As filed with the Securities and Exchange Commission on August 17, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

J. Crew Group, Inc.

(Exact name of Registrant as specified in its charter)

New York	5651	22-2894486
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

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

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price	Amount of registration fees
Common stock, $.01 par value per share		$	$ 200,000,000	$ 23,540

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

Table of Contents

Subject to Completion. Dated August 17, 2005.

Shares

J.CREW

Common Stock

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

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

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $ and $. J.Crew intends to apply to list the common stock on the New York Stock Exchange under the symbol "JCG."

See "Risk Factors" beginning on page 10 to read about factors you should consider before buying shares of the common stock.

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

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

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

The underwriters expect to deliver the shares against payment in New York, New York on , 2005.

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

Prospectus dated , 2005.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. It does not contain all of the information that may be important to you. You should read the following summary together with the more detailed information regarding our company, the common stock offered and our consolidated financial statements, including the notes to those statements, appearing elsewhere in this prospectus. Except as the context otherwise requires, all references in this prospectus to "J.Crew," "we," "us," "our" and similar terms refer to J.Crew Group, Inc. together with our consolidated subsidiaries. Our fiscal year ends on the Saturday closest to January 31. The fiscal years 2001, 2002, 2003 and 2004 ended on February 2, 2002, February 1, 2003, January 31, 2004 and January 29, 2005, respectively, and consisted of 52 weeks each. The fiscal year 2000 ended on February 3, 2001 and consisted of 53 weeks.

Our Company

J.Crew is a nationally recognized apparel and accessories brand that embraces a high standard of style, craftsmanship, quality and customer service while projecting an aspirational American lifestyle. We are a fully integrated multi-channel retailer. We consistently communicate our vision of J.Crew through every aspect of our business, including through the circulation of our catalogs that use high quality photography, the inviting atmosphere of our stores and the imagery on our Internet website. In fiscal 2004, our revenues were $804.2 million, which represents a 16.6% increase over fiscal 2003. Growth in our comparable store sales (sales at stores open at least twelve months) for this period was 16.4%. In the first quarter of fiscal 2005, our revenues were $210.5 million, which represents a 44.5% increase over the first quarter of fiscal 2004. Growth in our comparable store sales for this period was 37.0%.

Our product lines feature the high quality design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew. We offer complete collections of women's and men's apparel and accessories, including wedding and special occasion attire, business attire, weekend clothes, swimwear, loungewear, outerwear, shoes, bags, belts and jewelry. In addition, we have introduced limited edition luxury items, which we believe elevates the overall perception of our brand and creates excitement and a sense of shopping urgency in our customers.

J.Crew products are distributed through our retail and factory stores, our J.Crew catalog and our Internet website located at www.jcrew.com. As of August 15, 2005, we operated 156 retail stores (as well as one seasonal retail store) and 43 factory stores throughout the United States. In fiscal 2004, we distributed 16 catalog editions with a circulation of approximately 50 million copies and our website logged over 48 million visits, representing a 20% increase over fiscal 2003.

Our Repositioning

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

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

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

Since our new management team began to influence our product line in late 2003 and early 2004, we have experienced four consecutive quarters of double-digit growth in comparable store sales, net sales, gross profit and operating income.

Our Market

We are a specialty retailer operating through our retail and factory stores, catalog and Internet website. According to NPD Fashionworld, the domestic apparel retailing market measured $172.8 billion in retail sales in 2004, which represents an increase of 4.0% from $166.1 billion in 2003. Women's apparel represented the largest percentage of the 2004 domestic apparel retailing market at 54.7%, followed by men's at 28.6% and children's at 16.7%. NPD Fashionworld estimates that specialty retailers were the largest distribution channel in 2004, representing 29.8% of the total market, or $51.4 billion in retail sales, an increase of 9.3% from 2003. According to NPD Fashionworld, catalog sales decreased 9.7% from 2003 to 2004 while website sales increased 12.0% from 2003 to 2004.

Our Competitive Strengths

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

- **Established and differentiated lifestyle brand.** The J.Crew brand is widely recognized. We project our brand image through consistent creative messages in our catalog and on our Internet website, our store environments and our superior customer service. We differentiate ourselves from our competitors in three primary ways:
  - through our signature product design, which we refer to as "classic with a twist"—meaning our iconic styles refined with differentiating prints, fabrics, colors and high quality craftsmanship,
  - by offering "accessible luxury" by mixing designer-quality products at higher price points and more casual items at lower price points, and
  - by offering our customers "one stop shopping" for their wardrobe needs, including apparel and accessories for weekend, business, wedding and special occasions.
- **High quality product offerings.** We offer complete lines of high quality women's and men's apparel and accessories, designed internally by our skilled design teams, that include wedding and special occasion attire, business attire, weekend clothes, swimwear, loungewear, outerwear, shoes, bags, belts and jewelry. Our collection includes luxury items such as European milled cashmere sweaters and jackets, women's and men's suits made in Italy, and styled classics such as our broken-in chinos, cable knit sweaters and Legacy™ blazers. We also offer "twists" on our products with items such as our English silk tie belts, which use traditional necktie designs for women's and men's belts.

- **Multiple sales channels producing "seamless retailing."** We sell our products through multiple sales channels, including our retail and factory stores, our J.Crew catalog and our Internet website, providing our customers the flexibility to shop in the setting they prefer. We encourage our customers to make purchases through all of our sales channels—a concept we refer to as "seamless retailing," and over 58% of the households in our customer database shop in multiple sales channels. We foster multi-channel relationships with our customers to build a base of customers loyal to the J.Crew brand rather than a single sales channel.
- **Experienced management team with a proven track record**. Since Messrs. Drexler and Pfeifle were appointed in early 2003, we have assembled a management team with extensive experience across a broad range of disciplines in the specialty retail industry. Since our new management began to influence our product line in late 2003 and early 2004, we have experienced four consecutive quarters of double-digit growth in comparable store sales, net sales, gross profit and operating income.
- **Disciplined merchandise management.** We focus on controlling our inventory in order to maximize full-price sales and increase inventory turns. We believe our merchandising strategy enhances our image as a high quality, fashionable lifestyle brand while maximizing profits.
- **Customer-service oriented culture.** We hire and train qualified sales associates committed to serving our customers and compensate them based on performance measures in order to enhance the customer-service oriented culture in our stores. We believe we provide our customers a shopping experience that is consistent with the high quality they expect of our brand.

Our Growth Strategy

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

- **Continue to build on our core strengths.** We believe our recent success is attributable to our focus on the quality of the design, fabric and construction of our apparel and accessories, our signature "classic with a twist" product design, our disciplined merchandising strategy and improvements to our store environments and standards for and training of our sales associates. We are in the beginning stages of executing these strategies, as our new management has influenced our product offerings only in the past seven fiscal quarters.
- **Leverage our multiple sales channels to further achieve "seamless retailing."** We plan to take advantage of the unique attributes of each of our sales channels to increase sales across our entire business. For example, we intend to use the customer information gathered through our Direct operations (which includes our catalog and our Internet website) to target specific marketing material at particular customer groups on the basis of their shopping history, spending habits and expressed merchandise preferences. We also collect customer information in our retail stores and send our catalog and targeted emails highlighting specific product offerings to those retail customers.
- **Expand our store base.** We currently expect to expand our store base by seven stores in fiscal 2005. We plan to further expand our store base by between 15 and 25 stores in fiscal 2006. Thereafter, in the near term, we plan to expand our store base by between 25 and 35 stores annually.
- **Expand our sales channels.** We intend to continue to explore opportunities to expand our sales channels. For example, we expect to bring the J.Crew factory business to the Internet by launching www.jcrewfactory.com by the end of fiscal 2005.

- **Expand into children's market with our crewcuts® line.** We intend to launch crewcuts, a line of apparel and accessories for children ages two through eight with a product assortment that reflects the high quality, styled-classic apparel and accessories we offer under the J.Crew brand name. We intend to market the crewcuts line initially through our existing sales channels and may consider separate crewcuts retail stores in the future.

Selected Risk Factors

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

- we may not be able to compete successfully in the highly competitive specialty retail industry,
- we may not successfully gauge fashion trends and changing consumer preferences,
- a decline in consumer spending on apparel and accessories could hurt our results of operations,
- the loss of key personnel could adversely impact our business, and
- we may not successfully implement our plans to expand our store base, broaden our product offerings and expand our sales channels.

For a discussion of the significant risks associated with our business, our industry and investing in our common stock, you should read the section entitled "Risk Factors" beginning on page 10 of this prospectus.

Investment by Texas Pacific Group

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

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

We were incorporated in New York in 1988 and, subject to stockholder approval, intend to reincorporate in Delaware prior to the consummation of this offering. We are a holding company, and all of our business operations are conducted through J.Crew Operating Corp., a Delaware corporation, which we refer to as "Operating." J.Crew Group, Inc. is the sole member of J.Crew Intermediate LLC, a Delaware limited liability company, which we refer to as "Intermediate," and Intermediate is the direct parent of Operating. We intend to merge Intermediate into J.Crew Group, Inc. in connection with this offering and become Operating's direct parent. Unless otherwise indicated, all information in this prospectus assumes that we have reincorporated in Delaware and have merged Intermediate into J.Crew Group, Inc.

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

The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds from this offering and TPG's purchase of our common stock described below, together with borrowings under a new term loan, to redeem our preferred stock and some of our debt and pay related costs. See "Use of Proceeds."
Dividends	We do not anticipate paying any cash dividends in the foreseeable future.
Proposed New York Stock Exchange symbol	"JCG"
Risk factors	See "Risk Factors" beginning on page 10 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

Transactions in Connection with the Offering

In the last three fiscal years, we have incurred increasing amounts of interest on our debt and dividends on our preferred stock. To decrease the amounts we incur in the future, we expect that a substantial portion of our outstanding debt and preferred stock will be redeemed, refinanced or converted into shares of our common stock in connection with this offering. Specifically:

- we plan to redeem all outstanding $ million liquidation value of our 14 1/2% Cumulative Preferred Stock (the "Series A Preferred Stock") (plus accrued and unpaid dividends of $),
- we plan to redeem all outstanding $ million liquidation value of our 14 1/2% Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") (plus accrued and unpaid dividends of $),
- we plan to redeem all $21.7 million aggregate principal amount of outstanding 13 1/8% Senior Discount Debentures due 2008 (the "13 1/8% Debentures") (plus accrued and unpaid interest of $),
- we plan to redeem all or a portion of Operating's 9 3/4% Senior Subordinated Notes due 2014 (the "9 3/4% Notes") (plus accrued and unpaid interest of $), and
- TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, has agreed to convert the $ million principal amount of Operating's 5.0% Notes Payable due 2008 (the "5.0% Notes Payable") (plus accrued and unpaid interest of $) into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering.

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

We refer to the conversion of the 5.0% Notes Payable into shares of our common stock as the "Conversion." We refer to the redemptions of the 13 $^{1}/_{8}$% Debentures, the Series A Preferred Stock, the Series B Preferred Stock and the 9 $^{3}/_{4}$% Notes as the "Redemptions."

We expect to fund the Redemptions with:

- the net proceeds of this offering, including net proceeds, if any, from the exercise of the over-allotment option,
- the net proceeds of the TPG Subscription, and
- borrowings under a new term loan that we expect to enter into prior to the consummation of this offering (the "New Term Loan").

If the net proceeds of this offering, the TPG Subscription and borrowings under the New Term Loan are not sufficient to fund the Redemptions, we expect to use available cash and funds available under our working capital facility (as described in this prospectus under "Description of Certain Indebtedness—Credit Facility") (which we refer to as the "Credit Facility") to fund the Redemptions.

Unless otherwise indicated, all information in this prospectus:

- assumes our receipt of net proceeds of $ million from the offering,
- reflects the TPG Subscription,
- assumes we have borrowed $ million under the New Term Loan,
- assumes we have not used available cash or borrowings under the Credit Facility to fund the Redemptions,
- assumes the over-allotment option has not been exercised,
- reflects the Conversion and the Redemptions, including the redemption of $ million aggregate principal amount of the 9 $^{3}/_{4}$% Notes, and
- excludes options to purchase shares of common stock that were issued under our existing stock option plans with a weighted average exercise price of $ per share.

Summary Historical and Unaudited Pro Forma Financial Data

The summary historical consolidated financial data for each of the years in the three-year period ended January 29, 2005 and as of January 29, 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data for each of the years in the two-year period ended February 2, 2002 have been derived from our audited consolidated financial statements which are not included in this prospectus. The historical financial data for the thirteen weeks ended May 1, 2004 and April 30, 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The consolidated financial statements for each of the years in the five-year period ended January 29, 2005 and as of the end of each such year have been audited.

The summary consolidated pro forma income statement and balance sheet data have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma condensed consolidated income statement data for the year ended January 29, 2005 and the thirteen weeks ended April 30, 2005 give effect to the offering, the TPG Subscription, the New Term Loan, the Conversion and the Redemptions as if they had occurred on January 31, 2004 and January 29, 2005, respectively. The unaudited pro forma condensed consolidated balance sheet data as of April 30, 2005 give effect to the offering, the TPG Subscription, the New Term Loan, the Conversion and the Redemptions as if they had occurred on April 30, 2005.

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

Table of Contents

	Year Ended					Thirteen Weeks Ended	
	February 3, 2001(1)	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	May 1, 2004	April 30, 2005
	(In thousands, except share and per share data)						
Income Statement Data							
Revenues	$ 825,975	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 145,667	$ 210,535
Cost of goods sold(2)	458,205	454,491	472,262	440,276	478,829	84,935	114,089
Gross profit	367,770	323,449	296,082	249,689	325,387	60,732	96,446
Selling, general and administrative expense	307,569	303,448	301,718	280,464	287,745	63,557	73,460
Other charges(3)	4,130	—	—	—	—	—	—
Income (loss) from operations	56,071	20,001	(5,636)	(30,775)	37,642	(2,825)	22,986
Interest expense (net)	36,642	36,512	40,954	63,844	87,571	20,962	17,489
(Gain) loss on debt refinancing	—	—	—	(41,085)	49,780	—	—
Insurance proceeds	—	—	(1,800)	(3,850)	—	—	—
Provision (benefit) for income taxes	7,500	(5,500)	(4,200)	500	600	—	600
Net income (loss)	$ 11,929	$ (11,011)	$ (40,590)	$ (50,184)	$ (100,309)	$ (23,787)	$ 4,897
Weighted average shares outstanding (in millions)							
Basic							
Diluted							
Income (loss) per share							
Basic					$		$
Diluted							
Pro forma interest expense (net)(4)					$		$
Pro forma net income(4)					$		$
Pro forma weighted average shares outstanding (in millions)(4)							
Basic							
Diluted							
Pro forma income per share(4)							
Basic					$		$
Diluted							

	As of January 29, 2005	As of April 30, 2005	
		Actual	Pro Forma(4)
	(In thousands)		
Balance Sheet Data			
Cash and cash equivalents	$ 23,647	$ 25,401	$
Working capital	12,168	31,001	
Total assets	278,194	293,324	
Total long-term debt and preferred stock	669,733	682,785	
Stockholders' equity (deficit)	(581,712)	(580,024)	

(1) Fiscal year 2000 consisted of 53 weeks compared to 52 weeks in all other fiscal years. Net sales for the fifty-third week increased fiscal 2000 sales by $10.8 million.
(2) Includes buying and occupancy costs.
(3) Represents charges incurred in connection with the discontinuance of Clifford & Wills, a catalog business.
(4) Pro forma numbers give effect to (i) the sale by us of shares of our common stock at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover to this prospectus, and (ii) the TPG Subscription, the New Term Loan, the Conversion and the Redemptions, as if the offering and those transactions had occurred on January 31, 2004 and January 29, 2005 for the fiscal year ended January 29, 2005 and the thirteen weeks ended April 30, 2005, respectively.

Table of Contents

	Year Ended					Thirteen Weeks Ended	
	February 3, 2001(1)	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	May 1, 2004	April 30, 2005
	(In thousands, except percentages, numbers of stores, catalogs and pages and per square foot data)						
Operating Data							
Revenues							
J.Crew Stores	$ 502,898	$ 483,083	$ 484,292	$ 487,092	$ 579,793	$ 104,057	$ 145,208
J.Crew Direct							
Catalog	177,535	135,353	108,531	61,883	76,548	15,368	23,025
Internet	107,225	122,844	139,456	111,653	121,954	21,150	36,346
Other(2)	38,317	36,660	36,065	29,337	25,921	5,092	5,956
Total revenues	$ 825,975	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 145,667	$ 210,535
J.Crew Stores:							
Sales per gross square foot(3)	$ 504	$ 412	$ 349	$ 338	$ 400	$ 73	$ 100
Number of stores open at end of period	146	177	194	196	197	196	198
Comparable store sales change(4)	0.7%	(14.5)%	(11.2)%	(2.5)%	16.4%	3.9%	37.0%
J.Crew Direct:							
Number of catalogs circulated	73,000	71,000	66,000	53,000	50,000	11,900	12,400
Number of pages circulated (in millions)	8,700	8,300	7,800	5,800	5,400	1,200	1,300
Depreciation and amortization	$ 28,670	$ 39,963	$ 43,197	$ 43,075	$ 37,061	$ 9,163	$ 7,766
Capital expenditures:							
New store openings	30,219	36,859	17,202	5,663	5,910	965	2,831
Other(5)	25,475	25,003	9,718	4,245	7,521	921	1,210
Total capital expenditures	$ 55,694	$ 61,862	$ 26,920	$ 9,908	$ 13,431	$ 1,886	$ 4,041

(1) Fiscal year 2000 consisted of 53 weeks compared to 52 weeks in all other fiscal years. Net sales for the fifty-third week increased fiscal 2000 sales by $10.8 million.
(2) Consists primarily of shipping and handling fees and royalties.
(3) Includes only stores that have been open for the full period.
(4) Comparable store sales includes sales at stores open at least twelve months.
(5) Consists primarily of expenditures on store remodels, information technology and warehouse equipment.

RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision. In addition to the risks set out below, there may be risks of which we are currently unaware, or that we currently regard as immaterial based on the information available to us, that later prove to be material. If any of the following risks actually occurs, our business, results of operations or financial condition would likely suffer. In such an event, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Relating to Our Business

The specialty retail industry is highly competitive.

We face intense competition in the specialty retail industry. We compete primarily with specialty retailers, higher-end department stores, catalog retailers and Internet businesses that engage in the retail sale of women's and men's apparel, accessories, shoes and similar merchandise. We believe the principal bases upon which we compete are quality, design and customer service. We also believe that price is an important factor in our customers' decision-making process. Many of our competitors are, and many of our potential competitors may be, larger and have greater financial, marketing and other resources and therefore may be able to adapt to changes in customer requirements more quickly, devote greater resources to the marketing and sale of their products, generate greater national brand recognition or adopt more aggressive pricing policies than we can. As a result, we may not be able to compete successfully with them.

We must successfully gauge fashion trends and changing consumer preferences to succeed.

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

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

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

The specialty retail industry is cyclical, and a decline in consumer spending on apparel and accessories could hurt our results of operations.

The industry in which we operate is cyclical. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending, including general economic conditions and the level of disposable consumer income, the availability of consumer credit, interest rates, taxation and consumer confidence in future economic conditions. A decline in consumer spending on apparel and accessories, including our products, could hurt our business.

The loss of key personnel could adversely impact our business.

We believe we have benefited substantially from the leadership and strategic guidance of, in particular, Mr. Drexler, our chief executive officer, and Mr. Pfeifle, our president. The loss, for any reason, of the services of either of these individuals could have a material adverse effect on us. Our other officers have substantial experience and expertise in the specialty retail industry and have made significant contributions to our growth and success. The unexpected loss of one or more of these individuals could also adversely affect our business, financial condition and results of operations.

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

We may not be successful in expanding our store base.

We currently expect to expand our store base by seven stores in fiscal 2005. We plan to further expand our store base by between 15 and 25 stores in fiscal 2006. Thereafter, in the near term, we plan to expand our store base by between 25 and 35 stores annually. The success of our business depends, in part, on our ability to open new stores. Our ability to open new stores on schedule or at all or to operate them on a profitable basis will depend on various factors, including our ability to:

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

In addition, we believe the opening of J.Crew stores has diverted some revenues from J.Crew Direct, and future store openings may continue to have this effect. Moreover, implementing our plans to expand our store base will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate less effectively, which in turn could materially harm our business, financial condition and results of operations. Our plans to expand our store base may not be successful and the implementation of these plans may not result in an increase in our revenues.

Our plans to broaden our product offerings and expand our sales channels may not be successful.

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

- implementation of these plans may be delayed or may not be successful,
- if our expanded product offerings and sales channels fail to maintain and enhance our distinctive brand identity, our brand image may be weakened and our sales may decrease,

- if we fail to expand our infrastructure, including by securing desirable store locations at reasonable costs and hiring and training qualified employees, we may be unable to manage our expansion successfully, and
- implementation of these plans may divert management's attention from other aspects of our business and place a strain on our management, operational and financial resources, as well as our information systems.

In addition, our ability to successfully carry out our plans to broaden our product offerings and expand our sales channels may be affected by, among other things, economic and competitive conditions, changes in consumer spending patterns and changes in consumer preferences and style trends. If we are unable to profitably implement these plans, our business, financial condition and results of operations may be hurt.

We must maintain the value of our brand in order to be successful.

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

The capacity of our order fulfillment and distribution facilities may not be adequate to support our growth plans.

The success of our stores depends on their timely receipt of merchandise, and the success of J.Crew Direct depends on our ability to fulfill customer orders on a timely basis. The efficient flow of our merchandise requires that we have adequate capacity in our order fulfillment and distribution facilities to support our current level of operations, and the anticipated increased levels that may follow from our growth plans. We believe our current facilities have the capacity to support current operations and the growth we anticipate in our business in the near future. However, we may need to increase the capacity of these facilities sooner than anticipated to support our growth, and any further expansion may require us to secure favorable real estate for these facilities and may require us to obtain additional financing. Appropriate locations or financing for the purchase or lease of such locations may not be available at all or at reasonable costs. Our failure to secure adequate order fulfillment and distribution facilities when necessary could impede our growth and hurt our business, financial condition and results of operations.

We experience fluctuations in our comparable store sales and margins.

The results of operations of individual J.Crew stores have fluctuated in the past and can be expected to continue to fluctuate in the future. For example, over the past twelve fiscal quarters, our quarterly comparable store sales have ranged from a decrease of 11% in the third quarter of fiscal 2002 to an increase of 37% in the first quarter of fiscal 2005. A variety of factors affect comparable store sales, including fashion trends, competition, current economic conditions, pricing, inflation, the timing of the release of new merchandise and promotional events, changes in our merchandise mix, the success of marketing programs, timing and level of markdowns and weather conditions. These factors may cause our comparable store sales results to differ materially from prior periods and from our expectations. In addition, our recent comparable store sales have been higher than our historical average, and we may not be able to maintain these levels of comparable store sales in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business—Comparable Store Sales."

An inability or failure to protect our trademarks would harm our business.

The J.Crew trademark and certain other trademarks we use are valuable assets that are critical to our success. The unauthorized reproduction or other misappropriation of our these trademarks would diminish the value of our brand and hurt our business, financial condition and results of operations. We intend to continue to vigorously protect our trademarks against infringement, but we may not be successful in doing so.

We depend on a high volume of mall traffic and the availability of suitable lease space.

Many of our stores are located in shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. Our stores benefit from the ability of the malls' "anchor" tenants, generally large department stores, and other area attractions to generate consumer traffic in the vicinity of our stores and the continuing popularity of the malls as shopping destinations. Sales volume and mall traffic may be adversely affected by regional economic downturns, the closing of anchor department stores and competition from non-mall retailers and other malls where we do not have stores. In addition, a decline in the desirability of the shopping environment of a particular mall, or a decline in the popularity of mall shopping generally among our customers, would hurt our business, financial condition and results of operations.

The growth of our stores business is significantly dependent on our ability to operate stores in desirable locations with capital investments and lease costs that allow us to earn a reasonable return. Desirable locations may not be available to us at all or at reasonable costs. In addition, we must be able to renew our existing store leases on terms that meet our financial targets. Our failure to secure favorable real estate and lease terms generally and upon renewal could hurt our business, financial condition and results of operations.

Our quarterly results of operations fluctuate significantly due to seasonality and a variety of other factors.

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

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

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

Our business could suffer as a result of a manufacturer's inability to produce our goods on time or to our specifications.

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

We rely on third parties to deliver merchandise from our distribution center to our stores and to customers.

The success of our stores depends on their timely receipt of merchandise from our distribution facility, and the success of J.Crew Direct depends on the timely delivery of merchandise to our customers. Independent third party transportation companies deliver our merchandise to our stores and to our customers. Some of these third parties employ personnel represented by a labor union. Disruptions in the delivery of merchandise or work stoppages by employees of these third parties could delay the timely receipt of merchandise, which could result in cancelled sales and a loss of loyalty to our brand. Timely receipt of merchandise by our stores and our customers may also be affected by factors such as inclement weather, natural disasters and acts of terrorism.

We rely on foreign sourcing and are subject to a variety of risks associated with doing business abroad.

In fiscal 2004, approximately 95% of our products were sourced from foreign factories. In particular, approximately 55% of our products were sourced from China, Hong Kong and Macau. Any event causing a sudden disruption of manufacturing or imports from Asia or elsewhere, including the imposition of additional import restrictions, could materially harm our operations. We have no long-term merchandise supply contracts, and many of our imports are subject to existing or potential duties, tariffs or quotas that may limit the quantity of certain types of goods that may be imported into the United States from countries in Asia or elsewhere. We compete with other companies for production facilities and import quota capacity. Our business is also subject to a variety of other risks generally associated with doing business abroad, such as political instability, currency and exchange risks, disruption of imports by labor disputes and local business practices.

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

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

Our results of operations could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome.

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

Increases in costs of mailing, paper and printing will have an adverse effect on our results of operations.

Postal rate increases and paper and printing costs affect the cost of our catalog and promotional mailings. In fiscal 2004, approximately 13% of our selling, general and administrative expenses were attributable to such costs. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. We are not a party to any long-term contracts for the supply of paper. Our cost of paper has fluctuated significantly, and our future paper costs are subject to supply and demand forces that we cannot control. Future increases in postal rates or paper or printing costs would harm our business, financial condition and results of operations to the extent that we are unable to pass those increases directly to customers or offset those increases by raising selling prices or by implementing mailings that result in increased purchases.

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

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

Violation of labor or other laws by our independent manufacturers or our licensing partner, or the divergence of an independent manufacturer's or our licensing partner's labor practices from those generally accepted as ethical in the United States could materially hurt our business, financial condition and results of operations if, as a result of such violation, we were to incur substantial liability or attract negative publicity damaging to our brand. Our business might also be harmed if we ceased our relationship with that manufacturer and were unable to find another manufacturer to produce goods on equally favorable terms.

We rely primarily on a single facility for our customer call center, J.Crew Direct's order fulfillment operations and J.Crew factory's distribution operations, and J.Crew retail stores' distribution operations are located in another single facility.

Our customer call center, J.Crew Direct's order fulfillment operations and distribution operations for J.Crew factory stores are housed together in a single facility, while distribution operations for

J.Crew retail stores are housed in another single facility. Although we maintain back-up systems for these facilities, they may not be able to prevent a significant interruption in the operation of these facilities due to natural disasters, accidents, failures of the inventory locator or automated packing and shipping systems we use or other events. Any such interruption could reduce our ability to receive and process orders and provide products and services to our stores and customers, which could materially hurt our business, financial condition and results of operations.

Our business could be hurt by increased labor costs or labor shortages.

Wage costs are a substantial component of our operating expenses. Increased labor costs due to competition, increased minimum wage requirements or employee benefits or other factors would increase our operating expenses. In addition, there recently have been a growing number of wage and hour lawsuits against retail companies. If we were to be named in such a lawsuit, we could face increased labor costs, litigation costs or penalties, or we could have difficulty attracting qualified employees, and, in turn, our business, financial condition and results of operations could be adversely affected.

Although none of our employees is currently represented by a labor union, union organizing activity may take place in our distribution, order fulfillment, call center facilities and stores. Union organizing activity may result in work slowdowns or stoppages and higher labor costs, which could adversely affect our business.

Our success also depends on our ability to hire, motivate and retain qualified employees who reflect and enhance our customer-service oriented culture. Part of our growth strategy depends on our continued ability to hire qualified store managers and sales associates focused on providing superior customer service. If we become unable to hire and keep enough qualified employees, especially during our peak season, our customer service levels and our business, financial condition and results of operations may be hurt.

We are subject to numerous regulations and regulatory changes that could impact our business or require us to modify our current business practices.

We are subject to numerous regulations, including customs, truth-in-advertising, consumer protection and zoning and occupancy laws and ordinances, that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. If these laws were to change, or are violated by our management, employees, suppliers, buying agents or trading companies, we could experience delays in shipments of our goods or be subject to fines or other penalties which could hurt our business, financial condition and results of operations.

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

We rely on our information systems for significant aspects of our business.

We depend on information systems to operate our website, process transactions, respond to customer inquiries, manage inventory, purchase, sell and ship goods on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer “hackers” or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer orders, to be lost or delayed which could—especially if the disruption or slowdown occurred during the holiday season—hurt our business, financial condition and results of operations. Moreover, we may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our customers and might lack sufficient resources to make the necessary investments in technology to compete with our competitors. Accordingly, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose customers.

We expect in the near future to take over certain portions of our information systems needs that we currently outsource to a third party and to make significant upgrades to our information systems. If we are unable to manage these aspects of our information systems or the planned upgrades, our business, financial condition and results of operations could be harmed.

The success of our Internet operations depends on factors beyond our control.

The success of our Internet operations depends on certain factors that we cannot control. In addition to changing consumer preferences and buying trends relating to Internet usage, we are vulnerable to certain additional risks and uncertainties associated with the Internet, including changes in required technology interfaces, website downtime and other technical failures, changes in applicable federal and state regulation, security breaches, and consumer privacy concerns. Our failure to successfully respond to these risks and uncertainties might hurt Internet sales and damage our brand's reputation.

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

We have, and will continue to have following this offering, a substantial amount of debt. We discuss the terms of our debt instruments in more detail under "Description of Certain Indebtedness" below. Our level of indebtedness has important consequences to you and your investment in our common stock. For example, our level of indebtedness may:

- require us to use a substantial portion of our cash flow from operations to pay interest and principal on our debt, which would reduce the funds available to use for working capital, capital expenditures and other general corporate purposes,
- limit our ability to pay future dividends,
- limit our ability to obtain additional financing for working capital, capital expenditures, expansion plans and other investments, which may limit our ability to implement our business strategy,
- result in higher interest expense if interest rates increase on our floating rate borrowings,
- heighten our vulnerability to downturns in our business, the industry or in the general economy and limit our flexibility in planning for or reacting to changes in our business and the retail industry, or
- prevent us from taking advantage of business opportunities as they arise or successfully carrying out expansion plans.

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

The terms of our indebtedness are expected to contain various covenants that limit the discretion of our management in operating our business and could prevent us from engaging in some beneficial activities.

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

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

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

Any failure to comply with the restrictions of the indenture governing our indebtedness or any other subsequent financing agreements that constitutes a default may allow the creditors, if the agreements so provide, to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. In addition, the lenders may be able to terminate any commitments they had made to supply us with additional funds. Accordingly, if some or all of our debt obligations are accelerated upon an event of default we may not be able to fully repay our debt obligations.

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

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

Risks Relating to Our Common Stock and This Offering

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

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

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

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

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

The price of our common stock may fluctuate significantly, and it may trade at prices below the initial public offering price.

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

- investors' perceptions of our prospects and the prospects of the retail industry,
- differences between our actual financial and operating results and those expected by investors and analysts,
- changes in analysts' recommendations or projections,
- fluctuations in quarterly operating results,
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments,
- changes or trends in our industry,
- changes in the economic performance or market valuations of other retail companies in general,
- potential litigation or adverse resolution of pending litigation against us,
- additions or departures of key personnel,
- changes in general economic conditions, and
- broad market fluctuations.

In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against us, as well as announced changes in our business plans or those of our competitors, could adversely affect the trading price of common stock, regardless of the likely outcome of those developments. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. As a result, our common stock may trade at prices significantly below the initial public offering price.

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

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

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

Based on shares outstanding as of   , 2005, a total of   shares of common stock may be sold in the public market by existing stockholders 180 days after the date of this prospectus, subject to applicable volume and other limitations imposed under federal securities laws. See “Shares Eligible for Future Sale” for a more detailed description of the restrictions on selling shares of our common stock after this offering.

