SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 29, 2000

Commission File Number 333-42427

J. CREW GROUP, INC.
(Exact name of registrant as specified in its charter)

New York	22-2894486
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

770 Broadway, New York, New York 10003
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 209-2500

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No -

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The common stock of the registrant is not publicly traded. Therefore, the aggregate market value is not readily determinable.

As of April 1, 2000, there were 11,726,865 shares of Common Stock, par value $.01 per share, outstanding.

Documents incorporated by reference: None

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

References herein to fiscal years are to the fiscal years of J. Crew Group, Inc., which end on the Friday closest to January 31 in the following calendar year for fiscal years 1995 and 1996 and on the Saturday closest to January 31 in the following calendar year for fiscal years 1997, 1998 and 1999. Accordingly, fiscal years 1995, 1996, 1997, 1998 and 1999 ended on February 2, 1996, January 31, 1997, January 31, 1998, January 30, 1999 and January 29, 2000. All fiscal years for which financial information is included had 52 weeks.

References in this Report to the "Company" and "J. Crew" mean J. Crew Group, Inc. and its subsidiaries, unless the context requires otherwise.

Part I

ITEM 1. BUSINESS

General

The Company is a leading retailer of women's and men's apparel, shoes and accessories operating under the J. Crew (R) brand name. The Company has built a strong and widely recognized brand name known for its timeless styles at price points that the Company believes represent exceptional product value. The J. Crew image has been built and reinforced over its 17-year history through the circulation of more than 700 million catalogs that use magazine-quality photography to portray a classic American perspective and aspirational lifestyle. Many of the original items introduced by the Company in the early 1980s (such as the rollneck sweater, weathered chino, barn jacket and pocket tee) were instrumental in establishing the J. Crew brand and continue to be core product offerings. The Company has capitalized on the strength of the J. Crew brand to provide customers with clothing to meet more of their lifestyle needs, including casual, career and sport.

The J. Crew merchandising strategy emphasizes timeless styles and a broad assortment of high-quality products designed to provide customers with one-stop shopping opportunities at attractive prices. J. Crew retail stores, catalogs and its Internet site offer a full line of men's and women's basic durables (casual weekend wear), sport, swimwear, accessories and shoes, as well as the more tailored men's and women's "Classics" lines. Approximately 60% of the Company's J. Crew brand sales are derived from its core offerings of classics, durables and sport clothing, the demand for which the Company believes is stable and resistant to changing fashion trends. The Company believes that the J. Crew image and merchandising strategy appeal to college-educated, professional and affluent customers who, in the Company's experience, have demonstrated strong brand loyalty and a tendency to make repeat purchases.

J. Crew products are distributed exclusively through the Company's retail and factory outlet stores, catalogs and the Company's Internet site, jcrew.com. The Company currently circulates over 75 million J. Crew catalogs per annum and operates 81 J. Crew retail stores and 42 J. Crew factory outlet stores. In addition, J. Crew products are distributed through 70 free-standing and shop-in-shop stores in Japan under a licensing agreement with Itochu Corporation.

The Company has three major operating divisions: J. Crew Direct, J. Crew Retail, and J. Crew Factory Outlets, each of which operate under the J. Crew brand name. In 1999, products sold under the J. Crew brand contributed $716.6 million in revenues. J. Crew brand revenues in 1999 were comprised of $333.6 million from J. Crew Retail, $278.5 million from J. Crew Direct, $102.0 million from J. Crew Factory Outlet and $2.5 million of licensing revenues. The Company also markets to its customers through its Internet site (jcrew.com). Revenues derived from the Internet, which were $65.2 million for 1999, are included in J. Crew Direct revenues.

Effective as of October 30, 1998 the Company sold Popular Club Plan, Inc. and subsidiaries (PCP) to The Fingerhut Companies, Inc. for $42.0 million and the assumption of an accounts receivable securitization facility. Revenues for the nine months ended October 30, 1998 were $124.1 million. A gain on the sale of $10.0 million was included in the results of operations in fiscal 1998. An additional gain of $1.0 million was recognized in fiscal 1999 from the reversal of certain estimated liabilities recorded at the date of sale.

