FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 3, 2002

IRS Employer Identification No.	Exact name of Registrant, State of Incorporation; Address of Principal Executive Offices; and Telephone Number
22-2894486	J. Crew Group, Inc. (A New York corporation) 770 Broadway New York, New York 10003 (212) 209-2500
22-3540930	J. Crew Operating Corp. (A Delaware corporation) 770 Broadway New York, New York 10003 (212) 209-2500

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days. Yes_x_ No __

The number of shares of Common Stock outstanding of each of the issuers as of August 30, 2002

J. Crew Group, Inc.
11,748,789 shares of Common Stock, par value $.01 per share

J. Crew Operating Corp.
100 shares of Common Stock, par value $.01 per share (all of which are owned beneficially and of record by J.Crew Group, Inc.)

This Quarterly Report on Form 10-Q is a combined report being filed by two different registrants: J. Crew Group, Inc. ("Holdings") and J. Crew Operating Corp., a wholly owned subsidiary of Holdings ("Operating Corp"). Except where the content clearly indicates otherwise, any references in this report to the "Company" or "J.Crew" include all subsidiaries of Holdings, including Operating Corp. Operating Corp. makes no representation as to the information contained in this report in relation to Holdings and its subsidiaries other than Operating Corp.

J. Crew Operating Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

Part I - Financial Information

Item I. Financial Statements

J. CREW GROUP, INC. AND

SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	August 3, 2002 (unaudited)	February 2, 2002
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 13,996	$ 16,201
Merchandise inventories	138,926	138,918
Prepaid expenses and other current assets	22,717	27,026
Federal and state income taxes	1,956	--
Total current assets	177,595	182,145
Property and equipment - at cost	309,711	293,700
Less accumulated depreciation and amortization	(124,578)	(106,427)
	185,133	187,273
Deferred income tax assets	18,071	18,071
Other assets	14,102	13,831
Total assets	$ 394,901	$ 401,320
Liabilities and Stockholders' Deficit		
Current liabilities:		
Notes payable - bank	$ 48,000	$ --
Accounts payable and other current liabilities	93,788	128,491
Federal and state income taxes	--	8,840
Deferred income tax liabilities	5,650	5,650
Total current liabilities	147,438	142,981
Deferred credits and other long-term liabilities	66,502	67,235
Long-term debt	288,308	279,687
Redeemable preferred stock	247,452	230,460
Stockholders' deficit	(354,799)	(319,043)
Total liabilities and stockholders' deficit	$ 394,901	$ 401,320

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND
SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended	
	August 3, 2002	August 4, 2001
	(unaudited) (in thousands)	
Revenues:		

Net sales	$ 160,946	$ 160,455
Other	6,687	7,445
	167,633	167,900
Cost of goods sold including buying and occupancy costs	106,613	107,366
Selling, general and administrative expenses (Note 2)	62,478	65,564
Loss from operations	(1,458)	(5,030)
Interest expense - net	(9,540)	(9,396)
Loss before income taxes	(10,998)	(14,426)
Income tax benefit	3,850	5,860
Net loss	$ (7,148)	$ (8,566)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Twenty-six weeks ended	
	August 3, 2002	August 4, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 318,829	$ 319,418
Other	15,856	16,328
	334,685	335,746
Cost of goods sold including buying and occupancy costs	206,700	206,956
Selling, general and administrative expenses (Note 2)	138,425	141,049
Loss from operations	(10,440)	(12,259)

Interest expense - net	(19,133)	(17,847)
Loss before income taxes	(29,573)	(30,106)
Income tax benefit	10,350	12,200
Net loss	$ (19,223)	$ (17,906)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND

SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Twenty-six weeks ended	
	August 3, 2002	August 4, 2001
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$(19,223)	$(17,906)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,496	13,896
Amortization of deferred financing costs	1,343	1,000
Non cash compensation expense	(594)	963
Non cash interest expense	8,621	7,480
Changes in operating assets and liabilities:		
Merchandise inventories	(8)	(12,962)
Prepaid expenses and other current assets	4,309	1,759
Other assets	(1,696)	(1,814)
Accounts payable and other liabilities	(33,115)	(8,638)

Federal and state income taxes	(10,796)	(18,591)
Net cash used in operating activities	(34,663)	(34,813)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(18,787)	(33,288)
Proceeds from construction allowances	3,245	5,548
Net cash used in investing activities	(15,542)	(27,740)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	48,000	44,000
DECREASE IN CASH AND CASH EQUIVALENTS	(2,205)	(18,553)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,201	32,930
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 13,996	$ 14,377
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 16,992	$ 14,726

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and Twenty-six weeks ended August 3, 2002 and August 4, 2001

1. Basis of Presentation

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

The condensed consolidated balance sheet as of August 3, 2002 and the condensed consolidated statements of operations and cash flows for the thirteen and twenty-six week periods ended August 3, 2002 and August 4, 2001 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 of the Company, the results of its operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with 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 Company's consolidated financial statements for the fiscal year ended February 2, 2002.

The results of operations for the twenty-six week period ended August 3, 2002 are not necessarily indicative of the operating results for the full fiscal year.

2. Staff Reductions

During the first quarter of 2002 the Company recorded a pretax charge of $4.6 million related to severance costs for approximately 120 employees and the departure of the former Chief Executive Officer. The staff reductions occurred in the first quarter and approximately $3.0 million has been paid through the end of the second quarter.

3. Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets. The Company also records a corresponding asset which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that the adoption of SFAS No. 143 will have a significant impact on the Company's financial statements.

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminated the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 applies to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of

January 1, 2002. The adoption of these statements in fiscal 2002 did not have any effect on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a significant effect on the Company's financial statements in fiscal 2002.

EITF Issue No. 01-9 "Accounting for Consideration Given to a Customer or a Reseller of the Vendor's Products" (formerly EITF Issue 00-14) was effective in the first quarter of fiscal year 2002. This EITF addresses the accounting for and classification of consideration given to a customer from a vendor in connection with the purchase or promotion of

the vendor's product. The adoption of this EITF did not have any effect on the Company's financial statements.

J. CREW OPERATING CORP. AND

SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	August 3, 2002 (unaudited)	February 2, 2002
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 13,996	$ 16,201
Merchandise inventories	138,926	138,918
Prepaid expenses and other current assets	22,717	27,026
Total current assets	175,639	182,145
Property and equipment - at cost	309,711	293,700
Less accumulated depreciation and amortization	(124,578)	(106,427)
	185,133	187,273
Other assets	12,695	12,310
Total assets	$ 373,467	$ 381,728
Liabilities and Stockholder's Equity		
Current liabilities:		
Notes payable - bank	$ 48,000	$ --
Accounts payable and other current liabilities	93,789	128,491
Federal and state income taxes	2,533	10,109
Deferred income tax liabilities	5,604	5,604
Total current liabilities	149,926	144,204
Deferred credits and other long-term liabilities	66,502	67,235
Long-term debt	150,000	150,000
Due to J.Crew Group, Inc.	1,142	1,142
Stockholder's equity	5,897	19,147
Total liabilities and stockholder's equity	$ 373,467	$ 381,728

See accompanying notes to unaudited condensed consolidated financial statements.

SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended August 3, 2002	Thirteen weeks ended August 4, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 160,946	$ 160,339
Other	6,687	7,498
	167,633	167,837
Cost of goods sold including buying and occupancy costs	106,613	107,329
Selling, general and administrative expenses (Note 2)	62,184	65,427
Loss from operations	(1,164)	(4,919)
Interest expense - net	(5,129)	(5,505)
Loss before income taxes	(6,293)	(10,424)
Income tax benefit	2,230	4,250
Net loss	$ (4,063)	$ (6,174)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND

SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Twenty-six weeks ended August 3,	Twenty-six weeks ended August 4,

	2002	2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 318,829	$ 319,302
Other	15,856	16,381
	334,685	335,683
Cost of goods sold including buying and occupancy costs	206,700	206,919
Selling, general and administrative expenses (Note 2)	137,966	140,747
Loss from operations	(9,981)	(11,983)
Interest expense - net	(10,399)	(10,260)
Loss before income taxes	(20,380)	(22,243)
Income tax benefit	7,130	9,000
Net loss	$ (13,250)	$ (13,243)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND

SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Twenty-six weeks ended	
	August 3, 2002	August 4, 2001
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$(13,230)	$(13,243)

Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,496	13,896
Amortization of deferred financing costs	1,200	886
Non cash compensation expense	(1,053)	633
Changes in operating assets and liabilities:		
Merchandise inventories	(8)	(12,962)
Prepaid expenses and other current assets	4,309	1,759
Other assets	(1,696)	(1,814)
Accounts payable and other liabilities	(33,115)	(8,577)
Federal and state income taxes	(7,566)	(15,391)
Net cash used in operating activities	(34,663)	(34,813)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(18,787)	(33,288)
Proceeds from construction allowances	3,245	5,548
Net cash used in investing activities	(15,542)	(27,740)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	48,000	44,000
DECREASE IN CASH AND CASH EQUIVALENTS	(2,205)	(18,553)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,201	32,930
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 13,996	$ 14,377

See notes to unaudited condensed consolidated financial statements.

J.CREW OPERATING CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and Twenty-Six Weeks Ended August 3, 2002 and August 4, 2001

1. Basis of Presentation

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

The condensed consolidated balance sheet as of August 3, 2002 and the condensed consolidated statements of operations and cash flows for the thirteen and twenty-six week periods ended August 3, 2002 and August 4, 2001 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 of the Company, the results of its operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with 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 Company's consolidated financial statements for the fiscal year ended February 2, 2002.

The results of operations for the twenty-three week period ended August 3, 2002 are not necessarily indicative of the operating results for the full fiscal year.

2. Staff Reductions

During the first quarter of 2002 the Company recorded a pretax charge of $4.6 million related to severance costs for approximately 120 employees and the departure of the former Chief Executive Officer. The staff reductions occurred in the first quarter and approximately $3.0 million has been paid through the end of the second quarter.

3. Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets. The Company also records a corresponding asset which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that the adoption of SFAS No. 143 will have a significant impact on the Company's financial statements.

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminated the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 applies to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of

January 1, 2002. The adoption of these statements in fiscal 2002 did not have any effect on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 is

effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a significant effect on the Company's financial statements in the first six months of fiscal 2002.

EITF Issue No. 01-9 "Accounting for Consideration Given to a Customer or a Reseller of the Vendor's Products" (formerly EITF Issue 00-14) was effective in the first quarter of fiscal year 2002. This EITF addresses the accounting for and classification of consideration given to a customer from a vendor in connection with the purchase or promotion of the vendor's product. The adoption of this EITF did not have any effect on the Company's financial statements.

Forward-looking statements

Certain statements in this Report on Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports to the Securities and Exchange Commission on Forms 10-K, 10-Q, 8-K, etc., in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from historical results, any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, competitive pressures in the apparel industry, changes in levels of consumer spending or preferences in apparel and acceptance by customers of the Company's products, overall economic conditions, governmental regulations and trade restrictions, acts of war or terrorism in the United States or worldwide, political or financial instability in the countries where the Company's goods are manufactured, postal rate increases, paper and printing costs, availability of suitable store locations at appropriate terms, the level of the Company's indebtedness and exposure to interest rate fluctuations, and other risks and uncertainties described in this report and the Company's other reports and documents filed or which may be filed, from time to time, with the Securities and Exchange Commission. These statements are based on current plans, estimates and projections, and therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update publicly any of them in light of new information or future events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - J.CREW GROUP, INC.

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED AUGUST 3, 2002 VERSUS THIRTEEN WEEKS ENDED AUGUST 4, 2001.

Consolidated revenues decreased from $167.9 million in the thirteen weeks ended August 4, 2001 to $167.6 million for the thirteen weeks ended August 3, 2002.

The revenues of J.Crew Retail increased from $91.2 million in the second quarter of 2001 to $94.1 million in the second quarter of 2002. This increase was due to the sales from new stores opened for less than a full year. Comparable store sales in the second quarter of 2002 decreased by 11.4%. The number of stores open at August 3, 2002 increased to 146 from 113 at August 3, 2001.

The revenues of J.Crew Direct (which includes the catalog and Internet operations) increased from $45.2 million in the second quarter of 2001 to $45.9 million in the second quarter of 2002. Revenues from jcrew.com increased from $21.0 million in second quarter of 2001 to $25.3 million in the second quarter of 2002. Catalog revenues in the second quarter of 2002 decreased to $20.6

million from $24.2 million in the second quarter of 2001, as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

The revenues of J.Crew Factory decreased from $24.1 million in the second quarter of 2001 to $20.9 million in the second quarter of 2002. There were 43 stores open in the second quarter of 2002 compared to 41 stores in the second quarter of 2001.

Other revenues decreased from $7.4 million in the second quarter of 2001 to $6.7 million in the second quarter of 2002, primarily as a result of a decrease in shipping and handling fees.

Cost of goods sold, including buying and occupancy costs, decreased as a percentage of revenues to 63.6% in the second quarter of 2002 from 64.0% in the second quarter of 2001. This decrease is due to an increase in merchandising margins of 90 basis points due primarily to a higher initial markup offset by an increase in

buying and occupancy costs as a percentage of revenues of 50 basis points resulting from negative leverage due to the decline in comparable store sales.

