b) we decide, before making the $7.5 million commitment, to discontinue our plans to use this mark and we have no bona fide intention to resume such use, or (c) we determine, 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 all consideration we paid him on execution of the license.

We plan to open two to three stores offering the Madewell line in 2006. We also expect to launch a Madewell website that will initially provide customers with a toll-free number to place orders on-line.

University Village Lease

Stuart Sloan, a director, is the President of UV, Inc., which is the general partner of University Village Limited Partnership, the owner and operator of University Village Shopping Center in Seattle, Washington. Mr. Sloan's sons are the beneficiaries of trusts that are limited partners of University Village Limited Partnership. On October 14, 2003, we entered into a lease agreement with University Village Limited Partnership for a 7,400 square foot space at the University Village Shopping Center for the operation of one of our retail stores. The term of the lease is 10 years. We received an allowance for tenant's improvements in the amount of $450,000 from University Village Limited Partnership. Annual rent due under the lease is comprised of (i) base rent payment of $296,000 for years one through five and $326,000 for years six through 10 and (ii) contingent rent payment based on the store's sales in excess of a specified threshold. The lease also requires us to pay real estate taxes, insurance and certain common-area costs. We believe the terms of the lease are consistent with arms-length negotiations.

Plum TV Sponsorship Agreement

Emily Scott and Thomas Scott, both directors, are founding partners of Plum TV, LLC, a television station network operating in select resort markets. Mr. Scott is also the Chief Executive Officer and Executive Co-Chairman of Plum TV, LLC. In May 2004, we entered into a sponsorship agreement with Plum TV under which Plum TV provided us with airtime on its network to televise commercials and related services. We entered into a new agreement for a four-month period upon the old agreement's expiration in May 2005. We did not renew the agreement past September 15, 2005. In fiscal 2004, we paid Plum TV, LLC a total amount of $250,000. Under the renewed sponsorship agreement, we paid Plum TV, LLC a total amount of $375,000 in 2005, which we believe is the fair market value of the services provided. Mr. and Ms. Scott are married.

Registration Rights

Prior to the consummation of this offering, we plan to enter into a registration rights agreement with the TPG II Funds and TPG 1999 Equity II, L.P. (an affiliate of TPG) relating to the shares of our common stock they hold (including shares subsequently acquired by them). Subject to certain exceptions, including our right to defer a demand registration under certain circumstances, the TPG II Funds and TPG 1999 Equity II, L.P. will have the right to require us to register for public sale under the Securities Act all shares of common stock that they request be registered at any time following the expiration of the lock-up period in connection with this offering. The TPG Funds and TPG Equity II, L.P. will also be entitled to piggyback registration rights with respect to any future registration statement we file for an underwritten public offering of our securities. Under the agreement, we would be responsible for the expenses of any such offering. The TPG II Funds and TPG Equity II, L.P. are subject to lock-up agreements for a period of 180 days following the date of this prospectus.

In addition, Mr. Drexler and Ms. Scott have rights under stockholders' agreements with us, the TPG II Funds and TPG 1999 Equity II, L.P. to cause us to register their shares of common stock under the Securities Act. These rights include piggyback registration rights to require us to include these stockholders' shares in any registered offering including shares held by the TPG II Funds and TPG 1999 Equity II, L.P. In addition, Mr. Drexler has demand registration rights commencing as of the first anniversary of this offering similar to those described above. Registration of the sale of these shares of our common stock would permit their sale into the market immediately following effectiveness of such registration. If these stockholders exercise their rights and sell a large number of shares, the market price of our common stock could decline. Mr. Drexler and Ms. Scott are subject to lock-up agreements for a period of 180 days following the date of this prospectus. We refer you to "Management—Executive Compensation—Employment Agreements and other Compensation Arrangements" and "Description of Capital Stock—Stockholders' Agreements" for a more detailed discussion of the registration rights. Under these agreements, we would be responsible for the expenses of any such offerings.

DESCRIPTION OF CAPITAL STOCK

General

We were incorporated in New York in 1988 and reincorporated in Delaware in October 2005. The following description of our capital stock following our reincorporation does not purport to be complete and is subject to the provisions of our certificate of incorporation and bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part. The following descriptions are qualified in their entirety by reference to our certificate of incorporation and bylaws and to applicable law.

Common Stock

Upon the consummation of this offering, our authorized capital stock will consist of 200,000,000 shares of common stock, with a par value of $.01 per share. Following the consummation of this offering, the Conversion and the TPG Subscription, we will have 56,921,000 shares of common stock outstanding. Prior to this offering, there were 66 holders of our common stock.

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive proportionately our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. Our outstanding shares of common stock are, and the shares offered by us in this offering and issued in connection with the Conversion and the TPG Subscription will be, when issued and paid for, validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Our certificate of incorporation authorizes the issuance of an aggregate of 20,000,000 shares of preferred stock with a par value of $.01 per share. Prior to the consummation of this offering, there were approximately 92,800 shares of our Series A Preferred Stock outstanding, and 32,500 shares of our Series B Preferred Stock outstanding. As described above in "Transactions in Connection with the Offering," we expect that all outstanding shares of Series A Preferred Stock and Series B Preferred Stock will be redeemed in connection with this offering. Upon the consummation of those transactions there will be no shares of preferred stock outstanding.

Our board of directors may issue preferred stock, without stockholder approval, in such series and with such designations, preferences, conversion or other rights, voting powers and qualifications, limitations or restrictions thereof, as the board of directors deems appropriate. While the board of directors has no current intention of doing so, it could, without stockholder approval, issue preferred stock with voting, conversion and other rights that could adversely affect the voting power and impact other rights of the holders of the common stock. Our board of directors may issue preferred stock as an anti-takeover measure without any further action by the holders of common stock. This may have the effect of delaying, deferring or preventing a change of control of J.Crew by increasing the number of shares necessary to gain control of the company. Except as described below, our board of directors has not authorized the issuance of any shares of preferred stock and we have no agreements or current plans for the issuance of any shares of preferred stock.

Stockholders' Agreements

Under a stockholders' agreement, as amended by a letter agreement, among us, Ms. Scott and Partners II, an affiliate of TPG, Ms. Scott has a right to include her shares in a registered offering that includes shares of common stock held by Partners II or its affiliates. Under the terms of this agreement, we are required to obtain Ms. Scott's consent before engaging in a transaction with any affiliate of Partners II, provided that her consent may not be unreasonably withheld. This stockholders' agreement also imposes certain restrictions on the transfer of shares of our common stock held by Ms. Scott and Partners II, and contains customary tag-along and drag-along rights. Under this agreement, Partners II has agreed to vote for Ms. Scott and a nominee chosen by her as members of the board of directors and Ms. Scott has agreed to vote for three director nominees chosen by Partners II. This agreement will terminate following the completion of this offering, including the drag-along rights. However, the transfer restrictions, tag-along rights, right to include shares in a registered offering and rights in connection with the election of directors will survive the termination of the agreement.

Under a stockholders' agreement between Partners II and Mr. Drexler, Mr. Drexler has registration rights with respect to shares of our common stock owned by him or acquired pursuant to the exercise of options. Mr. Drexler's stockholders' agreement also imposes certain restrictions on the transfer of the common shares held by Mr. Drexler and Partners II, and contains customary tag-along and drag-along rights. In addition, Mr. Drexler's shareholders' agreement provides him with the right to nominate three directors directly and three additional directors by mutual agreement with Partners II. Mr. Drexler also has the right to consent to our operating/capital budgets. Mr. Drexler's right to nominate directors directly and by mutual agreement with TPG will terminate upon the consummation of this offering. Mr. Drexler's shareholders' agreement also provided him with certain anti-dilution and co-investment rights which expired according to the terms of the agreement on January 31, 2004 and January 31, 2005, respectively.

The restricted shares of our common stock held by Mr. Pfeifle and Ms. Gardner, and any shares of our common stock acquired by them pursuant to the exercise of options are subject to shareholders' agreements providing for certain transfer restrictions and customary tag-along and drag-along rights. These agreements will terminate following the completion of this offering, including the tag-along and drag-along rights. The transfer restrictions, however, will survive the termination of the agreement. Similar agreements with former employees will also terminate on the same terms in connection with this offering. We refer you to "Management—Executive Compensation—Employment Agreements and other Compensation Arrangements" for more information.

Provisions in Our Charter and Bylaws

Certificate of Incorporation. Our certificate of incorporation provides that our board of directors may issue, without further action by the stockholders, up to 20,000,000 shares of undesignated preferred stock.

Bylaws. Our bylaws provide that:

- any action to be taken by our stockholders must be effected at a duly called annual or special meeting and not by a consent in writing,
- our board of directors is divided into three classes, with each class serving for a term of three years,
- vacancies on the board, including newly created directorships, can be filled for the remainder of the relevant term by a majority of the directors then in office, and
- our directors may be removed only for cause.

Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice to us in writing or by electronic transmission. To be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. In the event that the annual meeting is called for a date that is not within 30 days before or 60 days after the anniversary date, in order to be timely, notice from the stockholder must be received:

- not earlier than 120 days prior to the annual meeting of stockholders, and
- not later than 90 days prior to the annual meeting of stockholders or the tenth day following the date on which notice of the annual meeting was made public.

In the case of a special meeting of stockholders called for the purpose of electing directors, notice by the stockholder, in order to be timely, must be received:

- not earlier than 120 days prior to the special meeting, and
- not later than 90 days prior to the special meeting or the close of business on the tenth day following the day on which public disclosure of the date of the special meeting was made.

Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual or special meeting of stockholders or from making nominations for directors at an annual or special meeting of stockholders or from making nominations for directors at an annual or special meeting of stockholders. In addition, our bylaws permit our board of directors to amend or repeal our amended and restated bylaws by majority vote, but require a two-thirds supermajority vote of stockholders to amend or repeal our amended and restated bylaws.

The provisions in our certificate of incorporation and our bylaws are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control of our company. These provisions also are designed to reduce our vulnerability to an unsolicited takeover proposal that does not contemplate the acquisition of all of the outstanding shares of our common stock or an unsolicited proposal for the restructuring or sale of all or part of us. These provisions, however, could discourage potential acquisition proposals and could delay or prevent a change in control of our company. They may also have the effect of preventing changes in our management.

Limitation of Liability and Indemnification of Officers and Directors

Our certificate of incorporation provides that no director shall be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except as required by the Delaware General Corporation Law as in effect from time to time. Our bylaws provide that, to the full extent permitted by law, we will indemnify any person made or threatened to be made a party to any action by reason of the fact that the person is or was our director or officer, or serves or served as a director or officer of any other enterprise at our request.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

New York Stock Exchange Listing

Our common stock has been approved for listing on the New York Stock Exchange under the symbol "JCG."

DESCRIPTION OF CERTAIN INDEBTEDNESS

This summary highlights the principal terms of the agreements and instruments governing our outstanding indebtedness. You should refer to the agreements and instruments filed as exhibits to the registration statement of which this prospectus forms a part for a complete description.

Credit Facility

On December 23, 2004, we, Operating and certain of its subsidiaries entered into the Credit Facility with Wachovia Capital Markets, LLC, as arranger and bookrunner, Wachovia, as administrative agent, Bank of America N.A., as syndication agent, Congress Financial Corporation, as collateral agent, and a syndicate of lenders which provides for a maximum credit availability of up to $170.0 million (which may be increased to $250.0 million subject to certain conditions). The Credit Facility was amended on October 10, 2005 in connection with our reincorporation in Delaware and merger with Intermediate, on May 15, 2006 in connection with the establishment of Operating's Madewell subsidiary, and on May 15, 2006 in connection with our entering into the New Term Loan and the 13 $^{1}/_{8}$% Redemption. We expect to further amend the Credit Facility in connection with this offering in order to permit certain of the transactions described in "Transactions in Connection with the Offering".

Structure. The Credit Facility provides for revolving loans and letter of credit accommodations to Operating and certain of its subsidiaries (collectively, the "Borrowers"), and expires in December 2009. The total amount of available borrowings is subject to limitations based on specified percentages of the value of eligible receivables, inventory and real property. During fiscal 2003, 2004 and 2005, maximum borrowings under our working capital credit agreements were $10.0 million, none and none, respectively, and average borrowings were $1.0 million, none and none respectively. There were no borrowings outstanding at January 29, 2005 and January 28, 2006. As of April 29, 2006, there were no amounts outstanding and $97.5 million available under the Credit Facility.

Guarantees and Security. Borrowings under the Credit Facility are guaranteed by us and certain of Operating's domestic direct or indirect subsidiaries and are secured by a perfected first or second priority security interest in substantially all of our and our subsidiaries' assets, subject to intercreditor arrangements with the lenders under the New Term Loan.

Interest Rate. Borrowings under the Credit Facility bear interest, at our option, at Wachovia's prime rate plus a margin of up to 0.25% or LIBOR plus a margin ranging from 1.25% to 2.00%.

Fees. We are required to pay a monthly-unused line fee ranging from 0.250% to 0.375%. We are also required to pay monthly fees on daily outstanding balances under commercial letters of credit and standby letters of credit ranging from 0.625% to 1.0% and 1.25%, respectively, in addition to any fees of the applicable issuing bank.

Restrictions. The Credit Facility includes restrictions on our ability to incur additional indebtedness, pay dividends or make other distributions, make investments, make loans and make capital expenditures. The Credit Facility permits restricted payments (by way of dividends or other distributions) with respect to, among other things, our capital stock payable solely in additional shares of our capital stock, our tax sharing agreement, our Series A Preferred Stock and Series B Preferred Stock payable solely in additional shares of such preferred stock and our 13 $^{1}/_{8}$% Debentures.

Covenants. Under the Credit Facility, Operating is required to maintain a fixed interest charge coverage ratio with respect to the 12 fiscal months immediately preceding any date on which excess availability is less than $20.0 million. Operating has at all times been in compliance with this financial covenant. The Credit Facility also contains a number of other customary covenants including limitations on our and Operating's and certain of our and Operating's subsidiaries' ability to, among other things:

- sell our assets, enter into consolidations, mergers and dissolutions,
- grant liens and other encumbrances,
- enter into sale and leaseback transactions,
- incur additional indebtedness,
- redeem, repurchase or prepay certain of our indebtedness,
- make loans and other investments,
- pay dividends or make other distributions on our common stock,
- redeem or repurchase our common stock,
- enter into transactions with affiliates,
- enter into contracts that limit intercompany transfers of money or property,
- make certain capital expenditures, and
- make changes to the business activities we conduct.

Mandatory Prepayments Upon Certain Events. Operating is required to make mandatory prepayments under certain circumstances if the amount outstanding under the Credit Facility exceeds certain levels based upon the value of certain of the assets securing the Credit Facility.

Events of Default. The Credit Facility contains events of default, including, but not limited to:

- failure to make principal, interest fee, or other payments when due,
- violation of covenants,
- material inaccuracies of representations and warranties,
- material judgments,
- dissolution,
- events of bankruptcy,
- certain other defaults under other credit documents or material agreements,
- failure to meet certain requirements imposed on pension plans by the Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974,
- a "change of control," as defined in the Credit Facility,
- indictment by any governmental authority or commencement of criminal or civil proceedings in which penalties or remedies sought or available exceed specified minimum amounts, and
- any material adverse effect on the financial condition, business, performance or operations of the Borrowers (taken as a whole), the pledge of collateral securing the Credit Facility, the collateral or its value or the ability of the lender to enforce their rights under the facility documents.

Some of these events of default allow for grace periods and materiality limitations. Each of these events of default applies to us and all of our subsidiaries.

Letters of Credit. Outstanding letters of credit established primarily to facilitate international merchandise purchases amounted to $69.9 million and $70.6 million at January 28, 2006 and April 29, 2006, respectively.

5.0% Notes Payable

On February 4, 2003, Operating entered into a credit agreement with TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler. Under the terms of the credit agreement, we issued to TPG-MD Investment, LLC the 5.0% Notes Payable, which consist of:

- a Tranche A loan in an aggregate principal amount of $10.0 million, and
- a Tranche B loan in an aggregate principal amount of $10.0 million.

The 5.0% Notes Payable are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest is compounded and capitalized and added to the principal amount on each interest payment date. The 5.0% Notes Payable are guaranteed by certain subsidiaries of Operating.

In November 2004, the credit agreement with TPG-MD Investment, LLC was amended to subordinate the Tranche A loan in right of payment to the 9 3/4% Notes while the Tranche B loan is equal in right of payment with the 9 3/4% Notes. On May 15, 2006, the credit agreement with TPG-MD Investment LLC was further amended and restated to subordinate the 5.0% Notes Payable in right of payment to the New Term Loan and the Credit Facility.

TPG-MD Investment, LLC has the right, exercisable at any time prior to the maturity date of the 5.0% Notes Payable, to exchange the principal amount of and accrued and unpaid interest on the 5.0% Notes Payable into shares of our common stock at an exercise price of $3.52 per share. As described above in “Transactions in Connection with the Offering”, TPG-MD Investment, LLC has agreed to exercise this conversion right immediately prior to the consummation of this offering. TPG-MD Investment, LLC also has the right to require Operating to prepay the Tranche B loan without premium or penalty under certain circumstances.

New Term Loan

On May 15, 2006, we entered into a $285.0 million senior secured term loan facility with Goldman Sachs Credit Partners L.P. and Bear, Stearns & Co. Inc., as joint lead arrangers and joint bookrunners, Goldman Sachs Credit Partners L.P, as administrative agent and collateral agent, Bear Stearns Corporate Lending Inc., as syndication agent, and Wachovia, as documentation agent, and various lenders. The New Term Loan includes an accordion feature pursuant to which its principal amount may be increased to up to $385.0 million on a one-time basis prior to December 31, 2006 subject to certain conditions.

We used the $285.0 million in borrowings under the New Term Loan, along with cash on hand, to repurchase the 9 3/4% Notes in the Tender Offer and to pay premiums, fees, commissions and expenses related to the Tender Offer. We plan to use $80.0 million of additional borrowings under the accordion feature of the New Term Loan to fund, in part, the Preferred Redemptions. See “Transactions in Connection with the Offering”.

Structure. Operating is required to make quarterly amortization payments equal to 1.0% per annum of an amount equal to (i) the outstanding New Term Loan principal amount less (ii) all voluntary principal prepayments made by Operating. The remaining principal amount of the New Term Loan will mature on the earlier of (a) the seventh anniversary of the drawing and (b) six months prior to the maturity date or mandatory redemption date (unless extended or repaid in accordance with their terms) of the 13 1/8% Debentures, the 5.0% Notes Payable, the Series A Preferred Stock and the Series B Preferred Stock.

Guarantees and Security. Borrowings under the New Term Loan are guaranteed by us and certain of Operating’s domestic direct or indirect subsidiaries and are secured by a perfected first or second priority security interest in substantially all of our and our subsidiaries’ assets, subject to inter-creditor arrangements with the lenders under the Credit Facility.

Interest Rate. Borrowings under the New Term Loan bear interest, at our option, at base rate plus a margin ranging from 0.75% to 1.25% or LIBOR plus a margin ranging from 1.75% to 2.25%.

Restrictions and Covenants. The documents governing the New Term Loan contain a number of customary covenants including limitations on our and certain of our and Operating's subsidiaries' ability to, among other things:

- grant liens and other encumbrances,
- enter into sale and leaseback transactions,
- incur additional indebtedness,
- redeem, repurchase or prepay certain of our indebtedness,
- make loans and other investments,
- guarantee obligations of third-parties,
- sell our subsidiaries,
- pay dividends or make other distributions on our common stock or, subject to certain exceptions, make payments on subordinated debt,
- redeem or repurchase our common stock,
- enter into transactions with affiliates,
- enter into contracts that limit intercompany transfers of money or property,
- make certain capital expenditures,
- amend or waive certain terms of the Credit Facility or certain other material agreements, and
- make changes to the business activities we conduct.

Mandatory Prepayments Upon Certain Events. The documents governing the New Term Loan require Operating to make mandatory prepayments of the New Term Loan under certain circumstances with the proceeds of asset sales, insurance proceeds and up to 50.0% of our annual excess cash flows.

Events of Default. The documents governing the New Term Loan contains events of default, including, but not limited to:

- failure to make principal, interest fee, or other payments when due,
- violation of covenants,
- breaches of representations and warranties,
- unsatisfied material judgments,
- dissolution,
- events of bankruptcy,
- certain other defaults under other credit documents or material agreements,
- failure to meet certain requirements imposed on pension plans by the Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974,
- impairment of the New Term Loan lenders' security interests,
- invalidity of our and Operating's subsidiaries' guarantees of the New Term Loan; and
- a "change of control," as defined in the New Term Loan definitive documentation.

Some of these events of default allow for grace periods and materiality limitations. Each of these events of default apply to us and all of our subsidiaries.

UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

The following is a general discussion of United States federal income and estate tax consequences of the ownership and disposition of common stock by a person that is not a “United States person” for United States federal income tax purposes (a “non-U.S. holder”). For this purpose, a “United States person” is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder subject to special treatment under the U.S. federal income tax laws (such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, partnerships, owners of 5% or more of our common stock and certain U.S. expatriates). Accordingly, each non-U.S. holder is urged to consult its own tax advisor with respect to the United States tax consequences of the ownership and disposition of common stock, as well as any tax consequences that may arise under the laws of any state, municipality, foreign country or other taxing jurisdiction.

Dividends

Dividends paid to a non-U.S. holder of common stock ordinarily will be subject to withholding of United States federal income tax at a 30 percent rate, or at a lower rate under an applicable income tax treaty that provides for a reduced rate of withholding. However, if the dividends are effectively connected with the conduct by the holder of a trade or business within the United States, then the dividends will be exempt from the withholding tax described above and instead will be subject to United States federal income tax on a net income basis.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to United States federal income tax in respect of gain realized on a disposition of common stock, provided that (a) the gain is not effectively connected with a trade or business conducted by the non-U.S. holder in the United States and (b) in the case of a non-U.S. holder who is an individual and who holds the common stock as a capital asset, such holder is present in the United States for less than 183 days in the taxable year of the sale and other conditions are met.

Federal Estate Taxes

Common stock owned or treated as being owned by a non-U.S. holder at the time of death will be included in such holder’s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

U.S. Information Reporting Requirements and Backup Withholding Tax

U.S. information reporting requirements and backup withholding tax will not apply to dividends paid on common stock to a non-U.S. holder, provided the non-U.S. holder provides a Form W-8BEN (or satisfies certain documentary evidence requirements for establishing that it is a non-United States person) or otherwise establishes an exemption. Information reporting and backup withholding also generally will not apply to a payment of the proceeds of a sale of common stock effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of common stock effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is more than 50 percent (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of common stock will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's United States federal income tax liability provided the required information is furnished to the IRS in a timely manner.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market following this offering or the possibility of these sales occurring could adversely affect prevailing market prices for our common stock or could impair our future ability to raise capital through an offering of equity securities.