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

The initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of the outstanding common stock based on the historical adjusted net book value per share as of July 31, 2005. Based on an assumed initial public offering price of $ per share (the midpoint of the range set forth on the cover of this prospectus) and our net tangible book value as of July 31, 2005, if you purchase our common stock in this offering you will pay more for your shares than existing stockholders paid for their shares and you will suffer immediate dilution of approximately $ per share in pro forma net tangible book value. You will suffer additional dilution of approximately $ per share in pro forma net tangible book value as a result of the Conversion. As a result of this dilution, investors purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares purchased in this offering in the event of a liquidation.

As of July 31, 2005, there were outstanding options to purchase 4,697,442 shares of our common stock, of which 1,541,672 were vested, at a weighted average exercise price of $13.74 per share. From time to time, we may issue additional options to employees, non-employee directors and consultants pursuant to our equity incentive plans. These options generally vest commencing one or two years from the date of grant and continue vesting over a four to five-year period. You will experience further dilution as these stock options are exercised.

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

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

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

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

TRANSACTIONS IN CONNECTION WITH THE OFFERING

In the last three fiscal years, we have incurred increasing amounts of interest on our debt and dividends on our preferred stock. To decrease the amounts we incur in the future, we expect that a substantial portion of our outstanding debt and preferred stock will be redeemed, refinanced or converted into shares of our common stock in connection with this offering. Specifically:

- we plan to redeem all outstanding $ million liquidation value of the Series A Preferred Stock (plus accrued and unpaid dividends of $),
- we plan to redeem all outstanding $ million liquidation value of the Series B Preferred Stock (plus accrued and unpaid dividends of $),
- we plan to redeem all $21.7 million aggregate principal amount of outstanding 13 1/8% Debentures (plus accrued and unpaid interest of $),
- we plan to redeem all or a portion of the 9 3/4% Notes (plus accrued and unpaid interest of $),
- TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, has agreed to convert the $ million principal amount of 5.0% Notes Payable (plus accrued and unpaid interest of $) into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering,
- under the TPG Subscription, TPG has agreed to purchase from us, at the initial public offering price of $ per share, common stock with an aggregate purchase price equal to $73.5 million, and
- prior to the consummation of this offering, we expect to enter into the New Term Loan.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the shares of common stock offered by us will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of $ per share of common stock (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus), after deducting the underwriting discount and estimated offering expenses payable by us of approximately $ million.

We intend to use the net proceeds to us from the sale of the common stock from this offering and the TPG Subscription, together with borrowings under the New Term Loan and, if necessary, available cash and borrowings under the Credit Facility, to fund the Redemptions and pay premium costs, accrued interest and transaction fees and expenses.

The following table sets forth estimated sources and uses of funds in connection with the offering and the transactions described in "Transactions in Connection with the Offering:"

	Amount (In thousands)
Sources of Funds	
Net proceeds from the offering	$
Net proceeds from the TPG Subscription	
New Term Loan	
Available cash	
Credit Facility(1)	
Total sources	$
Uses of Funds	
Redemption of the Series A Preferred Stock	$
Redemption of the Series B Preferred Stock	
Redemption of the 13 1/8% Debentures(2)	
Redemption of the 9 3/4% Notes(3)	
Premium and prepayment costs and payment of accrued interest	
Transaction fees and expenses(4)	
Total uses	$

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

(2) The 13 1/8% Debentures may be redeemed at our option at 102.19% of their principal amount until October 15, 2005 and 100% of their principal amount thereafter. We have assumed that we will redeem the 13 1/8% Debentures at 100% of their principal amount.

(3) The 9 3/4% Notes may be redeemed at Operating's option, in whole or in part, at 101% of their principal amount at any time until June 23, 2006. We have assumed that $ million aggregate principal amount of the 9 3/4% Notes will be redeemed at 101% of their principal amount.

(4) Includes estimated commitment, placement and other transaction fees and legal, accounting and other costs payable in connection with the transactions described in "Transactions in Connection with the Offering."

DIVIDEND POLICY

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

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of April 30, 2005. Our capitalization is presented (1) on an actual basis, and (2) on a pro forma as adjusted basis to give effect to (i) the sale by us of shares of our common stock at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover of this prospectus, (ii) the TPG Subscription, the New Term Loan and the Conversion, and (iii) the intended application of the net proceeds of this offering, the TPG Subscription and the New Term Loan as described in “Use of Proceeds,” as if these events had occurred on April 30, 2005.

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

	As of April 30, 2005	
	Actual	Pro Forma As Adjusted
	(In thousands)	
Cash and cash equivalents	$ 25,401	$
Long-term debt (including redeemable preferred stock):		
Credit Facility	—	
13 1/8% Debentures	21,667	—
5.0% Notes Payable	22,326	—
9 3/4% Notes	275,000	
New Term Loan	—	
Redeemable Preferred Stock(1)	270,992	—
Total Long-Term Debt	589,985	
Preferred Stock(2)	92,800	—
Stockholders’ equity (deficit):		
Common Stock, par value $.01 per share	137	
Additional paid-in capital	72,701	
Deferred compensation	(419)	
Treasury Stock	(2,413)	
Accumulated deficit	(650,030)	
Total stockholders’ equity (deficit)	(580,024)	
Total capitalization	$ 102,761	$

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

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

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share and the historical adjusted net tangible book value per share of common stock upon the consummation of this offering. The historical adjusted net tangible book value as of , 2005 was approximately $ million, or approximately $ per share. Historical adjusted net tangible book value per share represents our total tangible assets less total liabilities divided by the pro forma total number of shares of common stock outstanding. Dilution in historical adjusted net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the net tangible book value per share of common stock immediately after the consummation of this offering.

After giving effect to the sale of the shares of common stock at an assumed initial public offering price of $ per share (the midpoint of the offering range set forth on the cover of this prospectus) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us and giving effect to the TPG Subscription, the New Term Loan, the Conversion and the Redemptions, our pro forma net tangible book value as of , 2005 would have been approximately $ million, or $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in this offering at the assumed initial offering price.

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

Assumed initial public offering price per share		$
Historical adjusted net tangible book value per share as of , 2005		
Increase per share attributable to this offering, the TPG Subscription and the Conversion		
Pro forma as adjusted net tangible book value per share after the offering		
Dilution per share to new investors in this offering		

The following table summarizes as of , 2005 the number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share paid to us by our existing stockholders and to be paid by new investors purchasing shares of our common stock in this offering. The table assumes an initial public offering price of $ per share, as specified above, and deducts underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
Existing stockholders		%	$	%	$
New investors		%	$	%	$
Total		100.0%	$	100.0%	$

The number of shares outstanding excludes:

- shares of common stock available for issuance upon the exercise of outstanding options, of which shares were subject to exercisable options as of , 2005, and
- shares of common stock reserved for future issuances under our equity incentive plans.

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

SELECTED CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data for each of the years in the three-year period ended January 29, 2005 and as of January 29, 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data for each of the years in the two-year period ended February 2, 2002 have been derived from our audited consolidated financial statements which are not included in this prospectus. The historical financial data for the thirteen weeks ended May 1, 2004 and April 30, 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The consolidated financial statements for each of the years in the five-year period ended January 29, 2005 and as of the end of each such year have been audited.

The selected consolidated pro forma income statement and balance sheet data have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma condensed consolidated income statement data for the year ended January 29, 2005 and the thirteen weeks ended April 30, 2005 give effect to the offering, the TPG Subscription, the New Term Loan, the Conversion and the Redemptions as if they had occurred on January 31, 2004 and January 29, 2005, respectively. The unaudited pro forma condensed consolidated balance sheet data as of April 30, 2005 give effect to the offering, the TPG Subscription, the New Term Loan, the Conversion and the Redemptions as if they had occurred on April 30, 2005.

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

	Year Ended					Thirteen Weeks Ended	
	February 3, 2001(1)	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	May 1, 2004	April 30, 2005
	(In thousands, except share and per share data)						
Income Statement Data							
Revenues	$ 825,975	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 145,667	$ 210,535
Cost of goods sold(2)	458,205	454,491	472,262	440,276	478,829	84,935	114,089
Gross profit	367,770	323,449	296,082	249,689	325,387	60,732	96,446
Selling, general and administrative expense	307,569	303,448	301,718	280,464	287,745	63,557	73,460
Other charges(3)	4,130	—	—	—	—	—	—
Income (loss) from operations	56,071	20,001	(5,636)	(30,775)	37,642	(2,825)	22,986
Interest expense (net)	36,642	36,512	40,954	63,844	87,571	20,962	17,489
(Gain) loss on debt refinancing	—	—	—	(41,085)	49,780	—	—
Insurance proceeds	—	—	(1,800)	(3,850)	—	—	—
Provision (benefit) for income taxes	7,500	(5,500)	(4,200)	500	600	—	600
Net income (loss)	$ 11,929	$ (11,011)	$ (40,590)	$ (50,184)	$ (100,309)	$ (23,787)	$ 4,897
Weighted average shares outstanding (in millions)							
Basic							
Diluted							
Income (loss) per share							
Basic					$		$
Diluted					$		$
Pro forma interest expense (net)(4)					$		$
Pro forma net income(4)					$		$
Pro forma weighted average shares outstanding (in millions)(4)							
Basic							
Diluted							
Pro forma income per share(4)							
Basic					$		$
Diluted					$		$

	As of					As of April 30, 2005	
	February 3, 2001	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	Actual	Pro Forma(4)
	(In thousands)						
Balance Sheet Data							
Cash and cash equivalents	$ 32,930	$ 16,201	$ 18,895	$ 49,650	$ 23,647	$ 25,401	$
Working capital	49,482	39,164	38,015	46,217	12,168	31,001	
Total assets	389,861	401,320	348,878	297,611	278,194	293,324	
Total long-term debt and preferred stock	464,310	510,147	556,038	609,440	669,733	682,785	
Stockholders' equity (deficit)	(278,347)	(319,043)	(391,663)	(468,066)	(581,712)	(580,024)	

(1) Fiscal year 2000 consisted of 53 weeks compared to 52 weeks in all other fiscal years. Net sales for the fifty-third week increased fiscal 2000 sales by $10.8 million.
(2) Includes buying and occupancy costs.
(3) Represents charges incurred in connection with the discontinuance of Clifford & Wills, a catalog business.
(4) Pro forma numbers give effect to (i) the sale by us of shares of our common stock at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover to this prospectus, and (ii) the TPG Subscription and the New Term Loan, the Conversion and the Redemptions, as if the offering and those transactions had occurred on January 31, 2004 and January 29, 2005 for the fiscal year ended January 29, 2005 and the thirteen weeks ended April 30, 2005, respectively.

	Year Ended					Thirteen Weeks Ended	
	February 3, 2001(1)	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	May 1, 2004	April 30, 2005
	(In thousands, except percentages, numbers of stores, catalogs and pages and per square foot data)						
Operating Data							
Revenues:							
J.Crew Stores	$ 502,898	$ 483,083	$ 484,292	$ 487,092	$ 579,793	$ 104,057	$ 145,208
J.Crew Direct							
Catalog	177,535	135,353	108,531	61,883	76,548	15,368	23,025
Internet	107,225	122,844	139,456	111,653	121,954	21,150	36,346
Other(2)	38,317	36,660	36,065	29,337	25,921	5,092	5,956
Total revenues	$ 825,975	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 145,667	$ 210,535
J.Crew Stores:							
Sales per gross square foot(3)	$ 504	$ 412	$ 349	$ 338	$ 400	$ 73	$ 100
Number of stores open at end of period	146	177	194	196	197	196	198
Comparable stores sales change(4)	0.7%	(14.5)%	(11.2)%	(2.5)%	16.4%	3.9%	37.0%
J.Crew Direct:							
Number of catalogs circulated	73,000	71,000	66,000	53,000	50,000	11,900	12,400
Number of pages circulated (in millions)	8,700	8,300	7,800	5,800	5,400	1,200	1,300
Depreciation and amortization	$ 28,670	$ 39,963	$ 43,197	$ 43,075	$ 37,061	$ 9,163	$ 7,766
Capital expenditures:							
New store openings	30,219	36,859	17,202	5,663	5,910	965	2,831
Other(5)	25,475	25,003	9,718	4,245	7,521	921	1,210
Total capital expenditures	$ 55,694	$ 61,862	$ 26,920	$ 9,908	$ 13,431	$ 1,886	$ 4,041

(1) Fiscal year 2000 consisted of 53 weeks compared to 52 weeks in all other fiscal years. Net sales for the fifty-third week increased fiscal 2000 sales by $10.8 million.
(2) Consists primarily of shipping and handling fees and royalties.
(3) Includes only stores that have been open for the full period.
(4) Comparable store sales includes sales at stores open for at least twelve months.
(5) Consists primarily of expenditures on store remodels, information technology and warehouse equipment.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables present our unaudited actual and pro forma condensed consolidated financial information as of and for the thirteen weeks ended April 30, 2005 and for the year ended January 29, 2005. The unaudited pro forma financial information gives effect to the Conversion, the Redemptions, the New Term Loan, the TPG Subscription and this offering. The unaudited pro forma condensed consolidated financial information reflects the payment of early redemption or premium and prepayment costs, interest, dividends and transaction fees and expenses.

The unaudited pro forma balance sheet as of April 30, 2005 gives effect to the above transactions as if they had occurred on April 30, 2005. The unaudited pro forma condensed consolidated statements of operations for year ended January 29, 2005 and thirteen weeks ended April 30, 2005 gives effect to the above transactions as if they had occurred on January 31, 2004 and January 29, 2005, respectively. In connection with this offering and the related Conversion, Redemptions and New Term Loan, we expect to record a charge of $ million, net of applicable income taxes, related to the write-off of deferred debt financing costs of $ million and prepayment costs, premiums and unamortized discounts of $ million associated with the debt to be extinguished in the transactions. Because this charge is directly related to these transactions rather than our continuing operations, we have not given effect to it in the unaudited pro forma condensed consolidated statements of operations. However, the unaudited pro forma condensed balance sheet gives effect to the charge as if it occurred on April 30, 2005.

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

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of April 30, 2005

	Actual	Pro Forma Adjustments	Pro Forma As Adjusted
		(In thousands)	
Assets			
Current assets:			
Cash and cash equivalents	$ 25,401		
Merchandise inventories	104,503		
Prepaid expenses and other current assets	23,203		
Refundable income taxes	9,320		
Total current assets	162,427		
Property and equipment—at cost	262,892		
Less accumulated depreciation and amortization	(145,608)		
	117,284		
Other assets	13,613		
Total assets	$ 293,324		
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	$ 63,094		
Other current liabilities	66,807		
income taxes	1,525		
Total current liabilities	131,426		
Deferred credits	59,137		
Long-term debt (including redeemable preferred stock):			
Credit Facility	—		
13 1/8% Debentures	21,667		
5.0% Notes Payable	22,326		
9 3/4% Notes	275,000		
New Term Loan	—		
Redeemable preferred stock	270,992		
Total long-term debt	589,985		
Preferred stock	92,800		
Stockholders' deficit	(580,024)		
Total liabilities and stockholders' deficit	$ 293,324		

Table of Contents

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

	Year Ended January 29, 2005			Thirteen Weeks Ended April 30, 2005		
	Actual	Pro Forma Adjustments	Pro Forma As Adjusted	Actual	Pro Forma Adjustments	Pro Forma As Adjusted
	(In thousands)					
Revenues:						
Net sales	$ 778,295			$ 204,579		
Other	25,921			5,956		
	804,216			210,535		
Cost of goods sold, including buying and occupancy costs	478,829			114,089		
Gross profit	325,387			96,446		
Selling, general and administrative expenses	287,745			73,460		
Income from operations	37,642			22,986		
Interest expense—net	87,571			17,489		
Loss on refinancing of debt	49,780			—		
Income (loss) before income taxes	(99,709)			5,497		
Income taxes	600			600		
Net income (loss)	$ (100,309)			$ 4,897		

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

This discussion summarizes our consolidated operating results, financial condition and liquidity during the three-year period ended January 29, 2005 and the thirteen weeks ended April 30, 2005 and May 1, 2004. Our fiscal year ends on the Saturday closest to January 31. The fiscal years 2002, 2003 and 2004 ended on February 1, 2003, January 31, 2004 and January 29, 2005, respectively, and consisted of 52 weeks each. You should read the following discussion and analysis in conjunction with "Selected Consolidated Financial Data," our consolidated financial statements and the related notes included elsewhere in this prospectus.

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

Overview

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

On the basis of data collected on our Internet channel customers, we believe our customer base consists primarily of affluent, college-educated and professional and fashion-conscious women and men. As of August 15, 2005, we operated 156 retail stores (as well as one seasonal retail store) and 43 factory stores throughout the United States.

We have two major operating divisions: J.Crew Stores, which consists of our retail and factory stores, and J.Crew Direct, which consists of our catalog and Internet website at www.jcrew.com, each of which operate under the J.Crew brand name. In fiscal 2004, net sales under the J.Crew brand generated $778.3 million in revenues, comprised of:

- $579.8 million from Stores, and
- $198.5 million from Direct.

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

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

members with experience across a broad range of retail disciplines, including merchandising, design, marketing, human resources, store and direct operations, logistics and information technology functions.

- **Slowing the pace of new store openings and closing underperforming stores.** In response to several years of rapid store development we temporarily decreased the number of new stores we opened per year and closed seven underperforming stores. This strategy helped to improve our sales per gross square foot to $400 in fiscal 2004, which represents a 18.3% increase over fiscal 2003.
- **Enhancing our customer-service oriented culture.** Through our hiring policy and compensation structure we have sought to attract sales associates who we believe are committed to maintaining high standards of visual presentation and customer service.

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

How We Assess the Performance of Our Business

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

Net Sales

Net sales reflects our sales of merchandise less returns and discounts.

Comparable Store Sales

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

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

- consumer preferences, buying trends and overall economic trends,
- our ability to anticipate and respond effectively to fashion trends and customer preferences,
- competition,
- changes in our merchandise mix,
- pricing,
- the timing of our releases of new merchandise and promotional events,
- the level of customer service that we provide in our stores,
- changes in sales mix among sales channels,

- Ÿ our ability to source and distribute products efficiently, and
- Ÿ the number of stores we open, close (including for temporary renovations) and expand in any period.

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

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

Our business is seasonal. As a result, our revenues fluctuate from quarter to quarter. We have four distinct selling seasons that align with our four fiscal quarters. Revenues are usually substantially higher in our fourth fiscal quarter, particularly December, as customers make holiday purchases. For example, in fiscal 2004, we realized approximately 33% of our revenues in the fourth fiscal quarter.

Gross Profit

Gross profit is equal to our revenues minus our cost of good sold. Cost of goods sold includes the direct cost of purchased merchandise, inbound freight, design, buying and production costs, occupancy costs related to store operations (such as rent) and all shipping costs associated with our Direct business. Our cost of goods sold is substantially higher in the holiday season because cost of goods sold generally increases as revenues increase and cost of goods sold includes the cost of purchasing merchandise that we sell to generate revenues. Cost of goods sold also generally changes as we expand or contract our store base and incur higher or lower store occupancy and related costs. The primary drivers of the costs of individual goods are the costs of raw materials and labor in the countries where we source our merchandise. Gross margin measures gross profit as a percentage of our revenues.

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

Selling, General and Administrative Expenses

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

Results of Operations

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

	Fiscal Year Ended			Thirteen Weeks Ended	
	February 1, 2003	January 31, 2004	January 29, 2005	May 1, 2004	April 30, 2005
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold, including buying and occupancy costs(1)	61.5	63.8	59.5	58.3	54.2
Gross profit(1)	38.5	36.2	40.5	41.7	45.8
Selling, general and administrative expenses(1)	39.3	40.7	35.8	43.6	34.9
Income/(loss) from operations	(0.7)	(4.5)	4.7	(1.9)	10.9
Interest expense, net	5.3	9.3	10.9	14.4	8.3
(Gain) loss on refinancing of debt	—	(6.0)	6.2	—	—
Insurance proceeds	(0.2)	(0.6)	—	—	—
Loss before income taxes	(5.8)	(7.2)	(12.4)	(16.3)	2.6
Provision (benefit) for income taxes	(0.5)	0.1	0.1	—	0.3
Net income (loss)	(5.3)%	(7.3)%	(12.5)%	(16.3)%	2.3%
Selected store data:					
Number of stores open at end of period	194	196	197	196	198
Sales per gross square foot	$ 349	$ 338	$ 400	$ 73	$ 100
Comparable store sales change	(11.2)%	(2.5)%	16.4%	3.9%	37.0%

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

First Quarter of Fiscal 2005 Compared to First Quarter of Fiscal 2004

Revenues

Revenues for the first quarter of fiscal 2005 (the thirteen weeks ended April 30, 2005) increased by $64.8 million, or 44.5%, to $210.5 million from $145.7 million in the first quarter of fiscal 2004 (the thirteen weeks ended May 1, 2004). The increase in revenues resulted primarily from:

- an increase in Stores sales of $41.2 million, or 39.6%, and
- an increase in Direct sales of $22.8 million, or 62.3%.

We believe the increase in revenues for the first quarter of fiscal 2005 resulted from the continuing appeal of our expanded product line and continuing improvements in customer service. The increase in revenues was also due to the fact that low inventories in the first quarter of fiscal 2004 caused revenues for that quarter to be lower than they would otherwise have been. Included in sales for the first quarter of fiscal 2005 were $1.3 million of unredeemed gift certificates that expired during the quarter and had been subtracted from net sales when they were issued in the fourth quarter of fiscal 2004 in connection with a customer loyalty program.

The increase in Stores sales was driven primarily by an increase of 37.0% in comparable store sales. There were 157 retail stores and 41 factory stores open at April 30, 2005 as compared to 154 and 42, respectively, at May 1, 2004.

The increase in Direct sales was due to the same factors that drove Stores sales as well as an intensified email campaign and the mailing of three new catalog editions, which resulted in the number of pages circulated during the first quarter of 2005 increasing by 9% to 1.3 billion pages. Direct sales in the first quarter of fiscal 2004 were hurt by a 19% reduction in pages circulated from the first quarter of fiscal 2003, including the elimination of two women's only editions and low inventory levels.

Other revenues increased by $0.8 million in the first quarter of fiscal 2005, due primarily to an increase in shipping and handling fees attributable to the increase in Direct sales. This increase was offset in part by an adjustment of $1.3 million due to the reversal of income recognized on unredeemed gift cards in prior years.

Gross Profit

Gross profit increased by $35.7 million, or 58.8%, to $96.4 million in the first quarter of fiscal 2005 from $60.7 million in the first quarter of fiscal 2004. Gross margin increased to 45.8% in the first quarter of fiscal 2005 from 41.7% in the first quarter of fiscal 2004. This increase was attributable to an increase in merchandise margins (which is equal to cost of goods sold, excluding buying and occupancy costs, divided by revenues) of 110 basis points, resulting from decreased markdowns across all sales channels and improved inventory management. The rest of the increase in gross margin is due primarily to the fact that buying and occupancy costs increased at a slower rate than revenues during the first quarter of fiscal 2005.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $9.9 million, or 15.6%, to $73.5 million in the first quarter of fiscal 2005 from $63.6 million in the first quarter of fiscal 2004. This increase was attributable primarily to increases in variable Store and Direct operating expenses. These increases were partially offset by a decrease in depreciation and amortization of $1.4 million related to an increase in fully depreciated assets, primarily computer equipment. As a percentage of revenues, selling, general and administrative expenses decreased to 34.9% in the first quarter of fiscal 2005 from 43.6% in the first quarter of fiscal 2004 resulting from the fact that selling, general and administrative expenses increased at a slower rate than revenues.

Interest Expense

Our interest expense decreased by $3.5 million, or 16.6%, to $17.5 million in the first quarter of fiscal 2005 from $21.0 million in the first quarter of fiscal 2004. This decrease was due primarily to decreases in the rate of interest on our long-term debt and the amount of long-term debt outstanding as a result of fourth quarter 2004 refinancings of the 10 3/8% Notes and the 16% Notes. In the refinancings, we redeemed in full the $150.0 million aggregate principal amount of 10 3/8% Notes and $169.0 million amount of 16% Notes with the proceeds of a new $275.0 million 9 3/4% term loan, which was converted into the 9 3/4% Notes in accordance with the terms of the loan agreement in March 2005, and $44.0 million in internally available funds.

Income Taxes

The provision for income taxes for the first quarter of fiscal 2005 is based on the estimated effective tax rate for the year, which differs from statutory rates due primarily to the utilization of operating loss carryovers, which for alternative minimum tax purposes are limited to 90% of taxable income in any fiscal year. Net deferred tax assets at January 29, 2005 and April 30, 2005 were fully reserved.

Net Income

Our net income increased by $28.7 million to $4.9 million for the first quarter of fiscal 2005 from a net loss of $23.8 million for the first quarter of fiscal 2004, primarily due to the increase in gross profit resulting from the increase in revenues.

Fiscal 2004 Compared to Fiscal 2003

Revenues

Revenues in fiscal 2004 increased by $114.2 million, or 16.6%, to $804.2 million from $690.0 million in fiscal 2003. The increase in revenues resulted primarily from:

- an increase in Stores sales of $92.6 million, or 22.7%, and
- an increase in Direct sales of $25.1 million, or 14.0%.

The increase in Stores sales in fiscal 2004 was due to a 16.4% increase in comparable store sales that we believe reflects a positive customer response to our merchandise assortment and an emphasis on customer service. The Direct sales increase is attributable to the same factors, as well as a 59% increase in the second half of 2004 in the number of styles presented in our catalog and on our website, as well as the mailing of four new catalog editions.

These increases were offset in part by a decrease in other revenues of $3.5 million due primarily to a decrease in shipping and handling fees as a result of a decline in orders in the Direct business in the first half of fiscal 2004.

Gross Profit

In fiscal 2004, gross profit increased by $75.7 million, or 30.3%, to $325.4 million from $249.7 million in fiscal 2003. Gross margin increased to 40.5% in fiscal 2004 from 36.2% in 2003, due primarily to a 440 basis point increase in merchandise margins, which resulted from fewer markdowns and improved inventory management in fiscal 2004, coupled with the negative effect on fiscal 2003 margins from the liquidation of prior season inventories in the first half of the year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $7.2 million, or 2.6%, to $287.7 million in fiscal 2004 from $280.5 million in fiscal 2003. The increase resulted primarily from increases in variable Stores and Direct operating expenses. These increases were due to increased incentive compensation paid to employees at our retail and factory stores because of increased net sales, and to increased incentive compensation paid to employees at our corporate headquarters. These increases were offset in part by a decrease in depreciation and amortization of $6.0 million related to an increase in fully depreciated assets, primarily computer equipment, and a decrease in catalog selling costs of $3.7 million due primarily to a reduction in pages circulated from 5.8 billion to 5.4 billion. As a percentage of revenues, selling, general and administrative expenses decreased to 35.8% in fiscal 2004 from 40.7% in fiscal 2003, resulting primarily from the fact that these expenses increased at a slower rate than revenues during fiscal 2004.

Interest Expense

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

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

- an increase of $7.8 million in interest and amortization of debt issuance discount on the 16% Notes issued in our May 2003 exchange offer, and
- $2.7 million of interest accrued on the $275.0 million 9 3/4% term loan we obtained in December 2004.

These increases were partially offset by:

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

Loss on Refinancing of Debt

In fiscal 2004 we had a loss on refinancing of debt of $49.8 million compared to a gain of $41.1 million in fiscal 2003. The fiscal 2004 loss of $49.8 million was incurred in connection with our fourth quarter redemption in full of $150.0 million aggregate principal amount of 10 3/8% Notes and $169.0 million of 16% Notes.

As a result of the refinancing, we:

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

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

Insurance Proceeds

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

Income Taxes

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

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

Net Loss

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

Fiscal 2003 Compared to Fiscal 2002

Revenues

Revenues in fiscal 2003 decreased by $78.3 million, or 10.2%, to $690.0 million from $768.3 million in fiscal 2002. The decrease in revenues was primarily due to a decrease in Direct sales of $74.5 million, or 30%, resulting from:

- a 25% decrease in catalog circulation from 7.8 billion pages in fiscal 2002 to 5.8 billion pages in fiscal 2003, including the elimination of women's only and clearance catalogs in the second half of the year,
- a decrease in catalog density (items per page) resulting from a 27% reduction in style counts, and
- a reduction in promotional practices, including promotional emails.

The decrease in Direct sales was offset in part by an increase of $2.8 million in Stores sales. A decrease of 2.5% in comparable store sales was offset by sales from four stores opened in fiscal 2003 and 16 stores opened in fiscal 2002 and open for a full year in fiscal 2003. We believe the improvement in comparable store sales performance in fiscal 2003 from fiscal 2002 was the result of an improving economy and an upgrade in the quality and style of our merchandise assortments in the second half of the year.

Gross Profit

Gross profit decreased by $46.4 million, or 15.7%, to $249.7 million in fiscal 2003 from $296.1 million in fiscal 2002. Gross margin decreased from 38.5% to 36.2%. The decrease in gross margin was due primarily to a 160 basis point increase in buying (such as design, production and merchandising costs) and occupancy costs as a percentage of revenues resulting from the spreading of fixed buying and occupancy costs over a lower revenue base and a decrease of 70 basis points in merchandise margins resulting primarily from the liquidation of the prior season's inventories in the first half of fiscal 2003.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $21.2 million, or 7.0%, to $280.5 million from $301.7 million. The decrease resulted primarily from lower catalog costs of $13.2 million due primarily to the reduction in pages circulated, including the elimination of women's only editions and clearance catalogs in the second half of fiscal 2003, as well as a $10.0 million decrease in severance and other one-time employment-related charges. These decreases were offset in part by increased store expenses resulting from additional stores in operation in fiscal 2003. As a percentage of revenues, selling, general and administrative expenses increased from 39.3% to 40.7%, resulting primarily from the spreading of fixed overhead expenses over a lower revenue base.

Interest Expense

Our interest expense increased by $22.8 million in fiscal 2003 to $63.8 million from $41.0 million in fiscal 2002. The increase resulted from:

- the inclusion of $14.2 million of dividends on the Series A Preferred Stock and Series B Preferred Stock as interest beginning in the third quarter of 2003, and
- $21.9 million of interest, including amortization of debt issuance discount, on the 16% Notes issued in May 2003.

The increases described above were offset by a reduction of $10.4 million of interest on the 13 1/8% Debentures that were exchanged for the 16% Notes, and lower deferred financing costs that resulted primarily from a write-off of $1.8 million related to the refinancing of our working capital credit facility in fiscal 2002.

Gain on Refinancing of Debt

Our net gain on exchange of debt of $41.1 million in fiscal 2003 reflects the difference between the fair value of the 16% Notes at their date of issuance and the $44.1 million carrying value of the 13 1/8% Debentures less related expenses consisting of:

- $1.9 million in additional interest at 2 7/8% from October 15, 2002 to May 6, 2003 paid on the 13 1/8% Debentures exchanged in the May 2003 exchange offer, and
- a $1.1 million write-off of unamortized deferred financing costs related to the 13 1/8% Notes exchanged in the exchange offer.

Insurance Proceeds

Insurance proceeds of $3.8 million in fiscal 2003 and $1.8 million in fiscal 2002 represent recoveries for claims related to the destruction of our World Trade Center store on September 11, 2001. The recovery in fiscal 2003 is the final settlement of this claim.

Income Taxes

The provision for income taxes in 2002 reflects the establishment of a valuation allowance of $21.0 million to reduce the net deferred tax assets to their estimated recoverable amount of $5.0 million at February 1, 2003. The valuation allowance was offset by a $9.0 million benefit from the reversal of prior tax accruals. The tax accruals were reversed in 2002 based on a proposed IRS settlement of open years and the results of state audits at amounts less than amounts accrued.

The provision for income taxes in 2003 includes an additional valuation allowance of $5.0 million to fully reserve the net deferred tax assets at January 31, 2004. This increase was offset by additional tax refunds and a reduction in prior year tax accruals as a result of the finalization of certain tax audits. Fiscal 2002 and 2003 include certain state and foreign tax provisions of $0.4 million and $0.5 million, respectively.

Net Loss

Our net loss for fiscal 2003 was $50.2 million compared to a net loss of $40.6 million in fiscal 2002. However, the results in fiscal 2003 included a gain on the exchange of debt of $41.1 million and an increase in insurance proceeds of $2.0 million. Excluding these items, our net loss would have been $95.1 million in fiscal 2003, and $42.4 million in fiscal 2002. This increase in net loss is primarily attributable to the decrease in gross profit and the increase in interest expense in fiscal 2003.