Selling, general and administrative expenses decreased from $65.6 million in the second quarter of 2001 to $62.5 million in the second quarter of 2002. This decrease resulted from a decrease in selling expense of $.7 million and a decrease in general and administrative expenses of $2.4 million. The decrease in selling expense resulted primarily from a decrease in printing and paper costs in the second quarter of 2002 compared to the second quarter of 2001. The decrease in general and administrative expenses was due primarily to severance payments of $2.2 million which adversely effected the second quarter of 2001 and the positive effect in the second quarter of 2002 from the cost reduction initiatives adopted in the first quarter of 2002 offset by higher expenses as a result of the increase in the number of retail stores in operation during the second quarter of 2002 compared to second quarter of 2001. As a percentage of revenues, selling, general and administrative expenses decreased from 39.0% in the second quarter of 2001 to 37.3% of revenues in the second quarter of 2002.

The increase in interest expense from $9.4 million in the second quarter of 2001 to $9.5 million in the second quarter of 2002 resulted primarily from an increase in non-cash interest expense, which increased to $4.9 million in the second quarter of 2002 from $4.3 million in the second quarter of 2001. Non-cash interest will convert to cash pay effective October 15, 2002 with the first payment of $9.3 million due in April 2003. Average short-term borrowings during the second quarter of 2002 were $48.0 million compared to $41.6 million in the second quarter of 2001. This increase in average borrowings was offset by a decrease in interest rates.

The effective tax rate decreased from (40.6%) in the second quarter of 2001 to (35.0%) in the second quarter of 2002 due to a decrease in assumed state tax benefits.

RESULTS OF OPERATIONS - TWENTY-SIX WEEKS ENDED AUGUST 3, 2002 VERSUS TWENTY-SIX WEEKS ENDED AUGUST 4, 2001.

Consolidated revenues for the twenty-six weeks ended August 3, 2002 decreased to $334.7 million from $335.7 million in the twenty-six weeks ended August 4, 2001.

Revenues of J.Crew Retail increased from $176.0 million in the twenty-six weeks ended August 4, 2001 to $179.8 million in the twenty-six weeks ended August 3, 2002. This increase was due to sales from the stores opened for less than a full year. Comparable store sales in the twenty-six weeks ended August 3, 2002 decreased by 12.2%. The number of stores open at August 3, 2002 increased to 146 from 113 at August 4, 2001.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) increased from $100.9 million in the twenty-six weeks ended August 4, 2001 to $102.1 million in the twenty-six weeks ended August 3, 2002. Revenues from jcrew.com increased to $56.5 million in the twenty-six weeks ended August 3, 2002 from $46.3 million in the twenty-six weeks ended August 4, 2001. Catalog revenues decreased from $54.6 million in the twenty-six weeks ended August 4, 2001 to $45.6 million in the twenty-six weeks ended August 3, 2002 as the Company continued to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $42.5 million in the twenty-six weeks ended August 4, 2001 to $36.9 million in the twenty-six weeks ended August 3, 2002. There were 43 stores open at August 3, 2002 compared to 41 stores at August 4, 2001.

Other revenues decreased from $16.3 million in the twenty-six weeks ended August 4, 2001 to $15.9 million in the twenty-six weeks ended August 3, 2002 due primarily to a decrease in licensing income.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 61.6% in the twenty-six weeks ended August 4, 2001 to 61.8% in the twenty-six weeks ended August 3, 2002. This increase resulted primarily from an increase in buying and occupancy costs as a percentage of

revenues of 120 basis points resulting from negative leverage due to the decline in comparable store stores offset by an increase in merchandising margins of 100 basis points due primarily to a higher initial markup.

Selling, general and administrative expenses decreased from $141.0 million in the twenty-six weeks ended August 4, 2001 to $138.4 million in the twenty-six weeks ended August 3, 2002. This decrease resulted from a decrease in selling expense of $5.4 million from $28.3 million in the six months ended August 4, 2001 to $22.9 million in the six months ended August 3, 2002, offset by an increase in general and administrative expenses of $2.8 million from $112.7 million in the six months ended August 4, 2001 to $115.5 million in the six months ended August 3, 2002. The decrease in selling expense was due primarily to a shift in the timing of catalog circulation between the first quarter and subsequent quarters in fiscal 2002, the mailing of several test editions in the first quarter of 2001 and a decrease in paper and printing costs. The increase in general and administrative expenses resulted from $4.8 million in severance pay in the first six months of 2002 and higher store operating expenses due to the increase in the number of retail stores in 2002 offset by the effects of cost reduction initiatives adopted in the first quarter of 2002. The six month period in 2001 was adversely effected by severance payments of $2.2 million in the second quarter. As a percentage of revenues, selling, general and administrative expense decreased to 41.4% of revenues in the twenty-six weeks ended August 3, 2002 from 42.0% in the six months ended August 4, 2001.

The increase in interest expense from $17.8 million in the twenty-six weeks ended August 4, 2001 to $19.1 million in the twenty-six weeks ended August 3, 2002 resulted primarily from an increase in non-cash interest expense to $10.0 million in the first six months of 2002 from $8.5 million in the same period last year. Non-cash interest will convert to cash-pay effective October 15, 2002 with the first payment of $9.3 million due in April 2003. Average short-term borrowings during the first six months of 2002 were $41.8 million compared to $26.1 million in the first six months of 2001. The effect of this increase in average borrowings was offset by a decrease in interest rates.

The effective tax rate decreased from (40.5%) in the twenty-six weeks ended August 4, 2001 to (35.0%) in the twenty-six weeks ended August 3, 2002 due to a decrease in assumed state tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations decreased from a use $34.8 million in the twenty-six weeks ended August 4, 2001 to a use of $34.7 million in the twenty-six weeks ended August 3, 2002. The decrease in working capital requirements in the first half of fiscal 2002 resulted primarily from the decrease in inventories and federal tax payments offset by the decrease in accounts payable and other liabilities.

Capital expenditures, net of construction allowances, were $15.5 million in the twenty-six weeks ended August 3, 2002 compared to $27.7 million in the same period last year. Capital expenditures were incurred primarily for the construction of new stores in fiscal 2002 and for the construction of new stores and information systems enhancements in 2001. Capital expenditures for fiscal year 2002 are expected to be approximately $20 million compared to $42.6 million in fiscal year 2001.

Borrowings under the revolving credit line increased from $44.0 million at August 4, 2001 to $48.0 million at August 3, 2002 as a result of the lower invested cash position at the beginning of fiscal 2002 compared to fiscal 2001.

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

SEASONALITY

The Company experiences two distinct selling seasons, spring and fall. The spring season is comprised of the first and second quarters and the fall season is comprised of the third and fourth quarters. Net sales are usually substantially higher in the fall season and selling, general and administrative expenses as a percentage of net sales are usually higher in the spring season. Approximately 35% of annual net sales in fiscal year 2001 occurred in the fourth quarter. The Company's working capital requirements also fluctuate throughout the year, increasing substantially in September and October in anticipation of the holiday season inventory requirements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - J.CREW OPERATING CORP.

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED AUGUST 3, 2002 VERSUS THIRTEEN WEEKS ENDED AUGUST 4, 2001.

Consolidated revenues decreased from $167.9 million in the thirteen weeks ended August 4, 2001 to $167.6 million for the thirteen weeks ended August 3, 2002.

The revenues of J.Crew Retail increased from $91.2 million in the second quarter of 2001 to $94.1 million in the second quarter of 2002. This increase was due to the sales from new stores opened for less than a full year. Comparable store sales in the second quarter of 2002 decreased by 11.4%. The number of stores open at August 3, 2002 increased to 146 from 113 at August 3, 2001.

The revenues of J.Crew Direct (which includes the catalog and Internet

operations) increased from $45.2 million in the second quarter of 2001 to $45.9 million in the second quarter of 2002. Revenues from jcrew.com increased from $21.0 million in second quarter of 2001 to $25.3 million in the second quarter of 2002. Catalog revenues in the second quarter of 2002 decreased to $20.6 million from $24.2 million in the second quarter of 2001, as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

The revenues of J.Crew Factory decreased from $24.1 million in the second quarter of 2001 to $20.9 million in the second quarter of 2002. There were 43 stores open in the second quarter of 2002 compared to 41 stores in the second quarter of 2001.

Other revenues decreased from $7.4 million in the second quarter of 2001 to $6.7 million in the second quarter of 2002, primarily as a result of a decrease in shipping and handling fees.

Cost of goods sold, including buying and occupancy costs, decreased as a percentage of revenues to 63.6% in the second quarter of 2002 from 64.0% in the second quarter of 2001. This decrease is due to an increase in merchandising margins of 90 basis points due primarily to a higher initial markup offset by an increase in buying and occupancy costs as a percentage of revenues of 50 basis points resulting from negative leverage due to the decline in comparable store sales.

Selling, general and administrative expenses decreased from $65.4 million in the second quarter of 2001 to $62.2 million in the second quarter of 2002. This decrease resulted from a decrease in selling expense of $.7 million and a decrease in general and administrative expenses of $2.5 million. The decrease in selling expense resulted primarily from a decrease in printing and paper costs in the second quarter of 2002 compared to the second quarter of 2001. The decrease in general and administrative expenses was due primarily to severance payments of $2.2 million which adversely effected the second quarter of 2001 and the positive effect in the second quarter of 2002 from the cost reduction initiatives adopted in the first quarter of 2002 offset by higher expenses as a result of the increase in the number of retail stores in operation during the second quarter of 2002 compared to second quarter of 2001. As a percentage of revenues, selling, general and administrative expenses decreased from 39.0% in the second quarter of 2001 to 37.1% of revenues in the second quarter of 2002.

Interest expense decreased from $5.5 million in the second quarter of 2001 to $5.1 million in the second quarter of 2002. Average short-term borrowings during the second quarter of 2002 were $48.0 million compared to $41.6 million in the second quarter of 2001, but the effect of this increase was offset by a decrease in interest rates.

The effective tax rate decreased from (40.8%) in the second quarter of 2001 to (35.4%) in the second quarter of 2002 due to a decrease in assumed state tax benefits.

RESULTS OF OPERATIONS - TWENTY-SIX WEEKS ENDED AUGUST 3, 2002 VERSUS TWENTY-SIX WEEKS ENDED AUGUST 4, 2001.

Consolidated revenues for the twenty-six weeks ended August 3, 2002 decreased to $334.7 million from $335.7 million in the twenty-six weeks ended August 4, 2001.

Revenues of J.Crew Retail increased from $176.0 million in the twenty-six weeks ended August 4, 2001 to $179.8 million in the twenty-six weeks ended August 3, 2002. This increase was due to sales from the stores opened for less than a full year. Comparable store sales in the twenty-six weeks ended August 3, 2002 decreased by 12.2%. The number of stores open at August 3, 2002 increased to 146 from 113 at August 4, 2001.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) increased from $100.9 million in the twenty-six weeks ended August 4, 2001 to $102.1 million in the twenty-six weeks ended August 3, 2002. Revenues from jcrew.com increased to $56.5 million in the twenty-six weeks ended August 3, 2002 from $46.3 million in the twenty-six weeks ended August 4, 2001. Catalog revenues decreased from $54.6 million in the twenty-six weeks ended August 4, 2001 to $45.6 million in the twenty-six weeks ended August 3, 2002 as the Company continued to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $42.5 million in the twenty-six weeks ended August 4, 2001 to $36.9 million in the twenty-six weeks ended August 3, 2002. There were 43 stores open at August 3, 2002 compared to 41 stores at August 4, 2001.

Other revenues decreased from $16.3 million in the twenty-six weeks ended August 4, 2001 to $15.9 million in the twenty-six weeks ended August 3, 2002 due primarily to a decrease in licensing income.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 61.6% in the twenty-six weeks ended August 4, 2001 to 61.8% in the twenty-six weeks ended August 3, 2002. This increase resulted primarily from an increase in buying and occupancy costs as a percentage of revenues of 120 basis points resulting from negative leverage due to the decline in comparable store stores offset by an increase in merchandising margins of 100 basis points due primarily to a higher initial markup.

Selling, general and administrative expenses decreased from $140.7 million in the twenty-six weeks ended August 4, 2001 to $138.0 million in the twenty-six weeks ended August 3, 2002. This decrease resulted from a decrease in selling expense of $5.4 million from $28.3 million in the six months ended August 4, 2001 to $22.9 million in the six months ended August 3, 2002, offset by an increase in general and administrative expenses of $2.7 million from $112.4 million in the six months ended August 4, 2001 to $115.1 million in the six months ended August 3, 2002. The decrease in selling expense was due primarily to a shift in the timing of catalog circulation between the first quarter and subsequent quarters in fiscal 2002, the mailing of several test editions in the first quarter of 2001 and a decrease in paper and printing costs. The increase in general and administrative expenses in the first six months of 2002 resulted from $4.8 million in severance pay in the first six months of 2002 and higher store operating expenses due to the increase in the number of retail stores in 2002 offset by the effects of cost reduction initiatives adopted in the first quarter of 2002. The six month period in 2001 was adversely effected by severance payments of $2.2 million in the second quarter. As a percentage of revenues, selling, general and administrative expense decreased to 41.2% of revenues in the six months ended August 3, 2002 from 41.9% in the six months ended August 4, 2001.

Interest expense increased from $10.3 million in the twenty-six weeks ended August 4, 2001 to $10.4 million in the twenty-six weeks ended August 3, 2002. Average borrowings during the first six months of 2002 were $41.8 million compared to $26.1 million in the first six months of 2001. The effect of this increase in average borrowings was mitigated by a decrease in interest rates.

The effective tax rate decreased from (40.5%) in the twenty-six weeks ended August 4, 2001 to (35.0%) in the twenty-six weeks ended August 3, 2002 due to a decrease in assumed state tax benefits.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's principal market risk relates to interest rate sensitivity, which is the risk that future changes in interest rates will reduce net income or the net assets of the Company. The Company's variable rate debt consists of borrowings under the Revolving Credit Facility which averaged $41.8 million

during the first six months of 2002 compared to $26.1 million in the first six months of 2001.