Upon the consummation of this offering, we expect that 56,921,000 shares of our common stock will be outstanding, based on 26,805,000 shares outstanding on April 29, 2006 and the issuance of 11,316,000 shares in connection with the Conversion and the TPG Subscription, and the issuance of 18,800,000 shares in this offering (21,620,000 shares if the underwriters' overallotment option is exercised in full).

All of the shares sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares purchased by our affiliates (as that term is defined in Rule 144 under the Securities Act). The remaining shares of common stock (except for shares registered on one of the S-8 registration statements described below) that are held or may be acquired by existing stockholders as of April 29, 2006, as well as shares of our common stock issued in connection with the Conversion and the TPG Subscription, are restricted shares as that term is defined in Rule 144 under the Securities Act and may be resold publicly only upon registration under the Securities Act or in compliance with an exemption from registration, such as the exemption provided under Rule 144, which is summarized below.

Rule 144

Sales by Affiliates. After the expiration of the lock-up agreements, described in this prospectus under "Lock-up Agreements," the holders of 24,303,481 shares of our common stock will be eligible to sell their shares under Rule 144. A substantial majority of the shares of our common stock held by our affiliates have Rule 144 holding periods that exceed one year. As a result, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has owned shares of our common stock for at least one year, including a person who may be deemed our affiliate, will be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding, which will equal approximately 570,000 shares immediately after the consummation of this offering, the Conversion and the TPG Subscription (600,000 shares if the underwriters' overallotment option is exercised in full), or
- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of the sale is filed.

For purposes of applying this volume limit, sales by certain related persons and sales by persons acting in concert must be aggregated. In addition, sales under Rule 144 must be made in unsolicited brokers' transactions and must be disclosed in a notice filing with the SEC. For an affiliate, some of these requirements would also apply to sales of unrestricted shares.

Sales by Non-affiliates. Subject to the lock-up agreements described below, Rule 144(k) is available immediately upon effectiveness of the prospectus for any person, other than a person deemed to have been an affiliate of our company at any time during the three months preceding a sale, who has beneficially owned the shares proposed to be sold for at least two years. As of June 2, 2006, all of the outstanding shares held by non-affiliates have a Rule 144 holding period that exceeds two years. As a result, our non-affiliates may sell these shares under Rule 144(k) without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Lock-up Agreements

Notwithstanding the foregoing, we and the holders of approximately 57% of our shares outstanding after the consummation of this offering, the Conversion and the TPG Subscription and

44% of our shares issuable under options and grants outstanding as of April 29, 2006 — including, among others, our directors and executive officers — have agreed, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except, in our case, issuances upon exercises of options outstanding under existing option plans and the issuance of common stock in connection with the TPG Subscription and the Conversion. However, Goldman, Sachs & Co. and Bear, Stearns & Co. Inc., in their sole discretion, may release any of the securities subject to lock-up agreements, at any time without notice.

The release of any lock-up will be considered on a case by case basis. Factors in deciding whether to release shares may include the length of time before the lock-up expires, the number of shares involved, the reason for the requested release, market conditions, the trading price of our common stock, historical trading volumes of our common stock and whether the person seeking the release is an officer, director or affiliate of ours. The lock-up agreements will provide an exception for the transfer of shares (a) as a bona fide gift, provided that the relevant donee agrees in writing to be bound by the lock-up restrictions, (b) to certain trusts, provided that the transfer does not involve a disposition or sale and the relevant trustee agrees in writing to be bound by the lock-up restrictions and (c) with the written consent of Goldman, Sachs & Co. or Bear, Stearns & Co. Inc.

Option Grants

As of April 29, 2006, collectively under both our 1997 Amended and Restated Stock Option Plan and our 2003 Equity Incentive Plan, there were options issued and outstanding to purchase up to 8,923,324 shares of our common stock. An additional 151,633 shares were available for grant under our 1997 Amended and Restated Stock Option Plan, and 67,873 shares were available for grant under our 2003 Equity Incentive Plan.

Registration Rights

Prior to the consummation of this offering, we plan to grant certain registration rights to the TPG II Funds and TPG 1999 Equity II, L.P. who will, following the consummation of this offering, hold in the aggregate 22,112,853 shares of our common stock. Subject to certain exceptions, including our right to defer a demand registration under certain circumstances, these parties will have the right to require us to register for public sale under the Securities Act all shares of common stock that they request be registered at any time after the expiration of the lock-up period in connection with this offering. These parties will also be entitled to piggyback registration rights with respect to any future registration statement that we file for an underwritten public offering of our securities.

In addition, Mr. Drexler and Ms. Scott have rights under stockholders' agreements with us, the TPG II Funds and TPG 1999 Equity II, L.P. and Partners II to cause us to register their shares of common stock under the Securities Act, representing an aggregate of up to 9,085,026 shares of our common stock. These rights include piggyback registration rights to require us to include these stockholders' shares in any registered offering including shares of the TPG II Funds and TPG 1999 Equity II, L.P. In addition, Mr. Drexler has demand registration rights commencing as of the first anniversary of this offering similar to those held by the TPG II Funds.

Registration of the sale of these shares of our common stock would permit their sale into the market immediately. If these stockholders exercise their rights and sell a large number of shares, the market price of our common stock could decline. These holders of registration rights are subject to lock-up agreements for a period of 180 days following the date of this prospectus. We refer you to "Certain Relationships and Related Transactions—Registration Rights," "Management—Executive Compensation—Employment Agreements and other Compensation Arrangements" and "Description of Capital Stock—Stockholders' Agreements" for a more detailed discussion of the registration rights.

S-8 Registration Statements

We have filed two registration statements under the Securities Act registering up to 10,177,334 shares of our common stock underlying outstanding stock options or restricted stock awards or reserved for issuance under our equity incentive plans. These registration statements became effective upon filing, and shares covered by these registration statements became eligible for sale in the public market immediately after the effective dates of these registration statements, subject to the lock-up agreements described above.

TPG Subscription

Subject to the consummation of this offering and upon the redemption of the Series A Preferred Stock and Series B Preferred Stock described in "Transactions in Connection with the Offering," TPG has agreed to purchase from us, at the initial public offering price of $ per share, common stock with an aggregate purchase price equal to $73.5 million.

UNDERWRITING

J.Crew and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Bear, Stearns & Co. Inc.	
Banc of America Securities LLC	
Citigroup Global Markets Inc.	
Credit Suisse Securities (USA) LLC	
J.P. Morgan Securities Inc.	
Lehman Brothers Inc.	
Wachovia Capital Markets, LLC	
Total	18,800,000

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 2,820,000 shares from J.Crew to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by J.Crew. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 2,820,000 additional shares.

Paid by J.Crew	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

J.Crew, its officers, directors and holders of substantially all of its common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives, except, in the case of J.Crew, issuances upon exercise of options under existing option plans and the issuance of common stock in connection with the TPG Subscription and the Conversion. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period the company issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among J.Crew and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be J.Crew's historical performance, estimates of J.Crew's business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

J.Crew's common stock has been approved for listing on the New York Stock Exchange under the symbol "JCG." In order to meet one of the requirements for listing the common stock on the New York Stock Exchange, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

A prospectus in electronic format will be made available on the websites maintained by one or more of the representatives of the underwriters and may also be made available on websites maintained by other underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the consummation of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

In connection with the issue of the shares of common stock, Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. (the “Stabilizing Managers” (or persons acting on behalf of the Stabilizing Managers)) may over-allot common stock or effect transactions with a view to supporting the market price of the common stock at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Managers (or persons acting on behalf of the Stabilizing Managers) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The shares of common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

To the extent that the offer of the common stock is made in any Member State of the European Economic Area that has implemented the Prospectus Directive before the date of publication of a prospectus in relation to the common stock which has been approved by the competent authority in the Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in the Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities,

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts, or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below.

Each of the underwriters has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the shares may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except; (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

The underwriters have performed investment banking and advisory services for J.Crew from time to time for which they received customary fees and expenses. In addition, affiliates of Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. acted as joint lead arrangers and joint book runners in connection with the New Term Loan. An affiliate of Goldman, Sachs & Co. is the administrative agent and collateral agent for the New Term Loan, and an affiliate of Bear, Stearns & Co. Inc. is the syndication agent. The underwriters may, from time to time, engage in transactions with, and perform services for, J.Crew in the ordinary course of their businesses. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in the Company's debt or equity securities or loans, including the New Term Loan, and may do so in the future.

Goldman Sachs Credit Partners L.P., an affiliate of Goldman, Sachs & Co., has committed to fund J.Crew's additional borrowings under the accordion feature of the New Term Loan. As described above in "Use of Proceeds", if the underwriters exercise their option to purchase additional shares to cover over-allotments, J.Crew intends to use the proceeds to pay down a portion of any such additional borrowings under the accordion feature of the New Term Loan, and accordingly, Goldman Sachs Credit Partners L.P. may receive the total net proceeds of the sale of additional shares pursuant to the over-allotment option. In addition, affiliates of Credit Suisse Securities (USA) LLC, an underwriter in this offering, hold preferred shares with a liquidation value of $217,000, which J.Crew intends to redeem with the proceeds of this offering. Because more than 10% of the entire net proceeds in this offering may be received by the underwriters or affiliates or associated persons of the underwriters, the underwriters may be deemed to have a "conflict of interest" under Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 2720 of the conduct rules. Rule 2720 requires that the initial public offering price can be no higher than that recommended by a "qualified independent underwriter", as defined by the NASD. Bear, Stearns & Co. Inc. has served in that capacity and performed due diligence investigations and reviewed and participated in the preparation of the registration statement of which this Prospectus forms a part. Bear, Stearns & Co. Inc. will not receive any additional fees for serving as qualified independent underwriter in connection with this offering.

J.Crew estimates that its total expenses for the offering, excluding underwriting discounts and commissions, will be approximately $4,000,000.

J.Crew has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

EXPERTS

Our consolidated balance sheets as of January 29, 2005 and January 28, 2006 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years in the three-year period ended January 28, 2006 have been included in this prospectus and the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere in this prospectus, and upon the authority of such firm as experts in auditing and accounting. Their report includes an explanatory paragraph referring to the adoption of Statement of Financial Accounting Standard No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" in the third quarter of fiscal 2003.

VALIDITY OF COMMON STOCK

The validity of the common stock offered hereby will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York and for the underwriters by Sullivan & Cromwell LLP, New York, New York.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to us and the common stock offered hereby, you should refer to the registration statement and to the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. We also file annual, quarterly and current reports and other information with the SEC under the Securities Exchange Act of 1934, as amended. A copy of those reports and this registration statement and the exhibits and schedules thereto may be inspected without charge at the public reference room maintained by the SEC located at 100 F Street, N.E., Room 1580, Washington, DC 20549. Copies of those reports and all or any portion of the registration statements and the filings may be obtained from such offices upon payment of prescribed fees. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at *http://www.sec.gov* that contains reports, proxy and information statements and other information regarding Registrants that file electronically with the SEC.

You may obtain a copy of any of our filings, at no cost, by writing or telephoning us at:

J.Crew Group, Inc.
770 Broadway
New York, New York 10003
(212) 209-2500
Attn: Corporate Secretary

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J.CREW GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	January 28, 2006	April 29, 2006
		(unaudited) (in thousands)
Assets		
Current assets:		
Cash and cash equivalents	$ 61,275	$ 67,623
Merchandise inventories	116,191	130,064
Prepaid expenses and other current assets	29,132	26,325
Refundable income taxes	8,600	8,600
Total current assets	215,198	232,612
Property and equipment—at cost	252,328	256,994
Less accumulated depreciation and amortization	(142,920)	(149,040)
Property and equipment, net	109,408	107,954
Other assets	12,715	12,299
Total assets	$ 337,321	$ 352,865
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 75,833	$ 73,046
Other current liabilities	64,031	60,212
Federal and state income taxes	2,677	2,693
Total current liabilities	142,541	135,951
Deferred credits	57,956	59,010
Long-term debt (includes redeemable preferred stock)	631,867	646,831
Preferred stock	92,800	92,800
Stockholders' deficit	(587,843)	(581,727)
Total liabilities and stockholders' deficit	$ 337,321	$ 352,865

See notes to unaudited condensed consolidated financial statements.

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J.CREW GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	Thirteen weeks ended	
	April 30, 2005	April 29, 2006
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 204,579	$ 233,335
Other	5,956	7,352
	210,535	240,687
Cost of goods sold, including buying and occupancy costs	114,089	131,293
Gross profit	96,446	109,394
Selling, general and administrative expenses	73,460	81,100
Income from operations	22,986	28,294
Interest expense—net	17,489	19,196
Income before income taxes	5,497	9,098
Income taxes	600	1,300
Net income	4,897	7,798
Preferred dividends	3,364	3,364
Net income available to shareholders	$ 1,533	$ 4,434
Weighted average shares outstanding		
Basic	24,143	25,434
Diluted	32,736	37,880
Income per share		
Basic	$ .06	$ .17
Diluted	$ .05	$ .12

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	Thirteen weeks ended	
	April 30, 2005	April 29, 2006
Cash flow provided by operating activities:		
Net income	$ 4,897	$ 7,798
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	7,766	7,158
Amortization of deferred financing costs	259	267
Amortization of deferred compensation (including stock option expense)	155	688
Non-cash interest expense (including redeemable preferred stock dividends of $9,362 and $11,310 in 2005 and 2006, respectively)	9,688	11,600
Changes in operating assets and liabilities:		
Merchandise inventories	(16,410)	(13,874)
Prepaid expenses and other current assets	(986)	2,807
Other assets	232	149
Accounts payable and other liabilities	61	(5,553)
Federal and state income taxes	133	18
Net cash provided by operating activities	5,795	11,058
Cash flow used in investing activities:		
Capital expenditures	(4,041)	(5,704)
Cash flow provided by financing activities:		
Exercise of stock options	—	994
Increase in cash and cash equivalents	1,754	6,348
Cash and cash equivalents—beginning of period	23,647	61,275
Cash and cash equivalents—end of period	$ 25,401	$ 67,623
Non-cash financing activities:		
Dividends on preferred stock (reflected directly in stockholders' deficit)	$ 3,364	$ 3,364

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Thirteen weeks ended April 29, 2006 and April 30, 2005

1. Basis of Presentation

The consolidated financial statements presented herein are J.Crew Group, Inc. and its wholly-owned subsidiaries (collectively, the Company or Group), which consist of the accounts of Group and its wholly-owned subsidiaries, including J.Crew Intermediate LLC (Intermediate) and J.Crew Operating Corp. Intermediate was formed in March 2003 as a limited liability company. Effective May 2003, J.Crew Group, Inc. transferred its investment in Operating to Intermediate. On October 11, 2005, Intermediate was merged into Group, and Group became the direct parent of Operating.

All significant intercompany balances and transactions are eliminated in consolidation.

The condensed consolidated balance sheets as of April 29, 2006 and the condensed consolidated statements of operations and cash flows for the thirteen week periods ended April 30, 2005 and April 29, 2006 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of the financial position, results of operations and cash flows, have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the consolidated financial statements for the fiscal year ended January 28, 2006.

The results of operations for the thirteen-week period ended April 29, 2006 are not necessarily indicative of the operating results for the full fiscal year.

2. Long-term debt

Long-term debt consists of the following:

	January 28, 2006	April 29, 2006
	($ in thousands)	
Operating:		
$9\ ^{3}/_{4}$% senior subordinated notes	$ 275,000	$ 275,000
5% notes payable	23,195	23,484
Total Operating	298,195	298,484
Group:		
$13\ ^{1}/_{8}$% senior discount debentures	21,667	21,667
Redeemable preferred stock	312,005	326,680
Total	$ 631,867	$ 646,831

3. Share-Based Payments

At April 29, 2006, the Company had two share-based compensation plans, which are described below:

Amended and Restated 1997 Stock Option Plan

Under the terms of the Amended and Restated 1997 Stock Option Plan (1997 Plan), an aggregate of 3,697,374 shares of Group common stock are available for grant to key employees and consultants in the form of non-qualified stock options. The options have terms of seven to ten years

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Thirteen weeks ended April 29, 2006 and April 30, 2005

and become exercisable over a period of four to five years. Options granted under the 1997 Plan are subject to various conditions, including under some circumstances, the achievement of certain performance objectives.

2003 Equity Incentive Plan

In January 2003, the Board of Directors of Group approved the adoption of the 2003 Equity Incentive Plan (2003 Plan). Under the terms of the 2003 Plan, an aggregate of 9,288,269 shares of Group common stock are available for award to key employees and consultants in the form of non-qualified stock options and restricted shares, as follows:

- 2,159,987 shares are reserved for the issuance of stock options at an exercise price of $3.52 or fair market value, whichever is greater,
- 2,159,987 shares are reserved for the issuance of stock options at an exercise price of $12.91 or fair market value, whichever is greater,
- 2,159,987 shares are reserved for the issuance of stock options at an exercise price of $18.08 or fair market value, whichever is greater, and
- 2,808,309 shares are reserved for the issuance of restricted shares.

The options have terms of ten years and become exercisable over the period provided in each grant agreement. Under the Plan, the Compensation Committee of the Board of Directors of Group has the discretion to modify the exercise price and the number of shares reserved for the issuance of stock options and restricted shares.

Prior to January 29, 2006, the Company accounted for share-based compensation under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB No. 25”), and related interpretations, as permitted by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (“SFAS No. 123”). No share-based employee compensation cost related to stock options was recognized in the Consolidated Statement of Operations prior to January 29, 2006, as all options granted had an exercise price greater than or equal to the market value of the underlying common stock on the date of grant.

Effective January 29, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (“SFAS No. 123R”), using the modified prospective transition method. Under this transition method, share-based compensation cost recognized in the thirteen week period ended April 29, 2006 includes: (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 29, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (ii) compensation cost for all share-based payments granted subsequent to January 29, 2006, based on the grant date fair value estimated using the Black-Scholes option pricing model. The Company recognizes compensation expense for stock option awards and time-based restricted stock awards on a straight-line basis over the requisite service period of the award.

Total share-based compensation expense included in the Condensed Consolidated Statement of Operations for the thirteen week period ended April 29, 2006 was $0.7 million. As a result of adopting SFAS No. 123R on January 29, 2006, the Company’s net income for the thirteen weeks ended April 29, 2006 is $0.5 million lower than if the Company had continued to account for share-based compensation under APB No. 25. In accordance with the modified prospective transition method of SFAS No. 123R, financial results of previous periods have not been restated.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Thirteen weeks ended April 29, 2006 and April 30, 2005

The fair value of stock options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Black-Scholes Option Valuation Assumptions	Thirteen weeks ended April 29, 2006
Risk-free interest rates(1)	4.5%
Dividend yield	—
Volatility(2)	40.0%
Weighted-average expected term(3)	6.25 years
Expected forfeiture rate(4)	9.0%

(1) Based on the U.S. Treasury yield curve in effect at the time of grant.
(2) For the thirteen week period ended April 29, 2006, expected stock price volatility is based on the median volatility of companies in a peer group analysis.
(3) Represents the period of time options are expected to be outstanding. The weighted average expected option term for the thirteen week period ended April 29, 2006 was determined using the “simplified method” as allowed by Staff Accounting Bulletin No. 107, Share-Based Payment (“SAB No. 107”). The “simplified method” calculates the expected term as the average of the vesting term and original contractual term of the options.
(4) Based upon historical experience.

As of April 29, 2006, there was $3.8 million of total unrecognized compensation cost related to non-vested options that is expected to be recognized over the remaining weighted-average vesting period of 2.9 years. The weighted-average grant-date fair value of options granted was $3.80 during the first quarter of 2005 and $1.64 during the first quarter of 2006. The total fair value of options vested was $1.0 million in the first quarter of 2005 and $0.5 million in the first quarter of 2006.

The following table summarizes stock options outstanding at April 29, 2006:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in millions)
Outstanding, beginning of year	9,234	$ 7.36		
Granted	74	6.92		
Exercised	(283)	3.52		$ 3.6
Cancelled	(101)	5.92		
Outstanding as of April 29, 2006	8,924	$ 7.49	7.3	$ 77.8
Exercisable as of April 29, 2006	3,908	$ 7.46	6.2	$ 34.2

Cash received from the exercise of stock options was $1.0 million for the thirteen weeks ended April 29, 2006. No cash was received in connection with the exercise of stock options for the thirteen weeks ended April 30, 2005.

Certain employees and directors have been awarded restricted stock under the 2003 Equity Incentive Plan. The restricted stock vests primarily over a period of four years. Total compensation expense is amortized over the vesting period. Amortization expense was $0.2 million for the thirteen week period ended April 30, 2005 and April 29, 2006. The total compensation cost related to non-vested restricted stock awards that has not been recognized was $2.5 million at April 29, 2006. The weighted average period over which this unrecognized compensation cost is expected to be recognized is 3.0 years.

The following table summarizes restricted shares outstanding at April 29, 2006:

	Shares	Weighted Average Grant-Date Fair Value
	(in thousands)	
Outstanding, beginning of year	2,906	$ 1.23
Granted	—	
Vested	(106)	$ 0.43
Cancelled	—	
Outstanding as of April 29, 2006	2,800	$ 1.27

4. Other

The Company recorded an adjustment of $1.3 million in the first quarter of fiscal 2005 to reverse income recognized on unredeemed gift cards in prior years.

5. Income per share

The calculation of basic income per share and diluted income per share is presented below:

	Thirteen Weeks Ended	
	April 30, 2005	April 29, 2006
Net income	$ 4,897	$ 7,798
Preferred stock dividends	(3,364)	(3,364)
Net income applicable to common shares	$ 1,533	$ 4,434
Weighted average common shares outstanding		
Basic	24,143	25,434
Diluted	32,736	37,879
Income per share		
Basic	$ .06	$ .17
Diluted	$ .05	$ .12

The number of potentially dilutive securities excluded from the calculation of diluted earnings per share were as follows:

	Thirteen Weeks Ended	
	April 30, 2005	April 29, 2006
Stock options	4,472	—

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Thirteen weeks ended April 29, 2006 and April 30, 2005

6. Subsequent Events

On May 15, 2006 (the "Closing Date"), Operating, as borrower, Group and certain of Operating's direct and indirect subsidiaries, as guarantors, entered into a Credit and Guaranty Agreement (the "Credit and Guaranty Agreement") with certain lenders named therein as lenders, Goldman Sachs Credit Partners L.P. ("GSCP") and Bear, Stearns & Co. Inc. as joint lead arrangers and joint bookrunners, GSCP as administrative agent and collateral agent, Bear Stearns Corporate Lending Inc. as syndication agent and Wachovia Bank, National Association ("Wachovia") as documentation agent.