Quarterly Results and Seasonality

The following table sets forth our historical unaudited quarterly consolidated statements of operations data for each of the eight fiscal quarters ended January 29, 2005 and for the thirteen weeks ended April 30, 2005 and expressed as a percentage of our revenues. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this prospectus, and includes all necessary adjustments, consisting only of normal recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented. The quarterly data should be read in conjunction with our audited and unaudited consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	Fiscal 2003				Fiscal 2004				Fiscal 2005
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
Income Statement Data									
Revenues	$ 161.5	$ 167.1	$ 151.0	$ 210.4	$ 145.7	$ 188.3	$ 206.1	$ 264.1	$ 210.5
Gross profit	57.8	51.3	59.9	80.7	60.7	74.2	89.0	101.5	96.4
Net income (loss)	(20.2)	(15.0)	(24.5)	(20.5)	(23.7)	(13.8)	(9.9)	(52.9)	4.9
Year-over-year increase (decrease)									
Revenues	(3)%	0%	(20)%	(13)%	(10)%	13%	37%	26%	45%
Gross profit	(14)%	(16)%	(9)%	(12)%	(5)%	45%	49%	26%	59%
% of year									
Revenues	23%	24%	22%	31%	18%	23%	26%	33%	N/A
Gross profit	23%	21%	24%	32%	19%	23%	27%	31%	N/A
Selected Operating Data									
Comparable store sales change	(10)%	1%	(8)%	5%	4%	12%	30%	17%	37%

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under the Credit Facility. Our primary cash needs are capital expenditures in connection with opening new stores, making information technology system enhancements, meeting debt service requirements and funding working capital requirements. As of April 30, 2005, we had $25.4 million in cash and cash equivalents.

Operating Activities

Cash provided by operations increased by $21.6 million to $5.8 million in the first quarter of fiscal 2005 compared to a use of $15.8 million in the first quarter of 2004. This increase was due primarily to an increase of $28.7 million in net income, which was partially offset by an increase in cash interest of $2.6 million, a decrease in depreciation and amortization of $1.4 million and an increase in working capital requirements. Cash provided by operating activities was $58.8 million in fiscal 2004, $18.2 million in fiscal 2003 and $31.8 million in fiscal 2002. The $40.6 million increase in fiscal 2004 resulted from the $68.4 million increase in operating income. Cash provided by operations in fiscal 2003 and fiscal 2002 resulted from decreases in working capital due primarily to reductions in inventories of $41.3 million in fiscal 2003 and $31.6 million in fiscal 2002, which offset the operating losses in those years.

Investing Activities

Capital expenditures were $4.0 million for the first quarter of fiscal 2005 compared to $1.9 million for the first quarter of fiscal 2004. Capital expenditures were $13.4 million in fiscal 2004, $9.9 million in fiscal 2003, and $26.9 million in fiscal 2002. Capital expenditures for the opening of new stores were $5.9 million in fiscal 2004 (five stores), $5.7 million is fiscal 2003 (four stores) and $17.2 million in fiscal

2002 (18 stores). The remaining capital expenditures in each period were for store renovation and refurbishment programs, investments in information systems and distribution center initiatives. Capital expenditures are planned at $25.0 million for fiscal 2005, including $12.0 million for information technology enhancements and $8.0 million for 10 new store openings.

Financing Activities

There were no financing activities during the first quarter of fiscal 2005 compared with $0.3 million of debt repayment for the first quarter of fiscal 2004. Net cash used in financing activities was $71.3 million for fiscal 2004, resulting primarily from the redemption of $150.0 million aggregate principal amount of 10 3/8% Notes and $169.0 million of 16% Notes and the payment of $22.1 million of costs incurred in connection with refinancing debt. These uses of cash were partially offset by the proceeds of a $275.0 million 9 3/4% term loan. Cash provided by financing activities in fiscal 2003 resulted from the issuance of $20.0 million aggregate principal amount of 5.0% Notes Payable and a $5.8 million term loan under the Credit Facility partially offset by costs incurred in the May 2003 exchange offer. Cash used in financing activities in fiscal 2002 resulted from costs incurred in connection with the Credit Facility in December 2002 of $3.3 million, partially offset by proceeds from the issuance of common stock of $1.1 million.

Credit Facility

On December 23, 2004, Operating entered into the Credit Facility with Wachovia Capital Markets LLC, as arranger and bookrunner, Wachovia Bank, National Association, as administrative agent (“Wachovia”), Bank of America N.A., as syndication agent, Congress Financial Corporation, as collateral agent, and a syndicate of lenders. The Credit Facility provides for revolving loans and letters of credit of up to $170.0 million (which can be increased to $250.0 million subject to certain conditions) at floating interest rates based on Wachovia’s prime rate plus a margin of up to 0.25% or LIBOR plus a margin ranging from 1.25% to 2.00%. The total amount of availability is limited to the sum of: (a) invested cash, (b) 90% of eligible receivables, (c) 95% of the net recovery percentage of inventories (as determined by inventory appraisal) for the period August 1 through December 15, or 92.5% of the net recovery percentage of inventories for the period December 16 through July 31, and (d) real estate availability of 65% of appraised fair market value. The Credit Facility expires in December 2009. Borrowings under the Credit Facility are guaranteed by us, Intermediate, and an indirect subsidiary of Operating and are secured by a perfected first priority security interest in substantially all of our and our subsidiaries’ assets.

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

There were no short-term borrowings during the 13 weeks ended April 30, 2005 or May 1, 2004 and there was $58.0 million of excess availability under the Credit Facility at April 30, 2005. There were no borrowings in fiscal 2004, and average borrowings of $1.0 million in fiscal 2003 and $40.4 million in fiscal 2002.

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

Senior Subordinated Term Loan and 9 3/4% Notes

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

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

Outlook

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

Following this offering and the transactions in connection with the offering described in “Transactions in Connection with the Offering,” our short-term and long-term liquidity needs will arise primarily from principal and interest payments on our indebtedness, capital expenditures associated with our expansion plans and growth strategy and working capital requirements. As of , 2005, on a pro forma basis after giving effect to the transactions described in “Transactions In Connection with the Offering,” we would be permitted to borrow $ million of indebtedness under the Credit Facility. After giving effect to the transactions described in “Transactions in Connection with the Offering,” assuming that those transactions had occurred on , 2005 and that the interest rate on our variable rate indebtedness remained unchanged, our debt service requirement for the twelve months ending , 2006 would be $. Our annual debt service obligations will increase by $ million per year for each 1.0% increase in the average interest rate we pay, based on the balance of variable interest rate debt outstanding at , 2005, on a pro forma basis after giving effect to the transactions described in “Transactions In Connection with the Offering.”

We anticipate that capital expenditures in fiscal 2005 will be approximately $25.0 million, primarily for opening 10 new stores and information technology enhancements.

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

Off Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate the international purchase of merchandise. We also enter into standby letters of credit to secure certain of our obligations, including insurance programs and duties related to import purchases. As of April 30, 2005, we had the following obligations under letters of credit in future periods.

Letters of credit	Within 1 Year	2-3 Years	4-5 Years	After 5 Years	Total
			(in millions)		
Standby	$ —	$ —	$ —	$ 5.7	$ 5.7
Documentary	43.5	—	—	—	43.5
Total	$ 43.5	$ —	$ —	$ 5.7	$49.2

Contractual Obligations

The following table summarizes, prior to the transactions described in “Use of Proceeds,” our contractual obligations as of January 29, 2005 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
			(in millions)		
Long-term debt obligations(1)	$ 318.7	$ —	$ —	$ 43.7(1)	$ 275.0
Redeemable preferred stock(2)	258.3	—	—	258.3(2)	—
Operating lease obligations(3)	333.4	54.3	99.3	81.0	98.8
Purchase obligations					
Inventory commitments	197.7	197.7	—	—	—
Other	13.7	5.7	8.0	—	—
Employment agreements	5.7	1.9	3.8	—	—
Total Purchase Obligations	217.1	205.3	11.8	—	—
Total	$1,127.5	$ 259.6	$ 111.1	$ 383.0	$ 373.8

(1) Assuming the 5.0% Notes Payable are converted into shares of our common stock, the 13 1/8% Debentures are redeemed, $ million of the 9 3/4% Notes are redeemed and borrowings under the New Term Loan are $ million, each as described in “Transactions in Connection with the Offering,” the total amount of long-term debt obligations would be $, long-term debt obligations due in 3-5 years would be zero and long-term debt obligations after 5 years would be $.

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

(3) Operating lease obligations represent obligations under various long-term operating leases entered in the normal course of business for retail and factory stores, warehouses, office space and equipment requiring minimum annual rentals. Operating lease expense is a significant component of our operating expenses. The lease terms range for various periods of time in various rental markets and are entered into at different times, which mitigates exposure to market changes that could have a material effect on our results of operations within any given year.

Impact of Inflation

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

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement No. 123(R), “Share-Based Payment.” This revision to Statement No. 123 requires that compensation expense be recognized for the fair value of stock options over their vesting period and changes the method of expense recognition for performance-based stock awards. We are required to adopt the Statement for fiscal years beginning after December 15, 2005 and to apply it to all outstanding stock options and stock awards that have not yet vested at the date of adoption. Management is evaluating the effects of this Statement.

Critical Accounting Policies

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

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

Revenue Recognition

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

Inventory Valuation

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

Deferred Catalog Costs

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

Asset Impairment

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

Income Taxes

We have significant deferred tax assets resulting from net operating loss carryforwards and temporary differences, which will reduce taxable income in future periods. SFAS No. 109, “Accounting for Income Taxes” states that a valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence needs to be considered, including a company's current and past performance, projections of future operating results, the market environment in which a company operates, and length of carryback and carryforward periods. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses weigh heavily in the overall assessment. As a result of our assessments, we established a valuation allowance to reduce our net deferred tax assets to their estimated realizable value of $5.0 million at February 1, 2003 and we provided additional allowances at January 31, 2004 and January 29, 2005 to fully reserve our net deferred tax assets. We do not expect to recognize any net tax benefits in future results of operations until an appropriate level of profitability is sustained.

Quantitative and Qualitative Disclosures About Market Risks

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

We have a licensing agreement in Japan that provides for royalty payments in yen based on sales of J.Crew merchandise. We have entered into forward foreign exchange contracts from time to time in order to minimize this risk. At April 30, 2005, there were no forward foreign exchange contracts outstanding.

We also enter into letters of credit to facilitate the international purchase of merchandise. The letters of credit are primarily denominated in U.S. dollars. Outstanding letters of credit at April 30, 2005 were $49.2 million, including $5.7 million of standby letters of credit.

BUSINESS

Our Company

J.Crew is a nationally recognized apparel and accessories brand that embraces a high standard of style, craftsmanship, quality and customer service while projecting an aspirational American lifestyle. We are a fully integrated multi-channel retailer. We consistently communicate our vision of J.Crew through every aspect of our business, including through the circulation of our catalogs that use high quality photography, the inviting atmosphere of our stores and the imagery on our Internet website. In fiscal 2004, our revenues were $804.2 million, which represents a 16.6% increase over fiscal 2003. Growth in our comparable store sales for this period was 16.4%. In the first quarter of fiscal 2005, our revenues were $210.5 million, which represents a 44.5% increase over the first quarter of fiscal 2004. Growth in our comparable store sales for this period was 37.0%.

Our product lines feature the high quality design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew. We offer complete collections of women's and men's apparel and accessories, including wedding and special occasion attire, business attire, weekend clothes, swimwear, loungewear, outerwear, shoes, bags, belts and jewelry. In addition, we have introduced limited edition luxury items, which we believe elevates the overall perception of our brand and creates excitement and a sense of shopping urgency in our customers.

J.Crew products are distributed through our retail and factory stores, our J.Crew catalog and our Internet website located at www.jcrew.com. As of August 15, 2005, we operated 156 retail stores (as well as one seasonal retail store) and 43 factory stores throughout the United States. In fiscal 2004, we distributed 16 catalog editions with a circulation of approximately 50 million copies and our website logged over 48 million visits, representing a 20% increase over fiscal 2003. Our retail stores are designed by our in-house design staff and are fixtured to create a distinctive, sophisticated and inviting atmosphere, with clear displays that highlight the quality of our products and their fabrication. Our factory stores are designed with simple, volume-driving visuals to maximize sales of our key items and drive faster inventory turns.

We have two major operating divisions: J.Crew Stores, which consists of our retail and factory stores, and J.Crew Direct, which consists of our catalog and Internet website at www.jcrew.com, each of which operates under the J.Crew brand name.

Our Market

We are a specialty retailer operating through our retail and factory stores, catalog and Internet website. According to NPD Fashionworld, the domestic apparel retailing market measured $172.8 billion in retail sales in 2004, which represents an increase of 4.0% from $166.1 billion in 2003. Women's apparel represented the largest percentage of the 2004 domestic apparel retailing market at 54.7%, followed by men's at 28.6% and children's at 16.7%. NPD Fashionworld estimates that specialty retailers were the largest distribution channel in 2004, representing 29.8% of the total market, or $51.4 billion in retail sales, an increase of 9.3% from 2003. According to NPD Fashionworld catalog sales decreased 9.7% from 2003 to 2004 while website sales increased 12.0% from 2003 to 2004.

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

Our Competitive Strengths

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

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

  We project our brand image through consistent creative messages in our catalog and on our Internet website, our store environments and our superior customer service. To keep this image consistent, our stores are designed by in-house design staff and are fixtured to create a distinctive, sophisticated and welcoming atmosphere, with clear displays and information about product quality and fabrication. The J.Crew catalog features high-quality photography and paper, and places our products in settings reflecting our brand's aspirational lifestyle image such as beach houses in the summer and country cabins in the holiday months. We believe these strategies have, in part, increased our comparable store sales, revenues and margins in fiscal 2004. We believe that our brand image, which we describe as an "aspirational lifestyle," is key to our success.
- ***High Quality Product Offerings.*** We offer complete lines of high quality women's and men's apparel and accessories, designed internally by our skilled design teams, that include wedding and special occasion attire, business attire, weekend clothes, swimwear, loungewear, outerwear, shoes, bags, belts and jewelry. Our collection includes luxury items such as European milled cashmere sweaters and jackets, women's and men's suits made in Italy, men's haberdashery (which offers fine men's shirts), footwear made in Italy and English leather accessories. Our collection also includes styled classics such as our broken-in chinos, cable knit sweaters and Legacy blazers. We also offer "twists" on our products with items such as our English silk tie belts, which use traditional necktie designs for women's and men's belts. In addition, we have introduced limited edition luxury items, such as hand-beaded skirts and double-faced cashmere jackets featuring mink collars, which we believe elevates the overall perception of our brand and creates excitement and a sense of shopping urgency in our customers. We focus throughout the J.Crew collection on high quality design, fabric and construction.
- ***Multiple Sales Channels Producing "Seamless Retailing."*** We sell our products through multiple sales channels, including our retail and factory stores, our J.Crew catalog and our Internet website, providing our customers the flexibility to shop in the setting they prefer. We encourage our customers to make purchases through all of our sales channels—a concept we refer to as "seamless retailing," and over 58% of the households in our customer database shop in multiple sales channels. Over 30% of our Internet customers reported that they had received a catalog in the mail prior to their Internet purchase, which we believe shows that our catalog drives sales on our Internet channel. Through our "We'll Find it For You"SM service a customer in one of our retail stores who desires to purchase an item that is out of stock in that store or available only through our catalog can be connected via a "redphone" telephone

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

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

- ***Experienced Management Team with a Proven Track Record.*** Our strong management team has extensive experience in the specialty retail industry. We believe J.Crew has benefited substantially, in particular, from the leadership and strategic guidance of Millard Drexler, our chief executive officer, and Jeffrey Pfeifle, our president. Since Messrs. Drexler and Pfeifle were appointed in early 2003, we have assembled a management team with extensive experience across a broad range of disciplines, including merchandising, design, marketing, human resources, store and direct operations, logistics and information technology functions. Since our new management began to influence our product line in late 2003 and early 2004, we have experienced four consecutive quarters of double-digit growth in comparable store sales, net sales, gross profit and operating income. We believe this significant momentum demonstrates our management team's strength.
- ***Disciplined Merchandise Management.*** We focus on controlling our inventory in order to maximize full-price sales and increase inventory turns. We control our inventory of certain products so that demand for our products exceeds their supply, which fosters a sense of shopping urgency in our customers, maximizes full-price sales and increases inventory turns. Our merchandise managers are guided by return on investment objectives in determining their inventory purchases. We believe our merchandising strategy enhances our image as a high quality, fashionable lifestyle brand while maximizing profits.
- ***Customer-Service Oriented Culture.*** We hire and train sales associates committed to serving our customers and compensate them based on performance measures in order to enhance the customer-service oriented culture in our stores. We focus on ensuring that our sales associates are committed to maintaining high standards of visual presentation and customer service. To improve our responsiveness to customer feedback, our management holds regular conference calls with store managers in which customer feedback is discussed and appropriate responses are formulated in a timely manner. We also make available to our customers "Client Specialists," who serve as personal shoppers and wardrobe consultants.

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

Our Growth Strategy

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

- ***Continue to Build on Our Core Strengths.*** We believe our recent success is attributable to our focus on the quality of the design, fabric and construction of our apparel and accessories, and to our signature "classic with a twist" product design—meaning our iconic styles refined with differentiating fits, prints, fabrics, colors and high quality craftsmanship—our disciplined merchandising strategy and our recent focus on improving our stores by creating a sophisticated atmosphere and enhancing our customer-service oriented culture have also contributed to our growth. We are in the beginning stages of executing these strategies, as our new management has influenced our product offerings only in the past seven fiscal quarters.

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

- ***Leverage Our Multiple Sales Channels to Further Achieve "Seamless Retailing."*** We plan to take advantage of the unique attributes of each of our sales channels to increase sales across our entire business. For example, we intend to use the customer information gathered through our Direct operations to target specific marketing material at particular customer groups on the basis of their shopping history, spending habits and expressed merchandise preferences. We also collect customer information in our retail stores and send our catalog and targeted emails highlighting specific product offerings to those retail customers. In addition, our catalogs contain information about a customer's nearest J.Crew store in order to encourage the customer to visit that store. Our direct sales channels enable us to maintain a database of customer spending habits and preferences which facilitates targeted marketing strategies, like the mailing of particular catalog editions such as J.Crew Wedding, Resort Edition and Women's Collection to specific customer groups. We expect to implement a similar strategy in our retail stores by establishing specialized formats within stores, such as accessory "shops" and designated product areas. We also intend to send our Internet customers targeted emails that will enable them to link directly to sections of our website which we believe they will find particularly appealing based on their shopping history. We intend to continue increasing our customer files and using our direct channel to test new concepts and product assortments and make store opening decisions. We also plan to continue maximizing our cross-channel product accessibility by promoting our "We'll Find it For You"SM service.
- ***Expand Our Store Base.*** We currently expect to expand our store base by seven stores in fiscal 2005. We plan to further expand our store base by between 15 and 25 stores in fiscal 2006. Thereafter, in the near term, we plan to expand our store base by between 25 and 35 stores annually. We will look to open new stores predominately in affluent markets where we have demonstrated strong Direct sales, and to adhere to our already-successful retail store formats, which we believe reinforce our classic brand image and generate strong sales per square foot.
- ***Expand Our Sales Channels.*** We intend to continue to explore opportunities to expand our sales channels. For example, we expect to bring the J.Crew factory business to the Internet by launching www.jcrewfactory.com by the end of fiscal 2005. Since approximately two-thirds of our Internet channel customers who have made a purchase in the past 12 months have purchased marked-down merchandise, we believe that offering the products currently sold in our J.Crew factory channel online will target customers seeking lower-priced items while increasing the breadth of our sales channels.
- ***Expand Into Children's Market with Our Crewcuts Line.*** We intend to launch crewcuts, a line of apparel and accessories for children ages two through eight because we believe the market for quality, stylish children's clothing at attractive price points is underpenetrated. Our children's concept, crewcuts, is expected to include a product assortment that reflects the high quality styled-classic apparel and accessories we offer under the J.Crew brand name, such as argyles, embroidered critters and cable knits at attractive price points. We intend to market the crewcuts line initially through our existing sales channels and may consider separate crewcuts retail stores in the future.

Products

We offer complete collections of high quality women's and men's apparel and accessories that include wedding and special occasion attire, business attire, weekend clothes, swimwear, loungewear, outerwear, shoes, bags, belts and jewelry. Our product lines feature the high quality design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew, and are designed internally by our skilled design team to embody our "classic with a twist" and "accessible luxury" branding and styling strategies. We have introduced limited edition luxury items, such as hand-beaded skirts, which we believe elevates the overall perception of our brand and creates excitement and a sense of shopping urgency in our customers. For example, one of our recent luxury items, a double-faced cashmere jacket featuring a mink collar, sold out before ever reaching our stores, catalog or website through advance orders placed at trunk shows.

We have introduced several successful new product lines and product line expansions, including J.Crew Wedding, men's haberdashery, fine Italian cashmere, women's and men's suits made in Italy, footwear made in Italy and English leather accessories. Our J.Crew factory line offers the J.Crew brand with similar styles made at lower costs and sold at lower price points. We intend to launch crewcuts, an apparel and accessories line for children ages two through eight, as part of our growth strategy. Crewcuts is expected to include a product assortment that reflects the high quality, styled-classic apparel and accessories we offer under the J.Crew brand, such as argyles, embroidered critters and cable knits for the children's market.

Design and Merchandising

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

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

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

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

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

Pricing

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

Sales Channels

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

J.Crew Stores

J.Crew Stores consists of our retail and factory store operations. During fiscal 2004, J.Crew Stores generated revenues of $579.8 million, representing 72.1% of our total revenues.

J.Crew Retail Stores

As of August 15, 2005, we operated 156 retail stores (as well as one seasonal retail store) throughout the United States. Our retail stores are located in upscale regional malls, lifestyle centers, shopping centers and street locations. We believe situating our stores in desirable locations is key to the success of our business, and we determine store locations based on several factors, including geographic location, demographic information, presence of anchor tenants in mall locations and proximity to other higher-end specialty retail stores. Our retail stores are designed by our in-house design staff and fixtured to create a distinctive, sophisticated and inviting atmosphere, with clear displays and information about product quality and fabrication.

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

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

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

Our retail stores averaged $3.1 million sales per store and produced sales per gross square foot of $406 at the end of fiscal 2004. Our retail stores averaged 7,700 total square feet, but are "sized to the market," which means that we adjust the size of a particular retail store based on the projected revenues from that particular store. For example, at the end of fiscal 2004, our largest retail store, located in New York, was approximately 15,000 square feet, and our smallest retail store, located in New Jersey, was approximately 3,700 square feet. The table below highlights certain information regarding our retail stores open during the five years ended January 29, 2005, and fiscal 2005 to date:

Fiscal Year	Retail Stores Open At Beginning of Period	Retail Stores Opened During Period	Retail Stores Closed During Period	Retail Stores Open at End of Period	Total Gross Square Footage (in thousands)	Average Gross Square Footage Per Retail Store
2000	81	24	0	105	833	7,933
2001	105	34	3	136	1,054	7,752
2002	136	16	0	152	1,172	7,712
2003	152	4	2	154	1,183	7,680
2004	154	5	3	156	1,198	7,682
2005 (to date)	156	2	2	156	1,198	7,677

We currently expect to expand our retail store base by two stores in fiscal 2005. We plan to further expand our store base by between 10 and 20 retail stores in fiscal 2006. Thereafter, in the near term, we plan to expand our retail store base by between 15 and 25 retail stores annually. In each year, we plan to open and close retail stores in varying proportions. Our new retail store operating model assumes a target store size of 5,500 square feet that achieves sales per square foot of $425 in the first twelve months. Our average net investment to open a retail store is approximately $834,000, which includes $660,000 of build-out costs net of landlord contributions, $149,000 of initial inventory net of payables and pre-opening expenses of $25,000. This operating model results in an average pretax cash return on investment of approximately 70%.

J.Crew Factory Stores

As of August 15, 2005, we operated 43 factory stores throughout the United States. Our factory stores are located primarily in large factory-outlet malls. Factory stores are designed with simple, volume-driving visuals to maximize sales of key items and drive faster inventory turns. Our factory stores also use strategic and focused short-term promotional offerings designed to achieve higher margins and faster inventory turns. Sales associates in our factory stores adhere to the same customer-service focus as in our retail stores, and are trained to help customers locate styles similar to those they have seen in our retail stores or catalog. Compensation of factory sales associates is based on a similar model as that of our retail sales associates, with differences relating to bonus and commission structure.

Our factory stores averaged $2.3 million sales per store and produced sales per gross square foot of $372 at the end of fiscal 2004. Our factory stores averaged 6,300 total square feet, but are “sized to the market,” which means that we adjust the size of a particular factory store based on the projected revenues from that particular store. For example, at the end of fiscal 2004, our largest factory store, located in New Hampshire, was 10,000 square feet, and our smallest factory store, located in Georgia, was 3,200 square feet. The table below highlights certain information regarding our factory stores open during the five years ended January 29, 2005, and fiscal 2005 to date:

Fiscal Year	Factory Stores Open At Beginning of Period	Factory Stores Opened During Period	Factory Stores Closed During Period	Factory Stores Open at End of Period	Total Gross Square Footage (in thousands)	Average Gross Square Footage Per Factory Store
2000	42	0	1	41	260	6,344
2001	41	0	0	41	260	6,344
2002	41	2	1	42	265	6,306
2003	42	0	0	42	265	6,306
2004	42	0	1	41	258	6,296
2005 (to date)	41	3	1	43	266	6,192

We currently expect to expand our factory store base by five stores in fiscal 2005. We plan to further expand our store base by between five and 10 factory stores in fiscal 2006. Thereafter, in the near term, we plan to expand our factory store base by between five and 15 factory stores annually. In each year, we plan to open and close factory stores in varying proportions. Our new factory store operating model assumes a target factory store size of 4,700 square feet that achieves sales per square foot of $380 in the first twelve months. Our average net investment to open a factory store is approximately $501,000, which includes $353,000 of build-out costs net of landlord contributions, $133,000 of initial inventory net of payables and pre-opening expenses of $15,000. This operating model results in an average pretax cash return on investment of approximately 89%.

Central Real Estate Management for Retail and Factory Stores

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

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

J.Crew Direct

J.Crew Direct consists of the J.Crew catalog and our Internet website. During fiscal 2004, J.Crew Direct generated $198.5 million in revenues, including $76.5 million from our catalog and $122.0 million from our Internet website, representing 24.7% of our total revenues. In addition to driving sales and revenue, we use our direct channel to introduce and test new product offerings, to sell specialty product lines such as J.Crew Wedding and to offer extended sizes and colors on various products and to expand customer files to drive targeted marketing campaigns by collecting customer data to further segment customer groups.

We currently obtain customer information for 100% of our catalog and Internet customers. As of June 2005, our customer database contained approximately 20 million individual customer names, of which 2.1 million were households that had placed a catalog or Internet order with us or made a store purchase from us within the previous 12 months, and 2.6 million email addresses that had agreed to receive promotional emails from us.

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

In fiscal 2004, approximately 58% of J.Crew Direct revenues were generated by customers who had made a purchase from a J.Crew catalog or on our Internet website in the prior 12 months.

Catalog

The J.Crew catalog is the primary branding and advertising vehicle for the J.Crew brand. We believe our catalog reinforces the J.Crew brand image and drives sales across all of our sales channels. For example, over 30% of our Internet customers reported that they had received a catalog in the mail prior to their Internet purchase, which we believe shows that our catalog drives sales on our Internet channel. We believe we have distinguished ourselves from other catalog retailers by utilizing high quality photography and paper to depict an aspirational lifestyle image. We have furthered this image recently by eliminating clearance catalogs and instead redirecting primary liquidation activity through our website. In fiscal 2004, we distributed 16 catalog editions with a circulation of approximately 50 million copies and approximately 5.4 billion pages circulated.

We segment our customer files and tailor our catalog offerings to address the different product needs of our customer groups. To increase core catalog productivity and improve the effectiveness of marginal and prospecting circulation, each customer group is offered a distinct array of catalog editions. For example, we have recently circulated particular catalog editions such as J.Crew Wedding, Resort Edition and Women's Collection to specific customer groups.

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

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

Internet Website

Since 1996, our website located at www.jcrew.com has allowed our customers to purchase our merchandise over the Internet. In fiscal 2004, our website logged over 48 million visits, an increase of 20% over our fiscal 2003 visits of 40 million and represented 61% of the J.Crew Direct business. We design and operate our website using an in-house technical staff. Our website emphasizes simplicity and ease of customer use while integrating the J.Crew brand's aspirational lifestyle imagery used in the catalog. We update our website periodically throughout the day to accurately reflect product availability and to determine where on the website a particular product generates the best sales. In addition to selling our regular merchandise on our website, we also use our website as a means to sell marked-down merchandise.

We plan to expand our Internet business by adding category-based "shops" to our website. We believe these "shops" will offer our customers a more personalized and interactive shopping experience. We also intend to increase the J.Crew factory business by bringing it to the Internet by launching www.jcrewfactory.com by the end of 2005. Since approximately two-thirds of our Internet channel customers who have made a purchase in the past 12 months have purchased marked-down merchandise, we believe that offering the products currently sold in our J.Crew factory channel online will target customers seeking lower-priced items while increasing the breadth of our sales channels.

Marketing and Advertising

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

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

We also offer a private-label credit card through an agreement with World Financial Network National Bank ("WFNNB"), under which WFNNB owns the credit card accounts and Alliance Data Systems Corporation provides services to our private-label credit card customers. In fiscal 2004, sales on J.Crew credit cards made up 16% of our total net sales. We believe that our credit card program encourages frequent store and website visits and catalog sales and promotes multiple-item purchases, thereby cultivating customer loyalty to the J.Crew brand and increasing sales.

Sourcing Production and Quality

Our Sourcing Strategy

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

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

Our Sourcing Methods

We have no long-term merchandise supply contracts, and we typically transact business on an order-by-order basis. We source our merchandise in two ways: through the use of buying agents, and by purchasing merchandise directly from trading companies and manufacturers. In fiscal 2004, we worked with nine buying agents, who together supported our relationships with vendors of approximately 70 to 75% of our merchandise, with one buying agent supporting our relationships with vendors that supplied approximately 50% of our merchandise. In exchange for a commission, our buying agents identify suitable vendors and coordinate our purchasing requirements with the vendors by placing orders for merchandise on our behalf, ensuring the timely delivery of goods to us, obtaining samples of merchandise produced in the factories, inspecting finished merchandise and carrying out other administrative communications on our behalf. In fiscal 2004, we worked with three trading companies, purchasing approximately 15% of our merchandise from one trading company. Trading companies control factories which manufacture merchandise and also handle certain other shipping and customs matters related to importing the merchandise into the United States. We sourced the remainder of our merchandise by dealing directly with manufacturers both within the United States and abroad with the majority of whom we have long-term, and we believe, stable relationships.

Our sourcing base consists of approximately 150 to 160 vendors who operate 250 factories in approximately 30 countries, with about half of our merchandise supplied by our top 10 vendors.

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

In fiscal 2004, approximately 80% of our merchandise was sourced in Asia (with 55% of our products sourced from China, Hong Kong and Macau), 5% was sourced in the United States and 15% was sourced in Europe and other regions. Substantially all of our foreign purchases are negotiated and paid for in U.S. dollars.

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

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

Distribution Facilities

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

We also own a 262,000 square foot facility, and lease a 63,700 square foot facility, both located in Lynchburg, Virginia. These facilities contain our customer call center, order fulfillment operations for J.Crew Direct and distribution operations for our factory stores. These facilities employ approximately 800 full and part-time employees during our non-peak season and an additional 600 employees during our peak season. Merchandise is transported from this distribution center to our factory stores by Federal Express or UPS, with a transit time of approximately two to five days. Merchandise sold via our Direct channels is sent directly to customers from this distribution center via the United States Postal Service, UPS or Federal Express.

Each owned facility is equipped with an automated warehouse locator system and inventory bar coding system and our owned facility in Lynchburg has automated packing and shipping sorters. We believe our customer call center, order fulfillment operations and distribution operations are designed to handle customer orders and distribute merchandise to stores in a customer-friendly, efficient and cost-effective manner. We currently outsource a small percentage of customer calls to a single vendor and may outsource a larger percentage of customer calls to this or other vendors in the future.

Management Information Systems

Our management information systems are designed to provide, among other things, comprehensive order processing, production, accounting and management information for the marketing, manufacturing, importing and distribution functions of our business, which operate on our IBM mainframe system. Since February 2001, we have used an SAP Enterprise Resource Planning system for our information technology requirements. We have point-of-sale systems in our retail and factory stores that enable us to track inventory from store receipt to final sale on a real-time basis. We have an agreement with Electronic Data Systems Corporation, a third party, to provide services and administrative support for most of the information systems in our headquarters, stores and distribution and call center facilities. We plan to take over certain portions of these services. Our website is hosted by a third party at its data center.

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

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

Employees and Labor Relations

As of April 30, 2005 we had approximately 6,200 employees, of whom approximately 2,200 were full-time employees and 4,000 were part-time employees. Approximately 800 of these employees are employed in our customer call center and order fulfillment operations facility in Lynchburg, Virginia, and approximately 100 of these employees work in our store distribution center in Asheville, North Carolina. Approximately 2,000 additional employees are hired on a seasonal basis to meet demand during the peak season.