The Company has a licensing agreement in Japan which provides for royalty payments based on sales of J.Crew merchandise as denominated in yen. The Company has entered into forward foreign exchange contracts from time to time in order to minimize this risk. At August 3, 2002 there were no forward foreign exchange contracts outstanding.

The Company enters 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 August 3, 2002 were $67.8 million.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.1 Amended and Restated J. Crew Group, Inc. 1997 Stock Option Plan.

10.2 Employment Agreement, dated August 26, 2002, among J.Crew Group, Inc., J.Crew Operating Corp. and Kenneth S. Pilot.

99.1 Certifications of Acting Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

(b) Reports on Form 8-K.

J.Crew Group, Inc. and J.Crew Operating Corp. filed a report with the Securities and Exchange Commission on Form 8-K dated August 26, 2002 with respect to the appointment of Kenneth S. Pilot as Chief Executive Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company.

J. CREW GROUP, INC.
(Registrant)

Date: September 6, 2002

By: /s/ Scott M. Rosen

Scott M. Rosen
Executive Vice President and
Chief Financial Officer

J. CREW OPERATING CORP.
(Registrant)

Date: September 6, 2002

By: /s/ Scott M. Rosen

Scott M. Rosen
Executive Vice President and
Chief Financial Officer

CERTIFICATIONS

I, Scott M. Rosen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. Crew Group, Inc. and J. Crew Operating Corp.;

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

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

Date: September 6, 2002

/s/ Scott M. Rosen

Scott M. Rosen
Acting Chief Executive Officer

/s/ Scott M. Rosen

Scott M. Rosen
Executive Vice-President and
Chief Financial Officer

EXPLANATORY NOTE: Since the departure of Mark Sarvary as former Chief Executive Officer of J.Crew Group, Inc. and J.Crew Operating Corp. on May 1, 2002, Scott M. Rosen has performed the functions of each registrant's principal executive officer on an interim basis in addition to being each registrant's principal financial officer.

Exhibit 10.1

J. CREW GROUP, INC.
1997 STOCK OPTION PLAN
(amended and restated)

1. Purpose of the Plan

The purpose of the J. Crew Group, Inc. 1997 Stock Option Plan (the "Plan") is to promote the interests of the Company and its stockholders by providing the Company's key employees and consultants with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company.

2. Definitions

As used in this Plan, the following capitalized terms shall have the following meanings:

(a) "Affiliate" shall mean the Company and any of its direct or indirect subsidiaries.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean, when used in connection with the termination of a Participant's Employment, unless otherwise provided in the Participant's Stock Option Grant Agreement, the termination of the Participant's Employment by the Company or an Affiliate on account of (i) the willful violation by the Participant of any federal or state law or any rule of the Company or any Affiliate, (ii) a breach by a Participant of the Participant's duty of loyalty to the Company and its Affiliates in contemplation of the Participant's termination of Employment, such as the Participant's pre-termination of Employment solicitation of customers or employees of the Company or an Affiliate, (iii) the Participant's unauthorized removal from the premises of the Company or Affiliate of any document (in any medium or form) relating to the Company or an Affiliate or the customers of the Company or an Affiliate, or (iv) any gross negligence in connection with the performance of the Participant's duties as an Employee. Any rights the Company or an Affiliate may have hereunder in respect of the events giving rise to Cause shall

be in addition to the rights the Company or Affiliate may have under any other agreement with the Employee or at law or in equity. If, subsequent to a Participant's termination of Employment, it is discovered that such Participant's Employment could have been terminated for Cause, the Participant's Employment shall, at the election of the Committee, in its sole discretion, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(d) "Change in Control" shall mean the occurrence of any of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or JCC to any Person or group of related persons for purposes of Section 13(d) of the Exchange Act (a "Group"), together with any affiliates thereof other than to TPG Partnership II, L.P. or any of its affiliates (hereinafter "TPG II"); (ii) the approval by the holders of capital stock of the Company or JCC of any plan or proposal for the liquidation or dissolution of the Company or JCC, as the case may be; (iii) (A) any Person or Group (other than TPG II) shall become the owner, directly or indirectly, beneficially or of record, of shares representing more than 40% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of directors, managers or trustees (the "Voting Stock") of the Company or JCC and (B) TPG II beneficially owns, directly or indirectly, in the

aggregate a lesser percentage of the Voting Stock of the Company than such other Person or Group; (iv) the replacement of a majority of the Board of Directors of the Company or JCC over a two-year period from the directors who constituted the Board of Directors of the Company or JCC, as the case may be, at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board

of Directors of the Company or JCC, as the case may be, then still in office who either were members of such Board of Directors at the beginning of such period or whose election as a member of such Board of Directors was previously so approved or who were nominated by, or designees of, TPG II; (v) any Person or Group other than TPG II shall have acquired the power to elect a majority of the members of the Board of Directors of the Company; or (vi) a merger or consolidation of the Company with another entity in which holders of the Common Stock of the Company immediately prior to the consummation of the transaction hold, directly or indirectly, immediately following the consummation of the transaction, 50% or less of the common equity interest in the surviving corporation in such transaction.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Commission" shall mean the U.S. Securities and Exchange Commission.

(g) "Committee" shall mean the Committee appointed by the Board pursuant to Section 3 of the Plan.

(h) "Common Stock" shall mean the common stock of the Company.

(i) "Company" shall mean J. Crew Group, Inc.

(j) "Disability" shall mean a permanent disability as defined in the Company's or an Affiliate's disability plans, or as defined from time to time by the Company, in its discretion, or as specified in the Participant's Stock Option Grant Agreement.

(k) "EBITDA" shall mean, for any period, the consolidated earnings (losses) of the Company and its affiliates before extraordinary items and the cumulative effect of accounting changes, as determined by the Company in accordance with U.S. generally accepted accounting principles, and before interest (expense or income), taxes, depreciation, amortization, non-cash

gains and losses from sales of assets other than in the ordinary course of business, Transaction Costs and Valuation Adjustments. For purposes of clarification, in determining EBITDA, consolidated earnings shall be reduced (or, with respect to losses, increased), but only once, by compensation expenses attributable to this Plan and any other compensation plan, program or arrangement of the Company or any of its affiliates, to the extent such expenses are recorded in accordance with U.S. generally accepted accounting principles. In the event of the occurrence of any business combination transaction affecting the earnings or indebtedness of the Company, including (without limitation) any transaction accounted for as a pooling or as a recapitalization, the Committee shall adjust EBITDA as the Committee shall in good faith consider necessary or appropriate, including (without limitation) to reflect transaction-related costs attributable to such accounting method ("Transaction Costs").

(l) "Eligible Employee" shall mean (i) any Employee who is a key executive of the Company or an Affiliate, or (ii) certain other Employees or consultants who, in the judgment of the Committee, should be eligible to participate in the Plan due to the services they perform on behalf of the

Company or an Affiliate.

(m) "Employment" shall mean employment with the Company or any Affiliate and shall include the provision of services as a consultant for the Company or any Affiliate.

"Employee" and "Employed" shall have correlative meanings.

(n) "Exercise Date" shall have the meaning set forth in Section 4.10 herein.

(o) "Exercise Notice" shall have the meaning set forth in Section 4.10 herein.

(p) "Exercise Price" shall mean the price that the Participant must pay under the Option for each share of Common Stock as determined by the Committee for each Grant and specified in the Stock Option Grant Agreements.

(q) "Fair Market Value" shall mean, as of any date:

(1) prior to the existence of a Public Market for the Common Stock, the quotient obtained by dividing (i) the excess of (x) the product of (A) 9 (as such number may be changed as provided below, the "Multiple") and (B) EBITDA for the twelve month period ending on the fiscal quarter-end immediately preceding such date over (y) the sum of (I) the weighted arithmetic average indebtedness (net of all cash and cash equivalents) during such period of the Company and its consolidated direct and indirect wholly-owned subsidiaries and (II) for each less than wholly-owned direct or indirect subsidiary of the Company the earnings of which are either consolidated with those of the Company or accounted for on an equity basis, the weighted arithmetic average indebtedness (net of all cash and cash equivalents) during such period of such subsidiary multiplied by the proportion of the total earnings (determined on the same basis as, and excluding the same items as in the determination of, EBITDA) of such subsidiary included in EBITDA (excluding earnings attributable to dividends received from such subsidiary), by (ii) the total number of shares of Common Stock on the last day of such period, determined on a fully diluted basis. For purposes of determining the indebtedness of an entity, all preferred stock of the entity, other than preferred stock convertible into Common Stock, shall be considered indebtedness in the amount of the liquidation value thereof plus accumulated but unpaid dividends thereon. Notwithstanding the foregoing provisions of this paragraph (1), for the ten (10) day period immediately following the occurrence of a Change of Control, Fair Market

Value shall not be less than the price per share, if any, paid to any member of the Initial Ownership Group or the public tender offer price paid in connection with such Change of Control. The Committee shall review the Multiple then in effect following the audit of the Company's financial statements each fiscal year, and shall make such increases or decreases in the Multiple as shall be determined by the Committee in good faith to reflect market conditions and Company performance.

(2) on which a Public Market for the Common Stock exists, (i) the average of the high and low sales prices on such day of a share of Common Stock as reported on the principal securities exchange on which shares of Common Stock are then listed or admitted to trading or (ii) if not so reported, the average of the closing bid and ask prices on such day as reported on the National Association of Securities Dealers Automated Quotation System or (iii) if not so reported, as furnished by any member of the National Association of Securities Dealers, Inc. selected by the Committee. The Fair Market Value of a share of Common Stock as of any such date on which the applicable exchange or

inter-dealer quotation system through which trading in the Common Stock regularly occurs is closed shall be the Fair Market Value determined pursuant to the preceding sentence as of the immediately preceding date on which the Common Stock is traded, a bid and ask price is reported or a trading price is reported by any member of NASD selected by the Committee. In the event that the price of a share of Common Stock shall not be so reported or furnished, the Fair Market Value shall be determined by the Committee in good faith to reflect the fair market value of a share of Common Stock.

(r) "Good Reason" shall mean (i) a material diminution in a Participant's duties and responsibilities other than a change in such Participant's duties and responsibilities that directly

results from a Change in Control, (ii) a decrease in a Participant's base salary, bonus opportunity or benefits other than a decrease in benefits that applies to all employees of the Company or its Affiliates otherwise eligible to participate in the applicable benefit plan, or (iii) a relocation following a Change in Control of a Participant's primary work location more than 50 miles from the work location immediately prior to the Change in Control, in each case without the Participant's written consent and after the Participant has provided the Committee with written notice specifying the circumstances that the Participant believes constitute Good Reason and the Company fails to cure such circumstances within a reasonable period of time (not to exceed 30 days) after receipt of such notice.

(s) "Grant" shall mean a grant of an Option under the Plan evidenced by a Stock Option Grant Agreement.

(t) "Grant Date" shall mean the Grant Date as defined in Section 4.3 herein.

(u) "Initial Ownership Group" shall mean TPG Partners II, L.P., each beneficial owner of Common Stock immediately after October 17, 1997 and each person or entity directly or indirectly controlling, controlled by or under common control with TPG Partners II, L.P., or any such beneficial owner.

(v) "JCC" shall mean J. Crew Operating Corp., a wholly owned subsidiary of the Company.

(w) "Non-Qualified Stock Option" shall mean an Option that is not an `incentive stock option" within the meaning of Section 422 of the Code.

(x) "Option" shall mean the option to purchase Common Stock granted to any Participant under the Plan. Each Option granted hereunder shall be a Non-Qualified Stock

Option and shall be identified as such in the Stock Option Grant Agreement by which it is evidenced.

(y) "Option Spread" shall mean, with respect to an Option, the excess, if any, of the Fair Market Value of a share of Common Stock as of the applicable Valuation Date over the Exercise Price.

(z) "Participant" shall mean an Eligible Employee to whom a Grant of an Option under the Plan has been made, and, where applicable, shall include Permitted Transferees.

(aa) "Permitted Transferee" shall have the meaning set forth in Section 4.6.

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

(cc) A "Public Market" for the Common Stock shall be deemed to exist for purposes of the Plan if the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act and trading regularly occurs in such Common Stock in, on or through the facilities of securities exchanges and/or inter-dealer quotation systems in the United States (within the meaning of Section 902(n) of the Securities Act) or any designated offshore securities market (within the meaning of Rule 902(a) of the Securities Act).

(dd) "Retirement" shall mean, when used in connection with the termination of a Participant's Employment, a Participant who is at least age 60 and has been Employed for at least five years at the time of such termination.

(ee) "Securities Act" shall mean the Securities Act of 1933, as amended.

(ff) "Stock Option Grant Agreement" shall mean an agreement entered into by each Participant and the Company evidencing the Grant of each Option pursuant to the Plan (a sample of which is attached hereto as Exhibit A).

(gg) "Stockholders' Agreement" shall mean the Stockholders' Agreement, attached hereto as Exhibit B or such other stockholders' agreement as may be entered into between the Company and any Participant.

(hh) "Transfer" shall mean any transfer, sale, assignment, gift, testamentary transfer, pledge, hypothecation or other disposition of any interest. "Transferee" and "Transferor" shall have correlative meanings.

(ii) "Valuation Adjustments" shall mean that amount of non-cash expense charged against earnings for any period resulting from the application of accounting for business combinations in accordance with Accounting Principles Board Opinion #16. These charges may include, but are not limited to, amounts such as inventory revaluations, property, plant and equipment revaluations, goodwill amortization and finance fee amortization.