The total amount of the term loan (the "Term Loan") borrowed by Operating under the Credit and Guaranty Agreement on the Closing Date was $285.0 million. The Credit and Guaranty Agreement has an accordion feature by which that principal amount may be increased up to $385.0 million subject to certain terms and conditions. Borrowings under the Credit and Guaranty Agreement will bear interest, at Operating's option, at the base rate plus a margin ranging from 0.75% to 1.25% or at LIBOR plus a margin ranging from 1.75% to 2.25% per annum, payable quarterly, and will mature on the earlier of (a) the seventh anniversary of the Closing Date and (b) six months prior to the maturity date or mandatory redemption date (unless extended or repaid in accordance with their terms) of Group's 13 $^{1}/_{8}$% Senior Discount Debentures due 2008 (the "Senior Discount Debentures"), the indebtedness outstanding under the TPG-MD Amended and Restated Credit Agreement and Group's outstanding Series A Preferred Stock and Series B Preferred Stock. Operating used the proceeds of the Term Loan and cash on hand to repurchase all $275.0 million aggregate principal amount of its 9 $^{3}/_{4}$% Senior Subordinated Notes due 2014 pursuant to its previously announced tender offer and consent solicitation and to pay accrued interest of $10.6 million and related premium, tender fees and other expenses of $12.1 million. A loss of $9.9 million on refinancing of debt will be included in the statement of operations in the second quarter of fiscal 2006.

On the Closing Date, Group issued a redemption notice pursuant to the Indenture dated as of October 17, 1997 (as amended by the First Supplemental Indenture dated as of May 6, 2003, the "Indenture") between Group, as issuer, and U.S. Bank National Association, as trustee (the "Trustee"), pursuant to which it gave notice to the Trustee that Group elected to redeem in whole, on June 14, 2006 (the "Redemption Date"), the $21.7 million aggregate principal amount of Senior Discount Debentures issued under the Indenture at a redemption price equal to 100.0% of their outstanding aggregate principal amount, together with accrued and unpaid interest to the Redemption Date. A loss of $0.1 million will be included in the statement of operations in the second quarter of fiscal 2006.

7. Stock Split

Effective June 13, 2006, the Company's Board of Directors approved a 1.935798 for one split of the Company's common stock in the form of a stock dividend. Accordingly, all references to share and per share information in the condensed consolidated financial statements and accompanying notes to the condensed consolidated financial statements have been adjusted to reflect the stock split for all periods presented. The par value per share of the common stock has not changed as a result of the stock split.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
J.Crew Group, Inc.

We have audited the consolidated financial statements of J.Crew Group, Inc. (“Group”) as listed in the accompanying index. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Group as of January 29, 2005 and January 28, 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended January 28, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 7 to the consolidated financial statements, in the third quarter of fiscal 2003, Group adopted Statement of Financial Accounting Standard No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.”

KPMG LLP
New York, New York
April 24, 2006, except as to note 18, as to which the date is June 13, 2006

J.CREW GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	January 29, 2005	January 28, 2006
	(in thousands, except for shares)	
Assets		
Current assets:		
Cash and cash equivalents	$ 23,647	$ 61,275
Merchandise inventories	88,093	116,191
Prepaid expenses and other current assets	22,217	29,132
Refundable income taxes	9,320	8,600
Total current assets	143,277	215,198
Property and equipment—at cost	259,098	252,328
Less accumulated depreciation and amortization	(138,285)	(142,920)
	120,813	109,408
Other assets	14,104	12,715
Total assets	$ 278,194	$ 337,321
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 68,569	$ 75,833
Other current liabilities	61,148	64,031
Federal and state income taxes	1,392	2,677
Total current liabilities	131,109	142,541
Deferred credits	59,064	57,956
Long-term debt	576,933	631,867
Preferred stock	92,800	92,800
Stockholders' deficit:		
Common stock $.01 par value; authorized 200,000,000 shares; issued 26,675,635 and 27,757,289 shares; outstanding 25,566,251 and 26,522,562 shares	267	278
Accumulated deficit	(579,313)	(582,780)
Deferred compensation	(253)	(2,655)
Treasury stock, at cost (1,109,385 and 1,234,727 shares)	(2,413)	(2,686)
Total stockholders' deficit	$ (581,712)	$ (587,843)
Total liabilities and stockholders' deficit	$ 278,194	$ 337,321

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	Years Ended		
	January 31, 2004	January 29, 2005	January 28, 2006
	(in thousands, except per share data)		
Revenues:			
Net sales	$660,628	$ 778,165	$924,129
Other	29,337	26,051	29,059
	689,965	804,216	953,188
Cost of goods sold, including buying and occupancy costs	440,276	478,829	555,192
Gross profit	249,689	325,387	397,996
Selling, general and administrative expenses	280,464	287,745	318,499
Income (loss) from operations	(30,775)	37,642	79,497
Interest expense—net of interest income of $(162) in 2003, $(256) in 2004 and $(584) in 2005	63,844	87,571	72,903
Insurance proceeds	(3,850)	—	—
(Gain) loss on refinancing of debt (net of expenses of $2,922 in 2003)	(41,085)	49,780	—
Income (loss) before income taxes	(49,684)	(99,709)	6,594
Provision for income taxes	500	600	2,800
Net income (loss)	(50,184)	(100,309)	3,794
Preferred dividends	(26,260)	(13,456)	(13,456)
Net loss applicable to common shareholders	$ (76,444)	$(113,765)	$ (9,662)
Weighted average shares outstanding			
Basic and diluted	23,088	23,626	24,472
Loss per share			
Basic and diluted	$ (3.31)	$ (4.82)	$ (.39)

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Deficit
(in thousands, except shares)

	Common Stock		Additional paid-in capital	Accumulated deficit	Treasury stock	Deferred compensation	Stockholders' deficit
	Shares	Amount					
Balance at February 1, 2003	25,861,822	$ 259	$ —	$ (389,406)	$ (2,351)	$ (165)	$ (391,663)
Net loss	—	—	—	(50,184)	—	—	(50,184)
Issuance of restricted stock	434,397	4	163	(2)	—	(165)	—
Restricted stock expense	—	—	—	—	—	41	41
Forfeiture of restricted stock	—	—	—	—	(62)	62	—
Preferred stock dividends	—	—	(163)	(26,097)	—	—	(26,260)
Balance at January 31, 2004	26,296,219	263	—	(465,689)	(2,413)	(227)	(468,066)
Net loss	—	—	—	(100,309)	—	—	(100,309)
Issuance of restricted stock	379,416	4	144	(3)	—	(145)	—
Restricted stock expense	—	—	—	—	—	119	119
Preferred stock dividends	—	—	(144)	(13,312)	—	—	(13,456)
Balance at January 29, 2005	26,675,635	$ 267	—	(579,313)	(2,413)	(253)	(581,712)
Net income	—	—	—	3,794	—	—	3,794
Issuance of restricted stock	329,086	3	2,825	(1)	—	(2,827)	—
Restricted stock expense	—	—	—	—	—	556	556
Forfeiture of restricted stock	—	—	—	—	(273)	273	—
Preferred stock dividends	—	—	(6,200)	(7,256)	—	—	(13,456)
Exercise of stock options	752,568	8	2,727	(4)	—	—	2,731
Issuance of stock options	—	—	525	—	—	(525)	—
Stock option expense	—	—	—	—	—	121	121
Non-employee stock option expense	—	—	83	—	—	—	83
Tax effect from exercise of stock options	—	—	40	—	—	—	40
Balance at January 28, 2006	27,757,289	$ 278	—	$ (582,780)	$ (2,686)	$ (2,655)	$ (587,843)

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years Ended		
	January 31, 2004	January 29, 2005	January 28, 2006
		(in thousands)	
Cash flows from operating activities:			
Net income (loss)	$ (50,184)	$ (100,309)	$ 3,794
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	43,075	37,061	33,461
Amortization of deferred financing costs	2,179	2,425	1,063
Non-cash interest expense (including redeemable preferred stock dividends of $14,206 in 2003, $33,106 in 2004 and $40,284 in 2005)	40,991	63,536	41,478
Deferred income taxes	5,000	—	—
Non-cash compensation expense	41	119	760
(Gain) loss on refinancing of debt	(41,085)	49,780	—
Changes in operating assets and liabilities:			
Merchandise inventories	41,290	(22,065)	(28,098)
Prepaid expenses and other current assets	4,153	(1,484)	(6,915)
Other assets	832	664	326
Accounts payable and other liabilities	(23,211)	28,819	8,921
Federal and state income taxes	(4,845)	217	2,045
Net cash provided by operating activities	18,236	58,763	56,835
Cash flow from investing activities:			
Capital expenditures	(9,908)	(13,431)	(21,938)
Cash flow from financing activities:			
Proceeds from long-term debt	25,820	275,000	—
Costs incurred in refinancing debt	(2,617)	(22,137)	—
Repayment of long-term debt	(776)	(324,198)	—
Proceeds from the exercise of stock options	—	—	2,731
Net cash provided by (used in) financing activities	22,427	(71,335)	2,731
Increase (decrease) in cash and cash equivalents	30,755	(26,003)	37,628
Cash and cash equivalents at beginning of year	18,895	49,650	23,647
Cash and cash equivalents at end of year	$ 49,650	$ 23,647	$ 61,275
Supplemental cash flow information:			
Income taxes paid	$ 345	$ 411	$ 366
Interest paid	$ 20,400	$ 23,270	$ 30,362
Non-cash financing activities:			
Dividends on preferred stock (charged directly to stockholder's deficit)	$ 26,260	$ 13,456	$ 13,456
Interest payable on 13 1/8% Senior Discount Debentures at February 1, 2003 capitalized and added to the principal amount of the debt	$ 4,416		
Exchange of 16% Senior Discount Contingent Principal Notes of J.Crew Intermediate LLC with a fair value of $87,006 for $131,083 carrying value of 13 1/8% Debentures of J.Crew Group, Inc.	$ —		

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended January 31, 2004, January 29, 2005 and January 28, 2006
Dollars in thousands, unless otherwise indicated

1. Nature Of Business And Summary Of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements presented herein are J.Crew Group, Inc. and its wholly-owned subsidiaries (collectively, the Company or Group), which consist of the accounts of J.Crew Group, Inc. and its wholly owned subsidiaries, including J.Crew Intermediate LLC (Intermediate) and J.Crew Operating Corp. (Operating). Intermediate was formed in March 2003 as a limited liability company. Effective May 2003, Group transferred its investment in Operating to Intermediate. On October 11, 2005, Intermediate was merged into J.Crew Group, Inc., and J. Crew Group Inc. became the direct parent of Operating.

All significant intercompany balances and transactions are eliminated in consolidation.

(b) Business

The Company designs, contracts for the manufacture of, markets and distributes women's and men's apparel, shoes and accessories under the J.Crew brand name. The Company's products are marketed, primarily in the United States, through various channels of distribution, including retail and factory stores, catalogs, and the Internet. The Company is also party to a licensing agreement which grants the licensee exclusive rights to use the Company's trademarks in connection with the manufacture and sale of products in Japan. The license agreement provides for payments based on a specified percentage of net sales.

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

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

(c) Segment Information

The Company operates in one reportable business segment. All of the Company's identifiable assets are located in the United States. Export sales are not significant.

(d) Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. The fiscal years 2003, 2004 and 2005 ended on January 31, 2004, January 29, 2005 and January 28, 2006 and each fiscal year consisted of 52 weeks.

(e) Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments, with maturities of 90 days or less when purchased, to be cash equivalents.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended January 31, 2004, January 29, 2005 and January 28, 2006
Dollars in thousands, unless otherwise indicated

Cash equivalents, which were $14,192 and $47,853 at January 29, 2005 and January 28, 2006, respectively, are stated at cost, which approximates market value.

(f) Merchandise Inventories

Merchandise inventories are stated at the lower of average cost or market. The Company capitalizes certain design, purchasing and warehousing costs in inventory and these costs are included in cost of goods sold as the inventories are sold.

(g) Advertising and Catalog Costs

Direct response advertising, which consists primarily of catalog production and mailing costs, are capitalized and amortized over the expected future revenue stream. The Company accounts for catalog costs in accordance with the AICPA Statement of Position (“SOP”) 93–7, “*Reporting on Advertising Costs*.” SOP 93–7 requires that the amortization of capitalized advertising costs be the amount computed using the ratio that current period revenues for the catalog cost pool bear to the total of current and estimated future period revenues for that catalog cost pool. The capitalized costs of direct response advertising are amortized, commencing with the date catalogs are mailed, over the duration of the expected revenue stream, which was four months for the fiscal years 2003, 2004 and 2005. Deferred catalog costs, included in prepaid expenses and other current assets, as of January 29, 2005 and January 28, 2006 were $6,478 and $7,497, respectively. Catalog costs, which are reflected in selling, general and administrative expenses, for the fiscal years 2003, 2004 and 2005 were $43,978, $41,258 and $44,286, respectively.

All other advertising costs, which are not significant, are expensed as incurred.

(h) Property and Equipment

Property and equipment are stated at cost and are depreciated over the estimated useful lives by the straight-line method. Buildings and improvements are depreciated over estimated useful lives of twenty years. Furniture, fixtures and equipment are depreciated over estimated useful lives, ranging from three to ten years. Leasehold improvements (including rent capitalized during the construction period) are amortized over the shorter of their useful lives or related lease terms (without consideration of optional renewal periods).

Systems development costs are capitalized and amortized on a straight-line basis over periods ranging from three to five years.

(i) Debt Issuance Costs

Debt issuance costs (included in other assets) are amortized over the term of the related debt agreements.

(j) Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 109, “*Accounting for Income Taxes*”. This statement requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method,

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended January 31, 2004, January 29, 2005 and January 28, 2006
Dollars in thousands, unless otherwise indicated

deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The provision for income taxes includes taxes currently payable and deferred taxes resulting from the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities.

(k) Revenue Recognition

Revenue is recognized for catalog and Internet sales when merchandise is shipped to customers and at the time of sale for retail sales. Shipping terms for catalog and Internet sales are FOB shipping point, and title passes to the customer at the time and place of shipment. Prices for all merchandise are listed in the Company's catalogs and website and are confirmed with the customer upon order. The customer has no cancellation privileges other than customary rights of return that are accounted for in accordance with SFAS No. 48, *"Revenue Recognition When Right of Return Exists."* The Company accrues a sales return allowance for estimated returns of merchandise subsequent to the balance sheet date that relate to sales prior to the balance sheet date. Amounts billed to customers for shipping and handling fees related to catalog and Internet sales are included in other revenues at the time of shipment. Royalty revenue is recognized as it is earned based on contractually specified percentages applied to reported sales. Advance royalty payments are deferred and recorded as revenue when the related sales occur. Other revenues include the estimated amount of unredeemed gift card liability based on Company specific historical trends, which amounted to $1,676, $1,410 and $806 in fiscal years 2003, 2004 and 2005, respectively. Furthermore, the Company recorded an adjustment in fiscal 2005 to reverse income of $1,254 recognized on unredeemed gift cards in prior years. In the fourth quarter of fiscal 2005, the Company changed its policy to recognize unredeemed gift cards on a ratable basis over the redemption period, rather than at time of issuance. This change in policy did not have a material impact on the Company's financial position or statements of operations for the periods presented.

(l) Operating Expenses

Cost of goods sold (including buying and occupancy costs) includes the direct cost of purchased merchandise, inbound freight, design, buying and production costs, occupancy costs related to store operations and all shipping and handling and delivery costs associated with our Direct business.

Selling, general and administrative expenses include all operating expenses not included in cost of goods sold, primarily catalog production and mailing costs, certain warehousing expenses, which aggregated $9,860, $10,816 and $14,042 for fiscal years 2003, 2004, and 2005, respectively, administrative payroll, store expenses other than occupancy costs, depreciation and amortization and credit card fees.

(m) Store Pre-opening Costs

Costs associated with the opening of new retail and factory stores are expensed as incurred.

(n) Derivative Financial Instruments

Derivative financial instruments have been used by the Company from time to time to manage its interest rate and foreign currency exposures. The Company does not enter into derivative financial

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended January 31, 2004, January 29, 2005 and January 28, 2006
Dollars in thousands, unless otherwise indicated

instruments for speculative purposes. For interest rate swap agreements, the net interest paid is recorded as interest expense on a current basis. Gains or losses resulting from market fluctuations are not recognized. The Company from time to time enters into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations. The Company used no derivative financial instruments in fiscal years 2003, 2004 and 2005.

(o) Use of Estimates in the Preparation of Financial Statements

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

(p) Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of such assets based upon estimated cash flow forecasts. Charges of $675, $146 and $747 were incurred in fiscal 2003, 2004 and 2005 to write-down the carrying value of certain long-lived assets.

(q) Stock Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method of accounting for employee stock options as permitted by SFAS No. 123, "*Accounting for Stock-Based Compensation*". Accordingly, compensation expense is not recorded for options granted to employees if the option price is equal to or in excess of the fair market price at the date of grant. In fiscal 2005, the Company recorded compensation expense of $121 with respect to employee stock options using the intrinsic value method, and $83 with respect to stock options granted to non-employees.

The following table illustrates the effect on net loss applicable to common shareholders and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to measure stock-based compensation expense in fiscal 2005:

	(in thousands)
Net loss applicable to common shareholders, as reported	$ (9,662)
Compensation expense included in reported net income, net of income tax benefit	720
Compensation expense under fair value method, net of income tax benefit	(1,540)
Pro forma net loss applicable to common shareholders, as reported	$ (10,482)
Loss per share	
As reported—basic and diluted	$ (.39)
Pro forma—basic and diluted	$ (.43)

Dollars in thousands, unless otherwise indicated

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The fair value of each option grant in fiscal 2005 was estimated at the grant date using a Black-Scholes option-pricing model. The weighted-average fair value of options granted in fiscal 2005 was $5.35 and the following assumptions were used:

Weighted-average risk free rate of interest	4.06%
Expected volatility	40%
Weighted-average expected award life	6.25 years
Dividend yield	0%

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options, and because the Company's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

If the Company had adopted the fair value recognition provisions of SFAS No. 123 for fiscal 2003 or 2004 the effect on net income would not be material.

Restricted stock awards result in the recognition of deferred compensation, which is charged to expense over the vesting period of the awards. Deferred compensation is presented as a reduction of stockholders' equity. Compensation expense recorded with respect to stock-based compensation, related to restricted stock awards, amounted to $41, $119 and $556 in 2003, 2004 and 2005, respectively.

(r) Deferred Rent and Lease Incentives

Rental payments under operating leases are charged to expense on a straight-line basis after consideration of rent holidays, step rent provisions and escalation clauses. Differences between rental expense and actual rental payments are recorded as deferred rent and included in deferred credits. Rent is expensed from the date of possession. The Company adopted FAS 13-1, "*Accounting for Rental Costs Incurred During a Construction Period*," in the fourth quarter of fiscal 2005. Accordingly, rental costs incurred during the construction period will be recognized as rental expense and no longer capitalized. The unamortized balance of rent capitalized in prior periods will be amortized over the remaining lease terms (without consideration of option renewal periods).

The Company receives construction allowances upon entering into certain store leases. These construction allowances are recorded as deferred credits and are amortized as a reduction of rent expense over the term of the related lease. Deferred construction allowances were $39,250 and $37,498 at January 29, 2005 and January 28, 2006, respectively.

(s) Loss per share

Net loss per share is computed using the weighted average number of common shares outstanding during the period. The weighted average number of shares used in the calculation for both basic and diluted net loss per share for fiscal years 2003, 2004 and 2005 was 23,088,000, 23,626,000 and 24,472,000 shares, respectively. Diluted earnings per share is the same as basic earnings per share since the dilutive calculation would have an anti-dilutive impact as a result of the net losses incurred during fiscal years 2002, 2003 and 2004.

(t) Reclassification

Certain prior year amounts have been reclassified to conform with current year's presentation.

2. Related Party Transaction

On October 20, 2005, the Company, Millard Drexler, Chairman of the Board and Chief Executive Officer and Millard S. Drexler, Inc. entered into a Trademark License Agreement whereby Mr. Drexler granted the Company 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, the Company 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. The Company 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 the Company may pledge or hypothecate its interest in the Properties as part of a bank or other financings). Mr. Drexler has further agreed to assign to the Company all of his residual rights in the Properties for no additional consideration if the Company (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 the Company terminates his employment without cause or he resigns with good reason before the Company 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) the Company has not made the $7.5 million capital commitment prior to Mr. Drexler's termination without cause or resignation with good reason, (b) the Company decides to discontinue its plans to use the licensed trademark and the Company has no bona fide intention to resume such use, or (c) the Company determines, during Mr. Drexler's employment and without his consent, to pursue a supplemental product line under any mark other than the licensed trademark of J. Crew. If Mr. Drexler terminates the license he must repay the Up-Front Fee.

3. Insurance Proceeds

The terrorist events of September 11, 2001 resulted in the destruction of the Company's retail store located at the World Trade Center in New York City, resulting in the loss of inventories and store fixtures, equipment and leasehold improvements. These losses and the resulting business interruption were covered by insurance policies maintained by the Company.

The statement of operations for the year ended January 31, 2004 includes a gain of $3,850 from insurance recoveries. No additional insurance recoveries are payable to the Company relating to this loss.

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4. Property and Equipment

Property and equipment, net consists of:

	January 29, 2005	January 28, 2006
Land	$ 1,710	$ 1,710
Buildings and improvements	11,712	11,691
Fixtures and equipment	68,811	71,014
Leasehold improvements	173,725	163,184
Construction in progress	3,140	4,729
	259,098	252,328
Less accumulated depreciation and amortization	138,285	142,920
	$ 120,813	$ 109,408

5. Other Current Liabilities

Other current liabilities consist of:

	January 29, 2005	January 28, 2006
Customer liabilities	$ 14,095	$ 17,611
Taxes, other than income taxes	3,115	2,433
Accrued interest	3,664	3,664
Accrued occupancy	1,141	1,842
Reserve for sales returns	4,831	6,216
Accrued compensation	8,465	8,493
Other	25,837	23,772
	$ 61,148	$ 64,031

6. Lines of Credit

On December 23, 2004, Operating entered into an Amended and Restated Loan and Security Agreement with Wachovia Capital Markets, LLC, as arranger, Wachovia Bank, National Association, as administrative agent, Bank of America N.A., as syndication agent, and Congress Financial Corporation, as collateral agent, and a syndicate of lenders (the “Amended Wachovia Credit Facility”) which provides for a maximum credit availability of up to $170.0 million (which may be increased to $250.0 million subject to certain conditions).