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

Competition

The specialty retail industry is highly competitive. We compete primarily with specialty retailers, higher-end department stores, catalog retailers and Internet businesses that engage in the retail sale of women’s and men’s apparel, accessories, shoes and similar merchandise. We believe the principal bases upon which we compete are quality, design and customer service. We believe our success depends in substantial part on our ability to originate and define product and fashion trends as well as to timely anticipate, gauge and react to changing consumer demands.

Trademarks and Licensing

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

In addition, we license our J.Crew trademark and know-how to Itochu Corporation in Japan for which we receive royalty fees based on a percentage of sales. Under the license agreement, which is an exclusive license with regard to Japan, we retain a high degree of control over the manufacture, design, marketing and sale of merchandise by Itochu Corporation under the J.Crew trademark. This agreement expires in January 2007. In fiscal 2004, licensing revenues totaled $2.8 million.

Government Regulation

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

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

Properties

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

As of August 15, 2005, we operated 156 retail stores (as well as one seasonal retail store) and 43 factory stores in 39 states and the District of Columbia. All of the retail and factory stores are leased from third parties and the leases historically have in most cases had terms of 10 to 12 years. A portion of our leases have options to renew for periods typically ranging from five to ten years. Generally, the leases contain standard provisions concerning the payment of rent, events of default and the rights and obligations of each party. Rent due under the leases is generally comprised of annual base rent plus a contingent rent payment based on the store’s sales in excess of a specified threshold. Some of the leases also contain early termination options, which can be exercised by us or the landlord under certain conditions. The leases also generally require us to pay real estate taxes, insurance and certain common area costs. All of our properties, whether owned or leased, are subject to liens or security interests under the Credit Facility.

The table below sets forth the number of retail and factory stores operated by us in the United States as of August 15, 2005.

	Retail Stores	Factory Stores	Total Number of Stores
Alabama	2	1	3
Arizona	4	—	4
California	20	3	23
Colorado	4	2	6
Connecticut	6	1	7
Delaware	—	1	1
Florida	4	3	7
Georgia	4	3	7
Illinois	9	1	10
Indiana	1	1	2
Iowa	1	—	1
Kansas	1	—	1
Kentucky	2	—	2
Louisiana	1	—	1
Maine	—	2	2
Maryland	3	1	4
Massachusetts	6	2	8
Michigan	6	1	7
Minnesota	4	—	4
Missouri	2	1	3
Nevada	1	—	1
New Hampshire	1	2	3
New Jersey	9	1	10
New Mexico	1	—	1
New York	15	4	19
North Carolina	4	—	4
Ohio	7	—	7
Oklahoma	2	—	2
Oregon	2	—	2
Pennsylvania	8	3	11
Rhode Island	1	—	1
South Carolina	2	2	4
Tennessee	3	1	4
Texas	6	1	7
Utah	2	—	2
Vermont	1	1	2
Virginia	5	2	7
Washington	3	2	5
Wisconsin	1	1	2
District of Columbia	2	—	2
Total	156	43	199

Legal Proceedings

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

MANAGEMENT

Executive Officers and Directors

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

Name	Age	Position
Millard Drexler	61	Chief Executive Officer and Chairman of the Board
Jeffrey Pfeifle	46	President
Tracy Gardner	41	Executive Vice President, Merchandising, Planning & Production
Nicholas Lamberti	62	Vice President, Corporate Controller and Acting Chief Financial Officer
Bridget Ryan Berman	45	Director
Richard Boyce	50	Director
Jonathan Coslet	40	Director
James Coulter	45	Director
Steven Grand-Jean	63	Director
Emily Scott	43	Director
Thomas Scott	39	Director
Stuart Sloan	61	Director
Josh Weston	76	Director

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

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

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

Nicholas Lamberti. Mr. Lamberti has been our Vice President, Corporate Controller since January 1991. Mr. Lamberti has served as our acting Chief Financial Officer since June 2005, and previously served in that position from August 2003 until May 2004.

James Scully. On August 16, 2005, James Scully agreed to become our Executive Vice President and Chief Financial Officer, effective September 7, 2005. Prior to joining us, Mr. Scully served as Executive Vice President of Human Resources and Strategic Planning of Saks Incorporated from 2004. Before that Mr. Scully served as Saks Incorporated's Senior Vice President of Strategic and Financial Planning from 1999 to 2004 and as Senior Vice President, Treasurer from 1997 to 1999. Prior to joining Saks Incorporated, Mr. Scully held the position of Senior Vice President of Corporate Finance at NationsBank from 1994 to 1997.

Bridget Ryan Berman. Ms. Berman has been a director since August 2005. Ms. Berman was Vice President and Chief Operating Officer of Retail Stores for Apple Computer, Inc. from June 2004 to August 2005. Prior to joining Apple Computer, Inc., Ms. Berman held various positions at Polo Ralph Lauren Corporation, including Group President of Polo Global Retail from 2003 to 2004, President and Chief Operating Officer of Polo Ralph Lauren Retail from 2001 to 2003 and President of Polo Factory Store Concepts from 1998 to 2001.

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

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

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

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

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

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

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

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

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

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

Our Board of Directors

Board Size and Composition. Our board of directors currently has 10 members. Prior to the consummation of this offering, we expect to appoint one additional director to the board of directors who will be deemed independent under the current independence requirements of the New York Stock Exchange and the SEC. Upon the consummation of this offering, a majority of our board of directors will satisfy the current independence requirements of the New York Stock Exchange and the SEC.

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

Upon the consummation of this offering, our board will be divided into three classes as described below, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. will serve initially as Class I directors (with a term expiring in 2006). will serve initially as Class II directors (with a term expiring in 2007). will serve initially as Class III directors (with a term expiring in 2008).

Committees of the Board. Our standing board committees consist of an audit committee and a compensation committee. Prior to the consummation of this offering, we will also establish a nominating and corporate governance committee.

Audit Committee. The audit committee currently consists of Messrs. Weston (Chairperson), Boyce and Grand-Jean. Prior to the consummation of this offering, we will appoint new independent members to the audit committee to replace Messrs. Boyce and Grand-Jean, and we expect that our board of directors will determine that each member of the audit committee is financially literate. The board of directors has determined that Mr. Weston qualifies as an "audit committee financial expert" under SEC rules and regulations.

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

Compensation Committee. The compensation committee currently consists of Messrs. Coulter (Chairperson) and Sloan and Ms. Scott. Prior to the consummation of this offering, we will appoint new independent members to the compensation committee to replace Mr. Sloan and Ms. Scott. We expect that each member of the compensation committee will be an outside director within the meaning of

Section 162(m) of the Internal Revenue Code of 1986, as amended, and a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Securities Exchange Act of 1934, as amended.

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

Nominating and Corporate Governance Committee. Prior to the consummation of this offering, our board of directors will establish a nominating and corporate governance committee consisting of three members, each of whom will satisfy the independence requirements of the New York Stock Exchange. The nominating and corporate governance committee will identify qualified individuals to become members of the board of directors, determine the composition of the board of directors and its committees and develop and recommend to the board of directors sound corporate governance policies and procedures.

Compensation of Directors. The board of directors has approved the following to be paid as compensation to all eligible directors for their services in 2005: (1) a cash retainer of $30,000 and (2) a non-qualified stock option to purchase 20,000 shares of our common stock. The options will have an exercise price to be determined at the time of grant, have a term of 10 years and become exercisable and vest in equal installments over a two-year period. If a director ceases to serve for any reason, other than removal for cause, any options vested at the time of termination of his or her services will remain exercisable for 90 days (but no longer than the 10 year term of the options). In addition, the chairman of the audit committee will receive additional cash compensation of $10,000 for his services on that committee. Directors who are our employees or representatives of Texas Pacific Group are not entitled to receive any compensation for their services.

Executive Compensation

The following table sets forth compensation paid by us for fiscal 2004, 2003 and 2002:

- to our chief executive officer during fiscal 2004, and
- to each of the four other most highly compensated executive officers serving as of the end of fiscal 2004.

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

Summary Compensation Table

				Long Term Compensation				
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award(s) ($)(1)	Securities Underlying Options/SARS(#)	LTIP Payouts ($)	All Other Compensation ($)(2)
Millard Drexler	2004	200,000	—	484,500(3)	55,500(4)	1,698,778(5)	—	—
Chief Executive Officer and Chairman	2003	200,000	—	500,000(3)	598,654(4)	—	—	—
	2002	—	—	—	—	2,231,704	—	—
Jeffrey Pfeifle	2004	760,000	500,000	—	18,500(6)	223,170(7)	800,000	8,200
President	2003	760,000	2,400,000(8)	—	119,731(6)	—	400,000	—
	2002	—	—	—	—	390,548	—	—
Tracy Gardner	2004	398,100	450,000(9)	95,500(10)	37,000(11)	90,000	—	—
Executive Vice President, Merchandising,	2003	—	—	—	—	—	—	—
Planning & Production	2002	—	—	—	—	—	—	—
Roxane Al-Fayez(12)	2004	377,900	275,000(13)	83,800(14)	7,400(15)	10,000	—	1,700
Former Executive Vice President, Catalog	2003	115,400	100,000(13)	—	18,500(15)	35,000	—	—
& e-Commerce	2002	—	—	—		—	—	—
Amanda Bokman(16)	2004	261,539	150,000	—	18,500(17)	55,000	—	—
Former Executive Vice President, Chief	2003	—	—	—	—	—	—	—
Financial Officer	2002	—	—	—	—	—	—	—

(1) Holders of restricted stock have the same right to receive dividends as other holders of our common stock. We have not paid any cash dividends on our common stock. Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $7.60 as of January 29, 2005 and $12.60 as of March 31, 2005. Restricted stock awards in fiscal 2004 and 2003 reflect an estimated share value of $0.74 on the date of grant. As of July 31, 2005, the named executive officers held the following aggregate number of restricted shares of our common stock: Mr. Drexler—463,278 vested shares (of which 55,793 shares are held by a corporation of which Mr. Drexler is a principal) and 476,507 unvested shares; Mr. Pfeifle—80,900 vested shares and 105,898 unvested shares; Ms. Gardner—0 vested shares and 60,000 unvested shares; Ms. Al-Fayez—6,250 vested shares and 38,750 unvested shares.

(2) All amounts represent contributions made by us on behalf of the named executive officers to our 401(k) plan.

(3) We have reimbursed Mr. Drexler for our use for corporate business of a private aircraft owned by a company of which Mr. Drexler is a principal. The total reimbursements paid for our use of the aircraft in fiscal 2004 were approximately $225,600. The total reimbursements paid for our use for corporate business of the aircraft and certain third party aircraft charters in fiscal 2003, which was not assessed and paid until 2004, were approximately $49,300. All other amounts represent the reimbursement of certain business expenses to Mr. Drexler in accordance with the terms of his services agreement.

(4) In November 2004, Mr. Drexler was granted 75,000 shares of our common stock, of which 50% will vest on each of November 1, 2007 and November 1, 2008. In September 2003, Mr. Drexler was granted 83,689 shares of our common stock, of which 5,976 shares vested immediately upon grant, 19,429 shares vested on January 27, 2004 and 19,428 shares vested on January 27, 2005, and the remainder will vest in equal annual installments on each of January 27, 2006 and January 27, 2007. In February 2003, Mr. Drexler was granted 725,303 shares of our common stock, of which 181,326 shares vested on each of January 27, 2004 and January 27, 2005, the remainder of which will vest in equal installments

on each of January 27, 2006 and 2007. Mr. Drexler paid us $800,000 for the shares, which was in excess of their fair market value at the time of grant. In February 2003, a corporation of which Mr. Drexler is a principal was also granted 55,793 shares of our common stock, all of which vested immediately upon grant.

(5) This amount includes the grant of 1,673,778 replacement stock options to Mr. Drexler in May 2004 following his surrender of the same number of stock options in September 2003. We refer you to "Employment Agreements and Other Compensation Arrangements—Employment and Other Agreements" for information on these replacement options.

(6) In November 2004, Mr. Pfeifle was granted 25,000 shares of our common stock, of which 50% will vest on each of November 1, 2007 and November 1, 2008. In September 2003, Mr. Pfeifle was also granted 50,213 shares of our common stock, of which 12,554 shares vested on February 1, 2004 and 12,553 shares vested on February 1, 2005, and the remainder will vest in equal annual installments on February 1, 2006 and 2007. In February 2003, Mr. Pfeifle was granted 111,585 shares of our common stock, of which 27,897 shares vested on February 1, 2004 and 27,896 shares vested on February 1, 2005, and the remainder will vest in equal annual installments on each of February 1, 2006 and February 1, 2007.

(7) This amount includes the grant of 223,170 replacement stock options to Mr. Pfeifle in May 2004 following his surrender of the same number of stock options in September 2003. We refer you to "Employment Agreements and Other Compensation Arrangements—Employment and Other Agreements" for information on these replacement options.

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

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

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

(11) In May 2004, Ms. Gardner was granted 50,000 shares of our common stock, which will vest in equal annual installments on each of April 1 of 2006, 2007, 2008 and 2009.

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

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

(14) This amount represents $83,800 in housing allowances and commuting reimbursements and includes applicable tax gross-up amounts.

(15) In November 2004, Ms. Al-Fayez was also granted 10,000 shares of our common stock, of which 50% were scheduled to vest on each of November 1, 2007 and November 1, 2008. In October 2003, Ms. Al-Fayez was granted 25,000 shares of our common stock, of which 6,250 shares vested on October 22, 2004 and the remainder were scheduled to vest in equal annual installments on each of October 22, 2005, 2006 and 2007. All of these shares, other than the 6,250 shares that vested on October 22, 2004, were forfeited upon Ms. Al-Fayez's resignation. Ms. Al-Fayez has entered into a stockholders' agreement with us and TPG Partners II, L.P. The only provisions of the stockholders' agreement that will survive the consummation of this offering impose certain restrictions on the transfer of Ms. Al-Fayez's shares and give us the right to purchase these shares in certain circumstances.

(16) Ms. Bokman resigned from her position with us effective as of June 17, 2005.

(17) In May 2004, Ms. Bokman was granted 25,000 shares of our common stock, which were scheduled to vest in equal installments on each of May 1, 2006, 2007, 2008 and 2009. All of these shares were forfeited upon Ms. Bokman's resignation.

The following table shows information concerning options to purchase shares of our common stock granted to each of the named executive officers during fiscal 2004.

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees In Fiscal Year	Exercise Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Millard Drexler	25,000	1.0%	6.82	2014	—	—
	836,889(2)	34.9%	15.00	2014	—	—
	836,889(2)	34.9%	25.00	2014	—	—
Jeffrey Pfeifle	111,585(2)	4.7%	15.00	2014	—	—
	111,585(2)	4.7%	25.00	2014	—	—
Tracy Gardner	50,000	2.0%	6.82	2014	—	—
	20,000	0.8%	15.00	2014	—	—
	20,000	0.8%	25.00	2014	—	—
Roxane Al-Fayez	10,000	0.4%	6.82	2014	—	—
Amanda Bokman	35,000	1.4%	6.82	2014	—	—
	10,000	0.4%	15.00	2014	—	—
	10,000	0.4%	25.00	2014	—	—

(1) Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $0.74 as of the date of each grant. Because the value of a share of our common stock, assuming the above rates of stock price appreciation over the term of the options set forth above, is less than the exercise price of those options, the potential realizable value of each of those options is zero.

(2) These amounts reflect the grants of certain replacement stock options to Messrs. Drexler and Pfeifle in May 2004 following the surrender by them of the same number of stock options in September 2003. We refer you to “Employment Agreements and Other Compensation Arrangements—Employment and Other Agreements” for information on the replacement options.

The following table shows the number of options to purchase shares of our common stock held by our named executive officers of at the end of fiscal 2004. The named executive officers did not exercise any stock options in fiscal 2004.

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

			Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year-End($)(1)	
Name	Shares Acquired on Exercise(#)	Value Realized($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Millard Drexler	0	—	557,928	168,776	108,798	—
Jeffrey Pfeifle(2)	0	—	—	390,548	—	—
Tracy Gardner	0	—	—	90,000	—	39,000
Roxane Al-Fayez	0	—	8,750	36,250	6,825	28,275
Amanda Bokman	0	—	—	55,000	—	27,300

(1) Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $7.60 as of January 29, 2005.

(2) On February 1, 2005, options held by Mr. Pfeifle exercisable for an additional 97,639 shares of our common stock vested.

Employment Agreements and Other Compensation Arrangements

Employment and Other Agreements

Millard Drexler. Mr. Drexler has entered into a services agreement with us pursuant to which he has agreed to serve as our Chief Executive Officer for five years beginning on January 27, 2003, provided that after January 2006, Mr. Drexler can opt to step down as Chief Executive Officer and serve only as Executive Chairman. The agreement provides for a minimum annual base salary of $200,000, an annual bonus based on the achievement of earnings objectives to be determined each year, and reimbursement of business expenses, provided that his total cash compensation cannot exceed $700,000 per year. The agreement also provides for (i) the grant of options to purchase 557,926 shares of our common stock at an exercise price equal to $6.82 per share, which we refer to as “initial options,” and (ii) the grant of premium options to purchase an additional 836,889 shares at an exercise price equal to $25.00 per share and 836,889 shares at an exercise price equal to $35.00 per share, which we refer to collectively as “premium options.” The initial options and the premium options vest in equal annual installments over four years commencing on the second anniversary of the date Mr. Drexler commenced his service with us. The agreement also provides for the grant of 55,793 restricted shares of our common stock that vested immediately and the grant of 725,303 restricted shares of our common stock that vest in equal annual installments over four years commencing on the second anniversary of the date his service commenced, which we refer to collectively as the “Drexler Restricted Shares.” Mr. Drexler paid us $200,000 for the initial options and $800,000 for the Drexler Restricted Shares. Under the agreement, Mr. Drexler is subject to customary non-solicitation, non-competition and confidentiality covenants.

Pursuant to the agreement, if Mr. Drexler’s employment is terminated by us without “cause” or by him for “good reason” (each as defined in the services agreement), Mr. Drexler will be entitled to receive his base salary for one year, the immediate vesting of any unvested Drexler Restricted Shares and the accelerated vesting of that portion of the initial options and the premium options that would have become vested on the next scheduled vesting date following the termination date. If termination occurs within the two year period following a “change in control” (as defined in the services agreement), all of the unvested initial options and premium options will immediately vest and become exercisable.

In September 2003, Mr. Drexler surrendered all of his premium options to us. In consideration of the surrender, we granted to Mr. Drexler replacement premium options in May 2004 as follows: options to purchase 836,889 shares at an exercise price equal to $15.00 per share and options to purchase an additional 836,889 shares at an exercise price equal to $25.00 per share. The replacement premium options are subject to the same terms and conditions (other than the expiration date), including vesting schedule, as the surrendered premium options. This option repricing was approved by a majority of our board of directors.

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

Mr. Drexler has entered into a stockholders’ agreement with us and Partners II relating to the Drexler Restricted Shares and any other shares of our common stock that he may subsequently acquire. Under the provisions of the stockholders’ agreement that will survive the consummation of this offering:

- Mr. Drexler has the right to include the Drexler Restricted Shares in any registered offering of our common stock that includes shares of our common stock held by Partners II (or any of its permitted transferees) and, one year after the consummation of this offering, to require us to register the Drexler Restricted Shares under the Securities Act,

- Ÿ if a third party acquires all or substantially all of our shares and Partners II intends to transfer its shares to such purchaser, Partners II may require Mr. Drexler to transfer the Drexler Restricted Shares as well, and
- Ÿ Mr. Drexler has the right to transfer the Drexler Restricted Shares in a transaction described in the previous bullet point.

Jeffrey Pfeifle. Mr. Pfeifle has entered into an employment agreement with us pursuant to which he has agreed to serve as President for five years beginning on February 1, 2003, subject to automatic one-year renewals unless we or Mr. Pfeifle provide at least three months' written notice prior to the expiration of the then current term. The agreement provides for an annual base salary of $760,000, (with such amount to be reviewed by the board annually), one-time bonuses in the total amount of $2,000,000 which became payable after his start date, an annual bonus based on the achievement of earnings objectives to be determined each year provided that the minimum bonus payable for fiscal 2003 would be $400,000, a long-term cash incentive payment between $800,000 and $1,200,000 based on the achievement of performance objectives to be determined each year payable in installments at the end of fiscal years 2003 and 2004, and reimbursement of business expenses. The annual bonus shall be a percentage of the base salary, with the target bonus ranging from 25% to a maximum of 100% of base salary. The agreement also provides for (i) the grant of options to purchase 167,378 shares of our common stock at an exercise price equal to $6.82 per share, which we refer to as "initial options," and (ii) the grant of premium options to purchase an additional 111,585 shares at an exercise price equal to $25.00 per share and 111,585 shares at an exercise price equal to $35.00 per share, which we refer to as "premium options." The initial options and the premium options vest in equal annual installments over four years commencing on the second anniversary of the date Mr. Pfeifle commenced his employment with us. The agreement also provides for the grant of 111,585 shares of our common stock, which we refer to as the "Pfeifle Restricted Shares." Under the agreement, Mr. Pfeifle is subject to customary non-solicitation, non-competition and confidentiality covenants.

Under Mr. Pfeifle's employment agreement, if Mr. Pfeifle's employment is terminated by us without "cause" or by him for "good reason" (each as defined in the employment agreement), or as a result of the provision of notice of our intent not to renew his employment period, Mr. Pfeifle will be entitled to receive his base salary for two years, a pro-rated amount of any bonus that he would have otherwise received for the fiscal year ending before the termination date, and the immediate vesting of that portion of the initial options, premium options and Pfeifle Restricted Shares that would have become vested on the next scheduled vesting date following the termination date. If termination occurs within the two year period following a "change in control" (as defined in the employment agreement) or within six months before a "change in control," all of the unvested initial options, premium options and Pfeifle Restricted Shares will immediately vest and become exercisable. If termination occurs before February 1, 2006, Mr. Pfeifle is entitled to receive a minimum of $2,000,000 in the form of cash severance compensation.

In September 2003, Mr. Pfeifle surrendered all of his premium options to us. In consideration of the surrender, we granted Mr. Pfeifle replacement premium options in May 2004 as follows: options to purchase 111,585 shares at an exercise price equal to $15.00 per share and options to purchase an additional 111,585 shares at an exercise price equal to $25.00 per share. The replacement premium options are subject to the same terms and conditions (other than expiration date), including vesting schedule, as the surrendered premium options. This option repricing was approved by a majority of our board of directors.

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

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

Tracy Gardner. Ms. Gardner has entered into an employment agreement with us pursuant to which she has agreed to serve as Executive Vice President, Merchandising, Planning and Production for four years beginning in March 2004, subject to renewal upon mutual agreement. The agreement provides for a minimum annual base salary of $450,000, a one-time sign-on bonus of $150,000, and an annual bonus based on the achievement of earnings objectives and individual performance goals to be determined each year, provided that the minimum bonus payable with respect to fiscal 2004 was $112,500. The agreement also provides for (i) the grant of options to purchase 50,000 shares of our common stock at an exercise price equal to $6.82 per share, which we refer to as "initial options," and (ii) the grant of premium options to purchase an additional 20,000 shares of our common stock at an exercise price equal to $15.00 per share and 20,000 shares of our common stock at an exercise price equal to $25.00 per share, which we refer to as "premium options." The agreement also provides for the grant in March 2005 of (x) an additional option to purchase 20,000 shares of our common stock at an exercise price equal to $15.00 per share and (y) an additional option to purchase 20,000 shares of our common stock at an exercise price equal to $25.00 per share, which we refer to as the "additional premium options." The initial options vest in equal annual installments over four years commencing on the first anniversary of the grant date. The premium options and the additional premium options vest in equal installments over four years commencing on the second anniversary of their respective grant dates. The agreement also provides for the grant of 50,000 shares of our common stock, which we refer to as the "Gardner Restricted Shares." Ms. Gardner also received relocation benefits in connection with her relocation to the New York City area. Under the agreement, Ms. Gardner is subject to customary non-solicitation, non-competition and confidentiality covenants.

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

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

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

James Scully. We have entered into an employment agreement dated August 16, 2005, with James Scully, pursuant to which he has agreed to serve as our Executive Vice President and Chief Financial Officer, effective September 7, 2005, for a three year period, subject to automatic one-year renewals unless we or Mr. Scully provide four month's written notice prior to the expiration of the then current term. Mr. Scully's annual base salary will be $475,000, which will be reviewed annually by us.

He will be eligible to receive an annual bonus with a target bonus of 50% of base salary and a maximum of 100% of base salary, based upon the achievement of certain company and individual performance objectives, provided that for fiscal 2005, Mr. Scully will have a guaranteed bonus of $250,000. Mr. Scully will also be entitled to receive a $165,000 transition support payment, provided that in the event he voluntarily terminates his employment without “good reason” or we terminate his employment for “cause” (each as defined in the agreement) within the first year of employment, Mr. Scully will be required to immediately pay us back a pro-rata portion of the transition support payment. The agreement also provides Mr. Scully with relocation assistance in connection with his relocation to New York in accordance with our executive homeowner relocation policy, provided that in the event that he voluntarily terminates his employment without good reason prior to the first anniversary of his employment, he will be required to immediately pay back a pro-rata portion of all relocation assistance payments that he received. In addition, subject to the approval of our board, we will grant to Mr. Scully the following equity awards: (i) options to purchase 50,000 shares of our common stock at an exercise price per share equal to the fair market value on the date of grant, which we refer to as “initial options,” (ii) premium options to purchase an additional 40,000 shares at an exercise price equal to the greater of $15.00 per share and the fair market value per share on the grant date and 40,000 shares at an exercise price equal to $25.00 per share, which we refer to as “premium options,” and (iii) 35,000 restricted shares, all of which will vest in equal annual installments beginning on the first anniversary of the grant date. Under the agreement, Mr. Scully is subject to customary non-solicitation, non-competition and confidentiality covenants.

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

Amended and Restated 1997 Stock Option Plan

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

Share Reserve. We have authorized 1,910,000 shares of our common stock for issuance under the 1997 Plan. The aggregate number of shares available for issuance under the 1997 Plan may be adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 1997 Plan. In addition, shares subject to stock awards that have expired, been forfeited or otherwise terminated without having been exercised may be subject to new awards under the 1997 Plan. As of July 31, 2005, options to purchase 1,668,300 shares of our common stock at a weighted average exercise price of $8.47 per share were outstanding under the 1997 Plan.

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

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

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

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

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

2003 Equity Incentive Plan

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

Share Reserve. We have authorized 4,798,160 shares of our common stock for issuance under the 2003 Plan. Unless our compensation committee determines otherwise, of the maximum number of shares reserved for issuance: (a) 1,115,812 shares are reserved for the issuance of stock options with an exercise price of $6.82 per share, provided that if the fair market value of a share of our common stock is greater than $6.82, such exercise price may be greater than $6.82 per share; (b) 1,115,812 shares are reserved for the issuance of stock options with an exercise price of $25.00 per share, provided that if the fair market value of a share of our common stock is greater than $25.00, such exercise price may be greater than $25.00 per share; (c) 1,115,812 shares are reserved for the issuance of stock options with an exercise price of $35.00 per share, provided that if the fair market value of a share of our common stock is greater than $35.00, such exercise price may be greater than $35.00 per share; and (d) 1,450,724 shares are reserved for the issuance of restricted shares. The aggregate number of shares available for issuance under the 2003 Plan may be adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 2003 Plan. As of July 31, 2005, options to purchase 3,029,142 shares of our common stock at a weighted average exercise price of $16.57 per share were outstanding under the 2003 Plan.

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

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

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

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

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

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

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

Company Bonus Plan

On April 12, 2005, our compensation committee approved the financial goals under our bonus plan for fiscal 2005, which we refer to as the “2005 Plan,” for the annual cash bonus awards payable to eligible employees participating in the 2005 Plan, including Messrs. Drexler and Pfeifle and Mss. Bokman and Gardner. The bonuses payable under the 2005 Plan will be based on the extent to which we meet or exceed specific financial goals established by the compensation committee and individual performance assessments as determined in the discretion of our management. For Messrs. Drexler and Pfeifle and Ms. Gardner, the amount of the actual bonus award could range from zero to 100% of annual base salary, with targets ranging from 35% to 50% of annual base salary.

Executive Severance Arrangements

Amanda Bokman, our former Chief Financial Officer, has a separation agreement with us, which provides for the termination of her employment effective as of June 17, 2005. Pursuant to this separation agreement, she is entitled to the continuation of her base salary at the rate of $400,000 per annum until the earlier of (a) the first anniversary of the date of the termination of her employment or (b) the date she obtains new employment, provided that if she receives cash compensation of less than $400,000 per annum in connection with any new employment, we will continue to pay an incremental amount until the first anniversary of the date of the termination of her employment so that the compensation Ms. Bokman receives from her new employment plus the incremental amount from us equals $400,000 on an annualized basis. Ms. Bokman is also entitled to receive (i) a pro-rata bonus of at least $38,000 for fiscal 2005; (ii) reimbursement of the cost of COBRA premiums during the period beginning on the date of the termination of her employment and ending on the earlier of the first anniversary of the date of termination or the date she becomes eligible for medical coverage in connection with any new employment; and (iii) outplacement services, upon request. In addition, in accordance with the provisions of our 2003 Equity Incentive Plan, all of Ms. Bokman’s unvested options and unvested restricted shares terminated as of the date of termination, and all vested options as of the date of termination will terminate 90 days from that date. All of the payments and benefits described above are contingent on Ms. Bokman’s execution of a general release of claims against us arising out of or related to her employment with us or the termination of that employment and compliance with the restrictive covenants provided in her employment agreement with us. In the event that Ms. Bokman violates any of her obligations under the separation agreement, she will forfeit her right to receive the above payments and benefits and all vested options shall immediately expire.

Compensation Committee Interlocks and Insider Participation

In fiscal 2004, the members of our compensation committee were Messrs. Coulter (Chairman) and Sloan and Ms. Scott. Ms. Scott is a former Chairman, former Chief Executive Officer and former Vice-Chairman of J.Crew. Mr. Sloan is the President of UV, Inc., which is the general partner of University Village Limited Partnership, the owner and operator of University Village Shopping Center in Seattle, Washington. J.Crew has entered into a 10-year lease agreement with University Village Limited Partnership with respect to the lease of 7,400 square feet at the University Village Shopping Center for the operation of one of our retail stores. See “Certain Relationships and Related Transactions—University Village Lease.”

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership of shares is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, we believe that each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by that person. Shares of common stock subject to options currently exercisable or exercisable within 60 days of July 31, 2005 are deemed outstanding for calculating the percentage of outstanding shares of the person holding these options, but are not deemed outstanding for calculating the percentage of any other person. The beneficial ownership of shares of our common stock after the offering as set forth below is calculated assuming an aggregate of shares will be sold in this offering and an aggregate of shares will be issued in connection with the Conversion and the TPG Subscription. In the event that a different number of shares is sold, the beneficial ownership of holders of our common stock may be significantly different from that set forth below.

The following table sets forth information regarding the beneficial ownership of the shares of our common stock as of July 31, 2005 by stockholders known by us to beneficially own more than five percent of our outstanding common stock.

			Percent of Class	
Title of Class	**Name and Address of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Before Offering**	**After Offering(1)**
Common stock	TPG Advisors II, Inc. 301 Commerce Street Suite 3300 Fort Worth, TX 76102	8,972,797 shares(2)(3)	51%	
Common stock	Emily Scott J.Crew Group, Inc. 770 Broadway New York, NY 10003	2,767,377 shares(4)	16%	
Common stock	Millard S. Drexler J.Crew Group, Inc. 770 Broadway New York, NY 10003	2,680,206 shares(5)	15%	

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

(2) TPG Advisors II, Inc. is the general partner of TPG Gen Par II, L.P. (“GenPar II”), which is the general partner of each of Partners II, TPG Parallel II, L.P. (“Parallel II”), TPG Investors II, L.P. (together with Partners II and Parallel II, the “TPG II Funds”), and TPG 1999 Equity II, L.P. (“Equity II”). The TPG II Funds and Equity II beneficially own 8,972,797 shares of our common stock directly. TPG Advisors II, Inc. may be deemed to be the beneficial owner of shares beneficially owned by the TPG II Funds and Equity II but disclaims such beneficial ownership pursuant to rules promulgated under the Exchange Act. David Bonderman, James G. Coulter and William S. Price, III (the “Shareholders”) are directors, officers and shareholders of TPG Advisors II, Inc. and may be deemed to be the beneficial owners of shares owned by the TPG II Funds and Equity II. Each Shareholder disclaims beneficial ownership of any securities beneficially owned by the TPG II Funds and Equity II.