(jj) "Valuation Date" shall mean (i) prior to the existence of a Public Market for the Common Stock, the last day of each calendar quarter, or (ii) on or after the existence of a Public Market for the Common Stock, the trading date immediately preceding the date of the relevant transaction.

(kk) "Vesting Date" shall mean the date an Option becomes exercisable as defined in Section 4.4 herein.

(ll) "Withholding Request" shall have the meaning set forth in Section 4.10 herein.

3. Administration of the Plan

The Committee shall be appointed by the Board and shall administer the Plan. No member of the Committee shall participate in any decision that specifically affects such member's interest in the Plan.

3.1 Powers of the Committee. In addition to the other powers granted to the Committee under the Plan, the Committee shall have the power: (a) to determine to which of the Eligible Employees Grants shall be made; (b) to determine the time or times when Grants shall be made and to determine the number of shares of Common Stock subject to each such Grant; (c) to prescribe

the form of any instrument evidencing a Grant; (d) to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (e) to construe and interpret the Plan, such rules and regulations and the instruments evidencing Grants; and (f) to make all other determinations necessary or advisable for the administration of the Plan.

3.2 Determinations of the Committee. Any Grant, determination, prescription or other act of the Committee shall be final and conclusively binding upon all persons.

3.3 Indemnification of the Committee. No member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Grant. To the full extent permitted by law, the Company shall indemnify and hold harmless each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that such person, or such person's testator or intestate, is or was a member of the Committee.

3.4 Compliance with Applicable Law. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Common Stock pursuant to the exercise of any Options, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Common Stock are listed or traded. The Company shall use its reasonable efforts to register such shares of Common Stock or to take any other action in order to comply with any such law, regulation or requirement with respect to the issuance and delivery of such certificates. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements and representations as the Committee, in its sole discretion, deems advisable in order to comply with any such laws, regulations or requirements.

3.5 Inconsistent Terms. In the event of a conflict between the terms of the Plan and the terms of any Stock Option Grant Agreement, the terms of the Stock Option Grant Agreement shall govern.

4. Options

Subject to adjustment as provided in Section 4.13 hereof, the Committee may grant to Participants Options to purchase shares of Common Stock of the Company which, in the aggregate, do not exceed 1,910,000 shares of Common Stock. To the extent that any Option granted under the Plan terminates, expires or is canceled without having been exercised, the shares covered by such Option shall again be available for Grant under the Plan.

4.1 Identification of Options. The Options granted under the Plan shall be clearly identified in the Stock Option Grant Agreement as Non-Qualified Stock Options.

4.2 Exercise Price. The Exercise Price of any Option granted under the Plan shall be such price as the Committee shall determine (which may be equal to, less than or greater than the Fair Market Value of a share of Common Stock on the Grant Date for such Options) and which shall be specified in the Stock Option Grant Agreement; provided that such price may not be less than the minimum price required by law.

4.3 Grant Date. The Grant Date of the Options shall be the date designated by the Committee and specified in the Stock Option Grant Agreement as the date the Option is granted.

4.4 Vesting Date of Options. Each Stock Option Grant Agreement shall indicate the date or conditions under which such Option shall become exercisable; provided, however, that, unless otherwise provided in a Participant's Stock Option Grant Agreement, if during the one-year period after a Change in Control the Participant's Employment is terminated by the Company or its Affiliate without Cause or by the Participant for Good Reason, all outstanding Options held by such Participant shall become immediately vested as of the effective date of the termination of such Participant's Employment.

4.5 Expiration of Options. With respect to each Participant, such Participant's Option(s), or portion thereof, which have not become exercisable shall expire on the date such Participant's Employment is terminated for any reason unless otherwise specified in the Stock Option Grant Agreement. With respect to each Participant, each Participant's Option(s), or any portion thereof, which have become exercisable on the date such Participant's Employment is terminated shall expire on the earlier of (i) the commencement of business on the date the

Participant's Employment is terminated for Cause; (ii) 90 days after the date the Participant's Employment is terminated for any reason other than Cause, Retirement, death or Disability; (iii) one year after the date the Participant's Employment is terminated by reason of death, Retirement or Disability; or (iv) the 10th anniversary of the Grant Date for such Option(s). Notwithstanding the foregoing, the Committee may specify in the Stock Option Grant Agreement a different expiration date or period for any Option Granted hereunder, and such expiration date or period shall supersede the foregoing expiration period.

4.6 Limitation on Transfer. During the lifetime of a Participant, each Option shall be exercisable only by such Participant unless the Participant obtains written consent from the Company to Transfer such Option to a specified Transferee (a "Permitted Transferee") or the Participant's Stock Option Grant Agreement provides otherwise.

4.7 Condition Precedent to Transfer of Any Option. It shall be a condition precedent to any Transfer of any Option by any Participant that the Transferee, if not already a Participant in the Plan, shall agree prior to the Transfer in writing with the Company to be bound by the terms of the Plan and the Stock Option Grant Agreement as if he had been an original signatory thereto.

4.8 Effect of Void Transfers. In the event of any purported Transfer of any Options in violation of the provisions of the Plan, such purported Transfer shall, to the extent permitted by applicable law, be void and of no effect.

4.9 Exercise of Options. A Participant may exercise any or all of his vested Options by serving an Exercise Notice on the Company as provided in Section 4.10 hereto.

4.10 Method of Exercise. The Option shall be exercised by delivery of written notice to the Company's principal office (the "Exercise Notice"), to the attention of its Secretary, no less than five business days in advance of the effective date of the proposed exercise (the "Exercise Date"). Such notice shall (a) specify the number of shares of Common Stock with respect to which the Option is being exercised, the Grant Date of such Option and the Exercise Date, (b) be signed by the Participant, and (c) prior to the existence of a Public Market for the Common Stock, indicate in writing that the Participant agrees to be bound by the Stockholders' Agreement, and (d) if the Option is being exercised by the Participant's Permitted Transferee(s), such Permitted Transferee(s) shall indicate in writing that they agree to and shall be bound by

the Plan and Stock Option Grant Agreement as if they had been original signatories thereto. The Exercise Notice shall include (i) payment in cash for an amount equal to the Exercise Price multiplied by the number of shares of Common Stock specified in such Exercise Notice, (ii) a certificate representing the number of shares of Common Stock with a Fair Market Value equal to the Exercise Price (provided the Participant has owned such shares at least six months prior to the Exercise Date) multiplied by the number of shares of Common Stock specified in such Exercise Notice, or (iii) a combination of (i) and (ii) or any method otherwise approved by the Committee. In addition, the Exercise Notice shall include payment either in cash or previously-owned shares of Common Stock in an amount equal to the applicable withholding taxes based on the Option Spread for each share of Common Stock specified in the Exercise Notice as of the most recent Valuation Date unless the Participant requests, in writing, that the Company withhold a portion of the shares that are to be distributed to the Participant to satisfy the applicable federal, state and local withholding taxes incurred in connection with the exercise of

the Option (the "Withholding Request"). The Committee, in its sole discretion, will either grant or deny the Withholding Request and shall notify the Participant of its determination prior to the Exercise Date. If the Withholding Request is denied, the Participant shall pay an amount equal to the applicable withholding taxes based on the Option Spread for each share of Common Stock specified in the Exercise Notice as of the most recent Valuation Date on or before such Exercise Date. The partial exercise of the Option, alone, shall not cause the expiration, termination or cancellation of the remaining Options.

4.11 Certificates of Shares. Upon the exercise of the Options in accordance with Section 4.10 and, prior to the existence of a Public Market for the Common Stock, execution of the Stockholders' Agreement, certificates of shares of Common Stock shall be issued in the name of the Participant and delivered to such Participant as soon as practicable following the Exercise Date. Prior to the existence of a Public Market, no shares of Common Stock shall be issued to any Participant until such Participant agrees to be bound by and executes the Stockholders' Agreement.

4.12 Administration of Options.

(a) Termination of the Options. The Committee may, at any time, in its absolute discretion, without amendment to the Plan or any relevant Stock Option Grant Agreement, terminate the Options then outstanding, whether or not exercisable, provided, however, that the Company, in full consideration of such termination, shall pay (a) with respect to any Option, or portion thereof, then outstanding, an amount equal to the Option Spread determined as of the Valuation Date coincident with or next succeeding the date of termination. Such payment shall be made as soon as practicable after the payment amounts are determined, provided, however,

that the Company shall have the option to make payments to the Participants by issuing a note to the Participant bearing a reasonable rate of interest as determined by the Committee in its absolute discretion.

(b) Amendment of Terms of Options. The Committee may, in its absolute discretion, amend the Plan or terms of any Option, provided, however, that any such amendment shall not impair or adversely affect the Participants' rights under the Plan or such Option without such Participant's written consent.

4.13 Adjustment Upon Changes in Company Stock.

(a) Increase or Decrease in Issued Shares Without Consideration. Subject to any required action by the stockholders of the Company, in the event

of any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend (but only on the shares of Common Stock), or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company, the Committee shall, make such adjustments with respect to the number of shares of Common Stock subject to the Options, the exercise price per share of Common Stock and the Option Value of each such Option, as the Committee may consider appropriate to prevent the enlargement or dilution of rights.

(b) Certain Mergers. Subject to any required action by the stockholders of the Company, in the event that the Company shall be the surviving corporation in any merger or consolidation (except a merger or consolidation as a result of which the holders of shares of Common Stock receive securities of another corporation), the Options outstanding on the date of such merger or consolidation shall pertain to and apply to the securities which a holder of the

number of shares of Common Stock subject to any such Option would have received in such merger or consolidation (it being understood that if, in connection with such transaction, the stockholders of the Company retain their shares of Common Stock and are not entitled to any additional or other consideration, the Options shall not be affected by such transaction).

(c) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets, (iii) a merger or consolidation involving the Company in which the Company is not the surviving corporation or (iv) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash, the Committee shall, in its absolute discretion, have the power to provide for the exchange of each Option outstanding immediately prior to such event (whether or not then exercisable) for an option on or stock appreciation right with respect to, as appropriate, some or all of the property for which the stock underlying such Options are exchanged and, incident thereto, make an equitable adjustment, as determined by the Committee in the exercise price of the options or stock appreciation rights, or the number of shares or amount of property subject to the options or stock appreciation rights or, if appropriate, provide for a cash payment to the Participants in partial consideration for the exchange of the Options as the Committee may consider appropriate to prevent dilution or enlargement of rights.

(d) Other Changes. In the event of any change in the capitalization of the Company or a corporate change other than those specifically referred to in Sections 4.13(a), (b) or (c) hereof, the Committee shall, make such adjustments in the number and class of shares subject to Options outstanding on the date on which such change occurs and in the per-share exercise price

of each such Option as the Committee may consider appropriate to prevent dilution or enlargement of rights.

(e) No Other Rights. Except as expressly provided in the Plan or the Stock Option Grant Agreements evidencing the Options, the Participants shall not have any rights by reason of any subdivision or consolidation of shares of Common Stock or shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of Common Stock or shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or the Stock Option Grant Agreements evidencing the Options, no issuance by the Company of shares of Common Stock or shares of stock of any class, or securities

convertible into shares of Common Stock or shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to the Options or the exercise price of such Options.

5. Miscellaneous

5.1 Rights as Stockholders. The Participants shall not have any rights as stockholders with respect to any shares of Common Stock covered by or relating to the Options granted pursuant to the Plan until the date the Participants become the registered owners of such shares. Except as otherwise expressly provided in Sections 4.12 and 4.13 hereof, no adjustment to the Options shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

5.2 No Special Employment Rights. Nothing contained in the Plan shall confer upon the Participants any right with respect to the continuation of their Employment or interfere in any

way with the right of the Company or an Affiliate, subject to the terms of any separate Employment agreements to the contrary, at any time to terminate such Employment or to increase or decrease the compensation of the Participants from the rate in existence at the time of the grant of any Option.

5.3 No Obligation to Exercise. The Grant to the Participants of the Options shall impose no obligation upon the Participants to exercise such Options.

5.4 Restrictions on Common Stock. The rights and obligations of the Participants with respect to Common Stock obtained through the exercise of any Option provided in the Plan shall be governed by the terms and conditions of the Stockholders' Agreement.

5.5 Notices. All notices and other communications hereunder shall be in writing and shall be given and shall be deemed to have been duly given if delivered in person, by cable, telegram, telex or facsimile transmission, to the parties as follows:

If to the Participant:

To the address shown on the Stock Option Grant Agreement.

If to the Company:

J. Crew Group Inc.
770 Broadway, 12th Floor
New York, NY 10003
Attention: General Counsel

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

5.6 Descriptive Headings. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the meaning of the terms contained herein.

5.7 Severability. In the event that any one or more of the provisions, subdivisions, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or

unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, subdivision, word, clause, phrase or sentence in every other respect and of the remaining provisions, subdivisions, words, clauses, phrases or sentences hereof shall not in any way be impaired, it being intended that all rights, powers and privileges of the Company and Participants shall be enforceable to the fullest extent permitted by law.

5.8 Governing Law. The Plan shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to the provisions governing conflict of laws.

Exhibit A

STOCK OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this [___] day of [_____], 2002 between J.CREW GROUP INC. (the "Company") and (First_Name) (Last_Name) (the "Participant").

WHEREAS, the Company has adopted and maintains the J.Crew Group, Inc. 1997 Stock Option Plan (the "Plan") to promote the interests of the Company and its stockholders by providing the Company's key employees and others with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company;

WHEREAS, the Plan provides for the Grant to Participants in the Plan of Non-Qualified Stock Options to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant a NON-QUALIFIED STOCK OPTION (the "Option") with respect to (Shares) shares of Common Stock of the Company.