The Amended Wachovia Credit Facility provides for revolving loans and letter of credit accommodations. The Amended Wachovia Credit Facility expires in December 2009. The total amount of availability is subject to limitations based on specified percentages of eligible receivables, inventories and real property. As of January 28, 2006, excess availability under the Amended Wachovia Credit Facility was $78.3 million.

Borrowings are secured by a perfected first priority security interest in all the assets of Operating and its subsidiaries and bear interest, at the Company’s option, at the prime rate plus a margin of up to

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0.25% or the Eurodollar rate plus a margin ranging from 1.25% to 2.00%. The Company is required to pay a monthly unused line fee ranging from .25% to .375%. Fees for outstanding commercial letters of credit range from .625% to 1.0% and fees for outstanding standby letters of credit are 1.25%.

The Amended Wachovia Credit Facility includes restrictions, including the incurrence of additional indebtedness, the payment of dividends and other distributions, the making of investments, the granting of loans and the making of capital expenditures. The Amended Wachovia Credit Facility permits restricted payments (by way of dividends or other distributions) with respect to, among other things, the Company's capital stock payable solely in additional shares of its capital stock, the Company's tax sharing agreement, the Series A Preferred Stock of Group, the Series B Preferred Stock of Group and the 13 1/8% Senior Discount Debentures due 2008 of Group. The ability of Operating to declare dividends on its capital stock is also limited by Delaware law, which permits a company to pay dividends on its capital stock only out of its surplus or, in the event that it has no surplus, out of its net profits for the year in which a dividend is declared or for the immediately preceding fiscal year. Under the Amended Wachovia Credit Facility, Operating is required to maintain a fixed interest charge coverage ratio of 1.1 if excess availability is less than $20.0 million for any 30 consecutive day period. Operating has at all times been in compliance with all financial covenants.

Maximum borrowings under the Company's working capital credit agreements during fiscal 2003 were $10,000 and average borrowings were $1,020. There were no borrowings during fiscal years 2004 and 2005 and there were no borrowings outstanding at January 29, 2005 and January 28, 2006.

Outstanding letters of credit established primarily to facilitate international merchandise purchases at January 29, 2005 and January 28, 2006 amounted to $58,700 and $69,900, respectively.

7. Long-Term Debt and Preferred Stock

	January 29, 2005	January 28, 2006
Operating:		
9 3/4% senior subordinated notes(a)	$ 275,000	$ 275,000
5.0% notes payable(b)	22,000	23,195
Total Operating long-term debt	297,000	298,195
Group:		
13 1/8% Debentures(c)	21,667	21,667
Mandatorily redeemable preferred stock(d)	258,266	312,005
Total Group long-term debt	576,933	631,867
Group preferred stock(d)	92,800	92,800
Total Group long-term debt and preferred stock	$ 669,733	$ 724,667

The scheduled payments of long-term debt are $44.9 million in 2008, $312.0 million in 2009 and $275.0 million in 2014.

(a) On November 21, 2004, Operating entered into a Senior Subordinated Loan Agreement with entities managed by Black Canyon Capital LLC and Canyon Capital Advisors LLC, which provided for

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a term loan of $275 million. The proceeds of the term loan were used to redeem in full Operating's outstanding 10 3/8% senior subordinated notes due 2007 ($150 million) and to redeem in part Intermediate's 16% senior discount contingent principal notes due 2008 ($125 million). On March 18, 2005, the term loan was converted into equivalent new 9 3/4% senior subordinated notes of Operating due 2014 (9 3/4% senior subordinated notes) in accordance with the terms of the loan agreement.

The 9 3/4% senior subordinated notes are general senior subordinated obligations of Operating and certain subsidiaries of Operating, are subordinated in right of payment to their existing and future senior debt, are *pari passu* in right of payment with any of their future senior subordinated debt and are senior in right of payment to any of their future subordinated debt. Operating's existing domestic subsidiaries, other than non-guarantor subsidiaries, are guarantors of the 9 3/4% senior subordinated notes. The 9 3/4% senior subordinated notes are secured by the assets of Operating and certain subsidiaries of Operating and by Operating's common stock owned by Group and such security interest is junior in priority to that securing first-lien obligations, including those under the Amended Wachovia Credit Facility.

Interest on the notes accrues at the rate of 9 3/4% per annum and is payable semi-annually in arrears on each June 23 and December 23. The notes mature on December 23, 2014. The notes may be redeemed at the option of the issuer, in whole or in part, at 101% of the principal amount at any time until June 23, 2006 and thereafter, at any time on or after December 23, 2009 at prices ranging from 104.875% to 100% of the principal amount, in each case, plus accrued and unpaid interest on the notes.

The indenture governing the 9 3/4% senior subordinated notes contains covenants that, among other things, limit the ability of Operating and certain subsidiaries of Operating to incur additional indebtedness or issue disqualified stock or preferred stock, pay dividends or make other distributions on, redeem or repurchase the capital stock of Operating, make certain investments, create certain liens, guarantee indebtedness, engage in transactions with affiliates and consolidate, merge or transfer all or substantially all of the assets of Operating and certain subsidiaries of Operating.

Under the indenture governing the 9 3/4% senior subordinated notes, Operating may declare cash dividends payable to Group in an amount sufficient to enable Group to make the regularly scheduled payment of interest in respect of the senior discount debentures of Group so long as no default or event of default has occurred and is continuing under the indenture. The ability of Operating to declare dividends on its capital stock is also limited by Delaware law, which permits a company to pay dividends on its capital stock only out of its surplus or, in the event that it has no surplus, out of its net profits for the year in which a dividend is declared or for the immediately preceding fiscal year. In order to pay dividends in cash, Operating must have surplus or net profits equal to the full amount of the cash dividend at the time such dividend is declared. In determining Operating's ability to pay dividends, Delaware law permits the board of directors of Operating to revalue its assets and liabilities from time to time to their fair market value in order to create a surplus.

On October 3, 2005, Operating announced a cash tender offer and consent solicitation for all its outstanding 9 3/4% senior subordinated notes. On October 17, 2005, Operating announced that 100% of the outstanding 9 3/4% senior subordinated notes had been tendered. Holders of the 9 3/4% senior subordinated notes will receive total consideration equal to $1,015.07 per $1,000 principal amount, or 101.507% of their par value, comprising tender consideration of 1.0% and a consent payment of $5.07.

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On November 1, 2005, Operating extended the expiration date of its tender offer, and further extended it on January 23, 2006, March 1, 2006 and May 1, 2006. The offer will now expire on May 15, 2006 unless further extended.

On April 24, 2006, Operating entered into commitment letters with Goldman Sachs Credit Partners L.P., Bear, Stearns & Co. Inc., Bear Stearns Corporate Lending Inc., and Wachovia Bank, National Association under which such institutions and their affiliates have committed to provide a senior secured term loan (the "Term Loan") to Operating with a principal amount of up to $285 million, subject to Operating's ability to increase the principal amount in the form of an additional tranche of up to $100 million under certain terms and conditions. Operating intends to use the proceeds of the Term Loan to repay or redeem certain outstanding indebtedness of Operating and to pay fees and expenses related to such transactions. The closing and funding of the Term Loan are conditioned on (i) the satisfaction of certain customary conditions and (ii) the amendment of the existing revolving credit agreement of Operating and certain of its subsidiaries with Wachovia Bank, National Association and certain other lenders (the "Revolving Credit Facility") to permit the contemplated Term Loan. The Term Loan will be secured by security interests in substantially all of our assets, subject to inter-creditor arrangements to be negotiated with the lenders under the Revolving Credit Facility.

(b) On February 4, 2003, Group and Operating entered into a credit agreement with TPG-MD Investment, LLC, a related party, which provides for a Tranche A loan to Operating in an aggregate principal amount of $10.0 million and a Tranche B loan to Operating in an aggregate principal amount of $10.0 million. The loans are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest will compound and be capitalized and added to the principal amount on each interest payment date, resulting in an effective interest rate of 5.6%. The outstanding amount of these loans is convertible into shares of common stock of Group at $3.52 per share. These loans are subordinated in right of payment to the prior payment of all senior debt. On November 21, 2004, this credit agreement was amended to subordinate the Tranche A loan in right of payment to Operating's 9 $^{3}/_{4}$% senior subordinated notes while the Tranche B loan is *pari passu* in right of payment with such notes.

(c) The 13 $^{1}/_{8}$% senior discount debentures are senior unsecured obligations of Group and mature on October 15, 2008. Interest is payable in arrears on April 15 and October 15 of each year subsequent to October 15, 2002. The 13 $^{1}/_{8}$% senior discount debentures may be redeemed at the option of Group at 100%.

(d) The restated certificate of incorporation of our predecessor, a New York corporation, authorized issuance of up to:

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

(2) 1,000,000 shares of Series B cumulative preferred stock, par value $.01 per share.

At January 29, 2005 and January 28, 2006, 92,800 shares of Series A preferred stock and 32,500 shares of Series B preferred stock were issued and outstanding.

Each series of the preferred stock accumulates dividends at the rate of 14.5% per annum (payable quarterly) for periods ending on or prior to October 17, 2009. Dividends compound to the extent not paid in cash. A default in the payment of the Series A preferred stock redemption price will trigger dividends accruing and compounding quarterly at a rate of (i) 16.50% per annum with respect to periods ending on or before October 17, 2009, and (ii) 18.50% with respect to periods starting after October 17, 2009. A default in the payment of the Series B preferred stock redemption price will trigger dividends accruing and compounding quarterly at a rate of 16.50% per annum.

On October 17, 2009, Group is required to redeem the Series B preferred stock and to pay all accumulated but unpaid dividends on the Series A preferred stock. Thereafter, the Series A preferred stock will accumulate dividends at the rate of 16.5% per annum. Subject to restrictions imposed by certain indebtedness of the Company, Group may redeem shares of the preferred stock at a redemption price equal to 100% of liquidation value plus accumulated and unpaid dividends.

In certain circumstances (including a change of control of Group), subject to restrictions imposed by certain indebtedness of the Company, Group may be required to repurchase shares of the preferred stock at liquidation value plus accumulated and unpaid dividends. If Group liquidates, dissolves or winds up, whether voluntary or involuntary, no distribution shall be made either (i) to those holders of stock ranking junior to the preferred stock, unless prior thereto the holders of the preferred stock receive the total value for each share of preferred stock plus an amount equal to all accrued dividends thereon as of the date of such payment or (ii) to the holders of stock ranking *pari passu* with the preferred stock (which we refer to as the "parity stock"), except distributions made ratably on the preferred stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon liquidation, dissolution or winding up of Group.

Effective at the beginning of the third quarter of 2003, the Company adopted SFAS No. 150 "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*". This pronouncement required the reclassification to long-term debt of the liquidation value of Group Series B preferred stock and the related accumulated and unpaid dividends and the accumulated and unpaid dividends related to the Series A preferred stock since these amounts are required to be redeemed in October 2009. The preferred dividends related to the liquidation value of the Series B preferred stock and to the accumulated and unpaid dividends of the Series A and Series B preferred stock for the third and fourth quarters of 2003 and fiscal 2004 and 2005 are included in interest expense. The Series A preferred stock is only redeemable in certain circumstances (including a change of control at Group) and does not qualify for reclassification under SFAS No. 150. Accordingly, the dividends related to the Series A preferred stock are deducted from stockholders' deficit.

Accumulated but unpaid dividends amounted to $279,506 at January 28, 2006.

8. Gain (loss) on Refinancing of Debt

During the fourth quarter of 2004, the Company redeemed in full the outstanding 10 3/8% senior subordinated notes due 2007 ($150.0 million) and redeemed the outstanding 16% senior discount contingent principal notes due 2008 ($169.1 million). Funds used for the redemption were generated from the proceeds of a $275 million term loan and internally available funds. This refinancing resulted in a loss of $49.8 million in fiscal 2004, which consisted of: (a) redemption premiums of $15.3 million, (b) the write-off of deferred financing costs of $3.2 million and (c) the write-off of deferred debt issuance costs of $31.3 million related to the 16% senior discount contingent principal notes issued in May 2003.

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On May 6, 2003, Group completed an offer to exchange 16% senior discount contingent principal notes due 2008 of Intermediate (new notes) for its outstanding 13 1/8% senior discount debentures due 2008 (existing debentures). Approximately 85% of the outstanding debentures were tendered for exchange. Group exchanged $87,006 fair value of new notes for $131,083 face amount (including accrued interest of $10,750) of existing debentures. The difference between the fair value of the new notes and the carrying value of the existing debentures of $44,077 was included as a gain in the statement of operations in fiscal year 2003.

9. Loss per Share

The calculation of basic net loss per share and diluted net loss per share is presented below:

	2003	2004	2005
		($ in thousands, except per share amounts)	
Net income (loss)	$(50,184)	$(100,309)	$ 3,794
Preferred stock dividends	(26,260)	(13,456)	(13,456)
Net loss applicable to common shareholders	(76,444)	(113,765)	(9,482)
Weighted average common shares outstanding			
Basic and diluted	23,088	23,626	24,472
Loss per Share			
Basic and diluted	$ (3.31)	$ (4.82)	$ (.39)

The number of potentially dilutive securities excluded from the calculation of diluted loss per share were, as follows:

	2003	2004	2005
Stock options	4,667	8,870	9,232
Unvested shares of restricted stock	1,655	1,502	1,231
Convertible note payable	5,960	6,245	6,584
	12,282	16,617	17,047

10. Commitments and Contingencies

(a) Operating Leases

As of January 28, 2006, the Company was obligated under various long-term operating leases for retail and factory outlet stores, warehouses, office space and equipment requiring minimum annual rentals.

These operating leases expire on varying dates through 2019. At January 28, 2006 aggregate minimum rentals are, as follows:

Fiscal year	Amount
2006	$55,432
2007	54,522
2008	47,860
2009	44,223
2010	39,365
Thereafter	86,537

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

Rent expense for fiscal 2003, 2004 and 2005 was $42,997, $46,583 and $49,144, respectively, including contingent rent, based on store sales, of $814, $1,700 and $2,768.

(b) Employment Agreements

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

(c) Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary conduct of its business. Although the outcome of these claims cannot be predicted with certainty, management does not believe that it is reasonably possible that resolution of these legal proceedings will result in unaccrued losses that would be material.

11. Employee Benefit Plan

The Company has a 401(K) Savings Plan pursuant to Section 401 of the Internal Revenue Code whereby all eligible employees may contribute up to 15% of their annual base salaries subject to certain limitations. The Company’s contribution is based on a percentage formula set forth in the plan agreement. Company contributions to the 401(K) Savings Plan were $1,288, $1,306 and $1,428 for fiscal 2003, 2004 and 2005, respectively.

12. License Agreement

The Company has a licensing agreement through January 2007 with Itochu Corporation, a Japanese trading company. The agreement permits Itochu to distribute J.Crew merchandise in Japan.

The Company earns royalty payments under the agreement based on the sales of its merchandise. Royalty income, which is included in other revenues, for fiscal 2003, 2004 and 2005 was $2,456, $2,757 and $2,864, respectively.

13. Other Revenues

Other revenues consist of the following:

	2003	2004	2005
Shipping and handling fees	$ 25,205	$ 21,624	$ 26,430
Royalties	2,456	2,757	2,864
Other	1,676	1,670	(235)
	$ 29,337	$ 26,051	$ 29,059

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14. Financial Instruments

The fair value of the Company's long-term debt (including redeemable preferred stock) is estimated to be approximately $596,400 and $595,100 at January 29, 2005 and January 28, 2006, respectively, and is based on current rates offered to the Company for debt of similar maturities or quoted market prices of the same or similar instruments. The carrying amounts of long-term debt were $576,933 and $631,867 at January 29, 2005 and January 28, 2006, respectively. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts payable and other current liabilities approximate fair value because of the short-term maturity of those financial instruments. The estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

15. Income Taxes

Group files a consolidated federal tax return, which includes all its wholly owned subsidiaries. Each subsidiary files separate state tax returns in the required jurisdictions. Group and its subsidiaries have entered into a tax sharing agreement providing (among other things) that each of the subsidiaries will reimburse Group for its share of income taxes based on the proportion of such subsidiaries' tax liability on a separate return basis to the total tax liability of Group.

The income tax provision (benefit) consists of:

	2003	2004	2005
Current:			
Foreign	$ 250	$300	$ 290
Federal	(3,744)	—	580
State and local	(1,006)	300	1,930
	(4,500)	600	2,800
Deferred	5,000	—	—
Total	$ 500	$600	$2,800

A reconciliation between the provision (benefit) for income taxes based on the U.S. Federal statutory rate and the effective rate, is as follows:

	2003	2004	2005
Federal income tax rate	(35.0)%	(35.0)%	35.0%
State and local income taxes, net of federal benefit	0.8	0.4	19.0
Foreign income tax	—	—	4.4
Valuation allowance	64.0	5.6	(245.8)
Additional NOL carryback	(7.4)	—	—
Adjustment of prior tax accruals	(2.6)	—	(8.1)
Non-deductible expenses (primarily Group preferred dividends)	8.4	18.6	242.6
Non-recognized gain (loss) on exchange of debt	(27.2)	11.0	—
Other	—	—	(4.7)
Effective tax rate	1.0%	0.6%	42.4%

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

	January 29, 2005	January 28, 2006
Deferred tax assets:		
Original issue discount	$ 3,900	$ 3,900
Rent	17,800	17,000
Federal NOL carryforwards	47,200	29,800
State and local NOL carryforwards	4,500	3,200
Reserve for sales returns	1,900	2,500
Other	4,400	3,700
	79,700	60,100
Valuation allowance	(63,400)	(46,500)
	16,300	13,600
Deferred tax liabilities:		
Prepaid catalog and other prepaid expenses	(6,600)	(7,600)
Difference in book and tax basis for property and equipment	(9,700)	(6,000)
	(16,300)	(13,600)
Net deferred income tax assets	$ —	$ —

The Company has significant deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, which will reduce taxable income in future periods. SFAS No. 109 “Accounting for Income Taxes” states that a valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence needs to be considered, including a company’s current and past performance, the market environment in which a company operates, length of carryback and carryforward periods, existing contracts or sales backlog that will result in future profits, etc. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses weigh heavily in the overall assessment. As a result of our assessment, we established a valuation allowance for the net deferred tax assets at February 1, 2003. The valuation allowance was adjusted at January 29, 2005 and January 28, 2006 to fully reserve net deferred tax assets at such dates. The Company did not recognize any net tax benefits in fiscal 2005 and does not expect to recognize any net tax benefits in future results of operations until an appropriate level of profitability is sustained.

The Company has net operating loss carryforwards, which expire in 2025, of approximately $83 million to offset future taxable income for federal income tax purposes. The amount and expiration date of net operating loss carryforwards for state and local income tax purposes vary by tax jurisdiction.

16. Stock Compensation Plans

Amended and Restated 1997 Stock Option Plan

Under the terms of the Amended and Restated 1997 Stock Option Plan (1997 Plan), an aggregate of 3,697,374 shares of Group common stock are available for grant to key employees and consultants in the form of non-qualified stock options. The options have terms of seven to ten years

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and become exercisable over a period of four to five years. Options granted under the 1997 Plan are subject to various conditions, including under some circumstances, the achievement of certain performance objectives.

2003 Equity Incentive Plan

In January 2003, the Board of Directors of Group approved the adoption of the 2003 Equity Incentive Plan (2003 Plan). Under the terms of the 2003 Plan, an aggregate of 9,288,269 shares of Group common stock are available for award to key employees and consultants in the form of non-qualified stock options and restricted shares, as follows:

- 2,159,987 shares are reserved for the issuance of stock options at an exercise price of $3.52 or fair market value, whichever is greater,
- 2,159,987 shares are reserved for the issuance of stock options at an exercise price of $12.91 or fair market value, whichever is greater,
- 2,159,987 shares are reserved for the issuance of stock options at an exercise price of $18.08 or fair market value, whichever is greater, and
- 2,808,308 shares are reserved for the issuance of restricted shares.

The options have terms of ten years and become exercisable over the period provided in each grant agreement. Under the Plan, the Compensation Committee of the Board of Directors of Group has the discretion to modify the exercise price and the number of shares reserved for the issuance of stock options and restricted shares.

A summary of stock option activity for the three years ended January 28, 2006, is as follows:

	2003		2004		2005	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	8,661,668	$ 9.41	4,666,446	$ 4.32	8,870,340	$ 6.79
Granted	731,248	3.54	4,870,174	8.82	1,964,668	7.57
Exercised	—	—	—	—	(752,395)	3.63
Cancelled	(4,726,470)	13.53	(666,280)	4.30	(850,117)	5.19
Outstanding, end of year	4,666,446	$ 4.32	8,870,340	$ 6.79	9,232,496	$ 7.36
Options exercisable at end of year	1,644,077	$ 5.47	3,303,972	$ 6.10	3,894,177	$ 7.25

The following table summarizes information about stock options outstanding as of January 28, 2006:

	Outstanding			Exercisable	
Range	Number of options	Weighted average option price	Weighted average remaining contractual life (in months)	Number of options	Weighted average option price
$3.52–$4.41	3,179,477	$ 3.55	74	1,545,226	$ 3.56
$5.17–$10.75	3,861,793	$ 7.30	97	1,420,202	$ 7.43
$12.91–$18.08	2,191,227	$ 12.99	99	928,749	$ 13.10
$3.52–$18.08	9,232,497	$ 7.36	89	3,894,177	$ 7.25

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Dollars in thousands, unless otherwise indicated

Under the 2003 Plan, 434,397, 379,416 and 329,086 restricted shares were issued in fiscal 2003, 2004 and 2005, respectively, of which 162,005 and 125,343 shares were forfeited in fiscal 2003 and 2005, respectively. On January 28, 2006, there were 2,799,607 restricted shares outstanding, of which 1,567,902 shares were vested.

The weighted-average grant-date fair value per share of restricted stock issued in fiscal years 2003, 2004 and 2005 was $0.38, $0.58 and $6.59, respectively.

17. Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board, (FASB) issued SFAS No. 123 (revised 2004), "*Share-Based Payment*" (SFAS No. 123R), which is a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*." SFAS No. 123R supercedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*," and amends SFAS No. 95, "*Statement of Cash Flows*." Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS No. 123R must be adopted no later than the first interim or annual period beginning after June 15, 2005.

As permitted by SFAS No. 123, the Company has accounted for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. The Company will adopt SFAS No. 123R effective January 29, 2006 using the modified prospective application option. As a result, the compensation cost for the portion of awards the Company granted before January 29, 2006 for which the requisite service has not been rendered and that are outstanding as of January 29, 2006 will be recognized as the remaining requisite service is rendered. In addition, the adoption of SFAS No. 123R will require the Company to change from recognizing the effect of forfeitures as they occur to estimating the number of outstanding instruments for which the requisite service is not expected to be rendered. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on the Company's results of operations. The impact of the adoption of SFAS No. 123R cannot be determined at this time because it will depend upon levels of share-based payments granted in the future. However, had the Company adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact as described in the disclosure of pro forma net income pursuant to SFAS No. 123 in Note 1q of Notes to Consolidated Financial Statements.

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections,* a replacement of APB Opinion No. 20, *Accounting Changes* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, effective for fiscal years beginning after December 15, 2005. Statement No. 154 changes the requirements for the accounting for and reporting of a voluntary change in accounting principles as well as the changes required by an accounting pronouncement that does not include specific transition provisions. The Company does not expect the implementation of Statement No. 154 to have a significant effect on the Company's consolidated financial position, results of operations or cash flows.

In October 2005, the FASB issued Staff Position FAS 13-1, *Accounting For Rental Costs Incurred During A Construction Period*. FAS 13-1 provides that there is no distinction between the right to use a leased asset during and after the construction period; therefore rental costs incurred during the construction period should be recognized as rental expense and included in income from continuing operations. FAS 13-1 is effective for the first reporting period beginning after December 15, 2005; early adoption is permitted. The Company adopted FAS 13-1 in the fourth quarter of fiscal 2005 and the effect was not material.

18. Stock Split

Effective June 13, 2006, the Company's Board of Directors approved a 1.935798 for one split of the Company's common stock in the form of a stock dividend.

Accordingly, all references to share and per share information in the consolidated financial statements and the accompanying notes to the consolidated financial statements have been adjusted to reflect the stock split for all periods presented. The par value per share of the common stock has not changed as a result of the stock split.

19. Subsequent Event (Unaudited)

On May 15, 2006 (the "Closing Date"), Operating, as borrower, Group and certain of Operating's direct and indirect subsidiaries, as guarantors, entered into a Credit and Guaranty Agreement (the "Credit and Guaranty Agreement") with certain lenders named therein as lenders, Goldman Sachs Credit Partners L.P. ("GSCP") and Bear, Stearns & Co. Inc. as joint lead arrangers and joint bookrunners, GSCP as administrative agent and collateral agent, Bear Stearns Corporate Lending Inc. as syndication agent and Wachovia Bank, National Association ("Wachovia") as documentation agent.

The total amount of the term loan (the "Term Loan") borrowed by Operating under the Credit and Guaranty Agreement on the Closing Date was $285.0 million. The Credit and Guaranty Agreement has an accordion feature by which that principal amount may be increased up to $385.0 million subject to certain terms and conditions. Borrowings under the Credit and Guaranty Agreement will bear interest, at Operating's option, at the base rate plus a margin ranging from 0.75% to 1.25% or at LIBOR plus a margin ranging from 1.75% to 2.25% per annum, payable quarterly, and will mature on the earlier of (a) the seventh anniversary of the Closing Date and (b) six months prior to the maturity date or mandatory redemption date (unless extended or repaid in accordance with their terms) of Group's 13 $^{1}/_{8}$% Senior Discount Debentures due 2008 (the "Senior Discount Debentures"), the indebtedness outstanding under the TPG-MD Amended and Restated Credit Agreement and Group's outstanding Series A Preferred Stock and Series B Preferred Stock. Operating used the proceeds of the Term Loan and cash on hand to repurchase all $275.0 million aggregate principal amount of its 9 $^{3}/_{4}$% Senior Subordinated Notes due 2014 pursuant to its previously announced tender offer and consent solicitation and to pay accrued interest of $10.6 million and related premium, tender fees and other expenses of $12.1 million. A loss of $9.9 million on refinancing of debt will be included in the statement of operations in the second quarter of fiscal 2006.

On the Closing Date, Group issued a redemption notice pursuant to the Indenture dated as of October 17, 1997 (as amended by the First Supplemental Indenture dated as of May 6, 2003, the "Indenture") between Group, as issuer, and U.S. Bank National Association, as trustee (the "Trustee"), pursuant to which it gave notice to the Trustee that Group elected to redeem in whole, on June 14, 2006 (the "Redemption Date"), the $21.7 million aggregate principal amount of Senior Discount Debentures issued under the Indenture at a redemption price equal to 100.0% of their outstanding aggregate principal amount, together with accrued and unpaid interest to the Redemption Date. A loss of $0.1 million will be included in the statement of operations in the second quarter of fiscal 2006.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 29, 2005 and January 28, 2006
Dollars in thousands, unless otherwise indicated

20. Quarterly Financial Information (Unaudited)

	(in millions)				
	Thirteen Weeks Ended May 1, 2004	Thirteen Weeks Ended July 31, 2004	Thirteen Weeks Ended October 30, 2004	Thirteen Weeks Ended January 29, 2005(a)	Fifty-two Weeks Ended January 29, 2005(a)
Net sales	$ 140.6	$ 182.1	$ 200.9	$ 254.7	$ 778.3
Gross profit	60.7	74.2	89.0	101.5	325.4
Net loss	(23.7)	(13.8)	(9.9)	(52.9)	(100.3)
Preferred dividends	(3.4)	3.4	3.4	(3.3)	(13.5)
Net loss applicable to common shareholders	$ (27.1)	$ (17.2)	$ (13.3)	$ (56.2)	$ (113.8)
Weighted average common shares outstanding					
Basic and diluted	23,611	23,611	23,613	23,671	23,626
Loss per share					
Basic and diluted	$ (1.15)	$ (.73)	$ (.56)	$ (2.37)	$ (4.82)

	(in millions)				
	Thirteen Weeks Ended April 30, 2005	Thirteen Weeks Ended July 30, 2005	Thirteen Weeks Ended October 29, 2005	Thirteen Weeks Ended January 28, 2006	Fifty-two Weeks Ended January 28, 2006
Net sales	$ 204.6	$ 221.3	$ 217.2	$ 281.2	$ 924.3
Gross profit	96.5	97.0	97.8	106.7	398.0
Net income (loss)	4.9	1.7	3.0	(5.8)	3.8
Preferred dividends	(3.4)	(3.4)	(3.4)	(3.3)	(13.5)
Net income (loss) applicable to common shareholders	$ 1.5	$ (1.7)	$ (.4)	$ (9.1)	$ (9.7)
Weighted average common shares outstanding					
Basic	24,143	24,168	24,726	24,856	24,472
Diluted	32,736	24,168	24,726	24,856	24,472
Income (loss) per share					
Basic	$ .06	$ .07	$ .02	$ .37	$ .39
Diluted	$ .05	$ .07	$ .02	$ .37	$ .39

(a) Net loss includes a pre-tax loss on the refinancing of debt of $49.8 million.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Charged to Cost and Expenses(a)	Charged to other Accounts	Deductions(a)	Ending Balance
			(in thousands)		
Inventory reserve (deducted from inventories)					
Fiscal year ended:					
January 31, 2004	$12,420	$ —	$ —	$ 7,380	$5,040
January 29, 2005	5,040	—	—	557	4,483
January 28, 2006	4,483	3,537	—	—	8,020
Allowance for sales returns (included in other current liabilities)					
Fiscal year ended:					
January 31, 2004	$ 5,313	$ —	$ —	$ 2,309	$3,004
January 29, 2005	3,004	1,827	—	—	4,831
January 28, 2006	4,831	1,385	—	—	6,216

(a) The inventory reserve and allowance for sales returns are evaluated at the end of each fiscal quarter and adjusted (plus or minus) based on the quarterly evaluation. During each period inventory write-downs and sales returns are charged to the statement of operations as incurred.


J.CREW

No dealer, salesperson or other person is authorized to give information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is currently only as of its date.

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18,800,000 Shares

Common Stock

J.CREW

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.

Banc of America Securities LLC
Citigroup
Credit Suisse

JPMorgan
Lehman Brothers
Wachovia Securities

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution.*

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of securities being registered. All amounts are estimates except the registration fee, the NASD filing fee and the New York Stock Exchange listing fee.

Registration fee	$ 41,466.78
NASD filing fee	37,254
New York Stock Exchange listing fee	200,000
Printing and engraving expenses	350,000
Legal fees and expenses	2,000,000
Accounting fees and expenses	895,000
Blue sky fees and expenses	25,000
Transfer agent and registrar fees	20,000
Miscellaneous	431,279.22
Total	$ 4,000,000

Item 14. *Indemnification of Directors and Officers.*

Section 145 of the Delaware General Corporation Law ("Section 145") permits indemnification by a corporation of officers and directors, as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer or other employee or agent of the corporation, subject to certain limitations. Section 145 also provides that a corporation has the power to maintain insurance on behalf of its officers and directors against any liability asserted against such person and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of Section 145. The statute also provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

The Registrant's Bylaws provide for mandatory indemnification of its directors and officers and permissible indemnification of employees and other agents to the fullest extent permitted by the Delaware General Corporation Law. The rights to indemnify thereunder will continue as to a person who has ceased to be a director, officer, employee or agent and inure to the benefit of the heirs, executors and administrators of the person. In addition, expenses incurred by a director or executive officer in defending any civil, criminal, administrative or investigative action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the Registrant (or was serving at the Registrant's request as a director or officer of another corporation) shall be paid by the Registrant in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Registrant as authorized by the relevant section of the Delaware General Corporation Law.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, the Registrant's Certificate of Incorporation provides that its directors shall not be personally liable to the Registrant or its stockholders for monetary damages for breach of the directors' fiduciary duty as directors to the Registrant and its stockholders, except liability for (i) breach of the director's duty of loyalty to the

Registrant or its stockholders, (ii) acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, (iii) any transaction leading to improper personal benefit to the director, and (iv) for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Section 174 of the Delaware General Corporation Law. This provision in the Certificate of Incorporation will not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. The provision also will not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

In addition to the foregoing, the proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement contains certain provisions by which the Underwriters have agreed to indemnify the Registrant, each person, if any, who controls the Registrant within the meaning of Section 15 of the Securities Act, each director of the Registrant, each officer of the Registrant who signs the Registration Statement, with respect to information furnished in writing by or on behalf of the Underwriters for use in the Registration Statement.

At present, there is no pending litigation or proceeding involving a director, officer, employee or other agent of the Registrant in which indemnification is being sought, nor is the Registrant aware of any threatened litigation that may result in a claim for indemnification by any director, officer, employee or other agent of the Registrant.

Item 15. ***Recent Sales of Unregistered Securities.***

During the last three years, we have issued unregistered securities in the transactions described below. These securities were offered and sold by us in reliance upon the exemptions provided for in Section 4(2) of the Securities Act relating to sales not involving any public offering. The sales were made without the use of an underwriter and the certificates representing the securities sold contain a restrictive legend that prohibits transfers without registration or an applicable exemption.

(1) In February 2003, we issued 1,404,040 restricted shares of our common stock to our Chief Executive Officer, Millard S. Drexler, in exchange for $800,000.

(2) In February 2003, we issued 108,004 restricted shares of our common stock to Millard S. Drexler, Inc., a corporation of which Mr. Drexler is principal.

(3) In February 2003, we issued 216,006 restricted shares of our common stock to our President, Jeffrey Pfeifle.

(4) Since September 2002, we have issued restricted shares of our common stock to some of our employees, non-employee directors and former executive officers, as further described below:

Grant Date	Number of Shares of Restricted Stock Granted
9/1/2002	203,259
1/27/2003	1,944,056
9/25/2003	259,207
10/22/2003	52,267
12/1/2003	21,294
1/1/2004	101,629
5/01/2004	106,469
5/10/2004	48,395
6/01/2004	4,839
7/26/2004	9,679
11/01/2004	268,108
12/01/2004	48,395
5/05/2005	77,432
8/08/2005	116,148
8/14/2005	67,753
9/07/2005	67,753

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The recipients of these restricted shares of common stock did not pay any consideration for their awards.

(5) On February 4, 2003, we and Operating entered into a credit agreement with TPG-MD Investment, LLC, a related party, which provides for a Tranche A loan to Operating in an aggregate principal amount of $10.0 million and a Tranche B loan to Operating in an aggregate principal amount of $10.0 million. The loans are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest will compound and be capitalized and added to the principal amount on each interest payment date, resulting in an effective interest rate of 5.6%. The outstanding amount of these loans is convertible into shares of common stock of the Registrant at $3.52 per share. These loans are subordinated in right of payment to the prior payment of all senior debt. On November 21, 2004, this credit agreement was amended to subordinate the Tranche A loan in right of payment to Operating's 9 3/4% senior subordinated notes while the Tranche B loan is *pari passu* in right of payment with such notes.

Item 16. *Exhibits and Financial Statement Schedules.*

(a) ***Exhibits.*** The following is a complete list of Exhibits filed as part of this Registration Statement.

Exhibit No.	Document
1.1	Form of Underwriting Agreement.**
2.1	Agreement and Plan of Merger between J.Crew Group, Inc. (a New York corporation) and J.Crew Group, Inc. (a Delaware corporation), dated as of October 11, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K/A filed on October 17, 2005.
2.2	Agreement of Merger between the Company and Intermediate, dated as of October 11, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K/A filed on October 17, 2005.
3.1	Certificate of Incorporation of J.Crew Group, Inc.**
3.2	By-laws of J.Crew Group, Inc. Incorporated by reference to Exhibit 3.2 to the Form 8-K/A filed on October 17, 2005.
	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Form of Specimen Common Stock Certificate of J.Crew Group, Inc.†
4.2(a)	Indenture, dated as of October 17, 1997, between J.Crew Group, Inc. as Issuer and State Street Bank and Trust Company as Trustee (the "Group Indenture"). Incorporated by reference to Exhibit 4.3 to the Registration Statement of J.Crew Group, Inc. on Form S-4 filed on December 16, 1997 (File No. 333-42427) (the "S-4 Registration Statement").
4.2(b)	First Supplemental Indenture, dated as of May 6, 2003, of the Group Indenture. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on May 8, 2003.
4.3	Stockholders' Agreement, dated as of October 17, 1997, between J.Crew Group, Inc. and the Stockholder signatories thereto. Incorporated by reference to Exhibit 4.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(a)	Employment Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., J.Crew Operating Corp. and TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 10.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(b)	Stockholders' Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods.**

Exhibit No.	Document
4.4(c)	Amendment to Stockholders' Agreement, dated as of June 11, 1998, between TPG Partners II, L.P. and Emily Woods.**
4.4(d)	Amendment to Stockholders' Agreement, dated as of February 3, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 7, 2003.
4.5(a)	Stockholders' Agreement, dated as of January 24, 2003, among J.Crew, TPG Partners II, L.P. and Millard Drexler. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 3, 2003.
4.5(b)	Form of Amendment No. 1 to Stockholders Agreement, by and among J. Crew Group, Inc., Millard S. Drexler and each of TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P. and TPG 1999 Equity II, L.P.†
4.6	Stockholders' Agreement, dated as of February 20, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Jeffrey Pfeifle. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 26, 2003.
4.7	Indenture, dated as of March 18, 2005, among J.Crew Operating Corp. as Issuer, J.Crew Intermediate LLC, Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew Inc. and J.Crew International, Inc. as Guarantors, and U.S. Bank National Association as Trustee (the "9¾% Notes Indenture"). Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on March 23, 2005.
4.8	First Supplemental Indenture, dated as of October 17, 2005, supplementing the 9¾% Notes Indenture. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on October 18, 2005.
4.9	Second Supplemental Indenture, dated as of October 17, 2005, supplementing the 9¾% Notes Indenture. Incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 18, 2005.
4.10	Security Agreement, dated as of November 21, 2004, by and among J.Crew Operating Group, J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC as Grantors, and U.S. Bank National Association as Collateral Agent. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on December 28, 2004.
4.11	Intercreditor Agreement, dated as of November 21, 2004, among Congress Financial Corporation as Senior Credit Agent, U.S. Bank National Association as Collateral Agent, J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on December 28, 2004.
	Legal Opinion
5.1	Legal Opinion of Cleary Gottlieb Steen & Hamilton LLP.**
	Material Contracts
10.1	Amended and Restated Loan and Security Agreement, dated as of December 23, 2004, by and among J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc. d/b/a J.Crew Retail, H.F.D. No. 55, Inc. d/b/a J.Crew Factory as Borrowers, J.Crew Group, Inc., J.Crew International, Inc., J.Crew Intermediate LLC as Guarantors, Wachovia Capital Markets, LLC as Arranger and Bookrunner, Wachovia Bank, National Association as Administrative Agent, Bank of America, N.A. as Syndication Agent, Congress Financial Corporation as Collateral Agent, and the Lenders (the "Credit Facility"). Incorporated by reference to Exhibit 4.6 to the Form 8-K filed on December 28, 2004.
10.1(a)	Amendment No. 1, dated as of October 10, 2005, to the Credit Facility. Incorporated by reference to Exhibit 4.1 to the Form 8-K/A filed on October 17, 2005.

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Exhibit No.	Document
10.1(b)	Joinder Agreement between the Company and Wachovia Bank, National Association, as Agent under the Credit Facility, dated October 12, 2005. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on October 18, 2005.
10.1(c)	Amendment No. 2, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation, a national banking association, in its capacity as administrative agent and collateral agent for lenders (the “Agent”), and Amendment No. 1 to Guarantee, dated as of May 15, 2006, by the borrowers and guarantors in favor of the Agent.**
10.1(d)	Amendment No. 3, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and the Agent.**
10.2	Amended and Restated Credit Agreement, dated as of May 15, 2006, by an among TPG-MD Investment, LLC, J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc. and J. Crew International, Inc.**
10.3	Purchase Agreement, dated as of August 16, 2005, between the Company and TPG Partners II L.P., TPG Parallel II L.P., TPG Investors II L.P. and TPG 1999 Equity II, L.P.**
10.4	Letter Agreement, dated as of August 16, 2005, between the Company and TPG-MD Investment, LLC.**
10.5	Amended and Restated J.Crew Group, Inc. 1997 Stock Option Plan. Incorporated by reference to Exhibit 10.1 to the Form 10-Q for the period ended August 3, 2002.
10.6(a)	J.Crew Group, Inc. 2003 Equity Incentive Plan (the “2003 Plan”). Incorporated by reference to Exhibit 10.4 to the Form 10-K for the fiscal year ended February 1, 2003.
10.6(b)	Amendment No. 1 to the 2003 Plan. Incorporated by reference to Exhibit 10.4(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.7(a)	Services Agreement, dated January 24, 2003, between the Company, Millard S. Drexler, Inc. and Millard S. Drexler. Incorporated by reference to Exhibit 10.9 to the Form 10-K for the fiscal year ended February 1, 2003.
10.7(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Millard S. Drexler. Incorporated by reference to Exhibit 10.9(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.8(a)	Employment Agreement, dated January 24, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10 to the Form 10-K for the fiscal year ended February 1, 2003.
10.8(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.9	Form of Executive Severance Agreement between the Company and certain executives thereof. Incorporated by reference to Exhibit 10.14 to Form 10-K for the fiscal year ended February 2, 2002.
10.10	Employment Agreement, dated January 23, 2004, between the Company and Tracy Gardner. Incorporated by reference to Exhibit 10.14 to the Form 10-K for the fiscal year ended January 31, 2004.

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Exhibit No.	Document
10.11	Employment Agreement, dated April 10, 2004, between the Company and Amanda Bokman. Incorporated by reference to Exhibit 10.16 to the Form 10-K for the fiscal year ended January 31, 2004.
10.12	Separation Agreement, dated June 17, 2005, between the Company and Amanda Bokman.**
10.13	Employment Agreement, dated August 16, 2005, between the Company and James Scully.**
10.14	Amended and Restated Employment Agreement by and among the Company, Operating and Millard S. Drexler dated as of October 20, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 21, 2005.
10.15	Trademark License Agreement by and among the Company, Millard S. Drexler and Millard S. Drexler, Inc. dated as of October 20, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 21, 2005.
10.16	Form of Registration Rights Agreement among TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P., TPG 1999 Equity II, L.P. and J. Crew Group, Inc.†
10.17	Credit and Guaranty Agreement, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as guarantors therein, the lenders party thereto from time to time, Goldman Sachs Credit Partners L.P. and Bear, Stearns & Co. Inc., as joint lead arrangers and joint bookrunners, Goldman Sachs Credit Partners L.P., as administrative agent and collateral agent, Bear Stearns Corporate Lending Inc., as syndication agent, and Wachovia Bank, National Association, as documentation agent (the “Credit and Guaranty Agreement”).**
10.18	Pledge and Security Agreement Term Loan Collateral, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as grantors therein and Goldman Sachs Credit Partners L.P., as collateral agent.**
10.19	Trademark Security Agreement, dated, as of May 15, 2006, by and among J. Crew Inc. and J. Crew International, as grantors, and Goldman Sachs Credit Partners L.P., as collateral agent.**
10.20	Copyright Security Agreement, dated as of May 15, 2006, by and between J. Crew International, as grantor, and Goldman Sachs Credit Partners L.P., as collateral agent.**
10.21	Intercreditor Agreement, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as guarantors in the Credit and Guaranty Agreement, Goldman Sachs Credit Partners L.P., in its capacity as administrative agent and collateral agent under the Credit and Guaranty Agreement, and Wachovia Bank, National Association, in its capacity as administrative agent and collateral agent under the Credit Facility.**
	Other Exhibits
21.1	Subsidiaries of J.Crew Group, Inc.**
23.1	Consent of KPMG LLP, Independent Auditors.†
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP. Included in Exhibit 5.1.**
23.3	Consent of Mary Ann Casati.†
24.1	Power of Attorney.**

† Filed herewith.
* To be filed by amendment.
** Previously filed.

(b) ***Financial Statement Schedules.*** Schedules not listed above have been omitted because the information to be set forth therein is not material, not applicable or is shown in the financial statements or notes thereto.

Item 17. *Undertakings.*

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 8 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on June 21, 2006.

J.Crew Group, Inc.