In 1998, management of the Company made a decision to exit the operations of its Clifford & Wills mail order and factory outlet subsidiaries (C&W). Revenues for the year ended January 30, 1999 were $74.3 million. A charge of $13.3 million was included in fiscal 1998 operations to write down the assets of C&W to net realizable value and to provide for certain additional costs in connection with the discontinuance of the C&W operations, including severance and lease termination costs. Additionally, fourth quarter charges of $1.7 million, included in selling expense, were incurred relating to deferred catalog costs.

In February 2000 the Company sold certain intellectual property assets to Spiegel Catalog Inc. for $3.9 million. In connection with this sale the Company agreed to cease the fulfillment of catalog orders but retained the right to operate its outlet stores and conduct other liquidation sales of inventories through December 31, 2000. After consideration of the proceeds from this sale and other terms of the agreement the Company provided an additional $4,000,000 to write down inventories to net realizable value as of January 29, 2000.

J. Crew Brand

Merchandising and Design Strategy

Over time, the J. Crew merchandising strategy has evolved from providing unisex products to creating full lines of men's and women's clothing, shoes and accessories. This strategy had the effect of increasing overall J. Crew brand sales volume, and significantly increasing revenues from sales of women's apparel as a percentage of total J. Crew brand sales from 47% in 1995 to 65% in 1999.

Every J. Crew product is designed by an in-house design staff, to reflect a classic, clean aesthetic that is consistent with the brand's American lifestyle image. Design teams are formed around J. Crew product lines and categories to develop concepts, themes and products for each of the Company's J. Crew businesses. Members of the J. Crew technical design team develop construction and fit specifications for every product to ensure quality workmanship and consistency across product lines. These teams work in close collaboration with the merchandising and production staff in order to gain market and other input. Product merchandisers provide designers with market trend and other information at initial stages of the design process. J. Crew designers and merchants source globally for fabrics, yarns and finished products to ensure quality and value, while manufacturing teams research and develop key vendors worldwide to identify and maintain the essential characteristics for every style.

Sourcing, Production and Quality

The Company maintains separate merchandising, design, manufacturing and quality assurance teams for the production of J. Crew brand merchandise. The Company's products are designed exclusively by in-house design and product development teams which support each line and class of product. These teams provide individual attention and expertise to every style, ensuring that these styles fit the J. Crew brand image.

The Company's merchandise is produced for the Company by a variety of manufacturers, both domestically and outside the United States. The Company does not own or operate any manufacturing facilities, instead contracting with third party vendors in over 20 countries for the production of its products. In 1999, approximately 70% of the Company's J. Crew brand products were sourced in the Far East, 15% were sourced domestically and 15% were sourced in Europe and other regions. Rarely does the Company represent the majority of any one vendor's business and no one vendor supplies more than 10% of the Company's merchandise.

The Company retains independent buying agents to conduct in-line and final quality inspections at each manufacturing site. Random inspections of all incoming merchandise at the Lynchburg and Asheville distribution facilities further assure that the Company's products are of a consistently high quality.

Due to the high concentration of foreign suppliers of J. Crew brand merchandise, the Company estimates seven month lead times for its products. The Company has established through the use of domestic vendors and strategic partnerships, a core group of long-term suppliers to provide quick response programs at significantly shorter lead times for certain product categories.

Distribution

The Company operates two major telemarketing and distribution facilities for its operations. Order fulfillment for J. Crew Direct takes place at the 406,500 square foot telemarketing and distribution center located in Lynchburg, Virginia. The Lynchburg facility processes approximately 3.8 million orders per year and employs approximately 1,000 full and part-time employees during its non-peak season and an additional 500 employees during its peak season.

A 192,500 square foot telemarketing and distribution facility in Asheville, North Carolina serves as the main distribution center for the retail and outlet store operations and also houses a J. Crew Direct telemarketing center. This facility employs approximately 550 full- and part-time employees during its non-peak season and an additional 200 employees during the peak holiday season.

The Company ships merchandise via UPS, the United States Postal Service and FedEx. To enhance efficiency, each facility is fully equipped with a highly advanced telephone system, an automated warehouse locator system and an inventory bar coding system.