2. Grant Date. The Grant Date of the Option hereby granted is (Grant_Date).

3. Incorporation of Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Committee, shall govern. All capitalized items used herein shall have the meaning given to such terms in the Plan.

4. Exercise Price. The exercise price of each share underlying the Option hereby granted is (Price).

5. Vesting Date. The Option shall become exercisable as follows: [vesting schedule]. Notwithstanding the foregoing, if within the one-year period after a Change in Control the Participant's Employment is terminated by the Company or its Affiliate without Cause or by the Participant for Good Reason, all outstanding Options held by such Participant shall become immediately vested as of the effective date of the termination of such Participant's Employment.

6. Expiration Date. Subject to the provisions of the Plan, with respect to the Option or any portion thereof which has not become exercisable, the Option shall expire on the date the Participant's Employment is terminated for any reason, and with respect to any Option or any portion thereof which has become exercisable, the Option shall expire on the earlier of (i) 90

days after the Participant's termination of Employment other than for Cause, Retirement, death, or Disability; (ii) one year after termination of the Participant's Employment by reason of death, Retirement or Disability; (iii) the commencement of business on the date the Participant's Employment is, or is deemed to have been, terminated for Cause; or (iv) the tenth anniversary of the Grant Date.

7. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

8. Limitation on Transfer. During the lifetime of the Participant, the Option shall be exercisable only by the Participant. The Option shall not be assignable or transferable otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Participant may request authorization from the Committee to assign (His/Her) rights with respect to the Option granted herein to a trust or custodianship, the beneficiaries of which may include only the Participant, the Participant's spouse or the Participant's lineal descendants (by blood or adoption), and, if the Committee grants such authorization, the Participant may assign (His/Her) rights accordingly. In the event of any such assignment, such trust or custodianship shall be subject to all the restrictions, obligations, and responsibilities as apply to the Participant under the Plan and this Stock Option Grant Agreement and shall be entitled to all the rights of the Participant under the Plan. All shares of Common Stock obtained pursuant to the Option granted herein shall not be transferred except as provided in the Plan and, where applicable, the Stockholders' Agreement.

9. Integration. This Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement, including without the limitation the Plan, supersedes all prior agreements and understandings between the parties with respect to its subject matter.

10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of NEW YORK, without regard to the provisions governing conflict of laws.

12. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Agreement and the Option shall be final and conclusive.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on (His/Her) own behalf, thereby representing that (He/She) has carefully read and understands this Agreement and the Plan as of the day and year first written above.

J.CREW GROUP INC.

By: [_____]
Title: [_____]

(First_Name) (Last_Name)

Exhibit B

STOCKHOLDERS' AGREEMENT

STOCKHOLDERS' AGREEMENT (this "Agreement"), dated as of _____, 200__, between J. Crew Group, Inc. (the "Company"), TPG Partners II, L.P. ("TPG") and _____ (the "Stockholder").

WHEREAS, the Stockholder is an employee of the Company and in such capacity was granted an option (the "Option") to purchase shares of common stock of the Company, $.01 par value per share ("Common Stock"), pursuant to the Company's 1997 Stock Option Plan (the "Option Plan");

WHEREAS, as a condition to the issuance of shares of Common Stock pursuant to the exercise of an Option, the Stockholder is required under the Option Plan to execute this Agreement;

WHEREAS, the Stockholder desires to exercise the Option to purchase _____ shares of Common Stock; and

WHEREAS, the Stockholder and the Company desire to enter this Agreement and to have this Agreement apply to the shares to be purchased pursuant to the Option Plan and to any shares of Common Stock acquired after the date hereof by the Stockholder from whatever source, subject to any future agreement between the Company and the Stockholder to the contrary (in the aggregate, the "Shares").

NOW THEREFORE, in consideration of the premises hereinafter set forth, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows.

1. Investment. The Stockholder represents that the Shares are being acquired for investment and not with a view toward the distribution thereof.

2. Issuance of Shares. The Stockholder acknowledges and agrees that the certificate for the Shares shall bear the following legends (except that the second paragraph of this legend shall not be required after the Shares have been registered and except that the first paragraph of this legend shall not be required after the termination of this Agreement):

> The shares represented by this certificate are subject to the terms and conditions of a Stockholders' Agreement dated as of _____, 200_ and may not be sold, transferred, hypothecated, assigned or encumbered, except as may be permitted by the aforesaid Agreement. A copy of the Stockholders' Agreement may be obtained from the Secretary of the Company.
>
> The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares have been acquired for investment and may not be sold, transferred, pledged or hypothecated in the absence of an effective registration statement for the shares under the Securities Act

of 1933 or an opinion of counsel for the Company that registration is not required under said Act.

Upon the termination of this Agreement, or upon registration of the Shares under the Securities Act of 1933 (the "Securities Act"), the Stockholder shall have the right to exchange any Shares containing the above legend (i) in the case of the registration of the Shares, for Shares legended only with the first paragraph described above and (ii) in the case of the termination of this Agreement, for Shares legended only with the second paragraph described above.

3. Transfer of Shares; Call Rights.

(a) The Stockholder agrees that he will not cause or permit the Shares or his interest in the Shares to be sold, transferred, hypothecated, assigned or encumbered except as expressly permitted by this Section 3; provided, however, that the Shares or any such interest may be transferred (i) on the Stockholder's death by bequest or inheritance to the Stockholder's executors, administrators, testamentary trustees, legatees or beneficiaries, (ii) to a trust or custodianship the beneficiaries of which may include only the Stockholder, the Stockholder's spouse, or the Stockholder's lineal descendants (by blood or adoption) and (iii) in accordance with Section 4 of this Agreement, subject in any such case to the agreement by each transferee (other than the Company) in writing to be bound by the terms of this Agreement and provided in any such case that no such transfer that would cause the Company to be required to register the Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall be permitted.

(b) The Company (or its designated assignee) shall have the right, during the ninety-day period commencing on the later of (x) the termination of the Stockholder's employment with the Company for any reason and (y) one-hundred-eighty-one (181) days following the date of the acquisition by the Stockholder of any Shares, to purchase from the Stockholder, and upon the exercise of such right the Stockholder shall sell to the Company (or its designated assignee), all or any portion of the Shares held by the Stockholder as of the date as of which such right, is exercised at a per Share price equal to the Fair Market Value (as defined in the Option Plan) of a share of Common Stock determined as of the date as of which such right is exercised. The Company (or its designated assignee) shall exercise such right by delivering to the Stockholder a written notice specifying its intent to purchase Shares held by the Stockholder, the date as of which such right is to be exercised and the number of Shares to be purchased. Such purchase and sale shall occur on such date as the Company (or its designated assignee) shall specify which date shall not be later than ninety (90) days after the fiscal quarter-end immediately following the date as of which the Company's right is exercised.

4. Certain Rights.

(a) Drag Along Rights. If TPG desires to sell all or substantially all of its shares of Common Stock to a good faith independent purchaser (a "Purchaser") (other than any other investment partnership, limited liability company or other entity established for investment purposes and controlled by the principals of TPG or any of its affiliates and other than any employees of TPG or any of its affiliates, hereinafter referred to as a "Permitted Transferee") and said Purchaser desires to acquire all or substantially all of the issued and outstanding shares of Common Stock (or all or substantially all of the assets of the Company) upon such terms and conditions as agreed to with TPG, the Stockholder agrees to sell all of his Shares to said

Purchaser (or to vote all of his Shares in favor of any merger or other transaction which would effect a sale of such shares of Common Stock or assets of the Company) at the same price per share of Common Stock and pursuant to the same terms and conditions with respect to payment for the shares of Common Stock

as agreed to by TPG. In such case, TPG shall give written notice of such sale to the Stockholder at least 30 days prior to the consummation of such sale, setting forth (i) the consideration to be received by the holders of shares of Common Stock, (ii) the identity of the Purchaser, (iii) any other material items and conditions of the proposed transfer and (iv) the date of the proposed transfer.

(b) Tag Along Rights. (i) Subject to paragraph (iv) of this Section 4(b), if TPG or its affiliates proposes to transfer any of its shares of Common Stock to a Purchaser (other than a Permitted Transferee), then TPG or such Permitted Transferee (hereinafter referred to as a "Selling Stockholder") shall give written notice of such proposed transfer to the Stockholder (the "Selling Stockholder's Notice") at least 30 days prior to the consummation of such proposed transfer, and shall provide notice to all other stockholders of the Company to whom TPG has granted similar "tag-along" rights (such stockholders together with the Stockholder, referred to herein as the "Other Stockholders") setting forth (A) the number of shares of Common Stock offered, (B) the consideration to be received by such Selling Stockholder, (C) the identity of the Purchaser, (D) any other material items and conditions of the proposed transfer and (E) the date of the proposed transfer.

(ii) Upon delivery of the Selling Stockholder's Notice, the Stockholder may elect to sell up to the sum of (A) the Pro Rata Portion (as hereinafter defined) and (B) the Excess Pro Rata Portion (as hereinafter defined) of his Shares, at the same price per share of Common Stock and pursuant to the same terms and conditions with respect to payment for the shares of Common Stock as agreed to by the Selling Stockholder, by sending written notice to the Selling Stockholder within 15 days of the date of the Selling Stockholder's Notice, indicating his election to sell up to the sum of the Pro Rata Portion plus the Excess Pro Rata Portion of his Shares in the same transaction. Following such 15 day period, the Selling Stockholder and each Other Stockholder shall be permitted to sell to the Purchaser on the terms and conditions set forth in the Selling Stockholder's Notice the sum of (X) the Pro Rata Portion and (Y) the Excess Pro Rata Portion of its Shares.

(iii) For purposes of Section 4(b) and 4(c) hereof, "Pro Rata Portion" shall mean, with respect to shares of Common Stock held by the Stockholder or Selling Stockholder, as the case may be, a number equal to the product of (x) the total number of such shares then owned by the Stockholder or the Selling Stockholder, as the case may be, and (y) a fraction, the numerator of which shall be the total number of such shares proposed to be sold to the Purchaser as set forth in the Selling Stockholder's Notice or initially proposed to be registered by the Selling Stockholder, as the case may be, and the denominator of which shall be the total number of such shares then outstanding (including such shares proposed to be sold or registered by the Selling Stockholder); provided, however, that any fraction of a share resulting from such calculation shall be disregarded for purposes of determining the Pro Rata Portion. For purposes of Sections 4(b) and 4(c), "Excess Pro Rata Portion" shall mean, with respect to shares of Common Stock held by the Stockholder or the Selling Stockholder, as the case may be, a number equal to the product of (x) the number of Non-Elected Shares (as defined below) and (y) a fraction, the numerator of which shall be such Stockholder's Pro Rata Portion with respect to

such shares, and the denominator of which shall be the sum of (1) the aggregate Pro Rata Portions with respect to the shares of Common Stock of all of the Other Stockholders that have elected to exercise in full their rights to sell their Pro Rata Portion of shares of Common Stock, and (2) the Selling Stockholder's Pro Rata Portion of shares of Common Stock (the aggregate amount of such denominator is hereinafter referred to as the "Elected Shares"). For purposes of this Agreement, "Non-Elected Shares" shall mean the excess, if any, of the total number of shares of Common Stock, proposed to be sold to a Purchaser as set forth in a Selling Stockholder's Notice or initially proposed to be registered by the Selling Stockholder, as the case may be, less the amount of Elected Shares.

(iv) Notwithstanding anything to the contrary contained herein, the provisions of this Section 4(b) shall not apply to any sale or transfer by TPG of shares of Common Stock unless and until TPG, after giving effect to the proposed sale or transfer, shall have sold or transferred in the aggregate (other than to Permitted Transferees) shares of Common Stock, representing 7.5% of shares of Common Stock owned by TPG on the date hereof.

(c) Piggyback Registration Rights.

(i) Notice to Stockholder. If the Company determines that it will file a registration statement under the Securities Act, other than a registration statement on Form S-4 or Form S-8 or any successor form, for an offering which includes shares of Common Stock held by TPG or its affiliates (hereinafter in this paragraph (c) of Section 4 referred to as a "Selling Stockholder"), then the Company shall give prompt written notice to the Stockholder that such filing is expected to be made (but in no event less than 30 days nor more than 60 days in advance of filing such registration statement), the jurisdiction or jurisdictions in which such offering is expected to be made, and the underwriter or underwriters (if any) that the Company (or the person requesting such registration) intends to designate for such offering. If the Company, within 15 days after giving such notice, receives a written request for registration of any Shares from the Stockholder, then the Company shall include in the same registration statement the number of Shares to be sold by the Stockholder as shall have been specified in his request, except that the Stockholder shall not be permitted to register more than the Pro Rata Portion plus the Excess Pro Rata portion of his Shares. The Company shall bear all costs of preparing and filing the registration statement, and shall indemnify and hold harmless, to the extent customary and reasonable, pursuant to indemnification and contribution provisions to be entered into by the Company at the time of filing of the registration statement, the seller of any shares of Common Stock covered by such registration statement.

Notwithstanding anything herein to the contrary, the Company, on prior notice to the participating Stockholder, may abandon its intention to file a registration statement under this Section 4(c) at any time prior to such filing.

(ii) Allocation. If the managing underwriter shall inform the Company in writing that the number of shares of Common Stock requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering within a price range acceptable to TPG, then the Company shall include in such registration such number of shares of Common Stock which the Company is so advised can be sold in (or during the time of) such offering. All holders of shares of Common Stock proposing to sell shares of Common

Stock shall share pro rata in the number of shares of Common Stock to be excluded from such offering, such sharing to be based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders.

(iii) Permitted Transfer. Notwithstanding anything to the contrary contained herein, sales of Shares pursuant to a registration statement filed by the Company may be made without compliance with any other provision of this Agreement.