By: /S/ MILLARD DREXLER

Millard Drexler
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ MILLARD DREXLER **Millard Drexler**	Chairman of the Board, Chief Executive Officer and a Director (Principal Executive Officer)	June 21, 2006
/S/ JAMES SCULLY **James Scully**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 21, 2006
* **Richard Boyce**	Director	June 21, 2006
* **Jonathan Coslet**	Director	June 21, 2006
* **James Coulter**	Director	June 21, 2006
* **Steven Grand-Jean**	Director	June 21, 2006
* **Bridget Ryan Berman**	Director	June 21, 2006
* **Emily Scott**	Director	June 21, 2006
* **Thomas Scott**	Director	June 21, 2006
* **Stuart Sloan**	Director	June 21, 2006
* **Josh Weston**	Director	June 21, 2006

*By: /S/ NICHOLAS LAMBERTI

Nicholas Lamberti, Attorney-in-Fact

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EXHIBIT INDEX

Exhibit No.	Document
1.1	Form of Underwriting Agreement.**
2.1	Agreement and Plan of Merger between J.Crew Group, Inc. (a New York corporation) and J.Crew Group, Inc. (a Delaware corporation), dated as of October 11, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K/A filed on October 17, 2005.
2.2	Agreement of Merger between the Company and Intermediate, dated as of October 11, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K/A filed on October 17, 2005.
3.1	Certificate of Incorporation of J.Crew Group, Inc.**
3.2	By-laws of J.Crew Group, Inc. Incorporated by reference to Exhibit 3.2 to the Form 8-K/A filed on October 17, 2005.
	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Form of Specimen Common Stock Certificate of J.Crew Group, Inc.†
4.2(a)	Indenture, dated as of October 17, 1997, between J.Crew Group, Inc. as Issuer and State Street Bank and Trust Company as Trustee (the “Group Indenture”). Incorporated by reference to Exhibit 4.3 to the S-4 Registration Statement (File No. 333-42427).
4.2(b)	First Supplemental Indenture, dated as of May 6, 2003, to the Group Indenture. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on May 8, 2003.
4.3	Stockholders’ Agreement, dated as of October 17, 1997, between J.Crew Group, Inc. and the Stockholder signatories thereto. Incorporated by reference to Exhibit 4.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(a)	Employment Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., J.Crew Operating Corp. and TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 10.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(b)	Stockholders’ Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods.**
4.4(c)	Amendment to Stockholders’ Agreement, dated as of June 11, 1998, between TPG Partners II, L.P. and Emily Woods.**
4.4(d)	Amendment to Stockholders’ Agreement, dated as of February 3, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 4.1 of the Form 8-K filed on February 7, 2003.
4.5(a)	Stockholders’ Agreement, dated as of January 24, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Millard Drexler. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 3, 2003.
4.5(b)	Form of Amendment No. 1 to Stockholders Agreement, by and among J. Crew Group, Inc., Millard S. Drexler and each of TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P. and TPG 1999 Equity II, L.P.†
4.6	Stockholders’ Agreement, dated as of February 20, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Jeffrey Pfeifle. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 26, 2003.
4.7	Indenture, dated as of March 18, 2005, among J.Crew Operating Corp. as Issuer, J.Crew Intermediate LLC, Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew Inc. and J.Crew International, Inc. as Guarantors, and U.S. Bank National Association as Trustee (the “9 3/4% Notes Indenture”). Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on March 23, 2005.

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Exhibit No.	Document
4.8	First Supplemental Indenture, dated as of October 17, 2005, supplementing the 9 3/4% Notes Indenture. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on October 18, 2005.
4.9	Second Supplemental Indenture, dated as of October 17, 2005, supplementing the 9 3/4% Notes Indenture. Incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 18, 2005.
4.10	Security Agreement, dated as of November 21, 2004, by and among J.Crew Operating Group, J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC as Grantors, and U.S. Bank National Association as Collateral Agent. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on December 28, 2004.
4.11	Intercreditor Agreement, dated as of November 21, 2004, among Congress Financial Corporation as Senior Credit Agent, U.S. Bank National Association as Collateral Agent, J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on December 28, 2004.
	Legal Opinion
5.1	Legal Opinion of Cleary Gottlieb Steen & Hamilton LLP.**
	Material Contracts
10.1	Amended and Restated Loan and Security Agreement, dated as of December 23, 2004, by and among J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc. d/b/a J.Crew Retail, H.F.D. No. 55, Inc. d/b/a J.Crew Factory as Borrowers, J.Crew Group, Inc., J.Crew International, Inc., J.Crew Intermediate LLC as Guarantors, Wachovia Capital Markets LLC as Arranger and Bookrunner, Wachovia Bank, National Association as Administrative Agent, Bank of America, N.A. as Syndication Agent, Congress Financial Corporation as Collateral Agent, and the Lenders (the “Credit Facility”). Incorporated by reference to Exhibit 4.6 to the Form 8-K filed on December 28, 2004.
10.1(a)	Amendment No. 1, dated as of October 10, 2005, to the Credit Facility. Incorporated by reference to Exhibit 4.1 to the Form 8-K/A filed on October 17, 2005.
10.1(b)	Joinder Agreement between the Company and Wachovia Bank, National Association, as Agent under the Credit Facility, dated October 12, 2005. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on October 18, 2005.
10.1(c)	Amendment No. 2, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation, a national banking association, in its capacity as administrative agent and collateral agent for lenders (the “Agent”), and Amendment No. 1 to Guarantee, dated as of May 15, 2006, by the borrowers and guarantors in favor of the Agent.**
10.1(d)	Amendment No. 3, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and the Agent.**
10.2	Amended and Restated Credit Agreement, dated as of May 15, 2006, by an among TPG-MD Investment, LLC, J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc. and J. Crew International, Inc.**

Exhibit No.	Document
10.3	Purchase Agreement, dated as of August 16, 2005, between the Company and TPG Partners II L.P., TPG Parallel II L.P., TPG Investors II L.P. and TPG 1999 Equity II, L.P.**
10.4	Letter Agreement, dated as of August 16, 2005, between the Company and TPG-MD Investment, LLC.**
10.5	Amended and Restated J.Crew Group, Inc. 1997 Stock Option Plan. Incorporated by reference to Exhibit 10.1 to the Form 10-Q for the period ended August 3, 2002.
10.6(a)	J.Crew Group, Inc. 2003 Equity Incentive Plan (the “2003 Plan”). Incorporated by reference to Exhibit 10.4 to the Form 10-K for the fiscal year ended February 1, 2003.
10.6(b)	Amendment No. 1 to the 2003 Plan. Incorporated by reference to Exhibit 10.4(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.7(a)	Services Agreement, dated January 24, 2003, between the Company, Millard S. Drexler, Inc. and Millard S. Drexler. Incorporated by reference to Exhibit 10.9 to the Form 10-K for the fiscal year ended February 1, 2003.
10.7(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Millard S. Drexler. Incorporated by reference to Exhibit 10.9(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.8(a)	Employment Agreement, dated January 24, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10 to the Form 10-K for the fiscal year ended February 1, 2003.
10.8(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.9	Form of Executive Severance Agreement between the Company and certain executives thereof. Incorporated by reference to Exhibit 10.14 to Form 10-K for the fiscal year ended February 2, 2002.
10.10	Employment Agreement, dated January 23, 2004, between the Company and Tracy Gardner. Incorporated by reference to Exhibit 10.14 to the Form 10-K for the fiscal year ended January 31, 2004.
10.11	Employment Agreement, dated April 10, 2004, between the Company and Amanda Bokman. Incorporated by reference to Exhibit 10.16 to the Form 10-K for the fiscal year ended January 31, 2004.
10.12	Separation Agreement, dated June 17, 2005, between the Company and Amanda Bokman.**
10.13	Employment Agreement, dated August 16, 2005, between the Company and James Scully.**
10.14	Amended and Restated Employment Agreement by and among the Company, Operating and Millard S. Drexler dated as of October 20, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 21, 2005.
10.15	Trademark License Agreement by and among the Company, Millard S. Drexler and Millard S. Drexler, Inc. dated as of October 20, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 21, 2005.
10.16	Form of Registration Rights Agreement among TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P., TPG 1999 Equity II, L.P. and J. Crew Group Inc.†

Exhibit No.	Document
10.17	Credit and Guaranty Agreement, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as guarantors therein, the lenders party thereto from time to time, Goldman Sachs Credit Partners L.P. and Bear, Stearns & Co. Inc., as joint lead arrangers and joint bookrunners, Goldman Sachs Credit Partners L.P., as administrative agent and collateral agent, Bear Stearns Corporate Lending Inc., as syndication agent, and Wachovia Bank, National Association, as documentation agent (the “Credit and Guaranty Agreement”).**
10.18	Pledge and Security Agreement Term Loan Collateral, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as grantors therein and Goldman Sachs Credit Partners L.P., as collateral agent.**
10.19	Trademark Security Agreement, dated as of May 15, 2006, by and among J. Crew Inc. and J. Crew International, as grantors, and Goldman Sachs Credit Partners L.P., as collateral agent.**
10.20	Copyright Security Agreement, dated as of May 15, 2006, by and between J. Crew International, as grantor, and Goldman Sachs Credit Partners L.P., as collateral agent.**
10.21	Intercreditor Agreement, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as guarantors in the Credit and Guaranty Agreement, Goldman Sachs Credit Partners L.P., in its capacity as administrative agent and collateral agent under the Credit and Guaranty Agreement, and Wachovia Bank, National Association, in its capacity as administrative agent and collateral agent under the Credit Facility.**
	Other Exhibits
21.1	Subsidiaries of J.Crew Group, Inc.**
23.1	Consent of KPMG LLP, Independent Auditors.†
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP. Included in Exhibit 5.1.**
23.3	Consent of Mary Ann Casati.†
24.1	Power of Attorney.**

† Filed herewith.
* To be filed by amendment.
** Previously filed.

Exhibit 4.1

COLORS SELECTED FOR PRINTING: Intaglio prints in PMS 627 and black.

COLOR: This proof was printed from a digital file or artwork on a graphics quality, color laser printer. It is a good representation of the color as it will appear on the final product. However, it is not an exact color rendition, and the final printed product may appear slightly different from the proof due to the difference between the dyes and printing ink.

PLEASE INITIAL THE APPROPRIATE SELECTION FOR THIS PROOF: ____OK AS IS ____OK WITH CHANGES ____MAKE CHANGES AND SEND ANOTHER PROOF

J.CREW GROUP, INC.

THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES, AND OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF OF THE CORPORATION, SO FAR AS THE SAME MAY HAVE BEEN FIXED, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS. SUCH REQUEST MAY BE MADE TO THE SECRETARY OF THE CORPORATION OR TO THE TRANSFER AGENT NAMED ON THE FACE OF THIS CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	– as tenants in common	UNIF GIFT MIN ACT–_______Custodian_______
TEN ENT	– as tenants by the entireties	(Cust) (Minor)
JT TEN	– as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act
		of ________________
		(State)

Additional abbreviations may also be used though not in the above list.

For value received __________ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING ZIP CODE OF ASSIGNEE

____ *Shares*

of the stock represented by the within Certificate, and do hereby irrevocably constitute and appoint ______________________

Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated __________________________

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

FORM OF
AMENDMENT NO. 1 TO
STOCKHOLDERS AGREEMENT

THIS AMENDMENT NO. 1 (this "Amendment"), dated as of June [ ], 2006, by and among J. Crew Group, Inc. (the "Company"), Millard S. Drexler (the "Stockholder") and each of the following (hereinafter collectively referred to as the "TPG Holders"): TPG Partners II, L.P. "TPG Partners"), TPG Parallel II, L.P., TPG Investors II, L.P. and TPG 1999 Equity II, L.P. is made to that certain STOCKHOLDERS AGREEMENT (the "Agreement"), dated as of January 24, 2003, by and among the Company, the Stockholder and TPG Partners. Capitalized terms used herein and not otherwise defined have the meaning ascribed thereto in the Agreement.

W I T N E S S E T H:

WHEREAS, the Company, the Stockholder and TPG Partners have entered into the Agreement and desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Addition of Parties. Each of TPG Parallel II, L.P., TPG Investors II, L.P. and TPG 1999 Equity II, L.P. shall be added as parties to the Agreement, and all references to TPG Partners II, L.P. and the Majority Stockholder in the Agreement shall be deemed to include collectively TPG Partners, TPG Parallel II, L.P., TPG Investors II, L.P. and TPG 1999 Equity II, L.P.

2. Termination. Section 6 of the Agreement is hereby amended by deleting it in its entirety and inserting the following:

"6. Termination. This Agreement shall terminate immediately following the existence of a Public Market for the Common Stock except that (i) the requirements contained in Section 2 hereof shall survive the termination of this Agreement and (ii) the provisions contained in Section 3 and Section 5 hereof shall terminate if (i) in the written opinion of counsel to the Company, all of the Registrable Securities then owned by the Stockholder could be sold in any ninety (90)-day period pursuant to Rule 144 (without giving effect to the provisions of Rule 144(k)) or (ii) all of the Registrable Securities held by the Stockholder have been sold in a registration pursuant to the Securities Act or pursuant to Rule 144.

3. Demand Registration Right. Section 5(e) of the Agreement is hereby amended by deleting it in its entirety and inserting the following:

(i) Following the first anniversary of the existence of a Public Market for the Common Stock, the Stockholder shall have the right to deliver a written request to the Company to file a registration statement(s) as may be necessary to permit the Stockholder to sell in the Public Market the number of Shares as shall have been specified in the Stockholder's written request and, upon receipt by the Company of such written request, the Company shall use all commercially reasonable efforts to file, as soon as practicable, such registration statement(s) with the Securities and Exchange Commission (it being agreed that at any time when the Company is eligible to file a registration statement on Form S-3 (or any successor form), the Stockholder may request that the Company file a registration statement on Form S-3 (or any successor form) to permit the offering of the Shares on a delayed or continuous basis) and to cause such registration statement(s) to become effective as soon as practicable thereafter and to remain effective until all Shares registered thereunder have been sold; provided that a Public Market for the Common Stock continues to exist and, in the event that the Company files a registration statement on Form S-3, the Company continues to be eligible to file a registration statement on Form S-3 (or any successor form), in each case, during the period such registration statement would be in effect; and provided, further, that the Stockholder understands and agrees that this Section 5(e) shall not be deemed to impose any obligations upon the Company to undertake any action that, in the good faith opinion of the Board, would be reasonably likely to delay or hinder any material transaction involving the Company, including but not limited to any of the Company’s debt or equity financings, or that would be reasonably likely to be deemed to be a default or violation of any of the Company’s contracts in regard to any of such financings, including but limited to any “blackout” periods imposed by the Company’s underwriters or generally imposed by the Company on its executive officers. In the event that the filing or effectiveness of any registration statement(s) requested pursuant to this Section 5(e) is delayed pursuant to any of the provisos in the immediately preceding sentence, the Company shall promptly file and/or cause such registration statement(s) to become effective, as applicable, promptly following the time that the circumstances(s) described in such proviso(s) that necessitated such delay are no longer applicable. In the event the Company files any registration statement on Form S-8 in respect of the Equity Plan, the Company shall include the shares of Common Stock subject to purchase by the Stockholder with respect to the unexercised options held by the Stockholder to the extent permitted by applicable law.

(ii) In the event that the proposed offering by the Stockholder is underwritten, and if the managing underwriter shall inform the Company in writing that the number of shares of Common Stock requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering within a price range acceptable to the Stockholder, then the Company shall include in such registration such number of shares of Common Stock which the Company is so advised can be sold in (or during the time of) such offering. All holders of shares of Common Stock proposing to sell shares of Common Stock shall share pro rata in the number of shares of Common Stock to be excluded from such offering, such sharing to be based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders.

(iii) The Company shall bear all costs of preparing and filing the registration statement, and shall indemnify and hold harmless, to the extent customary and reasonable, pursuant to indemnification and contribution provisions to be entered into by the Company at the time of filing of the registration statement, the seller of any shares of Common Stock covered by such registration statement.

4. Agreement in Full Force and Effect.

Except as expressly amended hereby, the Agreement remains in full force and effect. Each reference to “hereof,” “hereunder,” and “hereby” and each other similar reference and each reference to “this Agreement” and each other similar reference contained in the Agreement from and after the date hereof refer to the Agreement as amended hereby.

5. Governing Law.

This Amendment shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first set forth above.

J. CREW GROUP, INC.

By: ______________________________
Name:
Title:

TPG PARTNERS II, L.P.

By: TPG GENPAR II, L.P
its General Partner

By: TPG ADVISORS II, INC.
its General Partner

By: ______________________________
Name:
Title:

TPG PARALLEL II, L.P.

By: TPG GENPAR II, L.P.
its General Partner

By: TPG ADVISORS II, INC.
its General Partner

By: ______________________________
Name:
Title:

[Signature Page to Amendment No. 1 to Stockholders Agreement]

TPG INVESTORS II, L.P.

By: TPG GENPAR II, L.P.
its General Partner

By: TPG ADVISORS II, INC.
its General Partner

By:____
Name:
Title:

TPG 1999 EQUITY II, L.P.

By: TPG ADVISORS II, INC.
its General Partner

By:____
Name:
Title:

By:____
Name: Millard S. Drexler

[Signature Page to Amendment No. 1 to Stockholders Agreement]

Exhibit 10.16

REGISTRATION RIGHTS AGREEMENT

dated as of , 2006

among

TPG Partners II, L.P.

TPG Parallel II, L.P.

TPG Investors II, L.P.

TPG 1999 Equity II, L.P.

and

J. Crew Group, Inc.

REGISTRATION RIGHTS AGREEMENT

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REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of , 2006, by and among J. Crew Group, Inc., a Delaware corporation (the "Company"), and each of the following (hereinafter severally referred to as a "TPG Holder" and collectively referred to as the "TPG Holders"): TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P. and TPG 1999 Equity II, L.P.

RECITALS

WHEREAS, as of the date hereof, TPG Holders are the owners of all of the Registrable Securities (as defined below) of the Company; and

WHEREAS, the parties desire to set forth certain registration rights applicable to the Registrable Securities.

NOW, THEREFORE, in consideration of the foregoing and the mutual premises, covenants and agreements of the parties hereto, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Adverse Disclosure" means public disclosure of material non-public information that, in the Board of Directors' good faith judgment, after consultation with independent outside counsel to the Company, (i) would be required to be made in any Registration Statement filed with the SEC by the Company so that such Registration Statement would not be materially misleading; (ii) would not be required to be made at such time but for the filing of such Registration Statement; and (iii) the Company has a bona fide business purpose for not disclosing publicly.

"Affiliate" has the meaning specified in Rule 12b-2 under the Exchange Act. The term "Affiliated" has a correlative meaning.

"Agreement" has the meaning set forth in the preamble.

"Board of Directors" means the board of directors of the Company.

"Company" has the meaning set forth in the preamble and shall include the Company's successors by merger, acquisition, reorganization, conversion or otherwise.

"Company Public Sale" has the meaning set forth in Section 2.3(a).

"Demanding Holder" has the meaning set forth in Section 2.1(a).

"Demand Notice" has the meaning set forth in Section 2.1(d).

"Demand Period" has the meaning set forth in Section 2.1(c).

"Demand Registration" has the meaning set forth in Section 2.1(a).

"Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Demand Suspension" has the meaning set forth in Section 2.1(f).

"Effectiveness Date" means the date on which Holders are no longer subject to any underwriter's lock-up or other contractual restriction on the sale of Registrable Securities in connection with the Company's IPO.

"Equity Securities" means any equity interest or other securities convertible into equity interests of the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Holder" means any holder of Registrable Securities who is a party hereto or who succeeds to rights hereunder pursuant to Section 3.5.

"Indemnified Parties" has the meaning set forth in Section 2.9(a).

"Initial Registrable Securities" means the Registrable Securities outstanding as of the date hereof.

"IPO" means an initial registered offering of equity securities or equity interests of the Company to the public.

"Material Adverse Change" means (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States; (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States; (iii) a material outbreak or escalation of armed hostilities or other international or national calamity involving the United States or the declaration by the United States of a national emergency or war or a change in national or international financial, political or economic conditions; and (iv) any event, change, circumstance or effect that is or is reasonably likely to be materially adverse to the business, properties, assets, liabilities, condition (financial or otherwise), operations, results of operations or prospects of the Company and its subsidiaries taken as a whole.

"NASD" means the NASD, Inc.

"Person" means any individual, corporation, association, limited liability company, partnership, estate, trust, unincorporated organization or a government or any agency or political subdivision thereof.

"Piggyback Registration" has the meaning set forth in Section 2.3(a).

"Preemption Notice" has the meaning set forth in Section 2.1(e).

"Prospectus" means the prospectus included in any Registration Statement, all amendments and supplements to such prospectus, including pre- and post-effective amendments to such Registration Statement, and all other material incorporated by reference in such prospectus.

"Registrable Securities" means any Equity Securities and any securities that may be issued or distributed or be issuable in respect of any Equity Securities by way of conversion, dividend, stock split or other distribution, merger, consolidation, exchange, recapitalization or reclassification or similar transaction; provided, however, that any such Registrable Securities shall cease to be Registrable Securities to the extent (i) a Registration Statement with respect to the sale of such Registrable Securities has been declared effective under the Securities Act and such Registrable Securities have been disposed of in accordance with the plan of distribution set forth in such Registration Statement, (ii) such Registrable Securities have been distributed pursuant to Rule 144 (or any similar provisions then in force) under the Securities Act or (iii) such Registrable Securities shall have been otherwise transferred and new certificates for them not bearing a legend restricting transfer under the Securities Act shall have been delivered by the Company and such securities may be publicly resold without Registration under the Securities Act.

"Registration" means a registration with the SEC of the Company's securities for offer and sale to the public under a Registration Statement. The term "Register" shall have a correlative meaning.

"Registration Expenses" has the meaning set forth in Section 2.8.

"Registration Statement" means any registration statement of the Company filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement, including pre- and post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

"Representatives" means, with respect to any Person, any of such Person's officers, directors, employees, agents, attorneys, accountants, actuaries, consultants, equity financing partners or financial advisors or other Person associated with, or acting on behalf of, such Person.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Shelf Period" has the meaning set forth in Section 2.2(b).

"Shelf Registration" means a Registration effected pursuant to Section 2.2.

"Shelf Registration Statement" means a Registration Statement of the Company filed with the SEC on either (i) Form S-3 (or any successor form or other appropriate form under the Securities Act) or (ii) if the Company is not permitted to file a Registration Statement on Form S-3, an evergreen Registration Statement on Form S-1 (or any successor form or other appropriate form under the Securities Act), in each case for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act (or any similar rule that may be adopted by the SEC) covering all of the Registrable Securities.