(3) Includes 1,659,000 shares not currently owned but issuable to the TPG II Funds and Equity II upon conversion of the 5.0% Notes Payable. The TPG II Funds and Equity II together hold a 50% membership interest in TPG-MD Investment, LLC, which beneficially owns the 5.0% Notes Payable directly. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. The TPG II Funds and Equity II have agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(4) Includes 497,200 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable.

(5) Includes (i) 340,237 shares owned by Mr. Drexler, (ii) 262,524 restricted shares beneficially owned by a family trust for which Mr. Drexler is a trustee, (iii) 418,446 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable, and (iv) 1,659,000 shares not currently owned but issuable to TPG-MD Investment, LLC upon conversion of the 5.0% Notes Payable. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. An entity controlled by Mr. Drexler, MDJC LLC, holds a 50% membership interest in TPG-MD Investment LLC, which beneficially owns the 5.0% Notes Payable directly. Mr. Drexler has agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

Table of Contents

The following table sets forth information regarding the beneficial ownership of each class of our equity securities as of July 31, 2005 by each of our directors and executive officers, and our directors and executive officers as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class Before Offering	Percent of Class After Offering(1)
Common stock	Richard Boyce	55,200(2)	*	
Common stock	James Coulter	8,972,797(3)	51%	
Common stock	Steven Grand-Jean	12,500(4)	*	
Common stock	Emily Scott	2,767,377(5)	16%	
Common stock	Thomas Scott	12,500(4)	*	
Common stock	Stuart Sloan	12,500(4)	*	
Common stock	Josh Weston	32,978(6)	*	
Common stock	Millard Drexler	2,680,206(7)	15%	
Common stock	Roxane Al-Fayez	15,000(8)	*	
Common stock	Tracy Gardner	12,500(9)	*	
Common stock	Jeffrey Pfeifle	178,539(10)	1%	
Common stock	All directors and executive officers as a group	14,730,011	83%	
Series A preferred stock	James Coulter	73,475(11)	79%	
Series A preferred stock	Emily Scott	2,979	3%	
Series A preferred stock	Josh Weston	60	*	
Series A preferred stock	All directors and executive officers as a group	76,514	83%	

* Represents less than 1% of the class.

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

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

(3) As a Shareholder, Mr. Coulter may be deemed to be the beneficial owner of shares owned by the TPG II Funds and Equity II. Includes 1,659,000 shares not currently owned but issuable to the TPG II Funds and Equity II upon conversion of the 5.0% Notes Payable. We refer you to "Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable" for more information. Mr. Coulter disclaims beneficial ownership of the shares owned by the TPG II Funds and Equity II. The TPG II Funds and Equity II have agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to "Transactions in Connection with the Offering" for more information.

(4) Includes 7,500 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(5) Includes 497,200 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(6) Includes 2,500 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(7) Includes (i) 340,237 shares owned by Mr. Drexler, (ii) 262,524 shares beneficially owned by a family trust of which Mr. Drexler is a trustee, (iii) 418,446 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days, and (iv) 1,659,000 shares not currently owned but issuable to TPG-MD Investment, LLC upon conversion of the 5.0% Notes Payable. An entity controlled by Mr. Drexler, MDJC LLC, holds a 50% membership interest in TPG-MD Investment LLC, which beneficially owns the 5.0% Notes Payable directly. We refer you to "Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable" for more information. Mr. Drexler has agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to "Transactions in Connection with the Offering" for more information.

(8) Includes 11,250 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(9) Includes 12,500 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(10) Includes 97,639 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Tax Sharing Arrangement

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

5.0% Notes Payable

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

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

University Village Lease

Stuart Sloan, a director, is the President of UV, Inc., which is the general partner of University Village Limited Partnership, the owner and operator of University Village Shopping Center in Seattle, Washington. Mr. Sloan's sons are the beneficiaries of trusts that are limited partners of University Village Limited Partnership. On October 14, 2003, we entered into a lease agreement with University Village Limited Partnership for a 7,400 square foot space at the University Village Shopping Center for the operation of one of our retail stores. The term of the lease is 10 years. We received an allowance for tenant's improvements in the amount of $450,000 from University Village Limited Partnership. Annual rent due under the lease is comprised of (i) base rent payment of $296,000 for years one through five and $320,000 for years six through 10 and (ii) contingent rent payment based on the store's sales in excess of a specified threshold. The lease also requires us to pay real estate taxes, insurance and certain common-area costs. We believe the terms of the lease are consistent with arms-length negotiations.

Plum TV Sponsorship Agreement

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

DESCRIPTION OF CAPITAL STOCK

General

We were incorporated in New York in 1988 and, subject to stockholder approval, plan to reincorporate in Delaware prior to the consummation of this offering. Unless otherwise indicated, all information in this prospectus assumes that we have reincorporated in Delaware. The following description of our capital stock following our reincorporation does not purport to be complete and is subject to the provisions of our certificate of incorporation and bylaws, forms of which are filed as exhibits to the registration statement of which this prospectus is a part. The following descriptions are qualified in their entirety by reference to our certificate of incorporation and bylaws and to applicable law.

Common Stock

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

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

Preferred Stock

Our certificate of incorporation will authorize the issuance of an aggregate of shares of preferred stock. Prior to the consummation of this offering, there were approximately 92,800 shares of our Series A Preferred Stock outstanding, and 32,500 shares of our Series B Preferred Stock outstanding. As described above in “Transactions in Connection with the Offering,” we expect that all outstanding shares of Series A Preferred Stock and Series B Preferred Stock will be redeemed in connection with this offering. Upon the consummation of those transactions there will be no shares of preferred stock outstanding.

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

Stockholders' Agreements

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

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

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

Provisions in Our Charter and Bylaws

Certificate of Incorporation. Our certificate of incorporation provides that:

- our board of directors may issue, without further action by the stockholders, up to shares of undesignated preferred stock,
- any action to be taken by our stockholders must be effected at a duly called annual or special meeting and not by a consent in writing,
- our board of directors is divided into three classes, with each class serving for a term of three years,

- Ÿ vacancies on the board, including newly created directorships, can be filled for the remainder of the relevant term by a majority of the directors then in office, and
- Ÿ our directors may be removed only for cause.

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

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

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

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

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

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

Limitation of Liability and Indemnification of Officers and Directors

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

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Limited.

New York Stock Exchange Listing

We intend to apply to list our common stock on the New York Stock Exchange under the symbol “JCG.”

DESCRIPTION OF CERTAIN INDEBTEDNESS

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

Credit Facility

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

Structure. The Credit Facility provides for revolving loans and letter of credit accommodations to Operating and certain of its subsidiaries (collectively, the "Borrowers"), and expires in December 2009. The total amount of available borrowings is subject to limitations based on specified percentages of the value of eligible receivables, inventory and real property. During fiscal 2002, 2003 and 2004, maximum borrowings under our working capital credit agreements were $63.0 million, $10.0 million and none, respectively, and average borrowings were none, $40.4 million and $1.0 million, respectively. There were no borrowings outstanding at January 31, 2004 and January 29, 2005. As of July 31, 2005, there were no amounts outstanding and $54.2 million available under the Credit Facility.

Guarantees and Security. Borrowings under the Credit Facility are guaranteed by us, Intermediate and an indirect subsidiary of Operating and are secured by a perfected first priority security interest in substantially all of our and our subsidiaries' assets.

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

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

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

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

- sell our assets, enter into consolidations, mergers and dissolutions,
- grant liens and other encumbrances,
- enter into sale and leaseback transactions,
- incur additional indebtedness,
- redeem, repurchase or prepay certain of our indebtedness,

- Ÿ make loans and other investments,
- Ÿ pay dividends or make other distributions on our common stock,
- Ÿ redeem or repurchase our common stock,
- Ÿ enter into transactions with affiliates,
- Ÿ enter into contracts that limit intercompany transfers of money or property,
- Ÿ make certain capital expenditures, and
- Ÿ make changes to the business activities we conduct.

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

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

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

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

We intend to seek a waiver from the lenders under the Credit Facility in connection with our proposed reincorporation in Delaware and merger with Intermediate. As a result of these transactions, we will succeed to Intermediate's obligations as guarantor under the Credit Facility.

Letters of Credit. Outstanding letters of credit established primarily to facilitate international merchandise purchases amounted to $39.5 million and $58.7 million at January 31, 2004 and January 29, 2005, respectively, and $60.8 million at July 31, 2005.

Senior Subordinated Term Loan and 9 3/4% Notes

On November 21, 2004, Operating entered into a Senior Subordinated Loan Agreement with entities managed by Black Canyon Capital LLC and Canyon Capital Advisors LLC, which provided for a term loan of $275 million. The proceeds of the term loan were used to redeem in full the 10 3/8% Notes ($150.0 million) and to redeem in part the 16% Notes ($125.0 million). On March 18, 2005, the term loan was converted into the 9 3/4% Notes in accordance with the terms of the loan agreement.

Rank. The 9 3/4% Notes are general senior subordinated obligations of Operating and certain subsidiaries of Intermediate, are subordinated in right of payment to their existing and future senior debt, rank equal in right of payment with any of their future senior subordinated debt and are senior in right of payment to any of their future subordinated debt.

Guarantees and Security. Operating's existing domestic subsidiaries, other than non-guarantor subsidiaries, are guarantors of the 9 3/4% Notes. The 9 3/4% Notes are secured by the assets of Operating and certain subsidiaries of Operating and by Operating's common stock owned by Intermediate and such security interest is junior in priority to that securing first-lien obligations, including those under the Credit Facility.

Interest Rate. Interest on the 9 3/4% Notes accrues at the rate of 9 3/4% per annum and is payable semi-annually in arrears on each June 23 and December 23.

Maturity. The notes mature on December 23, 2014.

Redemption and Prepayment Penalties. The 9 3/4% Notes may be redeemed at our option, in whole or in part, at 101% of the principal amount at any time until June 23, 2006 and thereafter, at any time on or after December 23, 2009 at prices ranging from 104.875% to 100% of the principal amount, in each case, plus accrued and unpaid interest.

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

Under the indenture governing the 9 3/4% Notes, Operating may declare cash dividends payable to us in an amount sufficient to enable us to make the regularly scheduled payment of interest in respect of our 13 1/8% Debentures so long as no default or event of default has occurred and is continuing under the indenture.

In connection with our proposed merger with Intermediate, pursuant to the terms of the 9 3/4% Notes, we will succeed to Intermediate's obligations as guarantor of the 9 3/4% Notes.

We intend to redeem all or a portion of the 9 3/4% Notes with the proceeds of the New Term Loan.

5.0% Notes Payable

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

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

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

In November 2004, the credit agreement with TPG-MD Investment, LLC was amended to subordinate the Tranche A loan in right of payment to the 9 3/4% Notes while the Tranche B loan is equal in right of payment with the 9 3/4% Notes.

TPG-MD Investment, LLC has the right, exercisable at any time prior to the maturity date of the 5.0% Notes Payable, to exchange the principal amount of and accrued and unpaid interest on the 5.0% Notes Payable into shares of our common stock at an exercise price of $6.82 per share. As described above in “Transactions in Connection with the Offering”, TPG-MD Investment, LLC has agreed to exercise this conversion right immediately prior to the consummation of this offering. TPG-MD Investment, LLC also has the right to require Operating to prepay the Tranche B loan without premium or penalty under certain circumstances.

New Term Loan

We expect to enter into a new term loan prior to the consummation of this offering.

CERTAIN UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

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

Dividends

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

Gain on Disposition of Common Stock

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

Federal Estate Taxes

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

U.S. Information Reporting Requirements and Backup Withholding Tax

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

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

SHARES ELIGIBLE FOR FUTURE SALE

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

Upon the consummation of this offering, we expect that shares of our common stock will be outstanding, based on shares outstanding on , 2005 and the issuance of shares in connection with the Conversion and the TPG Subscription (and shares if the underwriters' overallotment option is exercised in full).

All of the shares sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares purchased by our affiliates (as that term is defined in Rule 144 under the Securities Act). The remaining shares of common stock that are held or may be acquired by existing stockholders as of , 2005, as well as shares of our common stock issued in connection with the Conversion and the TPG Subscription are restricted shares as that term is defined in Rule 144 under the Securities Act and may be resold publicly only upon registration under the Securities Act or in compliance with an exemption from registration, such as the exemption provided under Rule 144, which is summarized below.

Rule 144

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

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

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

Sales by Non-affiliates. Subject to the lock-up agreements described below, Rule 144(k) is available immediately upon effectiveness of the prospectus for any person, other than a person deemed to have been an affiliate of our company at any time during the three months preceding a sale, who has beneficially owned the shares proposed to be sold for at least two years. As of August 15, 2005, all of the outstanding shares held by non-affiliates have a Rule 144 holding period that exceeds two years. As a result, our non-affiliates may sell these shares under Rule 144(k) without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Lock-up Agreements

Notwithstanding the foregoing, we and the holders of approximately % of our shares outstanding after the consummation of this offering, the Conversion and the TPG Subscription and % of our shares issuable under options and grants outstanding as of , 2005 — including, among others, our directors and officers — have agreed, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except, in our case, issuances upon exercises of options outstanding under existing option plans and the issuance of common stock in connection with the TPG Subscription and the Conversion. However, Goldman, Sachs & Co. and Bear, Stearns & Co. Inc., in their sole discretion, may release any of the securities subject to lock-up agreements, at any time without notice.

Option Grants

As of July 31, 2005, collectively under both our 1997 Amended and Restated Stock Option Plan and our 2003 Equity Incentive Plan, there were options issued and outstanding to purchase up to 4,836,924 shares of our common stock. An additional 241,701 shares were reserved for issuance under our 1997 Amended and Restated Stock Option Plan, and 178,811 shares were available for grant under our 2003 Equity Incentive Plan.

Registration Rights

Certain stockholders have rights under stockholders' agreements with us and an affiliate of Texas Pacific Group to cause us to register their shares of common stock under the Securities Act representing an aggregate of up to shares of our common stock. Registration of the sale of these shares of our common stock would permit their sale into the market immediately. If these stockholders sell a large number of shares, the market price of our common stock could decline. These holders of registration rights are subject to lock-up agreements for a period of 180 days following the date of this prospectus. We refer you to "Management—Executive Compensation—Employment Agreements and other Compensation Arrangements" and "Description of Capital Stock—Stockholders' Agreements" for a more detailed discussion of the registration rights.

S-8 Registration Statements

We have filed two registration statements under the Securities Act registering up to 5,257,436 shares of our common stock underlying outstanding stock options or restricted stock awards or reserved for issuance under our equity incentive plans. These registration statements became effective upon filing, and shares covered by these registration statements became eligible for sale in the public market immediately after the effective dates of these registration statements, subject to the lock-up agreements described above.

TPG Subscription

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

Table of Contents

UNDERWRITING

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

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Bear, Stearns & Co. Inc.	
Total	

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

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

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

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

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

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

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

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

An application will be made to list the common stock on the New York Stock Exchange under the symbol "JCG." In order to meet one of the requirements for listing the common stock on the New York Stock Exchange, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

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

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

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

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

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

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

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

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

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

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

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

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

Each of the underwriters has represented and agreed that:

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

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

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

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the securities to the public in Singapore.

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

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

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

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

EXPERTS

Our consolidated balance sheets as of January 31, 2004 and January 29, 2005 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years in the three-year period ended January 29, 2005 have been included in this prospectus and the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere in this prospectus, and upon the authority of such firm as experts in auditing and accounting. Their report includes explanatory paragraphs referring to (a) the adoption of Statement of Financial Accounting Standard No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" in the third quarter of fiscal 2003, and (b) a restatement to reclassify the proceeds from construction allowances in the consolidated statements of cash flows for the years ended February 1, 2003 and January 31, 2004.

VALIDITY OF COMMON STOCK

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

AVAILABLE INFORMATION

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

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

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

Table of Contents

J.CREW GROUP, INC.
INDEX TO FINANCIAL STATEMENTS

Table of Contents

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

	January 29, 2005	April 30, 2005
	(unaudited) (in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 23,647	$ 25,401
Merchandise inventories	88,093	104,503
Prepaid expenses and other current assets	22,217	23,203
Refundable income taxes	9,320	9,320
Total current assets	143,277	162,427
Property and equipment—at cost	259,098	262,892
Less accumulated depreciation and amortization	(138,285)	(145,608)
	120,813	117,284
Other assets	14,104	13,613
Total assets	278,194	293,324
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 68,569	$ 63,094
Other current liabilities	61,148	66,807
Federal and state income taxes	1,392	1,525
Total current liabilities	131,109	131,426
Deferred credits	59,064	59,137
Long-term debt (includes redeemable preferred stock)	576,933	589,985
Preferred stock	92,800	92,800
Stockholders' deficit	(581,712)	(580,024)
Total liabilities and stockholders' deficit	$ 278,194	$ 293,324

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

	Thirteen weeks ended	
	May 1, 2004	April 30, 2005
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 140,575	$ 204,579
Other	5,092	5,956
	145,667	210,535
Cost of goods sold, including buying and occupancy costs	84,935	114,089
Gross profit	60,732	96,446
Selling, general and administrative expenses	63,557	73,460
Income (loss) from operations	(2,825)	22,986
Interest expense—net	20,962	17,489
Income (loss) before income taxes	(23,787)	5,497
Income taxes	—	600
Net income (loss)	$ (23,787)	$ 4,897

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

	Thirteen weeks ended	
	May 1, 2004	April 30, 2005
	(unaudited) (in thousands)	
Cash flow from operating activities:		
Net income (loss)	$(23,787)	$ 4,897
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	9,163	7,766
Amortization of deferred financing costs	570	259
Amortization of deferred compensation	10	155
Non-cash interest expense (including redeemable preferred stock dividends of $7,675 and $9,362 in 2004 and 2005, respectively)	15,450	9,688
Changes in operating assets and liabilities:		
Merchandise inventories	(18,693)	(16,410)
Prepaid expenses and other current assets	1,261	(986)
Other assets	225	232
Accounts payable and other liabilities	308	61
Federal and state income taxes	(345)	133
Net cash provided by (used in) operating activities	(15,838)	5,795
Cash flow used in investing activities:		
Capital expenditures	(1,886)	(4,041)
Cash flow used in financing activities:		
Repayment of long-term debt	(291)	—
Increase/(decrease) in cash and cash equivalents	(18,015)	1,754
Cash and cash equivalents—beginning of period	49,650	23,647
Cash and cash equivalents—end of period	$ 31,635	$ 25,401
Non-cash financing activities:		
Dividends on preferred stock (reflected directly in stockholders' deficit)	$ 3,364	$ 3,364

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Thirteen weeks ended May 1, 2004 and April 30, 2005

1. Basis of Presentation

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

All significant intercompany balances and transactions are eliminated in consolidation.

The condensed consolidated balance sheet as of April 30, 2005 and the condensed consolidated statements of operations and cash flows for the thirteen week periods ended May 1, 2004 and April 30, 2005 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of the financial position, results of operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the consolidated financial statements for the fiscal year ended January 29, 2005.

The results of operations for the thirteen-week period ended April 30, 2005 are not necessarily indicative of the operating results for the full fiscal year.

2. Recent Accounting Pronouncements

In December 2004, the FASB issued Statement No. 123 R, *Share-Based Payments*. This revision to Statement No. 123 requires that compensation expense be recognized for the fair value of stock options over their vesting period and changes the method of expense recognition for performance-based stock awards. The Statement is required to be adopted by the Company for fiscal years beginning after December 15, 2005 and applies to all outstanding stock options and stock awards that have not yet vested at the date of adoption. Management is evaluating the effects of this Statement.

3. Long-term debt

Long-term debt consists of the following:

	January 29, 2005	April 30, 2005
	($ in thousands)	
Operating:		
9 3/4% senior subordinated notes	$ 275,000	$ 275,000
5.0% Notes Payable	22,000	22,326
Total Operating	297,000	297,326
Group:		
13 1/8% Debentures	21,667	21,667
Redeemable preferred stock	258,266	270,992
Total	$ 576,933	$ 589,985

4. Other

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

5. Reclassifications

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Group as of January 31, 2004 and January 29, 2005, and the results of its operations and its cash flows for each of the years in the three-year period ended January 29, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 6 to the consolidated financial statements, in the third quarter of fiscal 2003, Group adopted Statement of Financial Accounting Standard No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”.

As discussed in Note 2, Group restated its consolidated statements of cash flows for the years ended February 1, 2003 and January 31, 2004, to reclassify the proceeds from construction allowances from cash flows from investing activities to cash flows from operating activities.

KPMG LLP
New York, New York
April 4, 2005

J.CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	January 31, 2004	January 29, 2005
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 49,650	$ 23,647
Merchandise inventories	66,028	88,093
Prepaid expenses and other current assets	20,733	22,217
Refundable income taxes	9,320	9,320
Total current assets	145,731	143,277
Property and equipment—at cost	284,945	259,098
Less accumulated depreciation and amortization	(146,565)	(138,285)
	138,380	120,813
Other assets	13,500	14,104
Total assets	$ 297,611	$ 278,194
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current portion of long-term debt	$ 1,164	$ —
Accounts payable	49,386	68,569
Other current liabilities	47,789	61,148
Federal and state income taxes	1,175	1,392
Total current liabilities	99,514	131,109
Deferred credits	56,723	59,064
Long-term debt	516,640	576,933
Preferred stock	92,800	92,800
Stockholders' deficit	(468,066)	(581,712)
Total liabilities and stockholders' deficit	$ 297,611	$ 278,194

See notes to consolidated financial statements.

Table of Contents

J.CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	Years Ended		
	February 1, 2003	January 31, 2004	January 29, 2005
		(In thousands)	
Revenues:			
Net sales	$732,279	$ 660,628	$ 778,295
Other	36,065	29,337	25,921
	768,344	689,965	804,216
Cost of goods sold, including buying and occupancy costs	472,262	440,276	478,829
Gross profit	296,082	249,689	325,387
Selling, general and administrative expenses	301,718	280,464	287,745
Income/(loss) from operations	(5,636)	(30,775)	37,642
Interest expense—net	40,954	63,844	87,571
Insurance proceeds	(1,800)	(3,850)	—
(Gain) loss on refinancing of debt (net of expenses of $2,922 in 2003)	—	(41,085)	49,780
Loss before income taxes	(44,790)	(49,684)	(99,709)
Income taxes (provision)/benefit	4,200	(500)	(600)
Net loss	$ (40,590)	$ (50,184)	$ (100,309)

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit
(in thousands, except shares)

	Common Stock		Additional paid-in capital	Accumulated deficit	Treasury stock	Deferred compensation	Stockholders' deficit
	Shares	Amount					
Balance at February 2, 2002	12,238,189	$ 122	$ 70,690	$ (387,186)	$ (2,351)	$ (318)	$ (319,043)
Net loss	—	—	—	(40,590)	—	—	(40,590)
Preferred stock dividends	—	—	—	(33,578)	—	—	(33,578)
Issuance of common stock	12,318	1	283	—	—	—	284
Issuance of restricted stock	1,109,266	11	1,100	—	—	(311)	800
Amortization of restricted stock	—	—	—	—	—	464	464
Balance at February 1, 2003	13,359,773	134	72,073	(461,354)	(2,351)	(165)	(391,663)
Net loss	—	—	—	(50,184)	—	—	(50,184)
Preferred stock dividends	—	—	—	(26,260)	—	—	(26,260)
Issuance of restricted stock	224,402	2	163	—	—	(165)	—
Amortization of restricted stock	—	—	—	—	—	41	41
Forfeiture of restricted stock	—	—	—	—	(62)	62	—
Balance at January 31, 2004	13,584,175	136	72,236	(537,798)	(2,413)	(227)	(468,066)
Net loss	—	—	—	(100,309)	—	—	(100,309)
Preferred stock dividends	—	—	—	(13,456)	—	—	(13,456)
Issuance of restricted stock	196,000	1	144	—	—	(145)	—
Amortization of restricted stock	—	—	—	—	—	119	119
Balance at January 29, 2005	13,780,175	$ 137	$ 72,380	$ (651,563)	$ (2,413)	$ (253)	$ (581,712)

See notes to consolidated financial statements.

[Table of Contents](#)

J.CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended		
	February 1, 2003	January 31, 2004	January 29, 2005
	(restated)	(restated) (in thousands)	
Cash flows from operating activities:			
Net loss	$ (40,590)	$ (50,184)	$ (100,309)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	43,197	43,075	37,061
Amortization of deferred financing costs	4,435	2,179	2,425
Non-cash interest expense (including redeemable preferred stock dividends of $14,206 in 2003 and $33,106 in 2004)	12,313	40,991	63,536
Deferred income taxes	7,421	5,000	—
Non-cash compensation expense	(589)	41	119
(Gain)/loss on refinancing of debt	—	(41,085)	49,780
Changes in operating assets and liabilities:			
Merchandise inventories	31,600	41,290	(22,065)
Prepaid expenses and other current assets	2,140	4,153	(1,484)
Other assets	(2,470)	832	664
Accounts payable and other liabilities	(13,531)	(23,211)	28,819
Federal and state income taxes	(12,140)	(4,845)	217
Net cash provided by operating activities	31,786	18,236	58,763
Cash flow from investing activities:			
Capital expenditures	(26,920)	(9,908)	(13,431)
Cash flow from financing activities:			
Proceeds from long-term debt	—	25,820	275,000
Costs incurred in refinancing debt	(3,256)	(2,617)	(22,137)
Repayment of long-term debt	—	(776)	(324,198)
Proceeds from the issuance of common stock	1,084	—	—
Net cash provided by (used in) financing activities	(2,172)	22,427	(71,335)
Increase (decrease) in cash and cash equivalents	2,694	30,755	(26,003)
Cash and cash equivalents at beginning of year	16,201	18,895	49,650
Cash and cash equivalents at end of year	$ 18,895	$ 49,650	$ 23,647
Supplementary cash flow information:			
Income taxes paid	$ 453	$ 345	$ 411
Interest paid	$ 19,380	$ 20,400	$ 23,270
Non-cash financing activities:			
Dividends on preferred stock (charged directly to stockholder's deficit)	$ 33,578	$ 26,260	$ 13,456
Interest payable on 13 1/8% Debentures at February 1, 2003 capitalized and added to the principal amount of the debt	—	$ 4,416	—
Exchange of 16% Senior Discount Contingent Principal Notes of J.Crew Intermediate LLC with a fair value of $87,006 for $131,083 carrying value of 13 1/8% Debentures of J.Crew Group, Inc.	—	—	—

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

1. Nature Of Business And Summary Of Significant Accounting Policies

(a) Basis of Presentation

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

All significant intercompany balances and transactions are eliminated in consolidation.

(b) Business

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

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

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

(c) Segment Information

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

(d) Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. The fiscal years 2002, 2003 and 2004 ended on February 1, 2003, January 31, 2004 and January 29, 2005 and each fiscal year consisted of 52 weeks.

(e) Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments, with maturities of 90 days or less when purchased, to be cash equivalents. Cash equivalents, which were $43,312 and $14,192 at January 31, 2004 and January 29, 2005, respectively, are stated at cost, which approximates market value.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

(f) Merchandise Inventories

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

(g) Advertising and Catalog Costs

Direct response advertising, which consists primarily of catalog production and mailing costs, are capitalized and amortized over the expected future revenue stream. The Company accounts for catalog costs in accordance with the AICPA Statement of Position ("SOP") 93-7, "Reporting on Advertising Costs." SOP 93-7 requires that the amortization of capitalized advertising costs be the amount computed using the ratio that current period revenues for the catalog cost pool bear to the total of current and estimated future period revenues for that catalog cost pool. The capitalized costs of direct response advertising are amortized, commencing with the date catalogs are mailed, over the duration of the expected revenue stream, which was four months for the fiscal years 2002, 2003 and 2004. Deferred catalog costs, included in prepaid expenses and other current assets, as of January 31, 2004 and January 29, 2005 were $6,411 and $6,478, respectively. Catalog costs, which are reflected in selling and administrative expenses, for the fiscal years 2002, 2003 and 2004 were $56,695, $43,978 and $41,258, respectively.

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

(h) Property and Equipment

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

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

(i) Debt Issuance Costs

Debt issuance costs (included in other assets) are amortized over the term of the related debt agreements. Unamortized debt issuance costs as of January 31, 2004 and January 29, 2005 were $6,375 and $8,029, respectively.

(j) Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". This statement requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

expected to reverse. The provision for income taxes includes taxes currently payable and deferred taxes resulting from the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities.

(k) Revenue Recognition

Revenue is recognized for catalog and Internet sales when merchandise is shipped to customers and at the time of sale for retail sales. Shipping terms for catalog and Internet sales are FOB shipping point, and title passes to the customer at the time and place of shipment. Prices for all merchandise are listed in the Company's catalogs and website and are confirmed with the customer upon order. The customer has no cancellation privileges other than customary rights of return that are accounted for in accordance with SFAS No. 48 *"Revenue Recognition When Right of Return Exists."* The Company accrues a sales return allowance for estimated returns of merchandise subsequent to the balance sheet date that relate to sales prior to the balance sheet date. Amounts billed to customers for shipping and handling fees related to catalog and Internet sales are included in other revenues at the time of shipment. Royalty revenue is recognized as it is earned based on contractually specified percentages applied to reported sales. Advance royalty payments are deferred and recorded as revenue when the related sales occur. Other revenues include estimated amount of unredeemed gift card liability based on Company specific historical trends, which amounted to $1,962, $1,676 and $1,410 in fiscal years 2002, 2003 and 2004, respectively.

(l) Operating Expenses

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

Selling, general and administrative expenses include all operating expenses not included in cost of goods sold, primarily catalog production and mailing costs, certain warehousing expenses, which aggregated $10,440,$9,860 and $10,816 for fiscal years 2002, 2003, and 2004, respectively, administrative payroll, store expenses other than occupancy costs, depreciation and amortization and credit card fees.

(m) Store Pre-opening Costs

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

(n) Derivative Financial Instruments

Derivative financial instruments have been used by the Company from time to time to manage its interest rate and foreign currency exposures. The Company does not enter into derivative financial instruments for speculative purposes. For interest rate swap agreements, the net interest paid is recorded as interest expense on a current basis. Gains or losses resulting from market fluctuations are not recognized. The Company from time to time enters into forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations.

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

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

(p) Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of such assets based upon estimated cash flow forecasts. Charges of $137, $675 and $146 were incurred in fiscal 2002, 2003 and 2004 to write-down the carrying value of certain long-lived assets.

(q) Stock Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method of accounting for employee stock options as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation". Accordingly, compensation expense is not recorded for options granted if the option price is equal to or in excess of the fair market price at the date of grant. If the Company had adopted the fair value recognition provisions of SFAS No. 123, the effect on net income would not be material.

Restricted stock awards result in the recognition of deferred compensation, which is charged to expense over the vesting period of the awards. Deferred compensation is presented as a reduction of stockholders' equity. Total compensation expense recorded with respect to stock-based compensation, all of which related to restricted stock awards, amounted to $464, $41 and $119 in 2002, 2003 and 2004, respectively.

(r) Deferred rent and lease incentives

Rental payments under operating leases are charged to expense on a straight-line basis after consideration of step rent provisions and escalation clauses. Differences between rental expense and actual rental payments are recorded as deferred rent and included in deferred credits. The Company capitalizes rent expense during the period from possession date through the completion of store construction. Rent is expensed subsequent to the end of construction. Capitalized rent is amortized over the lease term (without consideration of optional renewal periods).

The Company receives construction allowances upon entering into certain store leases. These construction allowances are recorded as deferred credits and are amortized as a reduction of rent expense over the term of the related lease. Deferred construction allowances were $43,668 and $39,250 at January 31, 2004 and January 29, 2005, respectively.

(s) Reclassification

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

2. Restatement

During the fourth quarter of fiscal 2004, the Company determined that it had misclassified proceeds from construction allowances in the consolidated statement of cash flows. As a result, the consolidated statements of cash flow for the years ended February 1, 2003 and January 31, 2004 have

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

been restated to reclassify the proceeds from construction allowances from cash flows from investing activities to cash flows from operating activities. There was no effect on the Company's consolidated balance sheet or consolidated statement of operations.