5. Termination. This Agreement shall terminate immediately following the existence of a Public Market for the Common Stock except that (i) the requirements contained in Section 2 hereof shall survive the termination of this Agreement and (ii) the provisions contained in Section 3 hereof shall continue with respect to each Share during such period of time, if any, as the Stockholder is precluded from selling such Shares pursuant to Rule 144 of the Securities Act. For this purpose, a "Public Market" for the Common Stock shall be deemed to exist if the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act and trading regularly occurs in such Common Stock in, on or through the facilities of securities exchanges and/or inter-dealer

quotation systems in the United States (within the meaning of Section 902(n) of the Securities Act) or any designated offshore securities market (within the meaning of Rule 902(a) of the Securities Act).

6. Distributions With Respect To Shares. As used herein, the term "Shares" includes securities of any kind whatsoever distributed with respect to the Common Stock acquired by the Stockholder pursuant to the Option Plan or any such securities resulting from a stock split or consolidation involving such Common Stock.

7. Amendment; Assignment. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance. No such written instrument shall be effective unless it expressly recites that it is intended to amend, supersede, cancel, renew or extend this Agreement or to waive compliance with one or more of the terms hereof, as the case may be. Except for the Stockholder's right to assign his or her rights under Section 3(a) or the Company's right to assign its rights under Section 3(b), no party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other parties hereto.

8. Notices. All notices and other communications hereunder shall be in writing, shall be deemed to have been given if delivered in person or by certified mail, return receipt requested, and shall be deemed to have been given when personally delivered or three (3) days after mailing to the following address:

If to the Stockholder:

If to the Company:

If to TPG:

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but each of which together shall constitute one and the same document.

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

11. Binding Effect. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the heirs, personal representatives, successors and permitted assigns of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the parties to this Agreement, or their respective heirs, personal representatives, successors or assigns, any legal or equitable rights, remedy or claim under or in respect of this Agreement or any provision contained herein.

12. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

13. Severability. If any term, provision, covenant or restriction of this Agreement, is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and

restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

14. Miscellaneous. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

* * * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

[Stockholder]

J. CREW GROUP, INC.

By:
Title:

TPG PARTNERS II, L.P.

By:
Title:

Exhibit 10.2

EMPLOYMENT AGREEMENT

AGREEMENT, dated this 26th day of August, 2002 (the "Agreement"), among J. Crew Group, Inc., a New York corporation (the "Parent") and its operating subsidiary J. Crew Operating Corp. (the "Employer"), with offices at 770 Broadway, New York, NY, and Kenneth S. Pilot (the "Employee").

1. Employment, Duties and Agreements.

(a) The Employer hereby agrees to employ the Employee as its Chief Executive Officer, and the Parent agrees to cause the Employee to be elected as a member of the Board of Directors of the Parent (the "Board") and of the Board of Directors of the Employer, if any, and to serve as Parent's Chief Executive Officer, and the Employee hereby accepts such positions and agrees to serve the Employer and the Parent in such capacities during the employment period fixed by Section 3 hereof (the "Employment Period"). The Employee shall report to the Board and shall have such duties, authority and responsibilities as are consistent with his position as chief executive officer. During the Employment Period, the Employee shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Board and of the Employer that are not inconsistent with his position.

(b) During the Employment Period, excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee shall devote his full working time, energy and attention to the performance of his duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Employer.

(c) During the Employment Period, the Employee may not, without the prior written consent of the Employer, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Employer), provided that it shall not be a violation of the foregoing or of Section 1(b) above for the Employee to (i) act or serve as a director, trustee or committee member of any civic or charitable organization, or (ii) manage his personal, financial and legal affairs, so long as such activities (described in clauses (i) and (ii)) do not interfere with the performance of his duties and responsibilities to the Employer as provided hereunder.

2. Compensation.

(a) As compensation for the agreements made by the Employee herein and the performance by the Employee of his obligations hereunder, during the Employment Period, the Employer shall pay the Employee, pursuant to the Employer's normal and customary payroll procedures, a base salary (the "Base Salary") at the rate of $700,000 per annum, as may be increased hereunder or by the Board. If the Target Performance Objectives (as defined below) for the fiscal year ended January 2004 are achieved, the Base Salary shall be increased to not less than the rate of $800,000 per annum for the fiscal year ended January 2005 and thereafter. The Board shall review the Employee's Base Salary at the end of the fiscal year ended January 2006 and each fiscal year thereafter and may (but is not required to) increase (but not decrease) the Base Salary.

(b) In addition to the Base Salary, during the Employment Period the Employee shall have an opportunity to earn an annual bonus (the "Bonus") with a target amount of 85% of Base Salary based on the achievement of annual performance objectives which shall be established and approved by the Board or any authorized committee thereof for the Employee and the other members of the management team of the Employer. Such bonus shall be paid no later than April 15 of the following year. The Bonus shall equal forty-two and a half percent (42.5%) of Base Salary if the "Threshold Performance Objectives" are achieved,

eighty-five percent (85%) of Base Salary if the "Target Performance Objectives" are achieved, and one-hundred-seventy percent (170%) of Base Salary if the "Stretch Performance Objectives" are achieved. The Employee shall have the option (to be exercised in his sole discretion) of receiving up to fifty percent of the Bonus payable in any year in fully vested shares of Parent common stock (the imputed value of which, as of the date such bonus would have been paid or as soon as practicable thereafter, shall be the Fair Market Value (as defined in the J. Crew Group, Inc. 1997 Stock Option Plan (the "Option Plan"), but in no event will such imputed value be less than $6.82 per share), and the Employee shall be given an opportunity to defer a portion or all of the Bonus that would be payable in shares of Parent common stock for up to five years from the date it would have otherwise been paid, provided such election is made at least six months prior to the end of the fiscal year to which such Bonus relates. The term of the deferral will be set forth in a separate Senior Executive Deferred Compensation Plan, which the Employer will adopt prior to any such deferral. In respect of the fiscal year ended January 2003, the Bonus shall be at least equal to eighty-five percent (85%) of the Base Salary, prorated from the Effective Date through the end of the fiscal year, regardless of whether the performance objectives for such fiscal year are achieved. In respect of the fiscal year ended January 2004, the Bonus shall be at least equal to fifty percent (50%) of Target, which is equal to forty-two and one half percent (42.5%) of Base Salary, regardless of whether the performance objectives for such fiscal year are achieved. If the Target Performance Objectives for the fiscal year ended January 2004 are achieved, the Bonus in respect of the fiscal year ended January 2005 and thereafter shall be increased to fifty percent (50%) of Base Salary if the Threshold Performance Objectives are achieved and one hundred percent (100%) of Base Salary if the Target Performance Objectives are achieved; such Bonus shall remain at one-hundred-seventy percent (170%) of Base Salary for the achievement of the Stretch Performance Objectives.

(c) As soon as practicable after the Effective Date (as defined in Section 3 below) but in no event later than ten (10) days after the Effective Date, the Employer will pay the Employee $100,000 (the "Signing Bonus"); provided that the Employee will be required to immediately pay back 100% of such Signing Bonus in the event he is terminated for Cause or voluntarily terminates his employment hereunder (other than for Good Reason as defined below) prior to the first anniversary of the Effective Date, and that the Employee will be required to immediately pay back 50% of such Signing Bonus in the event he is terminated for Cause (as defined below) or voluntarily terminates his employment hereunder (other than for Good Reason as defined below) on or after the first anniversary of the Effective Date and prior to the second anniversary of the Effective Date; provided, further, that to the extent the Employee fails to pay back any portion of the Signing Bonus as provided herein, the Employer shall have the right to offset any other payments provided hereunder or otherwise owed to the Employee.

(d) As soon as practicable after the Effective Date (as defined in Section 3 below) but in no event later than ten (10) days after the Effective Date, the Employer will pay the Employee $420,000 (the "Make Whole Payment"); provided that the Employee will be required to immediately pay back 100% of such Make Whole Payment in the event he is terminated for Cause or voluntarily terminates his employment hereunder (other than for Good Reason as defined below) prior to the first anniversary of the Effective Date, and that the Employee will be required to immediately pay back 50% of such Make Whole Payment in the event he is terminated for Cause (as defined below) or voluntarily

terminates his employment hereunder (other than for Good Reason as defined below) on or after the first anniversary of the Effective Date and prior to the second anniversary of the Effective Date; provided, further, that to the extent the Employee fails to pay back any portion of the Make Whole Payment as provided herein, the Employer shall have the right to offset any other payments provided hereunder or otherwise owed to the Employee. In addition, on each of the first and second anniversaries of the Effective Date, the Employer will pay the Employee $60,000, provided the Employee is actively employed with the Employer

on each such anniversary (unless the Employee's employment is terminated by reason of the Employee terminating his employment for Good Reason or the Employer terminating his employment without Cause in which case such amounts shall be paid as scheduled).

(e) (i) On or as soon as practicable after the Effective Date, the Parent shall grant the Employee a ten-year option (the "Initial Option") to purchase 150,000 shares of common stock of the Parent at an exercise price of $6.82 per share, which shall vest and become exercisable as follows: twenty-five percent (25%) shall become exercisable on each of the first, second, third and fourth anniversaries of the Effective Date; provided that the Employee is still employed by the Employer on each such anniversary.

(ii) If the Board-approved budgeted EBITDA targets for the fiscal year ended January 2004 are achieved, the Employer will, no later than May 31, 2004, grant the Employee a ten-year option (the "Additional Option", and together with the Initial Option, the "Options") to purchase 25,000 shares of common stock of the Parent at an exercise price equal to the then Fair Market Value (as defined in the Option Plan) of such common stock (but in no case less than $6.82 per share), which shall vest and become exercisable at a rate of twenty-five percent (25%) on each of the first, second, third and fourth anniversaries of the date of grant; provided that the Employee is still employed by the Employer on each such anniversary.

(iii) The Options shall be subject to and governed by the Option Plan (a copy of which has been provided to the Employee) and shall be evidenced by stock option grant agreements as provided under the Option Plan.

(f) (i) As soon as practicable after the Effective Date, the Employer shall cause the Parent to grant to the Employee 70,000 shares of common stock of the Parent (the "Granted Shares"). The Employer, the Parent or their designees shall have the right to purchase one hundred percent (100%) of the Granted Shares for $1.00 per share if the Employee's employment is terminated for Cause or the Employee voluntarily resigns (other than for Good Reason) prior to the first anniversary of the Effective Date, and the Employer shall have the right to repurchase fifty percent (50%) of the Granted Shares for $1.00 per share if the Employee's employment is terminated for Cause or the Employee voluntarily resigns (other than for Good Reason) on or after the first anniversary of the Effective Date and prior to the second anniversary of the Effective Date.

(ii) As soon as practicable after the Effective Date, the Employer will cause the Parent to grant the Employee 35,000 restricted shares of common stock of the Parent (the "Restricted Shares"), which shall vest as follows: 25% of such shares shall vest on each of the first, second, third and fourth anniversaries of the date of grant if the Employee is actively employed with the Employer on each such anniversary.

(iii) The Employee shall execute an Internal Revenue Code Section 83(b) election with respect to the Granted Shares and the Restricted Shares. The Granted Shares and the Restricted Shares may be held in escrow until the forfeiture provisions described above have expired.

(g) All shares of common stock of the Parent acquired by the Employee pursuant to this Agreement or otherwise shall be subject to the Stockholders' Agreement attached to the Option Plan as Exhibit B, including without limitation the Parent's call rights provided therein.

(h) During the Employment Period: (i) the Employee shall be entitled to participate in all savings and retirement plans, practices, policies and programs of the Employer and fringe benefits of the Employer which are made available generally to other executive officers of the Employer and (ii) the Employee and/or the Employee's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under, all welfare benefit

plans, practices, policies and programs provided by the Employer which are made available generally to other executive officers of the Employer (for the avoidance of doubt, such plans, practices, policies or programs shall not include any plan, practice, policy or program which provides benefits in the nature of severance or continuation pay).

(i) During the Employment Period, the Employee shall be entitled to paid vacation of at least five weeks per year. The Employee shall not be permitted to carry forward vacation time from year to year.

(j) With respect to the Employee's relocation to the New York area, the Employer will provide the following benefits or reimbursements of expenses:

(i) If required, the Employer will provide the Employee with temporary living quarters in the New York area for up to six months after the Effective Date (in particular, the Employee may utilize the two-bedroom apartment that the Employer currently leases near the Employer's headquarters or, at the Employee's option, he may find other suitable housing at substantially the same cost of $7,500 per month).

(ii) If required, the Employer will provide round-trip business class airline tickets, purchased through the Employer's travel service, for up to three trips for the Employee's wife and child during the Employee's first six months of employment in connection with finding suitable housing.

(iii) With respect to the Employee's primary residence in the San Francisco area, the Employer will (A) cause its standard relocation firm to purchase such residence; (B) pay the reasonable selling commission; and (C) reimburse the Employee for the Loss on such residence, up to a maximum (in the case of (C)) of $100,000. "Loss" shall be calculated according to the Employer's standard relocation policy, and shall generally mean the excess, if any, of the original purchase price of the residence plus amounts paid by the Employee to make capital improvements to such residence (excluding ordinary repairs), over the amount received for the residence inclusive of reimbursed selling costs.

(iv) The Employer will reimburse the Employee for all reasonable costs associated with the purchase of a primary residence in the New York metropolitan area, including closing costs (except mortgage points).

(v) The Employer will reimburse the Employee for all reasonable, standard costs of moving the Employee's home furnishings and personal belongings approved by the Employer in advance, which approval shall not be unreasonably withheld.