"Shelf Suspension" has the meaning set forth in Section 2.2(c).

"TPG Holder" has the meaning set forth in the preamble.

"TPG Holders" has the meaning set forth in the preamble.

"Underwritten Offering" means a Registration in which securities of the Company are sold to an underwriter or underwriters on a firm commitment basis for reoffering to the public.

1.2 General Interpretive Principles.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and any subsection, Section, Exhibit, Schedule and Annex references are to this Agreement unless otherwise specified.

(c) The term "including" is not limiting and means "including without limitation."

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(e) Whenever the context requires, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms.

SECTION 2. REGISTRATION RIGHTS.

2.1 Demand Registration.

(a) Demand by Holders. If at any time or from time to time after the Effectiveness Date, any TPG Holder may make a written request to the Company for Registration of Registrable Securities held by such TPG Holder (a "Demanding Holder"). Any such requested Registration shall hereinafter be referred to as a "Demand Registration." Each request for a Demand Registration shall specify the kind and aggregate amount of Registrable Securities to be Registered and the intended methods of disposition thereof. As soon as practicable (and, in any event, within thirty (30) days) of a request for a Demand Registration, the Company shall file a Registration Statement relating to such Demand Registration (a "Demand Registration Statement"), and shall use its reasonable best efforts to cause such Demand Registration Statement to promptly be declared effective under (i) the Securities Act and (ii) the "Blue Sky" laws of such jurisdictions as any Holder being registered under such Registration or any underwriter, if any, reasonably requests.

(b) Demand Withdrawal. A Demanding Holder and any other Holder that has requested its Registrable Securities be included in a Demand Registration pursuant to Section 2.1(d) may withdraw its Registrable Securities from a Demand Registration at any time prior to the effectiveness of the applicable Demand Registration Statement. Upon receipt of a notice to such effect from the Demanding Holder, the Company shall cease all efforts to secure effectiveness of the applicable Demand Registration Statement.

(c) Effective Registration. The Company shall be deemed to have effected a Demand Registration if the Demand Registration Statement is declared effective by the SEC and remains effective for not less than one hundred eighty (180) days (or such shorter period as will terminate when all Registrable Securities covered by such Demand Registration Statement have been sold or withdrawn), or if such Registration Statement relates to an Underwritten Offering, such longer period as, in the opinion of counsel for the underwriter or underwriters, a Prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer (the applicable period, the "Demand Period"). No Demand Registration shall be deemed to have been effected if (i) during the Demand Period such Registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court or (ii) the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such Registration are not satisfied other than by reason of a wrongful act, misrepresentation or breach of such applicable underwriting agreement by the Demanding Holder.

(d) Demand Notice. Promptly upon receipt of any request for a Demand Registration pursuant to Section 2.1(a) (but in no event more than five (5) Business Days thereafter), the Company shall deliver a written notice (a "Demand Notice") of any such Registration request to all other Holders, and the Company shall include in such Demand Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) Business Days after the date that the Demand Notice has been delivered. All requests made pursuant to this Section 2.1(d) shall specify the aggregate amount of Registrable Securities to be registered and the intended method of distribution of such securities.

(e) Preemption. If not more than thirty (30) days prior to receipt of any request for a Demand Registration pursuant to Section 2.1(a), the Company shall have (i) circulated to prospective underwriters and their counsel a draft of a Registration Statement for a primary offering of Equity Securities on behalf of the Company, (ii) solicited bids for a primary offering of Equity Securities, or (iii) otherwise reached a written understanding with an underwriter with respect to a primary offering of Equity Securities, the Company may preempt the Demand Registration with such primary offering by delivering written notice of such intention (the "Preemption Notice") to the Demanding Holder and all other Holders, within five days after the Company has received the request. The period of preemption may be up to forty-five (45) days following the date such Preemption Notice is delivered. Notwithstanding anything to the contrary herein, the Company shall not be entitled to exercise its right to preempt a Demand Registration pursuant to this Section 2.1(e) more than once during any twelve (12) month period.

(f) Delay in Filing; Suspension of Registration. If the filing, initial effectiveness or continued use of a Demand Registration Statement at any time would require the Company to make an Adverse Disclosure, the Company may, upon giving prompt written notice of such action to the Holders, delay the filing or initial effectiveness of, or suspend use of, the Demand Registration Statement (a "Demand Suspension"); provided, however, that the Company shall not be permitted to exercise a Demand Suspension (i) more than once during any twelve (12) month period, or (ii) for a period exceeding thirty (30) days on any one occasion. In the case of a Demand Suspension, the Holders agree to suspend use of the applicable Prospectus in connection with any sale or purchase, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above. The Company shall immediately notify the Holders upon the termination of any Demand Suspension, amend or supplement the Prospectus, if necessary, so it does not contain any material untrue statement or omission and furnish to the Holders such numbers of copies of the Prospectus as so amended or supplemented as any such Holders may reasonably request. The Company agrees, if necessary, to supplement or make amendments to the Demand Registration Statement, if required by the registration form used by the Company for the Demand Registration or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder or as may reasonably be requested by the Demanding Holder.

(g) Underwritten Offering. If a Demanding Holder so elects, an offering of Registrable Securities pursuant to a Demand Registration shall be in the form of an Underwritten Offering. Such Demanding Holder shall have the right to select the managing underwriter or underwriters to administer the offering; provided that such managing underwriter or underwriters shall be reasonably acceptable to the Company.

(h) Priority of Securities Registered Pursuant to Demand Registrations. If the managing underwriter shall inform the Company in writing that the number of shares of Common Stock requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering within a price range acceptable to the TPG Holders, then the Company shall include in such registration such number of shares of Common Stock which the Company is so advised can be sold in (or during the time of) such offering. All holders of shares of Common Stock proposing to sell shares of Common Stock shall share pro rata in the number of shares of Common Stock to be excluded from such offering, such sharing to be based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders.

2.2 Shelf Registration.

(a) Filing. After the Effectiveness Date, as promptly as practicable following a demand by any TPG Holder, the Company shall file with the SEC a Shelf Registration Statement relating to the offer and sale of all Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in the Shelf Registration Statement and, thereafter, shall use its reasonable best efforts to cause such Shelf Registration Statement to be declared effective under the Securities Act. If, on the date of any such demand, the Company does not qualify to file a Shelf Registration Statement under the Securities Act, the provisions of this Section 2.2 shall not apply, and the provisions of Section 2.1 shall apply instead.

(b) Continued Effectiveness. The Company shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective under the Securities Act in order to permit the Prospectus forming a part thereof to be usable by Holders until the earlier of (i) the date as of which all Registrable Securities have been sold pursuant to the Shelf Registration Statement or another registration statement filed under the Securities Act (but in no event prior to the applicable period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder) and (ii) the date as of which each of the Holders is permitted to sell its Registrable Securities without Registration pursuant to Rule 144 under the Securities Act without volume limitation or other restrictions on transfer thereunder (such period of effectiveness, the "Shelf Period"). Subject to Section 2.2(c), the Company shall not be deemed to have used its reasonable best efforts to keep the Shelf Registration Statement effective during the Shelf Period if the Company voluntarily takes any action or omits to take any action that would result in Holders covered thereby not being able to offer and sell any Registrable Securities pursuant to such Shelf Registration Statement during the Shelf Period, unless such action or omission is required by applicable law.

(c) Suspension of Registration. If the continued use of such Shelf Registration Statement at any time would require the Company to make an Adverse Disclosure, the Company may, upon giving at least ten (10) days' prior written notice of such action to the Holders, suspend use of the Shelf Registration Statement (a "Shelf Suspension"); provided that the Company shall not be permitted to exercise a Shelf Suspension (i) more than one time during any 12-month period, or (ii) for a period exceeding thirty (30) days on any one occasion. In the case of a Shelf Suspension, the Holders agree to suspend use of the applicable Prospectus in connection with any sale or purchase of, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above. The Company shall immediately notify the Holders upon the termination of any Shelf Suspension, amend or supplement the Prospectus, if necessary, so it does not contain any untrue statement or omission and furnish to the Holders such numbers of copies of the Prospectus as so amended or supplemented as the Holders may reasonably request. The Company agrees, if necessary, to supplement or make amendments to the Shelf Registration Statement, if required by the registration form used by the Company for the Shelf Registration or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder or as may reasonably be requested by an Holder.

(d) Underwritten Offering. If any TPG Holder so elects, an offering of such TPG Holder's Registrable Securities pursuant to the Shelf Registration Statement shall be in the form of an Underwritten Offering, and the Company shall amend or supplement the Shelf Registration Statement for such purpose. Such TPG Holder shall have the right to select the managing underwriter or underwriters to administer such offering; provided that such managing underwriter or underwriters shall be reasonably acceptable to the Company.

2.3 Piggyback Registration.

(a) Participation. If the Company at any time proposes to file a Registration Statement under the Securities Act with respect to any offering of its securities for its own account or for the account of any other Persons (other than (i) a Registration under Section 2.1 or 2.2, (ii) a Registration on Form S-4 or S-8 or any successor form to such Forms or (iii) a Registration of securities solely relating to an offering and sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit plan arrangement) (a "Company Public Sale"), then, as soon as practicable (but in no event less than forty-five (45) days prior to the proposed date of filing of such Registration Statement), the Company shall give written notice of such proposed filing to TPG Holders, and such notice shall offer TPG Holders the opportunity to Register under such Registration Statement such number of Registrable Securities as each such Holder may request in writing (a "Piggyback Registration"). Subject to Section 2.3(b), the Company shall include in such Registration Statement all such Registrable Securities that are requested to be included therein within fifteen (15) days after such notice is delivered; provided that if at any time after giving written notice of its intention to Register any securities and prior to the effective date of the Registration Statement filed in connection with such Registration, the Company shall determine for any reason not to Register or to delay Registration of such securities, the Company shall give written notice of such determination to each Holder and, thereupon, (i) in the case of a determination not to Register, shall be relieved of its obligation to Register any Registrable Securities in connection with such Registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of any Holders entitled to request that such Registration be effected as a Demand Registration under Section 2.1, and (ii) in the case of a determination to delay Registering, in the absence of a request for a Demand Registration, shall be permitted to delay Registering any Registrable Securities, for the same period as the delay in Registering such other securities. If the offering pursuant to such Registration Statement is to be underwritten, then each Holder making a request for a Piggyback Registration pursuant to this Section 2.3(a) must, and the Company shall make such arrangements with the managing underwriter or underwriters so that each such Holder may, participate in such Underwritten Offering. If the offering pursuant to such Registration Statement is to be on any other basis, then each Holder making a request for a Piggyback Registration pursuant to this Section 2.3(a) must, and the Company shall make such arrangements so that each such Holder may, participate in such offering on such basis. Each Holder shall be permitted to withdraw all or part of such Holder's Registrable Securities from a Piggyback Registration at any time prior to the effectiveness of such Registration Statement.

(b) Priority of Piggyback Registration. If the managing underwriter shall inform the Company in writing that the number of shares of Common Stock requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering within a price range acceptable to the TPG Holders, then the Company shall include in such registration such numbers of shares of Common Stock which the Company is so advised can be sold in (or during the time of) such offering. All holders of shares of Common Stock proposing to sell shares of Common Stock shall share pro rata in the number of shares of Common Stock to be excluded from such offering, such sharing to be based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders.

(c) No Effect on Demand Registrations. No Registration of Registrable Securities effected pursuant to a request under this Section 2.3 shall be deemed to have been effected pursuant to Sections 2.1 and 2.2 or shall relieve the Company of its obligations under Sections 2.1 or 2.2.

2.4 Black-out Periods.

(a) Black-out Periods for Holders. In the event of a Company Public Sale of the Company's equity securities in an Underwritten Offering, the Holders agree, if requested by the managing underwriter or underwriters in such Underwritten Offering, not to effect any public sale or distribution of any securities (except, in each case, as part of the applicable Registration, if permitted) that are the same as or similar to those being Registered in connection with such Company Public Sale, or any securities convertible into or exchangeable or exercisable for such securities, during the period beginning seven (7) days before and ending ninety (90) days (or such lesser period as may be permitted by the Company or such managing underwriter or underwriters) after, the effective date of the Registration Statement filed in connection with such Registration, to the extent timely notified in writing by the Company or the managing underwriter or underwriters.

(b) Black-out Period for the Company and Others. In the case of a Registration of Registrable Securities pursuant to Section 2.1 or 2.2 for an Underwritten Offering, the Company and each Holder agrees, if requested by the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement) or the managing underwriter or underwriters, not to effect any public sale or distribution of any securities that are the same as or similar to those being Registered, or any securities convertible into or exchangeable or exercisable for such securities, during the period beginning seven (7) days before, and ending ninety (90) days (or such lesser period as may be permitted by such Holders or such managing underwriter or underwriters) after, the effective date of the Registration Statement filed in connection with such Registration (or, in the case of an offering under a Shelf Registration Statement, the date of the closing under the underwriting agreement in connection therewith), to the extent timely notified in writing by a Holder covered by such Registration Statement or the managing underwriter or underwriters. Notwithstanding the foregoing, the Company may effect a public sale or distribution of securities of the type described above and during the periods described above if such sale or distribution is made pursuant to Registrations on Form S-4 or S-8 or any successor form to such Forms or as part of any Registration of securities for offering and sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit plan arrangement. The Company agrees to use its reasonable best efforts to obtain from each Holder of restricted securities of the Company which securities are the same as or similar to the Registrable Securities being Registered, or any restricted securities convertible into or exchangeable or exercisable for any of such securities, an agreement not to effect any public sale or distribution of such securities during any such period referred to in this paragraph, except as part of any such Registration, if permitted. Without limiting the foregoing (but subject to Section 2.7), if after the date hereof the Company grants any Person (other than a Holder) any rights to demand or participate in a Registration, the Company agrees that the agreement with respect thereto shall include such Person's agreement to comply with any Black-out period required by this Section as if it were the Company hereunder.

2.5 Registration Procedures.

(a) In connection with the Company's Registration obligations under Sections 2.1, 2.2 and 2.3, the Company shall use its reasonable best efforts to effect such Registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of distribution thereof as expeditiously as reasonably practicable, and in connection therewith the Company shall:

(i) prepare the required Registration Statement including all exhibits and financial statements required under the Securities Act to be filed therewith, and before filing a Registration Statement or Prospectus, or any amendments or supplements thereto, (x) furnish to the underwriters, if any, and to the Holders covered by such Registration Statement, copies of all documents prepared to be filed, which documents shall be subject to the review of such underwriters and such Holders and their respective counsel and (y) except in the case of a Registration under Section 2.3, not file any Registration Statement or Prospectus or amendments or supplements thereto to which the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement) or the underwriters, if any, shall reasonably object;

(ii) as soon as possible (in the case of a Demand Registration, no later than thirty (30) days after a request for a Demand Registration) file with the SEC a Registration Statement relating to the Registrable Securities including all exhibits and financial statements required by the SEC to be filed therewith, and use its reasonable best efforts to cause such Registration Statement to become effective under the Securities Act;

(iii) prepare and file with the SEC such pre- and post-effective amendments to such Registration Statement and supplements to the Prospectus as may be (x) reasonably requested by the Demanding Holder (or, in the case of a Shelf Registration, the Holders selling Registrable Securities under the Shelf Registration Statement), (y) reasonably requested by any participating Holder (to the extent such request relates to information relating to such Holder), or (z) necessary to keep such Registration effective for the period of time required by this Agreement, and comply with provisions of the applicable securities laws with respect to the sale or other disposition of all securities covered by such Registration Statement during such period in accordance with the intended method or methods of disposition by the sellers thereof set forth in such Registration Statement;

(iv) notify the participating Holders and the managing underwriter or underwriters, if any, and (if requested) confirm such advice in writing and provide copies of the relevant documents, as soon as reasonably practicable after notice thereof is received by the Company (a) when the applicable Registration Statement or any amendment thereto has been filed or becomes effective, and when the applicable Prospectus or any amendment or supplement to such Prospectus has been filed, (b) of any written comments by the SEC or any request by the SEC or any other federal or state governmental authority for amendments or supplements to such Registration Statement or such Prospectus or for additional information, (c) of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any order by the SEC or any other regulatory authority preventing or suspending the use of any preliminary or final Prospectus or the initiation or threatening of any proceedings for such purposes, (d) if, at any time, the representations and warranties of the Company in any applicable underwriting agreement cease to be true and correct in all material respects, and (e) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(v) promptly notify each selling Holder and the managing underwriter or underwriters, if any, when the Company becomes aware of the happening of any event as a result of which the applicable Registration Statement or the Prospectus included in such Registration Statement (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of such Prospectus and any preliminary Prospectus, in light of the circumstances under which they were made) not misleading or, if for any other reason it shall be necessary during such time period to amend or supplement such Registration Statement or Prospectus in order to comply with the Securities Act and, in either case as promptly as reasonably practicable thereafter, prepare and file with the SEC, and furnish without charge to the selling Holders and the managing underwriter or underwriters, if any, an amendment or supplement to such Registration Statement or Prospectus which shall correct such misstatement or omission or effect such compliance;

(vi) use its reasonable best efforts to prevent or obtain the withdrawal of any stop order or other order suspending the use of any preliminary or final Prospectus;

(vii) promptly incorporate in a Prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters and the Holders whose Registrable Securities are being sold agree should be included therein relating to the plan of distribution with respect to such Registrable Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as reasonably practicable after being notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) furnish to each selling Holder and each underwriter, if any, without charge, as many conformed copies as such Holder or underwriter may reasonably request of the applicable Registration Statement and any pre- or post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(ix) deliver to each selling Holder and each underwriter, if any, without charge, as many copies of the applicable Prospectus (including each preliminary Prospectus) and any amendment or supplement thereto as such Holder or underwriter may reasonably request (it being understood that the Company consents to the use of such Prospectus or any amendment or supplement thereto by each of the selling Holders and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto) and such other documents as such selling Holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holder or underwriter;

(x) on or prior to the date on which the applicable Registration Statement is declared effective, use its reasonable best efforts to register or qualify, and cooperate with the selling Holders, the managing underwriter or underwriters, if any, and their respective counsel, in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of each state and other jurisdiction of the United States as any such selling Holder or managing underwriter or underwriters, if any, or their respective counsel reasonably request in writing and do any and all other acts or things reasonably necessary or advisable to keep such registration or qualification in effect for such period as required by Section 2.1(c) or 2.2(b), whichever is applicable, provided that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in any such jurisdiction where it is not then so subject;

(xi) cooperate with the selling Holders and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters may request at least two (2) business days prior to any sale of Registrable Securities to the underwriters;

(xii) use its reasonable best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(xiii) not later than the effective date of the applicable Registration Statement, provide a CUSIP number for all Registrable Securities and provide the applicable transfer agent with printed certificates for the Registrable Securities which are in a form eligible for deposit with The Depository Trust Company;

(xiv) make such representations and warranties to the Holders being registered, and the underwriters or agents, if any, in form, substance and scope as are customarily made by issuers in secondary underwritten public offerings;

(xv) enter into such customary agreements (including underwriting and indemnification agreements) and take all such other actions as the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement) or the managing underwriter or underwriters, if any, reasonably request in order to expedite or facilitate the registration and disposition of such Registrable Securities;

(xvi) obtain for delivery to the Holders being registered and to the underwriter or underwriters, if any, an opinion or opinions from counsel for the Company dated the effective date of the Registration Statement or, in the event of an Underwritten Offering, the date of the closing under the underwriting agreement, in customary form, scope and substance, which opinions shall be reasonably satisfactory to such Holders or underwriters, as the case may be, and their respective counsel;

(xvii) in the case of an Underwritten Offering, obtain for delivery to the Company and the managing underwriter or underwriters, with copies to the Holders included in such Registration, a cold comfort letter from the Company's independent certified public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the managing underwriter or underwriters reasonably request, dated the date of execution of the underwriting agreement and brought down to the closing under the underwriting agreement;

(xviii) cooperate with each seller of Registrable Securities and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD;

(xix) use its reasonable best efforts to comply with all applicable securities laws and make available to its security Holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(xx) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by the applicable Registration Statement from and after a date not later than the effective date of such Registration Statement;

(xxi) use its best efforts to cause all Registrable Securities covered by the applicable Registration Statement to be listed on each securities exchange on which any of the Company's securities are then listed or quoted and on each inter-dealer quotation system on which any of the Company's securities are then quoted;

(xxii) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by a Representative appointed by the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement), by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant or other agent retained by such Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement) or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees and the independent public accountants who have certified its financial statements to make themselves available to discuss the business of the Company and to supply all information reasonably requested by any such Person in connection with such Registration Statement as shall be necessary to enable them to exercise their due diligence responsibility; provided that any such Person gaining access to information regarding the Company pursuant to this Section 2.5(a)(xxii) shall agree to hold in strict confidence and shall not make any disclosure or use any information regarding the Company that the Company determines in good faith to be confidential, and of which determination such Person is notified, unless (w) the release of such information is requested or required (by deposition, interrogatory, requests for information or documents by a governmental entity, subpoena or similar process), (x) such information is or becomes publicly known other than through a breach of this or any other agreement of which such Person has knowledge, (y) such information is or becomes available to such Person on a non-confidential basis from a source other than the Company or (z) such information is independently developed by such Person; and

(xxiii) in the case of an Underwritten Offering, cause the senior executive officers of the Company to participate in the customary "road show" presentations that may be reasonably requested by the managing underwriter or underwriters in any such Underwritten Offering and otherwise to facilitate, cooperate with, and participate in each proposed offering contemplated herein and customary selling efforts related thereto.

(b) The Company may require each seller of Registrable Securities as to which any Registration is being effected to furnish to the Company such information regarding the distribution of such securities and such other information relating to such Holder and its ownership of Registrable Securities as the Company may from time to time reasonably request in writing. Each Holder agrees to furnish such information to the Company and to cooperate with the Company as reasonably necessary to enable the Company to comply with the provisions of this Agreement.

(c) Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.5(a)(v), such Holder will forthwith discontinue disposition of Registrable Securities pursuant to such Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.5(a)(v), or until such Holder is advised in writing by the Company that the use of the

Prospectus may be resumed, and if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period during which the applicable Registration Statement is required to be maintained effective shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement either receives the copies of the supplemented or amended Prospectus contemplated by Section 2.5(a)(v) or is advised in writing by the Company that the use of the Prospectus may be resumed.