The effects of the reclassification are as follows:

	Year Ended	
	February 1, 2003	January 31, 2004
Accounts payable and other liabilities:		
As reported	$ (20,033)	$ (25,233)
As restated	$ (13,531)	$ (23,211)
Cash flows from operating activities:		
As reported	$ 25,284	$ 16,214
As restated	$ 31,786	$ 18,236
Proceeds from construction allowances:		
As reported	$ 6,502	$ 2,022
As restated	$ —	$ —
Cash flows from investing activities:		
As reported	$ (20,418)	$ (7,886)
As restated	$ (26,920)	$ (9,908)

3. Insurance Proceeds

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

The statement of operations for the years ended February 1, 2003 and January 31, 2004 include gains of $1,800 and $3,850 as a result of additional insurance recoveries. No additional insurance recoveries are payable to the Company relating to this loss.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

4. Property and Equipment

Property and equipment, net consists of:

	January 31, 2004	January 29, 2005
Land	$ 1,710	$ 1,710
Buildings and improvements	11,705	11,712
Fixtures and equipment	90,898	68,811
Leasehold improvements	176,740	173,725
Construction in progress	3,892	3,140
	284,945	259,098
Less accumulated depreciation and amortization	146,565	138,285
	$ 138,380	$ 120,813

5. Other Current Liabilities

Other current liabilities consist of:

	January 31, 2004	January 29, 2005
Customer liabilities	$ 9,089	$ 14,095
Accrued catalog and marketing costs	2,505	801
Taxes, other than income taxes	3,046	3,115
Accrued interest	5,330	3,664
Accrued occupancy	817	1,141
Reserve for sales returns	2,988	4,831
Accrued compensation	3,535	8,465
Other	20,479	25,036
	$ 47,789	$ 61,148

6. Lines of Credit

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

The Amended Wachovia Credit Facility provides for revolving loans and letter of credit accommodations. The Amended Wachovia Credit Facility expires in December 2009. The total amount of availability is subject to limitations based on specified percentages of eligible receivables, inventories and real property. As of January 29, 2005 excess availability under the Amended Wachovia Credit Facility was $27.0 million.

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

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

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

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

Maximum borrowings under our working capital credit agreements were $63,000, $10,000 and none and average borrowings were $40,400, $1,020 and none during fiscal years 2002, 2003 and 2004, respectively. There were no borrowings outstanding at January 31, 2004 and January 29, 2005.

Outstanding letters of credit established primarily to facilitate international merchandise purchases at January 31, 2004 and January 29, 2005 amounted to $39,500 and $58,700.

7. Long-Term Debt and Preferred Stock

	January 31, 2004	January 29, 2005
Operating:		
9 3/4% senior subordinated notes(a)	$ —	$ 275,000
5.0% Notes Payable(b)	21,000	22,000
10 3/8% senior subordinated notes(c)	150,000	—
Wachovia credit facility	5,044	—
Less amount due within one year	(1,164)	—
Total Operating long-term debt	174,880	297,000
Intermediate:		
16% senior discount contingent principal notes (net of unamortized debt issuance discount of $38,677)(d)	108,389	—
Group:		
13 1/8% Debentures(e)	21,667	21,667
Mandatorily redeemable preferred stock(f)	211,704	258,266
Total Group long-term debt	516,640	576,933
Group preferred stock(f)	92,800	92,800
Total Group long-term debt and preferred stock	$ 609,440	$ 669,733

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

The scheduled payments of long-term debt are $43.7 million in 2008, $258.3 million in 2009 and $275.0 million in 2014.

(a) On November 21, 2004, Operating entered into a Senior Subordinated Loan Agreement with entities managed by Black Canyon Capital LLC and Canyon Capital Advisors LLC, which provided for a term loan of $275 million. The proceeds of the term loan were used to redeem in full Operating's outstanding 10 3/8% senior subordinated notes due 2007 ($150 million) and to redeem in part Intermediate's 16% senior discount contingent principal notes due 2008 ($125 million). On March 18, 2005, the term loan was converted into equivalent new 9 3/4% senior subordinated notes of Operating due 2014 (9 3/4% senior subordinated notes) in accordance with the terms of the loan agreement.

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

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

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

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

(b) On February 4, 2003, Group and Operating entered into a credit agreement with TPG-MD Investment, LLC, a related party, which provides for a Tranche A loan to Operating in an aggregate principal amount of $10.0 million and a Tranche B loan to Operating in an aggregate principal amount of $10.0 million. The loans are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest will compound and be capitalized and added to the principal amount on each interest payment date, resulting in an effective interest rate of 5.6%. The outstanding amount of these loans is convertible into shares of common stock of Group at $6.82 per share. These loans are subordinated in right of payment to the prior payment of all senior debt. On November 21, 2004, this credit agreement was amended to subordinate the Tranche A loan in right of payment to Operating's 9 3/4% senior subordinated notes while the Tranche B loan is *pari passu* in right of payment with such notes.

(c) The 10 3/8% senior subordinated notes were redeemed in full in December 2004.

(d) On May 6, 2003, Group completed an offer to exchange 16% senior discount contingent principal notes due 2008 of Intermediate (new notes) for its outstanding 13 1/8% senior discount debentures due 2008 (existing debentures). Approximately 85% of the outstanding debentures were tendered for exchange. Group exchanged $87,006 fair value of new notes for $131,083 face amount (including accrued interest of $10,750) of existing debentures. The difference between the fair value of the new notes and the carrying value of the existing debentures of $44,077 was included as a gain in the statement of operations for the year ended January 31, 2004.

The outstanding 16% senior discount contingent principal notes were redeemed in full through two separate redemption events in December 2004 and January 2005.

(e) The 13 1/8% senior discount debentures are senior unsecured obligations of Group and mature on October 15, 2008. Interest is payable in arrears on April 15 and October 15 of each year subsequent to October 15, 2002. The 13 1/8% senior discount debentures may be redeemed at the option of Group at 1.0219 of principal until October 15, 2005 and 100% thereafter.

(f) The restated certificate of incorporation authorizes Group to issue up to:

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

(2) 1,000,000 shares of Series B cumulative preferred stock, par value $.01 per share.

At January 31, 2004 and January 29, 2005, 92,800 shares of Series A preferred stock and 32,500 shares of Series B preferred stock were issued and outstanding.

Each series of the preferred stock accumulates dividends at the rate of 14.5% per annum (payable quarterly) for periods ending on or prior to October 17, 2009. Dividends compound to the extent not paid in cash. A default in the payment of the Series A preferred stock redemption price will trigger dividends accruing and compounding quarterly at a rate of (i) 16.50% per annum with respect to periods ending on or before October 17, 2009, and (ii) 18.50% with respect to periods starting after October 17, 2009. A default in the payment of the Series B preferred stock redemption price will trigger dividends accruing and compounding quarterly at a rate of 16.50% per annum.

On October 17, 2009, Group is required to redeem the Series B preferred stock and to pay all accumulated but unpaid dividends on the Series A preferred stock. Thereafter, the Series A preferred stock will accumulate dividends at the rate of 16.5% per annum. Subject to restrictions imposed by certain indebtedness of the Company, Group may redeem shares of the preferred stock at a redemption price equal to 100% of liquidation value plus accumulated and unpaid dividends.

In certain circumstances (including a change of control of Group), subject to restrictions imposed by certain indebtedness of the Company, Group may be required to repurchase shares of the preferred stock at liquidation value plus accumulated and unpaid dividends. If Group liquidates, dissolves or winds up, whether voluntary or involuntary, no distribution shall be made either (i) to those holders of stock ranking junior to the preferred stock, unless prior thereto the holders of the preferred stock receive the total value for each share of preferred stock plus an amount equal to all accrued dividends thereon as of the date of such payment or (ii) to the holders of stock ranking *pari passu* with the preferred stock (which we refer to as the "parity stock"), except distributions made ratably on the preferred stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon liquidation, dissolution or winding up of Group.

Effective at the beginning of the third quarter of 2003, the Company adopted SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This pronouncement required the reclassification to long-term debt of the liquidation value of Group Series B preferred stock and the related accumulated and unpaid dividends and the accumulated and unpaid dividends related to the Series A preferred stock since these amounts are required to be redeemed in October 2009. The preferred dividends related to the liquidation value of the Series B preferred stock and to the accumulated and unpaid dividends of the Series A and Series B preferred stock for the third and fourth quarters of 2003 and fiscal 2004 are included in interest expense. The Series A preferred stock is only redeemable in certain circumstances (including a change of control at Group) and does not qualify for reclassification under SFAS No. 150. Accordingly, the dividends related to the Series A preferred stock are deducted from stockholders' deficit.

Accumulated but unpaid dividends amounted to $225,766 at January 29, 2005.

8. Gain (loss) on Refinancing of Debt

During the fourth quarter of 2004, the Company redeemed in full the outstanding 10 3/8% senior subordinated notes due 2007 ($150.0 million) and redeemed the outstanding 16% senior discount contingent principal notes due 2008 ($169.1 million). Funds used for the redemption were generated from the proceeds of a $275 million term loan and internally available funds.

This refinancing resulted in a loss of $49.8 million for Group in fiscal 2004, which consisted of: (a) redemption premiums of $15.3 million, (b) the write-off of deferred financing costs of $3.2 million and (c) the write-off of deferred debt issuance costs of $31.3 million related to the 16% senior discount contingent principal notes issued in May 2003.

The loss on refinancing of debt for Operating in fiscal 2004 was $4.0 million consisting of redemption premiums of $2.6 million and the write off of deferred financing costs of $1.4 million.

Refer to Note 7(d) for explanation of gain on exchange of debt in fiscal 2003.

9. Common Stock

The restated certificate of incorporation authorizes Group to issue up to 100,000,000 shares of common stock; par value $0.01 per share. At January 31, 2004, shares issued were 13,584,175 and shares outstanding were 13,011,086. At January 29, 2005, shares issued were 13,780,175 and shares outstanding were 13,207,086.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

10. Commitments and Contingencies

(a) Operating Leases

As of January 29, 2005, Operating was obligated under various long-term operating leases for retail and factory outlet stores, warehouses, office space and equipment requiring minimum annual rentals.

These operating leases expire on varying dates through 2014. At January 29, 2005 aggregate minimum rentals are, as follows:

Fiscal year	Amount
2005	$54,257
2006	50,636
2007	48,713
2008	43,115
2009	37,841
Thereafter	98,772

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

Rent expense for fiscal 2002, 2003 and 2004 was $41,657, $42,997 and $46,583, respectively, including contingent rent, based on store sales, of $1,187, $814 and $1,700.

(b) Employment Agreements

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

(c) Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary conduct of its business. Although the outcome of these claims cannot be predicted with certainty, management does not believe that it is reasonably possible that resolution of these legal proceedings will result in unaccrued losses that would be material.

11. Employee Benefit Plan

The Company has a thrift/savings plan pursuant to Section 401 of the Internal Revenue Code whereby all eligible employees may contribute up to 15% of their annual base salaries subject to certain limitations. The Company’s contribution is based on a percentage formula set forth in the plan agreement. Company contributions to the thrift/savings plan were $1,834, $1,288 and $1,306 for fiscal 2002, 2003 and 2004, respectively.

12. License Agreement

Operating has a licensing agreement through January 2007 with Itochu Corporation, a Japanese trading company. The agreement permits Itochu to distribute J.Crew merchandise in Japan.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

Operating earns royalty payments under the agreement based on the sales of its merchandise. Royalty income, which is included in other revenues, for fiscal 2002, 2003 and 2004 was $2,280, $2,456 and $2,757 respectively.

13. Other Revenues

Other revenues consist of the following:

	2002	2003	2004
Shipping and handling fees	$ 31,823	$ 25,205	$ 21,624
Royalties	2,280	2,456	2,757
Other	1,962	1,676	1,540
	$ 36,065	$ 29,337	$ 25,921

14. Financial Instruments

The fair value of the Company's long-term debt (including redeemable preferred stock) is estimated to be approximately $501,400 and $576,933 at January 31, 2004 and January 29, 2005, respectively, and is based on dealer quotes or quoted market prices of the same or similar instruments. The carrying amounts of long-term debt were $517,804 and $576,933 at January 31, 2004 and January 29, 2005, respectively. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts payable and other current liabilities approximate fair value because of the short-term maturity of those financial instruments. The estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

15. Income Taxes

Group files a consolidated federal tax return, which includes all its wholly owned subsidiaries. Each subsidiary files separate state tax returns in the required jurisdictions. Group and its subsidiaries have entered into a tax sharing agreement providing (among other things) that each of the subsidiaries will reimburse Group for its share of income taxes based on the proportion of such subsidiaries' tax liability on a separate return basis to the total tax liability of Group.

The income tax provision/(benefit) consists of:

	2002	2003	2004
Current:			
Foreign	$ 193	$ 250	$300
Federal	(12,014)	(3,744)	—
State and local	200	(1,006)	300
	(11,621)	(4,500)	600
Deferred	7,421	5,000	—
Total	$ (4,200)	$ 500	$600

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

A reconciliation between the provision/(benefit) for income taxes based on the U.S. Federal statutory rate and the Company's effective rate, is as follows:

	2002	2003	2004
Federal income tax rate	(35.0)%	(35.0)%	(35.0)%
State and local income taxes, net of federal benefit	—	0.8	0.4
Valuation allowance	47.0	64.0	5.6
Additional NOL carryback	—	(7.4)	—
Reversal of prior tax accruals	(20.9)	(2.6)	—
Non-deductible expenses and other (primarily preferred dividends)	(.5)	8.4	18.6
Non-recognized gain on exchange of debt	—	(27.2)	11.0
Effective tax rate	(9.4)%	1.0%	0.6%

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

	January 31, 2004	January 29, 2005
Deferred tax assets:		
Original issue discount	$ 33,660	$ 3,600
Rent	17,514	17,800
Federal NOL carryforwards	19,600	47,200
State and local NOL carryforwards	4,485	4,500
Reserve for sales returns	1,207	1,900
Other	5,057	4,700
	81,523	79,700
Valuation allowance	(57,838)	(63,400)
	23,685	16,300
Deferred tax liabilities:		
Prepaid catalog and other prepaid expenses	(8,555)	(6,600)
Difference in book and tax basis for property and equipment	(15,130)	(9,700)
	(23,685)	(16,300)
Net deferred income tax asset	$ —	$ —

The Company has significant deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, which will reduce taxable income in future periods. SFAS No. 109 "Accounting for Income Taxes" states that a valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence needs to be considered, including a company's current and past performance, the market environment in which a company operates, length of carryback and carryforward periods, existing contracts or sales backlog that will result in future profits, etc. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses weigh heavily in the overall assessment. As a result of our assessment, we established a valuation allowance for the net deferred tax assets at

Dollars in thousands, unless otherwise indicated

February 1, 2003. The valuation allowance was increased at January 31, 2004 and January 29, 2005 to fully reserve net deferred tax assets at such dates. The Company did not recognize any tax benefits in fiscal 2004 and does not expect to recognize any net tax benefits in future results of operations until an appropriate level of profitability is sustained.

The Company has state and local income tax net operating loss carryforwards of varying amounts.

16. Stock Compensation Plans

Amended and Restated 1997 Stock Option Plan

Under the terms of the Amended and Restated 1997 Stock Option Plan (1997 Plan), an aggregate of 1,910,000 shares of Group common stock are available for grant to key employees and consultants in the form of non-qualified stock options. The options have terms of seven to ten years and become exercisable over a period of four to five years. Options granted under the 1997 Plan are subject to various conditions, including under some circumstances, the achievement of certain performance objectives.

2003 Equity Incentive Plan

In January 2003, the Board of Directors of Group approved the adoption of the 2003 Equity Incentive Plan (2003 Plan). Under the terms of the 2003 Plan, an aggregate of 4,798,160 shares of Group common stock are available for award to key employees and consultants in the form of non-qualified stock options and restricted shares, as follows:

- 1,115,812 shares are reserved for the issuance of stock options at an exercise price of $6.82 or fair market value, whichever is greater,
- 1,115,812 shares are reserved for the issuance of stock options at an exercise price of $25.00 or fair market value, whichever is greater,
- 1,115,812 shares are reserved for the issuance of stock options at an exercise price of $35.00 or fair market value, whichever is greater, and
- 1,450,724 shares are reserved for the issuance of restricted shares.

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

A summary of stock option activity for the three years ended January 29, 2005, is as follows:

	2002		2003		2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,808,790	$ 9.97	4,474,469	$ 18.22	2,410,606	$ 8.37
Granted	3,263,239	21.35	377,750	6.85	2,515,848	17.07
Exercised	—		—		—	
Cancelled	(597,560)	10.29	(2,441,613)	26.19	(344,189)	8.33
Outstanding, end of year	4,474,469	$ 18.22	2,410,606	$ 8.37	4,582,265	$ 13.15
Options exercisable at end of year	842,340	$ 9.81	849,302	$ 10.59	1,508,850	$ 9.84

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

The following table summarizes information about stock options outstanding as of January 29, 2005:

	Outstanding		Weighted average remaining contractual life (in months)	Exercisable	
Range	Number of options	Weighted average option price		Number of options	Weighted average option price
$6.82-$8.53	2,131,731	$ 6.85	86	777,723	$ 6.82
$10.00-$35.00	2,450,534	18.62	88	731,127	13.06
$6.82-$35.00	4,582,265	$ 13.15	87	1,508,850	$ 9.84

Under the 2003 Plan, 1,004,266, 224,402 and 196,000 restricted shares were issued in fiscal 2002, 2003 and 2004, respectively, and 83,689 restricted shares were forfeited in fiscal 2003. On January 29, 2005, there were 1,340,979 restricted shares outstanding, of which 509,979 shares were vested.

17. Recent Accounting Pronouncements

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R applies to variable interests in variable interest entities created after December 31, 2003. For variable interests in variable interest entities created before January 1, 2004, the Interpretation applies beginning on January 1, 2005. For any variable interest entities that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the variable interest entity initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the variable interest entity. The adoption of FIN 46R did not have any effect on the financial statements taken as a whole as of January 29, 2005, and for the year then ended.

In December 2004, the FASB issued Statement No. 123 R, *Share-Based Payment*. This revision to Statement No. 123 requires that compensation expense be recognized for the fair value of stock options over their vesting period and changes the method of expense recognition for performance-based stock awards. The Statement is required to be adopted by the Company for fiscal years beginning after December 15, 2005 and applies to all outstanding stock options and stock awards that have not yet vested at the date of adoption. Management is evaluating the effects of this Statement.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
Dollars in thousands, unless otherwise indicated

18. Quarterly Financial Information (Unaudited)

	Thirteen Weeks Ended May 3, 2003	Thirteen Weeks Ended August 2, 2003(a)	Thirteen Weeks Ended November 1, 2003	Thirteen Weeks Ended January 31, 2004	Fifty-two Weeks Ended January 31, 2004
			(in millions)		
Net sales	$ 152.6	$ 159.2	$ 146.4	$ 202.4	$ 660.6
Gross profit	57.9	51.3	59.9	80.6	249.7
Net income/(loss)	(20.2)	15.0	(24.5)	(20.5)	(50.2)

	Thirteen Weeks Ended May 1, 2004	Thirteen Weeks Ended July 31, 2004	Thirteen Weeks Ended October 30, 2004	Thirteen Weeks Ended January 29, 2005(b)	Fifty-two Weeks Ended January 29, 2005
Net sales	$ 140.6	$ 182.1	$ 200.9	$ 254.7	$ 778.3
Gross profit	60.7	74.2	89.0	101.5	325.4
Net loss	(23.7)	(13.8)	(9.9)	(52.9)	(100.3)

(a) Net income includes a pre-tax gain on the exchange of debt of $41.1 million.
(b) Net loss includes a pre-tax loss on the refinancing of debt of $49.8 million.

J. CREW GROUP, INC. AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Charged to Cost and Expenses(a)	Charged to other Accounts	Deductions(a)	Ending Balance
			(in thousands)		
Inventory reserve (deducted from inventories)					
Fiscal year ended:					
February 1, 2003	$ 8,367	$ 4,053	$ —	$ —	$12,420
January 31, 2004	12,420	—	—	7,380	5,040
January 29, 2005	5,040	—	—	557	4,483
Allowance for sales returns (included in other current liabilities)					
Fiscal year ended:					
February 1, 2003	$ 6,475	$ —	$ —	$ 1,162	$ 5,313
January 31, 2004	5,313	—	—	2,309	3,004
January 29, 2005	3,004	1,827	—	—	4,831

(a) The inventory reserve and allowance for sales returns are evaluated at the end of each fiscal quarter and adjusted (plus or minus) based on the quarterly evaluation. During each period inventory write-downs and sales returns are charged to the statement of operations as incurred.

[Table of Contents](#)

No dealer, salesperson or other person is authorized to give information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is currently only as of its date.

TABLE OF CONTENTS

Shares

Common Stock

J.CREW

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution.*

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of securities being registered. All amounts are estimates except the registration fee, the NASD filing fee and the New York Stock Exchange listing fee.

Registration fee	$ 23,540
NASD filing fee	20,500
New York Stock Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous	*
Total	

* To be provided by amendment.

Item 14. *Indemnification of Directors and Officers.*

Section 145 of the Delaware General Corporation Law ("Section 145") permits indemnification by a corporation of officers and directors, as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer or other employee or agent of the corporation, subject to certain limitations. Section 145 also provides that a corporation has the power to maintain insurance on behalf of its officers and directors against any liability asserted against such person and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of Section 145. The statute also provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

The Registrant's Bylaws will provide for mandatory indemnification of its directors and officers and permissible indemnification of employees and other agents to the fullest extent permitted by the Delaware General Corporation Law. The rights to indemnify thereunder will continue as to a person who has ceased to be a director, officer, employee or agent and inure to the benefit of the heirs, executors and administrators of the person. In addition, expenses incurred by a director or executive officer in defending any civil, criminal, administrative or investigative action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the Registrant (or was serving at the Registrant's request as a director or officer of another corporation) shall be paid by the Registrant in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Registrant as authorized by the relevant section of the Delaware General Corporation Law.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, the Registrant's Certificate of Incorporation will provide that its directors shall not be personally liable to the Registrant or its stockholders for monetary damages for breach of the directors' fiduciary duty as directors to the Registrant and its stockholders, except liability for (i) breach of the director's duty of loyalty to the Registrant or its stockholders, (ii) acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, (iii) any transaction leading to improper personal benefit to the director, and (iv) for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Section 174 of the Delaware General Corporation Law. This provision in the Certificate of Incorporation will not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. The provision also will not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

In addition to the foregoing, the proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement contains certain provisions by which the Underwriters have agreed to indemnify the Registrant, each person, if any, who controls the Registrant within the meaning of Section 15 of the Securities Act, each director of the Registrant, each officer of the Registrant who signs the Registration Statement, with respect to information furnished in writing by or on behalf of the Underwriters for use in the Registration Statement.

At present, there is no pending litigation or proceeding involving a director, officer, employee or other agent of the Registrant in which indemnification is being sought, nor is the Registrant aware of any threatened litigation that may result in a claim for indemnification by any director, officer, employee or other agent of the Registrant.

Item 15. ***Recent Sales of Unregistered Securities.***

During the last three years, we have issued unregistered securities in the transactions described below. These securities were offered and sold by us in reliance upon the exemptions provided for in Section 4(2) of the Securities Act relating to sales not involving any public offering. The sales were made without the use of an underwriter and the certificates representing the securities sold contain a restrictive legend that prohibits transfers without registration or an applicable exemption.

(1) In February 2003, we issued 725,303 restricted shares of our common stock to our Chief Executive Officer, Millard S. Drexler, in exchange for $800,000.

(2) In February 2003, we issued 55,793 restricted shares of our common stock to Millard S. Drexler, Inc., a corporation of which Mr. Drexler is principal.

(3) In February 2003, we issued 111,585 restricted shares of our common stock to our President, Jeffrey Pfeifle.

(4) On February 4, 2003, we and Operating entered into a credit agreement with TPG-MD Investment, LLC, a related party, which provides for a Tranche A loan to Operating in an aggregate principal amount of $10.0 million and a Tranche B loan to Operating in an aggregate principal amount of $10.0 million. The loans are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest will compound and be capitalized and added to the principal amount on each interest payment date, resulting in an effective interest rate of 5.6%. The outstanding amount of these loans is convertible into shares of common stock of the Registrant at $6.82 per share. These loans are subordinated in right of payment to the prior payment of all senior debt. On November 21, 2004, this credit agreement was amended to subordinate the Tranche A loan in right of payment to Operating's 9 3/4% senior subordinated notes while the Tranche B loan is *pari passu* in right of payment with such notes.

Item 16. ***Exhibits and Financial Statement Schedules.***

(a) ***Exhibits.*** The following is a complete list of Exhibits filed as part of this Registration Statement.

Exhibit No.	Document
1.1	Form of Underwriting Agreement.*
3.1	Certificate of Incorporation of J.Crew Group, Inc.*
3.2	By-laws of J.Crew Group, Inc.*
	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Form of Specimen Common Stock Certificate of J.Crew Group, Inc.*
4.2(a)	Indenture, dated as of October 17, 1997, between J.Crew Group, Inc. as Issuer and State Street Bank and Trust Company as Trustee (the “Group Indenture”). Incorporated by reference to Exhibit 4.3 to the Registration Statement of J. Crew Group, Inc. on Form S-4 filed on December 16, 1997 (File No. 333-42427) (the “S-4 Registration Statement”).
4.2(b)	Amendment No. 1, dated as of May 6, 2003, of the Group Indenture. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on May 8, 2003.
4.3	Stockholders’ Agreement, dated as of October 17, 1997, between J.Crew Group, Inc. and the Stockholder signatories thereto. Incorporated by reference to Exhibit 4.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(a)	Employment Agreement, dated as of October 17, 1997, among J. Crew Group, Inc., J. Crew Operating Corp. and TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 10.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(b)	Stockholders’ Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods.†
4.4(c)	Amendment to Stockholders’ Agreement, dated as of June 11, 1998, between TPG Partners II, L.P. and Emily Woods.†
4.4(d)	Amendment to Stockholders’ Agreement, dated as of February 3, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 7, 2003.
4.5	Stockholders’ Agreement, dated as of January 24, 2003, among J.Crew, TPG Partners II, L.P. and Millard Drexler. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 3, 2003.
4.6	Stockholders’ Agreement, dated as of February 20, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Jeffrey Pfeifle. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 26, 2003.
4.7	Indenture, dated as of March 18, 2005, among J.Crew Operating Corp. as Issuer, J.Crew Intermediate LLC, Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew, Inc. and J.Crew International, Inc. as Guarantors, and U.S. Bank National Association as Trustee. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on March 23, 2005.
4.8	Security Agreement, dated as of November 21, 2004, by and among J.Crew Operating Group, J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC as Grantors, and U.S. Bank National Association as Collateral Agent. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on December 28, 2004.

Table of Contents

Exhibit No.	Document
4.9	Intercreditor Agreement, dated as of November 21, 2004, among Congress Financial Corporation as Senior Credit Agent, U.S. Bank National Association as Collateral Agent, J.Crew Operating Corp., J.Crew, Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on December 28, 2004.
	Legal Opinion
5.1	Legal Opinion of Cleary Gottlieb Steen & Hamilton LLP.*
	Material Contracts
10.1	Amended and Restated Loan and Security Agreement, dated as of December 23, 2004, by and among J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc. d/b/a J.Crew Retail, H.F.D. No. 55, Inc. d/b/a J.Crew Factory as Borrowers, J.Crew Group, Inc., J.Crew International, Inc., J.Crew Intermediate LLC as Guarantors, Wachovia Capital Markets LLC as Arranger and Bookrunner, Wachovia Bank, National Association as Administrative Agent, Bank of America, N.A. as Syndication Agent, Congress Financial Corporation as Collateral Agent, and the Lenders. Incorporated by reference to Exhibit 4.6 to the Form 8-K filed on December 28, 2004.
10.2(a)	Credit Agreement, dated as of February 4, 2003, by and between J.Crew Group, Inc., J.Crew Operating Corp., and certain subsidiaries thereof, and TPG-MD Investment, LLC (the “TPG-MD Credit Agreement”). Incorporated by reference to Exhibit 10.1 to the Form 8-K filed on February 7, 2003.
10.2(b)	Amendment No. 1, dated as of November 21, 2004, to the TPG-MD Credit Agreement. Incorporated by reference to Exhibit 4.4 to the Form 8-K filed on December 28, 2004.
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10.6(b)	Amendment No. 1 to the 2003 Plan. Incorporated by reference to Exhibit 10.4(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.7(a)	Services Agreement, dated January 24, 2003, between the Company, Millard S. Drexler, Inc. and Millard S. Drexler. Incorporated by reference to Exhibit 10.9 to the Form 10-K for the fiscal year ended February 1, 2003.
10.7(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Millard S. Drexler. Incorporated by reference to Exhibit 10.9(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.8(a)	Employment Agreement, dated January 24, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10 to the Form 10-K for the fiscal year ended February 1, 2003.

Exhibit No.	Document
10.8(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10(b) to the Form 10-K for the fiscal year ended January 31, 2004.
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10.11	Employment Agreement, dated April 10, 2004, between the Company and Amanda Bokman. Incorporated by reference to Exhibit 10.16 to the Form 10-K for the fiscal year ended January 31, 2004.
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10.13	Employment Agreement, dated August 16, 2005, between the Company and James Scully.†
	Other Exhibits
14	Code of Ethics and Business Practices of the Company.*
21.1	Subsidiaries of J.Crew Group, Inc.*
23.1	Consent of KPMG LLP, Independent Auditors.†
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP. Included in Exhibit 5.1.*
24.1	Power of Attorney.†

† Filed herewith.
* To be filed by amendment.

(b) ***Financial Statement Schedules.*** Schedules not listed above have been omitted because the information to be set forth therein is not material, not applicable or is shown in the financial statements or notes thereto.

Item 17. *Undertakings.*

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchasers.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on August 17, 2005.

J.Crew Group, Inc.

By: /S/ MILLARD S. DREXLER

Millard S. Drexler
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/S/ MILLARD S. DREXLER **Millard Drexler**	Chairman of the Board, Chief Executive Officer and a Director (Principal Executive Officer)	August 17, 2005
/S/ NICHOLAS LAMBERTI **Nicholas Lamberti**	Vice President and Corporate Controller and Acting Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 17, 2005
* **Richard Boyce**	Director	August 17, 2005
* **Jonathan Coslet**	Director	August 17, 2005
* **James Coulter**	Director	August 17, 2005
* **Steven Grand-Jean**	Director	August 17, 2005
* **Bridget Ryan Berman**	Director	August 17, 2005
* **Emily Scott**	Director	August 17, 2005
* **Thomas Scott**	Director	August 17, 2005
* **Stuart Sloan**	Director	August 17, 2005
* **Josh Weston**	Director	August 17, 2005

*By: /S/ NICHOLAS LAMBERTI

Nicholas Lamberti, Attorney-in-Fact

EXHIBIT INDEX

Exhibit No.	Document
1.1	Form of Underwriting Agreement.*
3.1	Certificate of Incorporation of J.Crew Group, Inc.*
3.2	By-laws of J.Crew Group, Inc.*
	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Form of Specimen Common Stock Certificate of J.Crew Group, Inc.*
4.2(a)	Indenture, dated as of October 17, 1997, between J.Crew Group, Inc. as Issuer and State Street Bank and Trust Company as Trustee (the "Group Indenture"). Incorporated by reference to Exhibit 4.3 to the S-4 Registration Statement (File No. 333-42427).
4.2(b)	Amendment No. 1, dated as of May 6, 2003, to the Group Indenture. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on May 8, 2003.
4.3	Stockholders' Agreement, dated as of October 17, 1997, between J.Crew Group, Inc. and the Stockholder signatories thereto. Incorporated by reference to Exhibit 4.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(a)	Employment Agreement, dated as of October 17, 1997, among J. Crew Group, Inc., J. Crew Operating Corp. and TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 10.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(b)	Stockholders' Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods.†
4.4(c)	Amendment to Stockholders' Agreement, dated as of June 11, 1998, between TPG Partners II, L.P. and Emily Woods.†
4.4(d)	Amendment to Stockholders' Agreement, dated as of February 3, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 4.1 of the Form 8-K filed on February 7, 2003.
4.5	Stockholders' Agreement, dated as of January 24, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Millard Drexler. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 3, 2003.
4.6	Stockholders' Agreement, dated as of February 20, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Jeffrey Pfeifle. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 26, 2003.
4.7	Indenture, dated as of March 18, 2005, among J.Crew Operating Corp. as Issuer, J.Crew Intermediate LLC, Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew, Inc. and J.Crew International, Inc. as Guarantors, and U.S. Bank National Association as Trustee. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on March 23, 2005.
4.8	Security Agreement, dated as of November 21, 2004, by and among J.Crew Operating Group, J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC as Grantors, and U.S. Bank National Association as Collateral Agent. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on December 28, 2004.
4.9	Intercreditor Agreement, dated as of November 21, 2004, among Congress Financial Corporation as Senior Credit Agent, U.S. Bank National Association as Collateral Agent, J.Crew Operating Corp., J.Crew, Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on December 28, 2004.