(vi) The Employer will provide standard and reasonable meal reimbursement for the Employee for the first ninety (90) days of the Employee's employment with the Employer.

(vii) In accordance with the Employer's Relocation Benefits Program, the relocation benefits described in this Section 2(i) will be grossed up, subject to a limit of $50,000 in the aggregate, to the extent they are taxable to the Employee.

(k) The Employer shall promptly reimburse the Employee for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Employer's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Employer. In addition, the Employer will cause the Texas Pacific Group to make office space available to the Employee at its San Francisco offices when the Employee is in the San Francisco area.

(l) Following receipt of an invoice or similar notice from the Employee, the Employer shall promptly pay the Employee's reasonable attorneys' and financial advisor's fees and expenses incurred in connection with the

preparation of this Agreement, not to exceed $15,000 in the aggregate.

(m) The Employer shall reimburse the Employee for annual tax advisor fees, not to exceed $5,000 each year.

(n) In addition to the indemnification of the Employee as provided for under the Parent's and the Employer's certificates of incorporation and by-laws, the Employer and the Parent shall provide, at their expense, the Employee with coverage under their directors' and officers' liability insurance policy at the same level provided the other directors and officers of the Employer and the Parent. The Parent and the Employer shall indemnify the Employee to the extent permitted under law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director, officer or employee of the Employer or the Parent or any of their respective subsidiaries, including without limitation actions related to the Employee serving as a fiduciary of employee benefit plans maintained by the Employer or the Parent (whether or not he continues to be a director, officer or employee at the time of incurring such expenses or liabilities), if such action is brought against the Employee in his capacity as an officer, director or employee of the Employer or the Parent or any of their respective subsidiaries. Indemnification shall not extend to actions commenced by the Employee or to matters as to which the Employee is finally adjudged to be liable for willful misconduct in the performance of his duties. The provisions of this Section 2(n) shall survive the termination of the Employee's employment.

3. Employment Period.

The Employment Period shall commence on September 9, 2002 (the "Effective Date") and shall terminate on the day preceding the fifth anniversary of the Effective Date (the "Scheduled Termination Date"). Notwithstanding the foregoing, the Employee's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of the following events (at which time the Employment Period shall be terminated).

(a) Death. The Employee's employment hereunder shall terminate upon his death.

(b) Disability. The Employer shall be entitled to terminate the Employee's employment hereunder for "Disability" if, as a result of the Employee's incapacity due to physical or mental illness or injury, the Employee shall have been unable to perform his duties hereunder for a period of one-hundred eighty (180) consecutive days, and within thirty (30) days after Notice of Termination (as

defined in Section 4 below) for Disability is given following such 180-day period the Employee shall not have returned to the performance of his duties on a full-time basis.

(c) Cause. The Employer may terminate the Employee's employment hereunder for Cause. For purposes of this Agreement, the term "Cause" shall mean: (i) a material violation by the Employee of any of the provisions of this Agreement which is not cured by the Employee within twenty (20) days of written notice thereof by the Employer; (ii) the failure by the Employee to attempt in good faith to reasonably and substantially perform his duties hereunder (other than as a result of physical or mental illness or injury), after the Employer delivers to the Employee a written demand for reasonable and substantial performance that specifically identifies the manner in which the Employer believes that the Employee has not reasonably and substantially performed the Employee's duties and provides the Employee fifteen (15) days to cure such non-performance; (iii) the Employee's willful misconduct or gross negligence in connection with his duties (including without limitation the Employee's willful violation of the Sarbanes-Oxley Act of 2002) which is materially injurious to

the Employer; or (iv) the indictment of the Employee for a felony (other than as a result of a traffic infraction or vicarious liability). If, within ninety (90) days after the Employee's termination of employment hereunder other than for Cause, new facts come to the attention of the Board that would have entitled the Board to terminate the Employee's employment for Cause as a result of his willful misconduct pursuant to clause (iii) above, the Employee's employment shall, at the election of the Board, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred, provided that the Employee shall have the right to challenge the accuracy and impact of such facts in arbitration pursuant to Section 11(j) hereof.

(d) Without Cause; for Good Reason. The Employer may terminate the Employee's employment hereunder during the Employment Period without Cause, and the Employee may terminate his employment hereunder during the Employment Period for Good Reason. For purposes of this Agreement, the term "Good Reason" shall mean: (i) a material diminution of the authority, duties or responsibilities of the Employee as provided in Section 1 hereof; (ii) a diminution in the Employee's title; (iii) removal of the Employee from, or failure to elect the Employee to, the Board or to the Board of Directors of the Employer, if any such Board exists and is functioning; or (iv) a material breach of any provision of this Agreement by the Employer or the Parent, provided that in each of clause (i) through (iv), the Employee serves notice on the Employer specifically identifying the conduct that the Employee believes constitutes Good Reason and gives the Employer fifteen (15) days to cure such conduct; or (v) a relocation of the primary office of the Employee from the New York City metropolitan area, and in each of clause (i) through (v), without the prior written consent of the Employee.

(e) Voluntarily. The Employee may voluntarily terminate his employment hereunder, provided that the Employee provides the Employer with notice of his intent to terminate his employment at least forty-five (45) days in advance of the Date of Termination (as defined in Section 4 below).

4. Termination Procedure.

(a) Notice of Termination. Any termination of the Employee's employment by the Employer or by the Employee during the Employment Period (other than termination pursuant to Section 3(a)) shall be communicated by written "Notice of Termination" to the other party hereto in accordance with Section 11(a).

(b) Date of Termination. "Date of Termination" shall mean (i) if the Employee's employment is terminated by his death, the date of his death, (ii) if the Employee's employment is

terminated pursuant to Section 3(b), thirty (30) days after Notice of Termination, (iii) if the Employee voluntarily terminates his employment, the date specified in the notice given pursuant to Section 3(e) herein which shall not be less than forty-five (45) days after the Notice of Termination and (iv) if the Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination.

5. Termination Payments.

(a) Without Cause or For Good Reason. In the event of the termination of the Employee's employment during the Employment Period by the Employer without Cause or by the Employee for Good Reason, in addition to the Employee's accrued but unused vacation and his Base Salary through the Date of Termination (to the extent not theretofore paid) and any unpaid payments described in Section 2(c) hereof to which the Employee is entitled, the Employee shall be entitled to (i) any Bonus (as described in Section 2(b) herein) earned by the Employee in respect of the fiscal year ending before the Date of Termination, and (ii) a lump-sum payment payable within ten (10) days after the Date of

Termination equal to two times the Employee's then current Base Salary. The payments provided in clauses (i) and (ii) hereof are subject to and conditioned upon the Employee executing a valid general release and waiver (in substantially the form attached hereto), waiving all claims the Employee may have against the Employer, its successors, assigns, affiliates, employees, officers and directors. Except as provided in this Section 5(a), the Employer shall have no additional obligations under this Agreement (except as specifically provided elsewhere in this Agreement).

(b) Disability or Death. If the Employee's employment is terminated during the Employment Period as a result of the Employee's death or Disability, the Employer shall pay the Employee or the Employee's estate, as the case may be, within thirty (30) days following the Date of Termination, the Employee's accrued but unused vacation and his Base Salary through the Date of Termination (to the extent not theretofore paid). In addition, the Employee shall be entitled to (i) any Bonus (as described in Section 2(b) herein) earned by the Employee in respect of the fiscal year ending before the Date of Termination, and (ii) a pro rata Bonus for the fiscal year in which the Date of Termination occurs equal to the product of the Bonus that the Employee would have earned for such fiscal year pursuant to Section 2(b) herein and a fraction, the numerator of which is the number of calendar days beginning on the first day of the Employer's fiscal year in which the Date of Termination occurs and ending on and including the Date of Termination and the denominator of which is 365. Except as provided in this Section 5(b), the Employer shall have no additional obligations under this Agreement (except as specifically provided elsewhere in this Agreement).

(c) Termination on the Scheduled Termination Date. If the Employee's employment is terminated on the Scheduled Termination Date other than for Cause, the Employer shall pay the Employee, within thirty (30) days following the Scheduled Termination Date, the Employee's accrued but unused vacation and his Base Salary through the Date of Termination (to the extent not theretofore paid). In addition, the Employee shall be entitled to a pro rata Bonus for the fiscal year in which the Scheduled Termination Date occurs equal to the product of the Bonus that the Employee would have earned for such fiscal year pursuant to Section 2(b) herein and a fraction, the numerator of which is the number of calendar days beginning on the first day of the Employer's fiscal year in which the Scheduled Termination Date occurs and ending on and including the Scheduled Termination and the denominator of which is 365. Except as provided in this Section 5(c), the Employer shall have no additional obligations under this Agreement (except as specifically provided elsewhere in this Agreement).

(d) Cause or Voluntarily. If the Employee's employment is terminated during the Employment Period by the Employer for Cause or voluntarily by the Employee (other than for Good Reason), the Employee shall be entitled to the Employee's accrued but unused vacation and his Base Salary through the Date of Termination (to the extent not theretofore paid). Except as provided in this Section 5(d), the Employer shall have no additional obligations under this Agreement (except as specifically provided elsewhere in this Agreement).

(e) (i) In the event the Employee is subject to excise taxes pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any similar excise taxes or penalties under any successor provision to Section 280G of the Code or any similar state excise tax as a result of a change in control of the Employer or the Parent, the Employee will have the option (to be exercised in his sole discretion) to waive any portion of any payments or benefits due hereunder in order to avoid any such excise tax.

(ii) In the event that the Parent is contemplating a transaction that could cause it or the Employer to be considered to have experienced an event within the meaning of Section 280G(b)(2)(A)(i) of the Code, upon receipt from the Employee of a written request, in which he agrees to waive any portion of the payments and benefits (including equity acceleration) to which he could be entitled contingent on such transaction (within the meaning of such Code

Section 280G), the Parent shall, in conformity with the requirements set forth at Q&A 7 of Prop. Reg. Section 1.280G-1, use its reasonable best efforts to seek approval from the stockholders of the Parent of payment of such payments or benefits. Nothing herein is intended to represent or ensure that such approval will be obtained.

6. Non-Solicitation.

During the Employment Period and for a period of one year following the Date of Termination, the Employee hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of the Parent, the Employer or any of their subsidiaries to perform services for any entity (other than the Parent, the Employer or their subsidiaries), or attempt to induce any such employee to leave the employ of the Parent, the Employer or their subsidiaries; provided that the Employee shall be permitted to solicit and hire the employee of the Employer who served as the Employee's administrative assistant immediately prior to the Date of Termination; provided, further that the Employee shall be permitted to provide references for employees of the Parent or Employer who have indicated they are seeking employment with another entity independent of any action by the Employee.

7. Non-Compete.

The Employee hereby agrees that, during the Employment Period and for a one-year period thereafter, the Employee (i) shall not engage (either as owner, investor, partner, employer, employee, consultant or director) in or otherwise perform services for any Competitive Business which operates within a 100 mile radius of the location of any store of the Employer or its affiliates or in the same area as the Employer directs its mail order operations or any other area in which the Employer or any of its subsidiaries conducts business or in which the Employer or any of its subsidiaries' customers are located as of the Date of Termination, provided that the foregoing restriction shall not prohibit the Employee from owning a passive investment of not more than 5% of the total outstanding securities of any publicly-traded company and (ii) shall not solicit or cause another to solicit any customers or suppliers of the Employer or any of its subsidiaries to terminate or otherwise adversely modify their relationship with the Employer or any such subsidiary. The term "Competitive Business" means the

retail, mail order and internet apparel and accessories business and any other business of the Employer or its affiliates on the Date of Termination.

8. Confidentiality; Non-Disclosure; Non-Disparagement.

(a) The Employee hereby agrees that, during the Employment Period and thereafter, he will hold in strict confidence any proprietary or Confidential Information related to the Employer and its affiliates, except that he may disclose such information pursuant to law, court order, regulation or similar order. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Employer or any of its affiliates (in whatever form) which is not generally known to the public, including without limitation any inventions, processes, methods of distribution, customer lists or customers' or trade secrets.

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

(c) During the Employment Term and for the one-year period thereafter, the Employee hereby agrees not to materially defame or disparage the Employer, the Parent or their respective affiliates, and their officers, directors, members or employees, and the Employer and the Parent hereby agree that it shall not materially disparage or defame the Employee through any official statement of the Employer or Parent or through any director or executive officer of the Parent or the Employer, in each case except as required by law, court order, regulation or similar order, provided that, in the event the Employee's employment is terminated for Cause, the Employer and the Parent shall be permitted, in its discretion, to disclose the facts and circumstances surrounding such termination, and the Employee shall be permitted to defend himself.

9. Injunctive Relief.

It is impossible to measure in money the damages that will accrue to the Employer in the event that the Employee breaches any of the restrictive covenants provided in Sections 6, 7 and 8 hereof. In the event that the Employee breaches any such restrictive covenant, the Employer shall be entitled to an injunction restraining the Employee from violating such restrictive covenant. If the Employer shall institute any action or proceeding to enforce any such restrictive covenant, the Employee hereby waives the claim or defense that the Employer has an adequate remedy at law and agrees not to assert in any such action or proceeding the claim or defense that the Employer has an adequate remedy at law.

10. Representations.

(a) The parties hereto hereby represent that they each have the authority to enter into this Agreement, and the Employee hereby represents to the Employer that the execution of, and performance of duties under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Employee is a party.

(b) The Employee hereby represents to the Employer that he will not utilize or disclose any confidential information obtained by the Employee in connection with his former employment with

respect to his duties and responsibilities hereunder, and the Employer covenants that it will not ask the Employee to do so.