(d) Holders may seek to register different types of Registrable Securities simultaneously and the Company shall use its reasonable best efforts to effect such Registration and sale in accordance with the intended method or methods of disposition specified by such Holders.

2.6 Underwritten Offerings.

(a) Shelf and Demand Registrations. If requested by the underwriters for any Underwritten Offering requested by Holders pursuant to a Registration under Section 2.1 or Section 2.2, the Company shall enter into an underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the Company, the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement) and the underwriters, and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including indemnities no less favorable to the recipient thereof than those provided in Section 2.9. The Holders proposed to be distributed by such underwriters shall cooperate with the Company in the negotiation of the underwriting agreement and shall give consideration to the reasonable suggestions of the Company regarding the form thereof. Such Holders to be distributed by such underwriters shall be parties to such underwriting agreement, which underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Holders as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Holders. Any such Holder shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Holder, such Holder's title to the Registrable Securities, such Holder's intended method of distribution and any other representations required to be made by such Holder under applicable law, and the aggregate amount of the liability of such Holder shall not exceed such Holder's net proceeds from such Underwritten Offering.

(b) Piggyback Registrations. If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 2.3 and such securities are to be distributed in an Underwritten Offering through one or more underwriters, the Company shall, if requested by any Holder pursuant to Section 2.3 and subject to the provisions of Section 2.3(b), use its reasonable best efforts to arrange for such underwriters to include on the same terms and conditions that apply to the other sellers in such Registration all the Registrable Securities to be offered and sold by such Holder among the securities of the Company to be distributed by such underwriters in such Registration. The Holders to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters, which underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Holders as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Holders. Any such Holder shall not be required to make any representations or warranties to, or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Holder, such Holder's title to the Registrable Securities and such Holder's intended method of distribution or any other representations required to be made by such Holder under applicable law, and the aggregate amount of the liability of such Holder shall not exceed such Holder's net proceeds from such Underwritten Offering.

(c) Participation in Underwritten Registrations. Subject to the provisions of Section 2.6(a) and (b) above, no Person may participate in any Underwritten Offering hereunder unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

(d) Price and Underwriting Discounts. In the case of an Underwritten Offering under Section 2.1 or 2.2, the price, underwriting discount and other financial terms for the Registrable Securities shall be determined by the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement). In addition, in the case of any Underwritten Offering, each of the Holders may withdraw their request to participate in the registration pursuant to Section 2.1, 2.2 or 2.3 after being advised of such price, discount and other terms and shall not be required to enter into any agreements or documentation that would require otherwise.

2.7 No Inconsistent Agreements; Additional Rights. Except as disclosed to the TPG Holders, the Company shall not hereafter enter into, and is not currently a party to, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders by this Agreement. Without the consent of TPG Holders, the Company shall not enter into any agreement granting registration or similar rights to any Person.

2.8 Registration Expenses. All expenses incident to the Company's performance of or compliance with this Agreement shall be paid by the Company, including (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC or the NASD, (ii) all fees and expenses in connection with compliance with any securities or "Blue Sky" laws, (iii) all printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company (including the expenses of any special audit and cold comfort letters required by or incident to such performance), (v) Securities Act liability insurance or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practice, (vi) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange or quotation of the Registrable Securities on any inter-dealer quotation system, (vii) all applicable rating agency fees with respect to the Registrable Securities, (viii) all reasonable fees and disbursements of legal counsel selected by the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement), (ix) all fees and expenses of accountants selected by the Demanding Holder (or, in the case of a Shelf Registration, the Holder selling Registrable Securities under the Shelf Registration Statement), (x) any reasonable fees and disbursements of underwriters customarily paid by issuers or sellers of securities, (xi) all fees and expenses of any special experts or other Persons retained by the Company in connection with any Registration, (xii) all of the Company's internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties) and (xiii) all expenses related to the "road-show" for any underwritten offering, including all travel, meals and lodging. All such expenses are referred to herein as "Registration Expenses." The Company shall not be required to pay any fees and disbursements to underwriters not customarily paid by the issuers of securities in a secondary offering, including underwriting discounts and commissions and transfer taxes, if any, attributable to the sale of Registrable Securities.

2.9 Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Holder, each member, limited or general partner thereof, each member, limited or general partner of each such member, limited or general partner, each of their respective Affiliates, officers, directors, shareholders, employees, advisors, and agents and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons and each of their respective Representatives from and against any and all losses, penalties, judgments, suits, costs, claims, damages, liabilities and expenses, joint or several (including reasonable costs of investigation and legal expenses) (each, a "Loss" and collectively "Losses") arising out of or based upon (i) any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or any other disclosure document produced by or on behalf of the Company or any of its subsidiaries including, without limitation, reports and other documents filed under the Exchange Act, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading or (iii) any actions or inactions or proceedings in respect of the foregoing whether or not such indemnified party is a party thereto; provided, that the Company shall not be liable to any particular indemnified party (x) to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement or other document in reliance upon and in conformity with written information furnished to the Company by such indemnified party expressly for use in the preparation thereof or (y) to the extent that any such Loss arises out of or is based upon an untrue statement or omission in a preliminary Prospectus relating to Registrable Securities, if a Prospectus (as then amended or supplemented) that would have cured the defect was furnished to the indemnified party from whom the Person asserting the claim giving rise to such Loss purchased Registrable Securities at least five (5) days prior to the written confirmation of the sale of the Registrable Securities to such Person and a copy of such Prospectus (as amended and supplemented) was not sent or given by or on behalf of such indemnified party to such Person at or prior to the written confirmation of the sale of the Registrable Securities to such Person. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any indemnified party and shall survive the transfer of such securities by such Holder. The Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the indemnified parties.

(b) Indemnification by the Selling Holder. Each selling Holder agrees (severally and not jointly) to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act or the Exchange Act) from and against any Losses resulting from (i) any untrue statement of a material fact in any Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), or (ii) any omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, in each case, to the extent, but only to the extent, that such untrue statement or omission is contained in any information furnished in writing by such selling Holder to the Company specifically for inclusion in such Registration Statement and has not been corrected in a subsequent writing prior to or concurrently with the sale of the Registrable Securities to the Person asserting the claim. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder under the sale of Registrable Securities giving rise to such indemnification obligation. The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above (with appropriate modification) with respect to information furnished in writing by such Persons specifically for inclusion in any Prospectus or Registration Statement.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (i) the indemnifying party has agreed in writing to pay such fees or expenses, (ii) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after receipt of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person, (iii) the indemnified party has reasonably concluded (based upon advice of its counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, or (iv) in the reasonable judgment of any such Person (based upon advice of its counsel) a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If the indemnifying party assumes the defense, the indemnifying party shall not have the right to settle such action without the consent of the indemnified party. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect to such claim or litigation without the prior written consent of such indemnified party. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its prior written consent, but such consent may not be unreasonably withheld. It is understood that the indemnifying party or parties shall not, except as specifically set forth in this Section 2.9(c), in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements or other charges of more than one separate firm admitted to practice in such jurisdiction at any one time unless (x) the employment of more than one counsel has been authorized in writing by the indemnifying party or parties, (y) an indemnified party has reasonably concluded (based on the advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the other indemnified parties or (z) a conflict or potential conflict exists or may exist (based upon advice of counsel to an indemnified party) between such indemnified party and the other indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

(d) Contribution. If for any reason the indemnification provided for in paragraphs (a) and (b) of this Section 2.9 is unavailable to an indemnified party or insufficient in respect of any Losses referred to therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party or parties on the other hand in connection with the acts, statements or omissions that resulted in such losses, as well as any other relevant equitable considerations. In connection with any Registration Statement filed with the SEC by the Company, the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 2.9(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 2.9(d). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The amount paid or payable by an indemnified party as a result of the Losses referred to in Sections 2.9(a) and 2.9(b) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.9(d), in connection with any Registration Statement filed by the Company, a selling Holder shall not be required to contribute any amount in excess of the dollar amount of the net proceeds received by such Holder under the sale of Registrable Securities giving rise to such contribution obligation. If indemnification is available under this Section 2.9, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Sections 2.9(a) and 2.9(b) hereof without regard to the provisions of this Section 2.9(d). The remedies provided for in this Section 2.9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

2.10 Rules 144 and 144A; Regulation S. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the reasonable request of any Holder, make publicly available such necessary information for so long as necessary to permit sales pursuant to Rules 144, 144A or Regulation S under the Securities Act), and it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without Registration under the Securities Act within the limitation of the exemptions provided by (i) Rules 144, 144A or Regulation S under the Securities Act, as such Rules may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC. Upon the reasonable request of any Holder, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements and, if not, the specifics thereof.

SECTION 3. MISCELLANEOUS.

3.1 Term. This Agreement shall terminate upon the later of the expiration of the Shelf Period and such time as there are no Registrable Securities, except for the provisions of Sections 2.9 and 2.10 and all of this Section 3, which shall survive any such termination.

3.2 Injunctive Relief. It is hereby agreed and acknowledged that it will be impossible to measure in money the damage that would be suffered if the parties fail to comply with any of the obligations herein imposed on them and that in the event of any such failure, an aggrieved Person will be irreparably damaged and will not have an adequate remedy at law. Any such Person shall, therefore, be entitled (in addition to any other remedy to which it may be entitled in law or in equity) to injunctive relief, including specific performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

3.3 Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement or where any provision hereof is validly asserted as a defense, the successful party shall, to the extent permitted by applicable law, be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

3.4 Notices. All notices, other communications or documents provided for or permitted to be given hereunder, shall be made in writing and shall be given (and shall be deemed to have been duly given upon receipt) by personal hand-delivery, by facsimile transmission, by electronic mail, by mailing the same in a sealed envelope, registered first-class mail, postage prepaid, return receipt requested, or by air courier guaranteeing overnight delivery:

(a) if to the Company:

J. Crew Group, Inc.
770 Broadway 12th Floor
New York, NY 10003
Attention: General Counsel

(b) if to TPG Holders:

Jonathan Coslet
Texas Pacific Group
345 California Street, Suite 3300
San Francisco, CA 94104
Attention: Jonathan Coslet
Telephone: (415) 743-1527
Fax: (415) 743-1501
E-mail: jcoslet@texpac.com

Each Holder, by written notice given to the Company in accordance with this Section 3.4, may change the address to which notices, other communications or documents are to be sent to such Holder.

3.5 Successors, Assigns and Transferees. (a) Each party may assign all or a portion of its rights hereunder to any Person to which such party transfers its ownership of all or any of its Registrable Securities; provided that no such assignment shall be binding upon or obligate the Company to any such assignee unless and until the Company shall have received notice of such assignment as herein provided and a written agreement of the assignee to be bound by the provisions of this Agreement, and, provided further, that the rights described under Sections 2.1 and 2.2 shall not transfer to any Person unless such Person (i) is an Affiliate of the Holder transferring such rights or (ii) acquires at least 33 1/3% of the Initial Registrable Securities of the Company held by TPG Holders, as the case may be.

(b) The terms and provisions of this Agreement shall be binding on and inure to the benefit of each of the parties hereto and their respective successors. Nothing in this

Agreement, express or implied, is intended or shall be construed to confer upon any Person not a party hereto (other than each other Person entitled to indemnity or contribution under Section 2.9) any right, remedy or claim under or by virtue of this Agreement.

3.6 Governing Law; Service of Process; Consent to Jurisdiction. (a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PROVISIONS, POLICIES OR PRINCIPLES THEREOF RELATING TO CHOICE OR CONFLICT OF LAWS.

(b) To the fullest extent permitted by applicable law, each party hereto (i) agrees that any claim, action or proceeding by such party seeking any relief whatsoever arising out of, or in connection with, this Agreement or the transactions contemplated hereby shall be brought only in the United States District Court for the Southern District of New York and the courts of the State of New York located in the Borough of Manhattan and not in any other State or Federal court in the United States of America or any court in any other country, (ii) agrees to submit to the exclusive jurisdiction of such courts located in the State of New York for purposes of all legal proceedings arising out of, or in connection with, this Agreement or the transactions contemplated hereby, and (iii) irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

3.7 Severability. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained therein.

3.8 Amendment; Waiver.

(a) This Agreement may not be amended or modified and waivers and consents to departures from the provisions hereof may not be given, except by an instrument or instruments in writing making specific reference to this Agreement and signed by the Company and each of TPG Holders. Each Holder at the time or thereafter outstanding shall be bound by any amendment, modification, waiver or consent authorized by this Section 3.8(a), whether or not such Registrable Securities shall have been marked accordingly.

(b) The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

3.9 Counterparts. This Agreement may be executed in any number of separate counterparts and by the parties hereto in separate counterparts each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

J. CREW GROUP, INC.

By: ______________________________
Name:
Title:

TPG PARTNERS II, L.P.

By: TPG GENPAR II, L.P
its General Partner

By: TPG ADVISORS II, INC.
its General Partner

By: ______________________________
Name:
Title:

TPG PARALLEL II, L.P.

By: TPG GENPAR II, L.P.
its General Partner

By: TPG ADVISORS II, INC.
its General Partner

By: ______________________________
Name:
Title:

TPG INVESTORS II, L.P.

By: TPG GENPAR II, L.P.
its General Partner

By: TPG ADVISORS II, INC.
its General Partner

By: ____________________________
Name:
Title:

TPG 1999 EQUITY II, L.P.

By: TPG ADVISORS II, INC.
its General Partner

By: ____________________________
Name:
Title:

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
J. Crew Group, Inc.

We consent to the use of our report dated April 24, 2006, except as to note 18, as to which the date is June 13, 2006, with respect to the consolidated balance sheets of J. Crew Group, Inc. and subsidiaries as of January 29, 2005 and January 28, 2006, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years in the three-year period ended January 28, 2006, and the related financial statement schedule, included herein, and to the reference to our firm under the heading "Experts," in Amendment No. 8 to the registration statement and related prospectus.

Our report refers to the adoption of Statement of Financial Accounting Standard No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" in the third quarter of fiscal 2003.

/s/ KPMG LLP

New York, New York
June 21, 2006

Exhibit 23.3

Consent to be Named as Director Nominee

I hereby consent to being named as a nominee to the board of directors of J. Crew Group, Inc., in its Registration Statement on Form S-1 and any and all amendments and supplements thereto, to be filed with the Securities and Exchange Commission, and to the filing of this consent as an exhibit to the Registration Statement.

/s/ Mary Ann Casati
Mary Ann Casati

Dated: June 20, 2006

Writer's Direct Dial: (212) 225-2864
E-Mail: jkarpf@cgsh.com

June 21, 2006

Mr. Matthew J. Benson, Esq.
Office of Consumer Products
Mail Stop 3561
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: J. Crew Group, Inc.
Amendment No. 8 to Registration Statement on Form S-1
(File No. 333-127628)
Filed with the Securities and Exchange Commission on June 21, 2006

Dear Mr. Benson:

Thank you for your comments on Amendment No. 7 ("Amendment No. 7") to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission (the "Commission") by J. Crew Group, Inc. (the "Company") on June 14, 2006. On behalf of the Company, we enclose herewith Amendment No. 8 to the Registration Statement ("Amendment No. 8"). Set forth below is the response of the Company to each comment contained in your letter dated June 19, 2006. Except as otherwise noted in this letter, the information provided in response to each comment has been supplied by the Company, which is solely responsible for it. The number of the response corresponds to the number of the comment in your letter. Capitalized terms used but not defined herein are used as defined in the Registration Statement. References to page numbers herein are references to page numbers in Amendment No. 8.

<u>The Offering, page 4</u>

1. **We note that the number of shares of common stock to be outstanding after the offering does not agree to the disclosure on page 100. Please advise or revise.**

   <u>Response:</u>

   The Company has revised the prospectus as requested by the Staff. See page 4.

<u>Capitalization, page 25</u>

2. **It does not appear that the pro forma as adjusted amount for common stock is calculated properly assuming the issuance of 18,800,000 shares in the offering and 11,316,000 shares in connection with the conversion and the TPG subscription as disclosed on page 100. Please revise common stock and additional paid-in capital amounts as appropriate.**

   <u>Response:</u>

   The Company has revised the prospectus as requested by the Staff. See page 25.

3. **As you adopted FAS 123(R) effective January 29, 2006, please revise to eliminate unearned compensation against additional paid-in capital. Please refer to paragraph 74 of SFAS 123(R).**

   <u>Response:</u>

   The Company has revised the prospectus as requested by the Staff. See page 25.

<u>Management</u>

<u>Options Grants in Last Fiscal Year, page 74</u>

4. **Please refer to comment 1 in our letter dated January 12, 2006. We note your response indicating that you would use the initial public offering price for these tables. It appears that there is a substantial disparity between the option exercise price and the proposed public offering price. As requested previously, please alert investors to the disparity and quantify the effect of using the public offering price as the base to compute the potential option values using the 5% and 10% assumed rates of stock price appreciation. See Section IV.C of SEC Release 33-7009.**

   <u>Response:</u>

   The Company has revised the prospectus as requested by the Staff. See page 75.

Unaudited Pro Forma Condensed Consolidated Financial Statements

Notes to the Unaudited Pro Forma Financial Statements, page 34

5. **Please disclose how you calculated pro forma basic and diluted earnings per share amounts for each period presented. In doing so, please disclose the assumptions used to compute the pro forma weighted average number of shares outstanding, including dilutive potential common shares included in the computation of pro forma diluted earnings per share. Please also disclose the number of potentially dilutive securities excluded from the calculation of pro forma diluted earnings per share because their inclusion would have been antidilutive.**

Response:

The Company has revised the prospectus as requested by the Staff. See page 36.

Unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows, page F-4

6. **Please tell us whether you recognized any excess tax benefits during the period and, if so, how you accounted for the excess tax benefits, including classification in your statements of cash flows. See paragraph 68 of SFAS 123(R).**

Response:

There were no excess tax benefits recognized during the first quarter of fiscal 2006 since the exercise price of the options exercised in that quarter was greater than the fair value of the Company's common stock on the exercise date. In addition, based on the Company's tax position ($83 million of net operating loss carryforwards, against which a valuation allowance has been provided) at the beginning of fiscal 2006, any excess tax benefits would not be significant.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 3, Share-Based Payments, page F-5

7. **Please disclose the total fair value of shares vested during the first quarter of fiscal 2005 and 2006. Please refer to paragraph A240(c)(2) SFAS 123(R).**

Response:

The Company has revised the prospectus as requested by the Staff. See page F-7.

8. You disclose that deferred compensation associated with restricted stock was $2.5 million at April 26, 2006. As you adopted FAS 123(R) effective January 29, 2006, please revise to disclose that the amount represents the total compensation costs related to non-vested restricted stock awards not yet recognized. Please also disclose the weighted-average period over which the total compensation cost is expected to be recognized. Please refer to paragraph A240(h) of SFAS 123(R).

Response:

The Company has revised the prospectus as requested by the Staff. See page F-8.

9. Please provide us with an updated schedule of stock options issued since September 7, 2005 showing the number of stock options issued, their dates of grant and their exercise prices as compared to the fair value of your common stock on the dates of grant. Please tell us how you determined the fair value of your common stock on the issuance dates and the fair value of your common stock used in your Black-Scholes computations, if different. Please also provide us with a discussion of the intervening economic events that occurred, operationally, financially and otherwise, between the issuance date of the options and the date you filed your registration statement that caused an increase in the fair value of your stock. Finally, please provide us a timeline of discussions, formal or informal, with the underwriters in which possible ranges of company value were discussed and provide us with those ranges. We may have further comments after we review your response.

Response

On April 7, 2006, the Company granted options to purchase 74,431 shares (38,450 shares pre-stock split) to employees who are not named executive officers at an exercise price of $6.92 ($13.40 pre-stock split) per share, the value (determined as described in our letter to the Staff of September 23, 2005) of a share of the Company's common stock on September 7, 2005. The exercise price of these options is higher than the $3.31 ($6.40 pre-stock split) per share fair value of the Company's common stock, as determined by the Company on the date of grant. The decrease in fair value from the Company's August 8, 2005 valuation was due to the Company's operating results for the fourth quarter of fiscal 2005.

The Company determined the fair value of its common stock on April 7, 2006 by examining the valuation it conducted as of October 29, 2005, which was the most recent valuation it had conducted and which yielded a value of $3.31 ($6.40 pre-stock split) per share. The Company determined that the value of its common stock had not changed from October 29, 2005 due to the fact that there had been no significant improvements to its operating performance since then and that risks (e.g., operational, business, market and execution risks) associated with the Company's ability to conduct the initial public offering (the "IPO") continued to exist.

The Company believes that the difference between the $6.92 ($13.40 pre-stock split) per share fair value of its common stock as of April 7, 2006 and the proposed IPO price range of $15.00 to $17.00 ($29.04 to $32.91 pre-stock split) is largely attributable to:

- its planned use of the net proceeds from the IPO and the TPG Subscription (which is contingent upon the IPO) and borrowings under the New Term Loan to redeem its outstanding 14½% Series A Preferred Stock and 14½% Series B Preferred Stock; and
- its redemption of the 13 1/8% Debentures on June 14, 2006.

The reasons for this difference are substantially similar to the reasons identified in our October 11, 2005 letter to the Staff. That letter stated that the difference between the $6.92 ($13.40 pre-stock split) per share fair value of the Company's common stock as of August 8, 2005 and the then-estimated $19.11 ($37.00 pre-stock split) per share price in the IPO was largely attributable to the redemption of the above securities with the net proceeds of the IPO.

At the beginning of October 2005, the Company and the underwriters discussed a potential IPO price in the range of $19.11 ($37.00 pre-stock split) per share price. The IPO was put on hold shortly after these discussions. In May and the beginning of June 2006, the Company and the underwriters decided to proceed with the IPO and discussed the $15.00 to $17.00 ($29.04 to $32.91 pre-stock split) price range disclosed in Amendment No. 7.

Exhibits

10. Please file the consent of the director nominee Mary Ann Casati. See Rule 438 of Regulation C and Item 601(b)(23) of Regulation S-K.

Response:

The Company has filed the consent requested by the Staff as Exhibit 23.3 to Amendment 8.

Please direct any comments or questions regarding this filing to Jeffrey D. Karpf at (212) 225-2864 or James F. McMullin at (212) 225-2336.

Very truly yours,

/s/ Jeffrey D. Karpf
Jeffrey D. Karpf

Enclosure

cc: Ellie Quarles
William Thompson
Andrew Blume
(Securities and Exchange Commission)

Arlene Hong
(J. Crew Group, Inc.)

James F. McMullin
(Cleary Gottlieb Steen & Hamilton LLP)