Exhibit No.	Document
	Legal Opinion
5.1	Legal Opinion of Cleary Gottlieb Steen & Hamilton LLP.*
	Material Contracts
10.1	Amended and Restated Loan and Security Agreement, dated as of December 23, 2004, by and among J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc. d/b/a J.Crew Retail, H.F.D. No. 55, Inc. d/b/a J.Crew Factory as Borrowers, J.Crew Group, Inc., J.Crew International, Inc., J.Crew Intermediate LLC as Guarantors, Wachovia Capital Markets LLC as Arranger and Bookrunner, Wachovia Bank, National Association as Administrative Agent, Bank of America, N.A. as Syndication Agent, Congress Financial Corporation as Collateral Agent, and the Lenders. Incorporated by reference to Exhibit 4.6 to the Form 8-K filed on December 28, 2004.
10.2(a)	Credit Agreement, dated as of February 4, 2003, by and between J.Crew Group, Inc., J.Crew Operating Corp., and certain subsidiaries thereof, and TPG-MD Investment, LLC (the “TPG-MD Credit Agreement”). Incorporated by reference to Exhibit 10.1 to the Form 8-K filed on February 7, 2003.
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23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP. Included in Exhibit 5.1.*
24.1	Power of Attorney.†

† Filed herewith.
* To be filed by amendment.

STOCKHOLDERS' AGREEMENT

STOCKHOLDERS' AGREEMENT (this "Agreement"), dated as of October 17, 1997, among J. Crew Group, Inc. (the "Company"), TPG Partners II, L.P. (the "Majority Stockholder") and Emily Woods (the "Stockholder").

WHEREAS, the Stockholder is a party to the Recapitalization Agreement by and among the stockholders of the Company, the Company and the Majority Stockholder, dated July 22, 1997, as amended (the recapitalization to be effected thereby, the "Recapitalization") and, immediately following the Recapitalization, the Stockholder will own shares of common stock of the Company, $.0l par value per share ("Common Stock") representing approximately 14.58% of the outstanding shares of Common Stock immediately following the Recapitalization;

WHEREAS, the Stockholder is also an employee of the Company and J. Crew Operating Corp., a wholly-owned subsidiary of the Company (the "Subsidiary"), and in such capacity is on the date hereof being, and may in the future be, granted certain options (the "Options") to purchase shares of Common Stock and shares of Series A Cumulative Preferred Stock, $.0l par value, of the Company ("Series A Preferred Stock") and Series B Cumulative Preferred Stock, $.0l par value, of the Company ("Series B Preferred Stock" and, together with the Series A Preferred Stock, the "Preferred Stock") pursuant to the Company's 1997 Stock Option Plan (the "Option Plan") or pursuant to the Employment Agreement, dated October 17, 1997 between the Stockholder, the Company and the Subsidiary (the "Employment Agreement"), and is being granted pursuant to the Employment Agreement certain Restricted Shares (as defined therein) and may be granted additional shares of Common Stock or rights to purchase Common Stock and Preferred Stock in the future in connection with her employment; and

WHEREAS, the Stockholder and the Company desire to enter this Agreement and to have this Agreement apply to the shares of Common Stock and Preferred Stock owned by the Stockholder immediately following the Recapitalization or to be purchased or granted pursuant to the Option Plan or the Employment Agreement, and to any shares of Common Stock or Preferred 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 under the Securities Act of 1933 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 October 17, 1997 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 (or an opinion of counsel for the holder, which opinion of counsel is reasonably satisfactory to 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; Put Option.

(a) The Stockholder agrees that she will not cause or permit the Shares or her 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 partnership or LLC or custodianship the beneficiaries or partners or members of which may include only the Stockholder, the Stockholder's spouse, or the Stockholder's lineal descendants (by blood or adoption), (iii) in accordance with Section 5 of this Agreement, and (iv) to the Company pursuant to Section 4.10 of the Option Plan, subject in any such case to the agreement by each transferee (other than the Company) in writing to be bound by the terms of this Agreement and provided in any such case that no such transfer that would cause the Company to be required to register the Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall be permitted, and provided further that any Shares transferred pursuant to the foregoing clause (i) or (ii) shall be considered as being held by the Stockholder for purposes of all rights, obligations and liabilities hereunder.

(b) The Stockholder shall have the right, during the 135-day period immediately following the termination of the employment of Stockholder by the Company without Cause or by the Stockholder for Good Reason (as defined in the Employment Agreement), to sell to the Company (or its designated assignee), and upon the exercise of such right prior to the termination of this Agreement, the Company (or its designated assignee) shall purchase from the Stockholder, 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 (i) the Appraised Value (as defined below) of a share of Common Stock or Preferred Stock determined as of the date as of which such right is exercised if no Public Market for such Shares exists on such date of exercise, or (ii) the Fair Market Value (as defined in the Option Plan) of a share of Common Stock or Preferred Stock determined as of the date as of which such right is exercised if a Public Market for such Shares exists on such date of exercise. The Stockholder shall exercise such right by delivering to the Company and the Majority Stockholder a written notice specifying her intent to sell Shares held by the Stockholder, the date as of which such right is to be exercised and the number of Shares to be sold. Such purchase and sale shall occur on such date as the Company (or its designated assignee) and the Stockholder shall agree, which date shall not be later than thirty (30) days after the date on which the Appraised Value is determined. To the extent the Company is not permitted to purchase Shares from the Stockholder hereunder by reason of its covenants under any loan or debt agreement, the Majority Stockholder will purchase such Shares under the same terms and conditions provided herein.

(c) For purposes of Section 3(b) hereof "Appraised Value" shall mean, as of any date, the value per share of Common Stock or Preferred Stock, as the case may be, as determined by an investment bank reasonably acceptable to the Company, the Majority Stockholder and the Stockholder based on an analysis of the price at which the shares of Common Stock would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts based upon a proportionate interest of the Company as a whole and without regard to any minority, illiquidity or other similar discount. It is the intention of the parties that the Appraised Value represent the value of the shares of Common Stock if the Company was issuing such shares in an initial public offering. The Company shall bear the cost of such appraisal.

4. Directors of the Company.

(a) So long as the Stockholder owns at least the lesser of (i) fifty percent of the number of shares of Common Stock beneficially owned by the Stockholder on the 30th day following the closing of the Recapitalization, or (ii) shares representing 10% of the Common Stock of the Company on a fully-diluted basis, the Stockholder shall serve as a member of the Board of Directors of the Company (the "Board") and shall have the right to appoint one additional director to the Board, and to appoint any successors to such director.

(b) Following the Closing, there shall be a maximum of ten members of the Board. The Majority Stockholder shall be entitled to appoint four members of the Board and the Stockholder and the Majority Stockholder shall mutually agree on the appointment of the remaining four members of the Board and their successors (for a total of ten directors), provided, that nothing herein shall affect the ability of the parties hereto to remove any member of the Board in accordance with the By-laws of the Company. Such By-laws will provide that any or all of the four additional directors may be removed by a vote of the holders of a majority of the outstanding shares of Common Stock.

5. Certain Rights.

(a) Drag Along Rights. If the Majority Stockholder desires to sell all or substantially all of its shares of Common Stock to a good faith independent purchaser or purchasers (hereinafter referred to as a "Purchaser") (other than any other investment partnership, limited liability company or other entity established for investment purposes and controlled by the principals of the Majority Stockholder or any of its affiliates, hereinafter 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 the Majority Stockholder, the Stockholder agrees to sell all or a Pro Rata Portion of her shares of Common Stock to said Purchaser (or to vote all of her 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 the Majority Stockholder. For purposes of this Section 5(a), but only with respect to a sale of shares of Common Stock, "substantially all" shall mean at least 80% of the shares of Common Stock then owned by the Majority Stockholder. In all other circumstances, "substantially all" shall be interpreted within the meaning of the New York Business Corporation Law. In such case, the Majority Stockholder shall give written notice of such sale to the Stockholder at least 45 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 (v) of this Section 5(b), if the Majority Stockholder or its affiliates proposes to transfer any of its shares of Common Stock or Preferred Stock to a Purchaser (other than a Permitted Transferee), then the Majority Stockholder or such Permitted Transferee (hereinafter in this paragraph (b) of Section 5 referred to as a "Selling Stockholder") shall give written notice of such proposed transfer to the Stockholder (the "Selling Stockholder's Notice") at least 45 days prior to the consummation of such proposed transfer, and shall provide notice to all other stockholders of the Company to whom the Majority Stockholder has granted similar "tag-along" rights (such stockholders, together with the Stockholder, referred to herein as the "Other Stockholders") setting forth for each class of Shares (A) the number of Shares offered, (B) the consideration to be received for such Shares 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) Subject to paragraph (iv) of this Section 5(b), 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 of her Shares of the same class and series proposed to be sold by the Selling Stockholder, at the same price per Share of the same class or series and pursuant to the same terms and conditions with respect to payment for the Shares of the same class or series as agreed to by the Selling Stockholder, by sending written notice to the Selling Stockholder within 20 days of the date of the Selling Stockholder's Notice, indicating her election to sell up to the sum of the Pro Rata Portion plus the Excess Pro Rata Portion of her Shares of the same class or series in the same transaction. Following such 20-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 Sections 5(a), 5(b) and 5(c) hereof, "Pro Rata Portion" shall mean, with respect to shares of Common Stock or Preferred Stock, as applicable, 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 this Agreement, "Excess Pro Rata Portion" shall mean, with respect to shares of Common Stock or shares of Preferred Stock, as the case may be, 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 (when calculating "Excess Pro Rata Portion" with respect to the shares of Common Stock of a Stockholder) or the shares of Preferred Stock (when calculating "Excess Pro Rata Portion" with respect to the shares of Preferred Stock of a Stockholder), as the case may be, of all of the Other Stockholders that have elected to exercise in full their rights to sell their Pro Rata Portion of shares of Common Stock or shares of Preferred Stock, as the case may be, and (2) the Selling Stockholder's Pro Rata Portion of shares of Common Stock (when calculating "Excess Pro Rata Portion" with respect to the shares of Common Stock of a Stockholder) or the shares of Preferred Stock (when calculating "Excess Pro Rata Portion" with respect to the shares of Preferred Stock of a Stockholder) (the aggregate amount of such denominator is hereinafter referred to as the "Elected Shares"). For purposes of this Agreement, "Non-Elected Shares" shall mean the excess, if any, of the total number of shares of Common Stock (when calculating "Excess Pro Rata Portion" with respect to the shares of Common Stock of a Stockholder) or the shares of Preferred Stock (when calculating "Excess Pro Rata Portion" with respect to the shares of Preferred Stock of a Stockholder), as the case may be, 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. It is the intention of the parties that should the Stockholder fully exercise her rights under this Section 5(b) the proportion of the Stockholder's Shares sold by her and the proportion of the Majority Stockholder's Shares sold by it in any transaction subject to this Section 5(b) will be equal.

(iv) Notwithstanding anything to the contrary contained herein but subject to the last sentence of Section 5(b)(ii), if the Selling Stockholder proposes to transfer shares of both Common Stock and Preferred Stock in the same transaction or in related transactions, and if the Stockholder elects to sell Shares pursuant to this Section 5(b), the Stockholder shall be required to sell shares of both Common Stock and Preferred Stock (of the same series) proposed to be sold by the Selling Stockholder. In such event, the number of shares of Preferred Stock which the Stockholder may sell or transfer pursuant to this Section 5(b) shall be up to its applicable Pro Rata Portion and the number of shares of Common Stock which the Stockholder shall be required to sell or transfer in such transaction or transactions shall be exactly the product of (A) the total number of shares of Preferred Stock to be sold or transferred by the Stockholder and (B) a fraction, the numerator of which shall be the number of shares of Common Stock proposed to be sold by the Selling Stockholder and the denominator of which shall be the number of shares of Preferred Stock proposed to be sold by the Selling Stockholder. It is the intention of the parties that should the Majority Stockholder transfer shares of Preferred Stock together with shares of Common Stock, the Stockholder shall be entitled to tag-along on a proportionate basis so that (A)(x) the relation between the total number of shares of Preferred Stock transferred by the Majority Stockholder and the total number of shares of Preferred Stock owned by the Majority Stockholder and (y) the relation between the total number of shares of Preferred Stock transferred by the Stockholder and the total number of shares of Preferred Stock owned by the Stockholder shall be equal and (B)(x) the relation between the total number of shares of Preferred Stock transferred by the Majority Stockholder and the total number of shares of Common Stock transferred by the Majority Stockholder and (y) the relation between the total number of shares of Preferred Stock transferred by the Stockholder and the total number of shares of Common Stock transferred by the Stockholder shall be equal.

(v) Notwithstanding anything to the contrary contained herein, the provisions of this Section 5(b) shall not apply to any sale or transfer by the Majority Stockholder of shares of Common Stock unless and until the Majority Stockholder, 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 the Majority Stockholder 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 the Majority Stockholder or its affiliates (hereinafter in this paragraph (c) of Section 5 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 her request, except that the Stockholder shall not be permitted to register more than the Pro Rata Portion plus the Excess Pro Rata Portion of her Shares. The Company shall bear all costs of preparing and filing the registration statement, and shall indemnify and hold harmless, to the extent customary, 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 against all losses, claims, damages, liabilities and expenses.

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 5(c) at any time prior to such filing. This Section 5(c) shall survive until the Stockholder owns less than 5% of the total outstanding Common Stock.

(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 the Majority Stockholder, then the Company shall include in such registration such number of shares of Common Stock which the Company is so advised can be sold in (or during the time of) such offering. All holders of shares of Common Stock proposing to sell shares of Common Stock shall share pro rata in the number of shares of Common Stock to be excluded from such offering, such sharing to be based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders. If as a result of the allocation provisions provided in this paragraph (ii) of Section 5(c), the Stockholder shall not be entitled to include the full amount of the requested Shares in a registration, the Stockholder may elect to withdraw her request to include such Shares.

(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.

6. Transactions with Affiliates. The Company shall not engage in any transaction with an affiliate of the Majority Stockholder without the consent of the Stockholder. The Stockholder's consent shall not be unreasonably withheld with respect to any proposed transaction which is on a commercially reasonable arm's length basis. This provision shall survive until such time as the Stockholder owns less than 10% of the total outstanding shares of Common Stock.

7. Termination. This Agreement shall terminate immediately following the existence of a Public Market for the Common Stock, except that the requirements contained in Sections 2, 4, 5(c) and 6 hereof shall survive as provided in such Sections and Sections 3(b) and 5(b) hereof shall survive until both 25% or more of the Common Stock is publicly held and the Company has provided the Stockholder with the right to require the Company, on demand, on customary terms (including customary limitations, black-out periods, indemnification and other provisions), and on no less than two separate occasions, to register, at the Company's expense, the Shares held by the Stockholder for public sale and distribution. 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).

8. The Company hereby represents and warrants to the Stockholder that immediately following the consummation of the transactions contemplated by the Recapitalization Agreement the entire authorized stock of the Company shall consist of (a) 100,000,000 shares of Common Stock, of which 55,000 shares shall be outstanding, and other than as have been granted, issued or agreed to be issued to the Stockholder under the Employment Agreement or under the Option Plan, or as may be issued to other eligible employees under the Option Plan, the Company, as of the date hereof, is not obligated under any option, right, warrant, subscription or preemptive right or otherwise to issue, sell, grant or deliver

shares of Common Stock or other capital stock of the Company, and (b) 10,000,000 shares of Preferred Stock, of which 1,000,000 shares shall be classified and designated as Series A Preferred Stock (of which 92,500 shares shall be outstanding) and 1,000,000 shares shall be classified and designated as Series B Preferred Stock (of which 32,500 shares shall be outstanding).

9. 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, stock dividend, merger, consolidation, classification or similar transaction involving such Common Stock.

10. 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 her rights under Section 3(a) or the Company's right to assign its obligations 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, other than by will or the laws of descent and distribution.

11. 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:

Ms. Emily Woods
227 West 17th Street
8th Floor
New York, NY 10013

with a copy to:

Adam O. Emmerich, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
NewYork, NY 10019

If to the Company:

J. Crew Group, Inc.
625 Sixth Avenue
Third Floor
New York, NY 10011

Attention: Board of Directors and Secretary

with a copy to:

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

If to the Majority Stockholder:

TPG Partners II, L.P.
600 California Street
Suite 1850
San Francisco, CA 94108

Attention: Jonathan Coslet

with a copy to:

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

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.

12. 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.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of NEW YORK.

14. 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.

15. Entire Agreement. This Agreement, along with the Stock Option Grant Agreements, dated as of the date hereof, by and between the Company and the Stockholder and the Employment Agreement, dated as of the date hereof, by and between the Company and the Stockholder constitute the entire agreement between the parties hereto with respect to the subject matter hereof.

16. 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.

17. 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.

/s/ Emily Woods

EmilyWoods

J. CREW GROUP, INC.

/s/ M. Mc Hugh

Name: M. Mc Hugh
Title: V.P. Finance

TPG PARTNERS II, L.P.

/s/ Jonathan J. Coslet

Name: Jonathan J. Coslet
Title: Principal

Exhibit 4.4(c)

TPG Partners II, L.P.
600 California Street
Suite 800
San Francisco, CA 94108

June 11, 1998

Ms. Emily Woods
227 West 17th Street
8th Floor
New York, NY 10013

Dear Emily:

Pursuant to Section 10 of the Stockholders' Agreement (the "Agreement") among J. Crew Group, Inc. (the "Company"), Emily Woods and TPG Partners II, L.P. ("TPG"), dated October 17, 1997, Section 4(b) of the Agreement is hereby amended by adding the following new sentence to the end of Section 4(b):

> Notwithstanding the foregoing, for as long as Mr. Joshua Weston serves as a member of the Board there shall be a maximum of eleven members of the Board and references to the "remaining four members of the Board" and to the "four additional directors" shall be changed to the "remaining five members of the Board" and the "five additional directors", respectively, and the reference to a "total of ten directors" shall be changed to a "total of eleven directors".

If you agree with the foregoing, please sign below on behalf of yourself and on behalf of the Company.

Very truly yours,

/s/ James Coulter

James Coulter
Principal, TPG Partners II, L.P.

Agreed and Accepted:

/s/ Emily Woods

Emily Woods, in her capacity as
a party to the Stockholders' Agreement

/s/ Emily Woods

Emily Woods

Exhibit 10.3

EXECUTION VERSION

J. CREW GROUP, INC.

Common Stock
($0.01 par value)

Purchase Agreement

New York, New York
August 16, 2005

TPG Partners II, L.P.
TPG Parallel II, L.P.
TPG Investors II, L.P.
c/o TPG Partners II, L.P.
301 Commerce Street, Suite 3300
Fort Worth, TX 76102

Ladies and Gentlemen:

J. Crew Group, Inc., a corporation organized under the laws of New York (together with its successors, the "Company"), proposes to sell to TPG Partners II, L.P., TPG Parallel II, L.P. and TPG Investors II, L.P. (each, a "Purchaser" and collectively, the "Purchasers") the number of shares of Common Stock ("Common Stock") of the Company described in Section 4 hereto (the shares of Common Stock to be issued and sold by the Company to the Purchasers hereunder are hereinafter referred to as the "Purchased Securities"), and each Purchaser, severally and not jointly, proposes to purchase the Purchased Securities. Certain terms used herein are defined in Section 15 hereof.

1. Representations and Warranties of the Company.

The Company represents and warrants to the Purchasers that, as of the date hereof and as of the Closing Date:

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

(b) Authority. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement;

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

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

(e) Execution and Validity. This Agreement has been duly authorized and, if and when duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the other parties hereto, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(f) No Conflict. The execution, delivery and performance by the Company of this Agreement will not (i) result in any violation of the provisions of the certificate of incorporation or by-laws or other organizational documents of the Company, (ii) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument that is material to the Company and to which the Company is a party or to which any of the property or assets of the Company is subject or (iii) result in any violation of the provisions of any law or statute or any order, rule or regulation, judgment or decree of any court or governmental agency or body having jurisdiction over the Company or any of its properties or assets, except for breaches or violations that in the case of clauses (ii) and (iii) only, individually or in the aggregate, would not have a material adverse effect on the performance of its obligations under this Agreement or the consummation of the transactions contemplated hereby; no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for execution, delivery and performance of, or the consummation of the transactions contemplated by this Agreement, except any consent, approval, authorization, order, registration or qualification (A) the failure of which to obtain would not have a material adverse effect on the performance of its obligations under this Agreement or the consummation of the transactions contemplated hereby or (B) that is not required to be obtained prior to the date hereof and that the Company reasonably believes will be obtained in the ordinary course of business;

(g) Compliance with Other Agreements, Organizational Documents and Laws. The Company is not (i) in default in the performance or observance of any obligation, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument that is material to the Company to which it is a party or by which it or any of its properties may be bound, (ii) in violation of its certificate of incorporation or by-laws or other organizational documents or (iii) in violation of any provisions of law or statute or any order, rule or regulation, judgment or decree of any court or governmental agency or body having jurisdiction over the Company or any of its properties or assets; except, in the case of clauses (i) and (iii), for such defaults, violations and failures as would not reasonably be expected to have a Material Adverse Effect;

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

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

(j) Litigation. Except as otherwise disclosed in Schedule 1(j), there are no legal or governmental proceedings pending to which the Company is a party or of which any property or assets of the Company is the subject that would reasonably be expected to have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened by governmental authorities or others;

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

(l) No Material Adverse Change. Since April 30, 2005, and except as disclosed in any filing by the Company with the Commission prior to the date hereof, (i) there has not occurred any material adverse change in the condition, financial or otherwise, or the earnings, business, management or operations of the Company, (ii) there has not been any material adverse change in the capital stock or other equity interests or in the long-term debt of the Company and (iii) except as otherwise disclosed in Schedule 1(l), the Company has not entered into any transaction or agreement not in the ordinary course of business material to the Company;

(m) Insurance. The Company carries, or is covered by, insurance in such amounts and covering such risks as is customary for companies engaged in similar businesses and owning similar properties in localities where the Company operates;

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

(o) Intellectual Property. The Company owns or possesses adequate rights to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses necessary for and material to the conduct of its businesses and, except as otherwise disclosed in Schedule 1(j), the Company has no knowledge that the conduct of its businesses will conflict with, and the Company has not received any notice of any claim of conflict with any such rights of others, except as would not have a Material Adverse Effect;

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

(q) ERISA. To the Company's knowledge, the Company has not violated any foreign, federal, state or local law or regulation relating to any provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any provisions of the Foreign Corrupt Practices Act or the rules and regulations promulgated thereunder, except for such violations which would not have a Material Adverse Effect.

2. Representations and Warranties of the Purchasers.

Each Purchaser, severally and not jointly, represents and warrants to the Company that, as of the date hereof and as of the Closing Date:

(a) Due Organization. Such Purchaser is a limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has the power and authority to conduct its business as it is now being conducted;

(b) Execution and Binding Effect of Agreement. Such Purchaser has the requisite limited partnership power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly authorized and, if and when duly executed and delivered by such Purchaser and, assuming due authorization, execution and delivery by the other parties hereto, will constitute a valid and binding agreement of such Purchaser, enforceable against such Purchaser in accordance with its terms, subject to enforcement, bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(c) Consents. No consent, waiver, approval, authorization, exemption, registration, license or declaration of or by any governmental, judicial or regulatory authority, or notice to or filing with any governmental, judicial or regulatory authority on the part of such Purchaser is required to be made or obtained by such Purchaser in connection with the execution and delivery of this Agreement or the consummation of any of the transactions contemplated hereby, other than those required by state blue sky laws and those the failure of which to be made or obtained, individually or in the aggregate, would not have a material adverse effect on the ability of such Purchaser to perform its obligations hereunder; and

(d) Disclosure. Such Purchaser is aware that the Purchased Securities have not been, and may not in the future be, registered under the Act. Such Purchaser is purchasing the Purchased Securities hereby for its own account for investment purposes only and not with a view to the distribution thereof. Such Purchaser hereby acknowledges and agrees that such Purchased Securities will not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Act, except pursuant to a valid exemption from registration under the Act, and hereby represents and warrants that it is an institutional “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Act or a “qualified institutional buyer” within the meaning of Rule 144A. Each Purchaser acknowledges that none of the Company or any person representing the Company has made any representation to it with respect to the Company or the transactions contemplated hereby, other than the representations and warranties contained herein, upon which such Purchaser is relying in making its investment decision with respect to the Purchased Securities. Each Purchaser agrees that it will deliver to each person to whom it transfers any Purchased Securities notice of any restrictions on transfers of such securities.

(e) Legends on Certificates. Each Purchaser acknowledges that each certificate representing the Purchased Securities will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. THIS SECURITY MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH AN ISSUER OR ANY AFFILIATE OF AN ISSUER WAS THE OWNER OF THIS SECURITY (THE “RESALE RESTRICTION TERMINATION DATE”) ONLY (A)(1) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (3) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” WITHIN THE MEANING OF RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO

WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (4) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") IN AN OFFSHORE TRANSACTION COMPLYING WITH REGULATION S OR (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATE OF THE UNITED STATES AND OTHER APPLICABLE JURISDICTIONS. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE TERMINATION DATE.

3. Purchase and Sale. Subject to the terms and conditions herein set forth, the Company agrees to sell to the Purchasers, and each Purchaser agrees, severally and not jointly, to purchase from the Company, ratably to the number of shares of Common Stock held by each Purchaser as of the date hereof, at a purchase price per share equal to the public offering price per share of the Common Stock (the "IPO Price") to be sold in the proposed initial public offering of the Company (the "IPO") to be set forth in an underwriting agreement to be entered into by and among the Company and the several underwriters to be named therein in connection with the IPO (the "Underwriting Agreement"), the number of Purchased Securities, rounded down to the nearest whole share, equal to the aggregate Liquidation Value of the Series A Cumulative Preferred Stock (the "Series A Preferred Stock") of the Company held by the Purchasers divided by the IPO Price.

4. Delivery and Payment. Delivery of and payment for the Purchased Securities shall be made on the date of redemptions for the Series A Preferred Stock and the Series B Preferred Stock (such date and time of delivery and payment for the Purchased Securities being herein called the "Closing Date"). The Company shall deliver one or more certificates evidencing the Purchased Securities to the Purchasers against payment in kind by the Purchasers to the Company by delivery of the Series A Preferred Stock having an aggregate Liquidation Value equal to the purchase price of the Purchased Securities.

5. Agreements. The Company agrees with each Purchaser that:

(a) The Company will not, and will not permit any of its Affiliates to, resell any Purchased Securities that have been acquired by any of them.

(b) Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Purchased Securities under the Act, except that the Company makes no representation as to the Purchaser.

(c) Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Purchased Securities in the United States.

(d) So long as any of the Purchased Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Act, the Company will, unless it is subject to and complies with Section 13 or 15(d) of the Exchange Act, provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time of such restricted securities.

(e) The Company will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Purchased Securities.

(f) The Company agrees to pay the costs and expenses relating to the following matters: (i) the preparation, printing, authentication, issuance and delivery of certificates for the Purchased Securities, including any stamp or transfer taxes in connection with the original issuance and sale of the Purchased Securities; (ii) the printing (or reproduction) and delivery of this Agreement and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Purchased Securities; (iii) the fees and expenses of the Company's accountants and the fees and expenses of counsel (including any local and special counsel) for the Company; and (iv) all other costs and expenses incident to the performance by the Company of its obligations hereunder.

6. Conditions to the Obligations of the Purchasers. The obligation of the Company to deliver, and the obligations of the Purchasers to purchase, the number of shares of Purchased Securities specified in Section 3 shall be subject to (a) the consummation of the IPO and (b) the redemptions of the Series A Preferred Stock and the Series B Preferred Stock.

7. Reimbursement of Expenses. If the sale of the Purchased Securities provided for herein is not consummated because any condition to the obligations of the Purchasers set forth in Section 6 hereof is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Purchasers, the Company will reimburse the Purchasers severally on demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Purchased Securities.

8. Representations, Warranties and Agreements to Survive. The respective agreements, representations, warranties and other statements of the Company or its officers and of the Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, and will survive delivery of and payment for the Purchased Securities. The provisions of Section 7 hereof shall survive the termination or cancellation of this Agreement.

9. Tax Treatment. The parties agree that it is their intent to treat the purchase of the Purchased Securities and the redemption of Series A Preferred Stock as an integrated exchange of preferred stock for common stock for U.S. tax purposes qualifying as a tax-free recapitalization of the Company.

10. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Purchasers, will be mailed, delivered or telefaxed to TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P., c/o TPG Partners II, L.P. 301 Commerce Street, Suite 3300, Fort Worth, TX 76102 Attn: General Counsel, Fax: (817) 871-4088 or, if sent to the Company, will be mailed, delivered or telefaxed and confirmed to it at J. Crew Group, Inc., 770 Broadway, New York, New York 10003, Attn: General Counsel, Fax: (212) 209-8175.

11. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors, and, except as expressly set forth in Section 5(d) hereof, no other person will have any right or obligation hereunder.

12. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

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

14. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

15. Definitions. The terms which follow, when used in this Agreement, shall have the meanings indicated.

“Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

“Affiliate” shall have the meaning specified in Rule 501(b) of Regulation D.

“Business Day” shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York.

“Collateral Permitted Liens” shall have the meaning specified in the Indenture, dated as of March 18, 2005, by and among the Company, the guarantors named therein and U.S. Bank National Association, as trustee.

“Commission” shall mean the Securities and Exchange Commission.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Liquidation Value" with respect to any share of Series A Preferred Stock or Series B Preferred Stock means $1,000 per share.

"Regulation D" shall mean Regulation D under the Act.

"Rule 144A" shall mean Rule 144A promulgated under the Act.

[Remainder Intentionally Left Blank]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this Agreement and your acceptance shall represent a binding agreement between the Company and the Purchasers.

Very truly yours,

J. CREW GROUP, INC.

By: /s/ Nicholas Lamberti

Name: Nicholas Lamberti
Title: Vice President, Controller and Acting CFO

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

TPG PARTNERS II, L.P.

By: TPG Genpar II, L.P.
its General Partner

By: TPG Advisors II, Inc.
its General Partner

By: /s/ David A. Spuria

Name: David A. Spuria
Title: Vice President

TPG PARALLEL II, L.P.

By: TPG Genpar II, L.P.
its General Partner

By: TPG Advisors II, Inc.
its General Partner

By: /s/ David A. Spuria

Name: David A. Spuria
Title: Vice President

TPG INVESTORS II, L.P.

By: TPG Genpar II, L.P.
its General Partner

By: TPG Advisors II, Inc.
its General Partner

By: /s/ David A. Spuria

Name: David A. Spuria
Title: Vice President

Exhibit 10.4

EXECUTION VERSION

TPG-MD Investment, LLC

August 16, 2005

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

Ladies and Gentlemen:

We refer to the Credit Agreement, dated as of February 4, 2003, by and among TPG-MD Investment, LLC, J. Crew Operating Corp., J. Crew Group, Inc. and the guarantors named therein (as amended by Amendment No. 1 to the Credit Agreement, dated as of November 21, 2004, the "Credit Agreement"). This letter agreement (the "Letter Agreement") confirms our understanding with you regarding our agreement to exchange the Loans made under the Credit Agreement into the shares of common stock of J. Crew Group, Inc. (together with its successors and assigns, "J. Crew Group"), par value $0.01 per share ("J. Crew Group Common Stock"). Any capitalized terms used but not defined in this Letter Agreement shall have the meanings assigned to them in the Credit Agreement.

1. In order to facilitate the proposed IPO of J. Crew Group and subject to the terms and conditions set forth in this Letter Agreement, we hereby agree to exchange the Principal Amount of the Loans and the accrued and unpaid interest thereon into J. Crew Group Common Stock in accordance with Article VII of the Credit Agreement.

2. Our agreement set forth in paragraph 1 above shall be subject to the satisfaction (or the waiver) of the conditions to closing set forth in an underwriting agreement to be entered into by and among J. Crew Group and the underwriters to be named therein in connection with the IPO of J. Crew Group, other than any condition requiring the delivery of notice described in paragraph 3 below.

3. Pursuant to Section 7.01 of the Credit Agreement, upon the satisfaction (or the waiver) of such conditions, we shall deliver a written notice to J. Crew Group setting forth the Principal Amount of the Loans and the accrued and unpaid interest thereon as of the Exercise Date, the Exercise Price (subject to adjustment pursuant to Section 7.02 of the Credit Agreement) and the amount of J. Crew Group Common Stock to be issued by J. Crew Group, together with the certificates evidencing the Tranche A Note and the Tranche B Note (or, in lieu thereof, a lost Note affidavit together with an indemnity against third party claims reasonably satisfactory to J. Crew Group). For purposes of the Credit Agreement, the date we deliver such written notice shall be deemed to be the Exercise Date. Upon receipt of such written notice, you agree to deliver to us the share certificates evidencing the amount of J. Crew Group Common Stock to be issued by J. Crew Group in exchange for the Loans.

4. This Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

5. This Letter Agreement may be executed in one or more counterparts and by facsimile, each of which shall be deemed an original and all of which shall constitute one and the same Letter Agreement.