11. Miscellaneous.

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

If to the Employer:

J. Crew Group, Inc.
770 Broadway, Twelfth Floor
New York, New York 10003

Attention: Board of Directors and Secretary

with a copy to:

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

If to the Employee, to the address on record with the Employer; or, for either

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

(b) This Agreement shall constitute the entire agreement among the parties hereto with respect to the Employee's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to the Employee's employment (it being understood that any stock options granted to the Employee shall be governed by the Option Plan and related stock option grant agreement and that all shares of Common Stock acquired by the Employee will be subject to the Stockholders' Agreement.)

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

(d) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

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

(ii) The Parent and Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Parent and/or Employer to assume this Agreement in the same manner and to the same extent that the Parent or Employer would have been required to perform it if no such succession had taken place, and shall deliver to the Employee a copy of any document(s) embodying any such assumption. No other assignment of this Agreement may be made by the Parent or the Employer. As used in the Agreement, "the Employer" shall mean both the Employer as defined above and any such successor that assumes this Agreement, by operation of law or otherwise, and "the Parent" shall mean both the Parent as defined above and any such successor that assumes this Agreement, by operation of law or otherwise.

(f) The Employer and the Parent shall be jointly and severally liable for the obligations of either under this Agreement.

(g) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable. No waiver of any provision or violation of this Agreement by Employer shall be implied by Employer's forbearance or failure to take action.

(h) The Employer may withhold from any amounts payable to the Employee hereunder all federal, state, city or other taxes that the Employer may reasonably determine are required to be withheld pursuant to any applicable law or regulation, (it being understood, that the Employee shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

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

(j) Any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or the interpretation hereof or any agreements relating hereto or contemplated herein or the interpretation, breach, termination, validity or invalidity hereof shall be settled exclusively and finally by arbitration; provided that neither the Employer nor the Parent shall be required to submit claims for injunctive relief to enforce the covenants contained in Sections 6, 7 and 8 of this Agreement to arbitration. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association (the "AAA"), except as amplified or otherwise varied hereby. The Employer and the Employee jointly shall appoint one individual to act as arbitrator within thirty (30) days of initiation of the arbitration. If the parties shall fail to appoint such arbitrator as provided above, such arbitrator shall be appointed by the President of the New York Bar Association and shall be a person who maintains his or her principal place of business in the New York metropolitan area and shall be an attorney, accountant or other professional licensed to practice by the State of New York who has substantial experience in employment and executive compensation matters. All fees and expenses of such arbitrator shall be shared equally by the Employer and the Employee. The situs of the arbitration shall be

New York City. Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to seek review of such award by any court or tribunal. The arbitration award shall be paid within thirty (30) days after the award has been made. Judgment upon the award may be entered in any federal or state court having jurisdiction over the parties and shall be final and binding. Each party shall be required to keep all proceedings related to any such arbitration and the final award and judgment strictly confidential; provided that either party may disclose such award as necessary to enter the award in a court of competent jurisdiction or to enforce the award, and to the extent required by law, court order, regulation or similar order

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

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

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

J. CREW GROUP, INC.

/s/ Dick Boyce

_____

Name: Dick Boyce
Title: Chairman, Compensation

Committee

J. CREW OPERATING CORP.

/s/ David Kozel

_____
Name: David Kozel
Title: Executive Vice-President,
Human Resources

/s/ Kenneth S. Pilot

_____
Kenneth S. Pilot

Attachment

SEPARATION AGREEMENT AND GENERAL RELEASE AND WAIVER

This Separation Agreement and General Release and Waiver (this "Agreement") is made as of [DATE], among J. Crew Group, Inc., a New York corporation (the "Parent") and its operating subsidiary J. Crew Operating Corp. (the "Employer," and together with the Parent, "Crew"), with offices at 770 Broadway, New York, NY, and Kenneth S. Pilot (the "Employee").

WHEREAS, Crew engaged the Employee to be the Chief Executive Officer of the Employer and the Parent;

WHEREAS, the Employee, the Parent and the Employer are parties to an Employment Agreement dated August 26, 2002 (the "Employment Agreement");

WHEREAS, Section 5(a) of the Employment Agreement provides that, as a condition to the receipt of certain benefits described therein, the Employee shall be required to execute a general release of claims in the form appended to the Employment Agreement;

WHEREAS, the parties wish to confirm the termination of the Employee's employment with Crew and set forth their agreement as to the manner in which the Employee's employment with Crew will be closed out;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, receipt of which is hereby acknowledged, Crew and the Employee agree as follows:

1. Termination of Employment. The parties hereto hereby agree that the Employee's employment with Crew terminated on [_____] (the "Date of Termination"). The Employee hereby resigns, effective as of the Date of Termination, all positions, titles, duties, authorities and responsibilities with, arising out of or relating to his employment with Crew and its affiliates and agrees to execute all additional documents and takes such further steps as may be required to effectuate such resignation.

2. Certain Payments and Benefits.

(a) Pursuant to Section 5(a) of the Employment Agreement, Crew shall pay the Employee $[_____], which represents two times the Employee's current base salary of $[_____] (the "Termination Payment")[, and shall also pay
$[_____], representing the Employee's accrued obligations].

(b) The Termination Payment shall be reduced by any required tax withholding. The Termination Payment shall not be taken into account as compensation and no service credit shall be given after the Date of Termination for purposes of determining the benefits payable to the Employee or the Employee's family under any plan, program, agreement or arrangement of Crew. The Employee acknowledges that, except for the Termination Payment, he is not entitled to any payment in the nature of severance or termination pay from Crew.

(c) The Employee shall be entitled to any benefit to which the Employee may be entitled under any tax qualified pension plan of Crew or its affiliates, continuation of health insurance benefits, at the Employee's cost, to the extent provided in Section 4980B of the Internal Revenue Code of 1986 and Section 601 of the Employee Retirement Income Security Act of 1974, as amended (which provisions are commonly known as "COBRA") and any other similar benefits required to be provided by law.

3. General Release and Waiver

(a) The Employee hereby releases, remises and acquits the Employer, the Parent and all of their respective affiliates, and their respective officers, directors, shareholders, members, agents, employees, consultants, independent contractors, attorneys, advisers, successors and assigns, jointly and severally, from any and all claims, known or unknown, which the Employee or the Employee's heirs, successors or assigns have or may have against any of such parties arising on or prior to the date this Agreement is executed by the Employee and any and all liability which any of such parties may have to the Employee, whether denominated claims, demands, causes of action, obligations, damages or liabilities arising from any and all bases, however, denominated, including but not limited to, the Age Discrimination in Employment Act, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, Title VII of the United States Civil Rights Act of 1964, 42 U.S.C. ss. 1981, the New York Human Rights Law, N.Y. Exec. Law Article 15 et seq., New York Executive Law ss. 296, ss. 8-107 of the Administrative Code and Charter of New York City, or any other federal, state or local law and any workers' compensation or disability claims under any such laws or claims under any contract (including without limitation the Employment Agreement). This release relates to any and all claims, including without limitation claims arising from and during the Employee's employment relationship with the Employer, the Parent and their respective affiliates or as a result of the termination of such relationship. The Employee further agrees that the Employee will not file or permit to be filed on the Employee's behalf any such claim. Notwithstanding the preceding sentence or any other provision of this Agreement, this release is not intended to interfere with the Employee's right to file a charge with the Equal Employment Opportunity Commission (the "EEOC") in connection with any claim he
believes he may have against the Employer, the Parent or their respective affiliates. However, by executing this Agreement, the Employee hereby waives the right to recover in any proceeding the Employee may bring before the EEOC or any state human rights commission or in any proceeding brought by the EEOC or any state human rights commission on the Employee's behalf. This release is for any relief, no matter how denominated, including, but not limited to, injunctive relief, wages, back pay, front pay, compensatory damages, or punitive damages. This release shall not apply to any obligation of the Employer, the Parent or their respective affiliates pursuant to this Agreement or any rights in the nature of indemnification (including without limitation pursuant to Crew's directors' and officer's liability insurance policy) which the Employee may have with respect to claims against the Employee relating to or arising out of his employment with the Employer, the Parent or their respective affiliates.

(b) The Employee acknowledges that the Termination Payment constitutes good and valuable consideration for the release contained in this Section 3.

4. Confidentiality of Agreement. The Employee and Crew shall keep the terms of this Agreement confidential and shall not directly or indirectly disseminate any information (in any form) regarding this Agreement to any person or entity except as may be agreed to in writing by the other party. Notwithstanding the foregoing, either party may disclose the information described herein, to the extent compelled to do so by lawful service of process, subpoena, court order, or as otherwise compelled to do by law, including full and complete disclosure in response thereto, in which event such party agrees to provide the other party with a copy of the document(s) seeking disclosures of such information promptly upon receipt of such document(s) and prior to disclosure of any such information, so that the other party may, upon notice to the first party, take such action as it deems to be necessary or appropriate in relation to such subpoena or request. The obligations under this Section 4 shall cease for both parties at such time that this document (once executed by both parties) is filed publicly with the Securities and Exchange Commission.

5. Incorporation by Reference. The following sections of the Employment Agreement are hereby incorporated by reference as if repeated herein: Section 2(n) (relating to indemnification); Section 6 ("Non-Solicitation"); Section 7 ("Non-Compete"), as agreed by the parties; Section 8 ("Confidentiality; Non-Disclosure; Non-Disparagement"); Section 9 ("Injunctive Relief"); and Section 11(j) (relating to arbitration).

6. Certain Forfeitures in Event of Breach. The Employee acknowledges and agrees that, notwithstanding any other provision of this Agreement, in the event the Employee materially breaches any of his obligations under Section 3 of this Agreement, the Employee will forfeit his right to receive the Termination Payment to the extent not theretofore paid to him as of the date of such breach and, if already made as of the time of breach, the Employee agrees that he will reimburse Crew, immediately, for the amount of such payment.

7. No Admission. This Agreement does not constitute an admission of liability or wrongdoing of any kind by Crew or its affiliates.

8. Heirs and Assigns. The terms of this Agreement shall be binding on the parties hereto and their respective successors and assigns.

9. General Provisions

(a) Integration. This Agreement constitutes the entire understanding of Crew and the Employee with respect to the subject matter hereof and supersedes all prior understandings, written or oral, including without limitation the Employment Agreement. The terms of this Agreement may be changed, modified or discharged only by an instrument in writing signed by the parties hereto. A failure of Crew or the Employee to insist on strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or any other provision hereof. In the event that any provision of this Agreement is determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

(b) Choice of Law. This Agreement shall be construed, enforced and interpreted in accordance with and governed by the laws of the State of New York, without regard to its choice of law provisions.

(c) Construction of Agreement. The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

(e) Notice. Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to Crew:

J. Crew Group, Inc.
770 Broadway, Twelfth Floor
New York, New York 10003

Attention: Board of Directors and Secretary

with a copy to:

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

If to the Employee, to the address on record with Crew; or, for either party, to such other address as any party hereto may designate by notice to the others, and shall be deemed to have been given upon receipt.

10. Knowing and Voluntary Waiver. The Employee acknowledges that, by the Employee's free and voluntary act of signing below, the Employee agrees to all of the terms of this Agreement and intends to be legally bound thereby.

The Employee understands that he may consider whether to agree to the terms contained herein for a period of twenty-one days after the date hereof. Accordingly, the

Employee may execute this Agreement by [_____], to acknowledge his understanding of and agreement with the foregoing. However, the Termination Payment provided herein will be delayed until this Agreement is executed and returned to Crew. The Employee acknowledges that he has been advised to consult with an attorney prior to executing this Agreement.

This Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by the Employee (the

"Effective Date"). During the seven-day period prior to the Effective Date, the Employee may revoke his agreement to accept the terms hereof by indicating in writing to Crew his intention to revoke. If the Employee exercises his right to revoke hereunder, he shall forfeit his right to receive any of the benefits provided for herein, and to the extent such payments have already been made, the Employee agrees that he will immediately reimburse Crew for the amounts of such payment.

The Employee acknowledges that, by his free and voluntary act of signing below, he agrees to all of the terms of this Release and intends to be legally bound thereby.

IN WITNESS WHEREOF, the Employer and the Parent have caused this Agreement to be signed by their duly authorized representatives and the Employee has signed this Agreement has of the day and year first above written.

J. CREW GROUP, INC.

Name:
Title:

J. CREW OPERATING CORP.

Name:
Title:

Kenneth S. Pilot

Acknowledgment

STATE OF _____)
ss:
COUNTY OF_____)

On the ____ day of _____, ____, before me personally came _____ who, being by me duly sworn, did depose and say that he resides at _____; and did acknowledge and represent that he has had an opportunity to consult with attorneys and other advisers of his choosing regarding the Separation Agreement and General Release and Waiver attached hereto, that he has reviewed all of the terms of the Separation Agreement and General Release and Waiver and that he fully understands all of its provisions, including, without limitation, the general release and waiver set forth therein.

_____
Notary Public

Date: _____

Exhibit 99.1

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

In connection with the Quarterly Report of J. Crew Group, Inc. and J. Crew Operating Corp. (collectively, the "Company") of Form 10-Q for the period ending August 3, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Rosen, Acting Chief Executive Officer of the Company and Executive Vice-President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Scott M. Rosen

Scott M. Rosen
Acting Chief Executive Officer
September 6, 2002

By: /s/ Scott M. Rosen

Scott M. Rosen
Executive Vice - President and
Chief Financial Officer
September 6, 2002

EXPLANATORY NOTE: Since the departure of Mark Sarvary as former Chief Executive Officer of J.Crew Group, Inc. and J.Crew Operating Corp. on May 1, 2002, Scott M. Rosen has performed the functions of each registrant's principal executive officer on an interim basis in addition to being each registrant's principal financial officer.