Very truly yours,

TPG-MD INVESTMENT, LLC

By: TPG PARTNERS II, L.P.
its Member

By: TPG Genpar II, L.P.
its General Partner

By: TPG Advisors II, Inc.
its General Partner

By: /s/ David A. Spuria

Name: David A. Spuria
Title: Vice President

Agreed and acknowledged as of the date first above written:

J. CREW GROUP, INC.

By: /s/ Nicholas Lamberti

Name: Nicholas Lamberti
Title: Vice President, Controller and Acting CFO

cc: J. Crew Operating Corp.
Grace Holmes Inc.
H.F.D. No. 55, Inc.
J. Crew, Inc.
J. Crew International, Inc.

J. Crew

June 17, 2005

Amanda Bokman

Dear Amanda:

This letter agreement ("Letter Agreement") will confirm our understanding of the arrangements under which your employment as Executive Vice-President and Chief Financial Officer of J. Crew Group, Inc. and all of its subsidiaries and affiliates (collectively, the "Company") is terminated. These terms and conditions are set out below.

1. The parties hereby acknowledge and confirm that your employment with the Company is terminated effective as of June 17, 2005 (the "Termination Date") and the Company will pay you your accrued and unpaid base salary through such date.

2. Subject to this Letter Agreement becoming effective (as described in Paragraph 17 hereof), the Company will continue to pay you your base salary of $400,000 per annum ("Continuation Severance Payment") for the twelve (12) month period ("Severance Period") beginning on the day immediately following the Termination Date, payable in accordance with the Company's regular payroll practices for its employees and you will be entitled to receive a lump sum amount equal to the product of (x) the Annual Bonus, if any, that you would have earned in fiscal year 2005 had your employment not been terminated and (y) a fraction, the numerator of which is the number of days in fiscal year 2005 through the Termination Date and the denominator of which is 365, payable when bonuses are generally paid to employees of the Company ("Pro-Rata 2005 Bonus"); provided that such Pro-Rata 2005 Bonus shall not be less than $38,000. The Company will also reimburse you for payments of COBRA premiums to continue your medical benefits if you so elect ("Continuation Medical Benefit") for the Severance Period. Notwithstanding anything herein to the contrary, your right to receive the Continuation Severance Payment shall terminate effective immediately upon the date that you become employed by a new employer or otherwise begin providing services for an entity as a consultant or otherwise ("New Employment"); provided that if the cash compensation you receive pursuant to such New Employment, including without limitation guaranteed bonus payments relating to the Severance Period whether or not paid during the Severance Period ("New Compensation") is less than $400,000 per annum, the Company will continue to pay you an incremental amount during the remaining Severance Period such that the New Compensation payments you receive together with such incremental amount will equal $400,000 on an annualized basis. Your right to receive the Continuation Medical Benefit shall also cease immediately upon your being eligible for coverage under another group health plan in connection with any New Employment. You agree to immediately notify the Senior Vice-President of Human Resources upon obtaining New Employment and provide all information regarding compensation and medical benefits coverage reasonable requested by the Company. In addition, upon request, outplacement services will be provided in accordance with the Company's policy.

The foregoing payments shall be reduced by any required tax withholdings and shall not be taken into account as compensation and no service credit shall be given after the Termination Date for purposes of determining the benefits payable under any other plan, program, agreement or arrangement of the Company. You acknowledge that, except for the foregoing payments, you are not entitled to any payment by the Company in the nature of either severance or termination pay or other compensation of any kind.

3. As of the Termination Date, you have (i) vested options to purchase 8,750 shares of Common Stock at $6.82 per share (the "Vested Options"), (ii) unvested options to purchase 26,250 shares of Common Stock of J.Crew Group, Inc. ("Common Stock") at $6.82 per share, (iii) unvested options to purchase 10,000 shares of Common Stock at $15.00 per share and (iv) unvested options to purchase 10,000 shares of Common Stock at $25.00 per share ((ii) – (iv) are collectively referred to as the "Unvested Options"). You also have 25,000 unvested restricted shares of Common Stock (the "Unvested Restricted Shares"). You acknowledge that all of the Vested Options will terminate in 90 days from the Termination Date and all of the Unvested Options and Unvested Restricted Shares terminate effective immediately, in accordance with the provisions of your stock option agreement, restricted stock grant agreement and the J.Crew Group, Inc. 2003 Equity Incentive Plan.

4. By signing this Letter Agreement, you agree that in exchange for the consideration set forth herein, you hereby voluntarily, fully and unconditionally release and forever discharge the Company, its present and former parent corporation(s), subsidiaries, divisions, affiliates and otherwise related entities and their respective incumbent and former employees, directors, plan administrators, officers and agents, individually and in their official capacities (collectively, the "Releasees"), jointly and severally from any and all charges, actions, causes of action, demands, debts, dues, bonds, accounts, covenants, contracts, liabilities, or damages of any nature whatsoever, whether now known or claimed, to whomever made, which you, your heirs or successors have or may have against any or all of the Releasees for or by reason of any cause, nature or thing whatsoever, up to the present time, including without limitation any claim or cause of action arising out of or related to your employment with the Company, the termination of such employment or your Employment Agreement, dated April 10, 2004, with the Company (the "Employment Agreement"), including, by way of examples and without limiting the broadest application of the foregoing, any actions, causes of action, or claims under any contract or federal, state or local decisional law, statues, regulations or constitutions, any claims for notice, pay in lieu of notice, wrongful dismissal, breach of contract, defamation or other tortious conduct, discrimination on the basis of actual or perceived disability, age, sex, race or any other factor (including, without limitation, any claim pursuant to Title VII of the Civil Rights Act of 1964, Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, as amended, the Family and Medical Act of 1993, the Equal Pay Act of 1963, the Fair Labor Standards Act, the State, City and local laws of New York, and the equal employment law or laws of the state and/or city in which you work), any claim pursuant to any other

applicable employment standards or human rights legislation or for severance pay, salary, bonus, incentive or additional compensation, vacation pay, insurance, other benefits, interest, and/or attorney's fees. You acknowledge that this general release is not made in connection with an exit incentive or other employment termination program offered to a group or class of employees.

If you have made or should hereafter make any complaint, charge, claim, allegation or demand, or commence or threaten to commence any action, complaint, charge, claim or proceeding, against any or all of the Releasees for or by reason of any cause, matter or thing whatsoever existing up to the present time, this Letter Agreement may be raised as and shall constitute a complete bar to any such action, complaint, charge, claim, allegation or proceeding, and, subject to a favorable ruling by a tribunal of final jurisdiction, the Releasees shall recover from you, and you shall pay to the Releasees, all costs incurred by them, including their attorneys' fees, as a consequence of any such action, complaint charge, claim, allegation or proceeding; provided, however, that this shall not limit you from enforcing your rights under this Letter Agreement, and in the event any action is commenced to enforce your rights under this Letter Agreement, each party shall bear its own legal fees and expenses; and provided further, however, that this is not intended to interfere with your right to file a charge with the Equal Employment Opportunity Commission ("EEOC") in connection with any claim you believe you may have against any Releasee. However, by signing this Letter Agreement, you agree to waive any right to recover in any proceeding you 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 your behalf. This release shall not apply to any obligation of the Company pursuant to this Agreement or any rights in the nature of indemnification (including without limitation pursuant to the Company's director's and officers' liability insurance policy) which you may have with respect to claims against you relating to or arising out of your employment with the Company.

You specifically release all claims under the Age Discrimination in Employment Act ("ADEA") relating to your employment and its termination.

5. You hereby agree and acknowledge that you shall be bound by and comply with the restrictive covenants provided in Section 4 of the Employment Agreement (the "Restrictive Covenants"), and that such Restrictive Covenants are hereby made part of this Letter Agreement as if specifically restated herein and that the payments described in Section 2 above that you are receiving are subject to and contingent upon your compliance with Restrictive Covenants.

6. You acknowledge and agree that, notwithstanding any other provision of this Letter Agreement, if you breach any of your obligations under this Letter Agreement or any Restrictive Covenant, (a) you will forfeit your right to receive the payments and benefits described in Section 2 above (to the extent the payments were not theretofore paid) and the Company shall be entitled to recover any payments already made to you or on your behalf, (b) the Vested Options shall expire as of the date of such breach to the extent not theretofore exercised and, if exercised as of the date of such breach, you shall immediately reimburse the Company for the profit upon exercise (such profit calculated as the difference between the (i) greater of either the Fair Market Value (as defined in

the J.Crew Group, Inc. 2003 Equity Incentive Plan) of a share of Common Stock on the date of exercise or the amount paid by the Company to you per share of Common Stock for the purchase of the shares acquired upon exercise, and (ii) exercise price, times the number of options exercised).

7. You hereby agree that the breach of any Restrictive Covenant may cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if you breach a Restrictive Covenant, the Company would be entitled to temporary and permanent injunctive relief in any court of competent jurisdiction (without the need to post any bond) without prejudice to any other remedies under this Letter Agreement or otherwise. You hereby waive the claim or defense that the Company has an adequate remedy at law and you shall not argue in any action or proceeding that any such remedy at law exists.

8. You agree that, in the event that you are served with legal process or other request purporting to require you to testify, plead, respond or defend and/or produce documents at a legal or governmental proceeding, threatened proceeding, investigation or inquiry involving the Releasees, you will: (1) refuse to provide testimony or documents absent a subpoena, court order or similar process from a regulatory agency; (2) within three (3) business days or as soon thereafter as practical, provide oral notification to the Company's General Counsel of your receipt of such process or request to testify or produce documents; and (3) provide to the Company's General Counsel by overnight delivery service a copy of all legal papers and documents served upon you. You further agree that in the event you are served with such process, you will meet and confer with the Company's designee(s) in advance of giving such testimony or information. You also agree to reasonably cooperate with the Releasees in connection with any existing, future or threatened litigation or governmental proceeding, investigation or inquiry involving the Releasees, whether administrative, civil or criminal in nature, in which and to the extent the Releasees deem your cooperation reasonably necessary. The Company agrees to reimburse you for your reasonable out-of-pocket expenses incurred in connection with the performance of your obligations under this Section 8.

9. This Letter Agreement does not constitute an admission of liability or wrongdoing of any kind by you or the Company or its subsidiaries or affiliates.

10. The terms of this Letter Agreement shall be binding on the parties hereto and their respective successors, assigns, heirs and representatives.

11. This Letter Agreement constitutes the entire understanding of the Company and you with respect to the subject matter hereof and supersedes all prior understandings, written or oral. The terms of this Letter Agreement may be changed, modified or discharged only by an instrument in writing signed by the parties hereto. A failure of the Company or you to insist on strict compliance with any provision of this Letter Agreement shall not be deemed a waiver of such provision or any other provision hereof. If any provision of this Letter Agreement is determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

12. This Letter Agreement shall be construed, enforced and interpreted in accordance with and governed by the laws of the State of New York.

13. The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Letter Agreement and has contributed 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 Letter Agreement. Rather, the terms of this Letter Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

14. This Letter 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.

15. You acknowledge that, by your free and voluntary act of signing below, you agree to all of the terms of this Letter Agreement and intend to be legally bound thereby.

16. You acknowledge that you have received this Letter Agreement on June 17, 2005. You understand that you may consider whether to agree to the terms contained herein for a period of twenty-one (21) days after the date hereof. However, the operation of the provisions of Sections 2 through 4 above may be delayed until you execute this Letter Agreement and return it to the Company and it becomes effective as provided below. You acknowledge that you have consulted with an attorney prior to your execution of this Letter Agreement or have determined by your own free will not to consult with an attorney.

17. This Letter Agreement will become effective, enforceable and irrevocable seven days after the date on which it is executed by you (the "Effective Date"). During the seven-day period prior to the Effective Date, you may revoke your agreement to accept the terms hereof by indicating in writing to the Company's General Counsel your intention to revoke. If you exercise your right to revoke hereunder, you shall forfeit your right to receive any of the payments and other benefits provided for herein, and to the extent such payments or benefits have already been made, you agree that you will immediately reimburse the Company for the value of such payments and benefits.

If the foregoing correctly reflects our understanding, please sign the enclosed copy of this Letter Agreement, whereupon it will become a binding agreement between us.

/s/ Diana Lastella

Diana Lastella
Director, Human Resources

AGREED TO AND ACCEPTED:

/s/ Amanda Bokman

Amanda Bokman

Dated: June 24, 2005

Acknowledgment

STATE OF NEW YORK)

ss:

COUNTY OF NEW YORK)

On the 30 day of June, 2005, before me personally came Amanda Bokman, who, being by me duly sworn, did depose and say that she resides at [address omitted], and did acknowledge and represent that she has had an opportunity to consult with attorneys and other advisers of his choosing regarding the Letter Agreement set forth above, that he has reviewed all of the terms of the Letter Agreement and that he fully understands all of its provisions, including without limitation, the general release and waiver set forth therein.

/s/ Pearl Aird

Notary Public

Dated: 6/30, 2005

Exhibit 10.13

EXECUTION COPY

August 16, 2005

Mr. Jim Scully

Dear Jim:

Pursuant to our discussions regarding your employment with J. Crew Group, Inc. (the "Parent") and its operating subsidiaries (collectively with the Parent, the "Company"), we thought it would be useful to lay out the terms and conditions of our agreement in this letter agreement (the "Agreement") for all parties to sign.

1. Employment.

(a) The Company hereby agrees to employ you during the "Employment Period" (as defined below) as Chief Financial Officer (principal financial officer and principal accounting officer), and you hereby agree to serve the Company in such capacity. You shall report to the Chief Executive Officer of the Company.

(b) During the Employment Period, you shall devote your full business time and energy, attention, skills and ability to the performance of your duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company. Accordingly, you may not, directly or indirectly, without the prior written consent of the Company, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company), provided that it shall not be a violation of the foregoing for you to (i) act or serve as a director, trustee or committee member of any civic or charitable organization, and (ii) manage your personal, financial and legal affairs, so long as such activities (described in clauses (i) or (ii)) do not interfere with the performance of your duties and responsibilities to the Company as provided hereunder.

2. Employment Period.

(a) The "Employment Period" shall begin on September 7, 2005 (the "Effective Date") and shall terminate ("Termination Date") upon the earliest to occur of (i) the third anniversary of the Effective Date (the "Scheduled Termination Date"), (ii) your death or Disability (as defined below), (iii) voluntary termination of employment by you without Good Reason (as defined below) on at least two months prior notice, (iv) voluntary termination of employment by you for Good Reason in accordance with the procedure outlined in Section 2(e) below, (v) termination of employment by the Company without Cause (as defined below) or (vi) termination of employment by the Company for Cause. The Scheduled Termination Date shall be extended for successive one year periods beginning on the third anniversary of the Effective Date and on each anniversary thereafter, unless either the Company or you notifies the other in writing at least four months prior to the applicable Scheduled Termination Date of its intention not to extend the Scheduled Termination Date further in which case the Employment Period shall terminate on such Scheduled Termination Date.

(b) Upon termination of the Employment Period for any reason, you shall be entitled to any earned but unpaid Base Salary (as defined below) as of the Termination Date. If the Company terminates the Employment Period without Cause or you terminate the Employment Period for Good Reason, you will be entitled to the following severance benefits (the "Severance Benefits"): (i) continuation of your Base Salary as in effect immediately prior to such termination (your "Ending Base Salary", and such continuation of your Ending Base Salary being referred to herein as the "Continuation Severance Payment") and medical benefits which may be provided by the Company reimbursing payment of COBRA premiums if any ("Continuation Medical Benefit") for a period of one (1) year (the "Severance Period") after the Termination Date and (ii) a lump sum amount, equal to the product of (x) the Annual Bonus, if any, that you would have earned (based only upon the objective bonus criteria) in the fiscal year which includes the Termination Date had your employment not been terminated and (y) a fraction, the numerator of which is the number of days in the fiscal year that includes the Termination Date through the Termination Date and the denominator of which is 365, payable when bonuses are generally paid to the employees of the Company ("Pro-Rata Bonus"); provided that the Severance Benefits are subject to and conditioned upon your execution of a valid general release and waiver in a form reasonably satisfactory to the Company waiving all claims that you may have against the Company, its successors, assigns, affiliates, employees, officers and directors and your compliance with the provisions set forth in Section 4 hereof. Notwithstanding anything herein to the contrary, your right to receive the Continuation Severance Payment during the Severance Period shall terminate effective immediately upon the date that you become employed by a new employer or otherwise begin providing services for an entity as a consultant or otherwise ("New Employment"); provided that if the cash compensation you receive pursuant to such New Employment, including without limitation guaranteed bonus payments relating to the Severance Period whether or not paid during the Severance Period, ("New Compensation") is less than your Ending Base Salary, the Company will continue to pay you an incremental amount during the remaining Severance Period such that the New Compensation payments you receive together with such incremental amount will equal your Ending Base Salary on an annualized basis and your right to receive the Continuation Medical Benefit shall cease immediately upon your being eligible for coverage under another group health plan. You shall immediately notify the Company upon obtaining New Employment and provide all information regarding medical benefits coverage reasonably requested by the Company. The Company shall have no additional obligations under this Agreement, including under any severance or termination pay plan, and your rights under any benefit plan of the Company to vested benefits or welfare benefits will be determined pursuant to the terms of the applicable plan. Notwithstanding the foregoing, in the event the payments or benefits under this Section 2(b) would result in the imposition of a tax under Section 409A of the Internal Revenue Code of 1986, as amended, then such payments or benefits will be paid or provided at such time when such payments or benefits would not be subject to such tax.

(c) For purposes of this Agreement, the term "Cause" shall mean (i) the indictment for a felony or any crime involving moral turpitude or being charged or sanctioned by a federal or state government or governmental authority or agency with violations of federal or state securities laws in any judicial or administrative process or proceeding, or having been found by any court or governmental authority or agency to have committed any such violation, (ii) willful misconduct or gross negligence in connection with the performance of your duties as an employee of the Company, (iii) a willful and material breach of this Agreement, including without limitation, your failure to perform your duties and responsibilities hereunder, after you have been given written notice specifying such breach and at least thirty (30) days to cure such breach, to the extent reasonably susceptible to cure, (iv) a fraudulent act or omission by you adverse to the reputation of the Company or any affiliate, (v) the willful disclosure by you of any Confidential Information (as defined below) to persons not authorized to know same, and (vi) your violation of or failure to comply with (A) any Company policy, including, without limitation, the Code of Ethics and Business Practices, or (B) any legal or regulatory obligations or requirements, including, without limitation, failure to provide any certifications as may be required by law, provided that with respect to this Section 2(c)(vi), you shall be given thirty (30) days to cure such violation to the extent such violation is reasonably susceptible to cure. If subsequent to the termination of your employment, it is discovered that your employment could have been terminated for Cause pursuant to sections (i) or (iv) of this Section 2(c), your employment shall, at the election of the Company, in its sole discretion, be deemed to have been terminated for Cause in which event the Company shall be entitled to immediately cease providing any Severance Benefits to you or on your behalf and recover any payments previously made to you or on your behalf in the form of Severance Benefits. For purposes of this provision, no act or omission on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Parent (the "Board") shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company.

(d) For purposes of this Agreement, the term "Disability" shall mean your incapacity due to physical or mental illness or injury, which results in your being unable to perform your duties hereunder for a period of ninety (90) consecutive working days, and within thirty (30) days after the Company notifies you that your employment is being terminated for Disability, you shall not have returned to the performance of your duties on a full-time basis.

(e) For purposes of this Agreement, the term "Good Reason" shall mean (i) any action by the Company that results in a material and continuing diminution in your position, authority, duties or responsibilities, including without limitation a change in your title from Chief Financial Officer or a change such that you no longer report directly to the Chief Executive Officer; (ii) a reduction by the Company in your Base Salary or Annual Bonus opportunity as in effect on the Effective Date or as the same may be increased from time to time; or (iii) a relocation of your principal place of employment to more than fifty (50) miles from your principal place of employment, in each case without your written consent. Termination of your employment for "Good Reason" shall not be effective until you deliver to the Board a written notice specifically identifying the conduct of the Company which you believe constitutes "Good Reason" in accordance with this Section 2(e) and you provide the Board at least thirty (30) days to remedy such conduct.

3. Compensation and Benefits.

(a) Base Salary. During the Employment Period, your annual base salary shall be $475,000 ("Base Salary") and shall be paid pursuant to regular Company payroll practices for the senior executives of the Company. The Base Salary will be reviewed annually by the Company.

(b) Annual Bonus. In addition to the Base Salary, in each fiscal year during the Employment Period, you will have the opportunity to earn an annual bonus ("Annual Bonus") at the following percentages of your Base Salary if both the Company achieves certain performance objectives (which will be determined by the Company for each such fiscal year in accordance with the Company's bonus plan) and you achieve your performance goals established by the Company: target bonus of 50% up to a maximum bonus of 100% of Base Salary. Notwithstanding the foregoing, your Annual Bonus for the fiscal year beginning January 30, 2005 will be $250,000 (the "FY '05 Guaranteed Bonus") regardless of the achievement or non-achievement of performance objectives for such fiscal year. Any Annual Bonus (including the FY '05 Guaranteed Bonus, if applicable) will be paid only if you are actively employed with the Company and not in breach of this Agreement on the date of actual payment, except for any Pro-Rata Bonus payable pursuant to Section 2(b) hereof.

(c) Transition Support Payment. No later than thirty (30) days after the Effective Date, the Company will pay you a transition support payment ("Transition Support Payment") of $165,000 as consideration for entering into this Agreement, provided that you will be required to immediately pay back the pro-rata portion of the Transition Support Payment in the event you voluntarily terminate your employment hereunder other than for Good Reason or your employment is terminated by the Company for Cause within one (1) year after the Effective Date. The pro-ration shall be determined on the basis of the number of full months having elapsed from the Effective Date to the Termination Date, divided by twelve. To the extent that you fail to pay back any portion of the Transition Support Payment as provided herein, the Company shall have the right to offset any other payments provided hereunder or otherwise owed to you in respect of such amount.

(d) Initial Stock Options. As soon as reasonably practicable after the Effective Date, and subject to the approval of the Board or a Committee thereof, the Company will cause the Parent to grant you a non-qualified stock option (the "Initial Option") to purchase 50,000 shares of common stock of the Parent (the "Common Stock") at an exercise price per share equal to the fair market value of the Common Stock on the date of grant. Twenty-five (25%) percent of the shares underlying the Initial Option shall vest and become exercisable each year on the anniversary of the Effective Date beginning with the first anniversary thereof, provided that you continue to be actively employed by the Company on such anniversary. The Initial Option shall be subject to and governed by the terms and conditions of the Company's 2003 Equity Incentive Plan (the "Equity Plan", a copy of which has been provided to you) and shall be evidenced by a separate stock option grant agreement.

(e) Premium Stock Options. As soon as reasonably practicable after the Effective Date, and subject to the approval of the Board or a Committee thereof, the Company will also cause the Parent to grant you the following additional non-qualified stock options: (i) an option to purchase 40,000 shares of Common Stock at an exercise price equal to the greater of (x) $15.00 per share and (y) the fair market value per share of the Common Stock on the date of grant and (ii) an option to purchase 40,000 shares of Common Stock at an exercise price equal to $25.00 per share (collectively, the "Premium Options"). Twenty-five (25%) percent of the shares underlying the Premium Options shall vest and become exercisable each year on the anniversary of the Effective Date beginning on the first anniversary thereof, provided that you continue to be actively employed by the Company on such anniversary. The Premium Options shall be subject to and governed by the terms and conditions of the Equity Plan and shall be evidenced by a separate stock option agreement.

(f) Restricted Stock. As soon as reasonably practicable after the Effective Date, and subject to the approval of the Board or a Committee thereof, the Company will also cause the Parent to grant you 35,000 restricted shares of Common Stock (the "Restricted Stock Grant"). Twenty-five (25%) percent of the shares underlying the Restricted Stock Grant shall vest on each anniversary of the Effective Date beginning on the first anniversary thereof, provided that you continue to be actively employed by the Company on such anniversary. The Restricted Stock Grant shall be subject to and governed by the terms and conditions of the Equity Plan and shall be evidenced by a separate restricted stock grant agreement.

(g) Employee Benefits. During the Employment Period, you will be entitled to participate in the Company's benefit package made generally available to associates of the Company. Currently, the Company's benefit package includes paid time off days, holidays, life insurance, medical insurance, a matching 401(k) tax deferred savings plan, a health flexible spending account, and the employee discount. The Company reserves the right to change these benefits at any time in its sole discretion.

(h) Relocation. With respect to your relocation to the New York area, the Company will provide you with relocation assistance in accordance with the Company's executive homeowner relocation policy, including up to six months of temporary housing in our corporate housing in New York City, provided that you will be required to immediately pay back a pro-rata portion of all payments, benefits and expense reimbursements that you received in connection with your relocation based on your last date of employment in the event you voluntarily terminate your employment hereunder other than for Good Reason within one (1) year after the

Effective Date. The pro-ration shall be determined on the basis of the number of full months having elapsed from the Effective Date to the Termination Date, divided by twelve. To the extent that you fail to pay back any portion of this amount as provided herein, the Company shall have the right to offset any other any other payments provided hereunder or otherwise owed to you in respect of such amount.

4. Additional Agreements; Confidentiality.

(a) As additional consideration for the Company entering into this Agreement, you agree that for a period of twelve months following the Termination Date, you shall not, directly or indirectly, (i) engage (either as owner, investor, partner, employer, employee, consultant or director) in or otherwise perform services for any Competitive Business (as defined below) which operates within a 100 mile radius of the location of any store of the Company or its affiliates or in the same area as the Company directs its mail order operations, provided that the foregoing restriction shall not prohibit you from owning a passive investment of not more than 5% of the total outstanding securities of any publicly-traded company, or (ii) solicit or cause another to solicit any customers or suppliers of the Company or any of its subsidiaries to terminate or otherwise adversely modify their relationship with the Company or any such subsidiary. The term "Competitive Business" means the retail, mail order and internet specialty apparel and accessories business and any other business the Company or its affiliates is engaged in on the Termination Date. Notwithstanding anything herein to the contrary, the provisions of this Section 4(a) shall not apply in any of the following circumstances: (i) the Company terminates the Employment Period without Cause, (ii) you terminate the Employment Period for Good Reason, or (iii) the Company elects not to extend the Scheduled Termination Date pursuant to Section 2(a) above.

(b) During the Employment Period and for a period of twelve months following the Termination Date, you shall not, directly or indirectly, solicit, hire, or seek to influence the employment decisions of, any employee of the Company or any of its subsidiaries on behalf of any person or entity other than the Company.

(c) You agree that during the Employment Period and thereafter you will hold in strict confidence any proprietary or Confidential Information related to the Company or its affiliates. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Company and its affiliates in whatever form which is not generally known to the public, including without limitation, customer lists, trade practices, marketing techniques, fit specifications, design, pricing structures and practices, research, trade secrets, processes, systems, programs, methods, software, merchandising, distribution, planning, inventory and financial control, store design and staffing. Upon termination of your employment, you shall not take, without the prior written consent of the Company, any drawing, specification or other document or computer record (in whatever form) of the Company or its affiliates embodying any Confidential Information and will return any such information (in whatever form) then in your possession.

(d) You agree that during the Employment Period and thereafter you shall not disclose any information that has not been otherwise publicly disclosed by the Company in accordance with securities laws regarding the existence or substance of this Agreement to any third party (including employees of the Company) without the prior written consent of the Chief Executive Officer of the Company, except as may be required by law, other than to your spouse or your professional advisers for purposes of discussing the subject matter hereof and, with respect to such professional advisers, you agree to inform them of your obligations hereunder and take all reasonable steps to ensure that such professional advisers do not disclose the existence or substance hereof. Further, during the Employment Period and thereafter, you agree not to directly or indirectly disparage or defame the Company, its affiliates or any of their directors, officers or employees.

(e) You also agree that breach of the provisions provided in this Section 4 would cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if you breach any of the provisions in this Section 4, the Company will be entitled to an injunction restraining you from violating such provision without the posting of any bond. If the Company shall institute any action or proceeding to enforce the terms of any such provision, you hereby waive the claim or defense that the Company has an adequate remedy at law and you agree not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require you to account for and pay over to the Company, and you hereby agree to account for and pay over, the compensation, profits, monies, accruals and other benefits derived or received by you as a result of any transaction constituting a breach of any of the provisions set forth in this Section 4.

5. Representations. The parties hereto hereby represent and warrant that they have the authority to enter into this Agreement and perform their respective obligations hereunder. You hereby represent and warrant to the Company that (i) the execution and delivery of this Agreement and the performance of your duties hereunder shall not constitute a breach of or otherwise violate any other agreements, arrangements or commitments with any other party to which you are a party or by which you are bound, and (ii) you will not use or disclose any confidential and/or proprietary information or trade secrets obtained by you in connection with your former employments with respect to your duties and responsibilities hereunder. You further represent that you are not aware of any facts or circumstances that would adversely affect your ability to serve as the Company's Chief Financial Officer.

6. Indemnification. The Company agrees that if you are made a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than any Proceeding related to any contest or dispute between you and the Company or any of its affiliates with respect to this Agreement or the services described hereunder, by reason of the fact that you are or were an officer or a director of the Company or any subsidiary of the Company or are or were serving at the request of the Company as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, you shall be indemnified and held harmless by the Company to the fullest extent authorized by the Company's Certificate of Incorporation and Bylaws.

7. Miscellaneous.

(a) 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:

If to the Company:

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

If to you:

To the address on file with the Company

or to such other address as any party may designate by notice to the other.

(b) This Agreement constitutes the entire agreement between you and the Company with respect to your employment by the Company, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to your employment.

(c) This Agreement shall inure to the benefit of and be an obligation of the Company's assigns and successors; however you may not assign any of your rights or duties hereunder to any other party.

(d) No provision of this Agreement may be amended or waived, unless such amendment or waiver is specifically agreed to in writing and signed by you and an officer of the Company duly authorized to execute such amendment. The failure by either you or the Company at any time to require the performance by the other 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 you or the Company of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(e) You and the Company acknowledge and agree that each of you 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 and not in favor or against either party.

(f) 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.

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

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

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

(j) This Agreement and all amendments thereof shall, in all respects, be governed by and construed and enforced in accordance with the internal laws (without regard to principles of conflicts of law) of the State of New York. Each party hereto hereby agrees to and accepts the exclusive jurisdiction of any court in New York County or the U.S. District Court for the Southern District of New York in respect of any action or proceeding relating to the subject matter hereof, expressly waiving any defense relating to jurisdiction or forum non conveniens, and consents to service of process by U.S. certified or registered mail in any action or proceeding with respect to this Agreement.

(signatures on following page)

If the terms of this Agreement meet with your approval, please sign and return one copy to me.

Sincerely,

/s/ Millard S. Drexler

Millard S. Drexler
Chief Executive Officer

AGREED TO AND ACCEPTED:

/s/ Jim Scully

Jim Scully

Date: August 16, 2005

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

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

We consent to the use of our report dated April 4, 2005, with respect to the consolidated balance sheets of J. Crew Group, Inc. and subsidiaries as of January 31, 2004 and January 29, 2005, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years in the three-year period ended January 29, 2005, and the related financial statement schedule, included herein, and to the reference to our firm under the headings "Summary Historical and Unaudited Pro Forma Financial Data," "Selected Consolidated Financial Data" and "Experts," in the registration statement and related prospectus.

Our report refers to the adoption of Statement of Financial Accounting Standard No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" in the third quarter of fiscal 2003.

Our report also indicates that J. Crew Group, Inc. and subsidiaries have restated the consolidated statements of cash flows for each of the years in the two-year period ended January 31, 2004, to reclassify the proceeds from construction allowances from cash flows from investing activities to cash flows from operating activities.

/s/ KPMG LLP

New York, New York
August 15, 2005

Exhibit 24.1

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Millard S. Drexler, Nicholas P. Lamberti and Arlene S. Hong, or any of them, as his or her true and lawful attorney-in-fact with full power of substitution and resubstitution, in any and all capacities, to sign one or more Registration Statements on Form S-1, with exhibits (the “Registration Statement”), for the registration of the Common Stock of J. Crew Group, Inc. under the Securities Act of 1933, as amended (the “Securities Act”), or any amendments to such Registration Statement (including, without limitation, post-effective amendments and registration statements filed pursuant to Rule 462 under the Securities Act) and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and conforming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 28th day of July, 2005.

Signature	Title	Date
/s/ Richard Boyce Richard Boyce	Director	July 28, 2005
/s/ Jonathan Coslet Jonathan Coslet	Director	July 28, 2005
/s/ James Coulter James Coulter	Director	July 28, 2005
/s/ Steven Grand-Jean Steven Grand-Jean	Director	July 26, 2005
/s/ Emily Scott Emily Scott	Director	July 28, 2005
/s/ Thomas Scott Thomas Scott	Director	July 28, 2005
/s/ Stuart Sloan Stuart Sloan	Director	July 28, 2005
/s/ Josh Weston Josh Weston	Director	July 28, 2005
/s/ Bridget Ryan Berman Bridget Ryan Berman	Director	July 28, 2005