Management Information Systems

The Company's 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 the Company's business. The Company has sophisticated point-of-sale registers in its J. Crew Retail and Factory Outlet stores that enable it to track inventory from store receipt to final sale on a real-time basis. The Company believes its merchandising and financial systems, coupled with its point-of-sale registers and software programs, allow for rapid stock replenishment, concise merchandise planning and real-time inventory accounting practices. The Company's telephone and telemarketing systems, warehouse package sorting systems, automated warehouse locator and inventory bar coding systems utilize advanced technology. These systems have provided the Company with a number of benefits in the form of enhanced customer service, improved operational efficiency and increased management control and reporting. In addition, the Company's real-time inventory systems provide inventory management on a per SKU basis and allow for a more efficient fulfillment process.

The Company is in the process of installing an enterprise resource planning system for its future information technology requirements. This system is scheduled for a phased-in implementation over a period of three years.

J. Crew Retail

During fiscal 1999, J. Crew Retail generated revenues of $333.6 million, representing 46.5% of the Company's total J. Crew brand revenues.

The principal aspect of the Company's business strategy is an expansion program designed to reach new and existing customers through the opening of J. Crew Retail stores. In addition to generating sales of J. Crew products, J. Crew Retail stores help set and reinforce the J. Crew brand image. The stores are designed in-house and fixtured to create a distinctive J. Crew environment and store associates are trained to maintain high standards of visual presentation and customer service. The result is a complete statement of J. Crew's timeless American style, classic design and attractive product value.

The Company believes that J. Crew Retail derives significant benefits from the concurrent operation of J. Crew Direct. The broad circulation of J. Crew catalogs performs an advertising function, enhancing the visibility and exposure of the brand, aiding the expansion of the retail concept and increasing the profitability of the stores.

The Company believes that its J. Crew Retail stores are among the most productive in its industry segment. All of the Company's J. Crew Retail stores are profitable and have generated positive store contribution within the first 12 months of opening. J. Crew Retail stores that were open during all of fiscal 1999 averaged $4.7 million per store in sales, produced sales per gross square foot of approximately $571 and generated store contribution margins of approximately 26.0%. The Company believes that these results compare favorably to the average among retailers that the Company believes to be its primary competitors. J. Crew Retail stores have an average size of 8,243 total square feet.

As of January 29, 2000 J. Crew Retail operated 81 retail stores nationwide, having expanded from 29 stores in 1995. The Company opened 16 stores in fiscal 1999 and intends to open approximately 20 stores in fiscal 2000. The stores are located in upscale shopping malls and in retail areas within major metropolitan markets that have an established higher-end retail business.

The table below highlights certain information regarding J. Crew Retail stores opened through fiscal 1999.

	Stores Open At Beginning Of Fiscal Year	Stores Opened During Fiscal Year	Stores Closed During Fiscal Year	Stores Open at End of Fiscal Year	Total Square Footage (000's)	Average Store Total Square Footage at End of Year
1995	29	2	--	31	266	8,581
1996	31	8	--	39	338	8,667
1997	39	12	--	51	428	8,392
1998	51	14	--	65	530	8,150
1999	65	16	--	81	668	8,243

J. Crew Retail plans to increase the number of stores in operation by 20 to 30 stores annually, resulting in approximately 100 stores in operation by the end of fiscal 2000. The retail expansion plan focuses on markets in which J. Crew Direct has been successful and, more generally, in areas within major metropolitan markets with affluent and well educated populations.

J. Crew Direct

Since its inception in 1983, J. Crew Direct has distinguished itself from other catalog retailers by its award-winning catalog, which utilizes magazine-quality "real moment" pictures to depict an aspirational lifestyle image. During fiscal 1999, J. Crew Direct distributed 31 catalog editions with a combined circulation of more than 75 million, and expanded its direct marketing concept to e-commerce via its Internet site (jcrew.com). J. Crew Direct generated $278.6 million in revenues (including $65.2 million from its Internet site) or 38.9% of the Company's total J. Crew brand revenues in fiscal 1999.

Circulation Strategy

J. Crew Direct circulation strategy focuses on continually improving the segmentation of customer files and the acquisition of additional customer names. In 1999, approximately 60% of J. Crew Direct revenues were from customers in the 12-month buyer file (buyers who have made a purchase from any J. Crew catalog in the prior 12 months).

The Company segments its customer file and tailors its catalog offerings to address the different product needs of its customer segments. To increase core catalog productivity and improve the effectiveness of marginal and prospecting circulation, each customer segment is offered appropriate catalog editions. The Company currently circulates Base, Women's, Prospect and Sale catalogs to targeted customer segments.

Descriptions of the Company's current catalogs follow:
Base Books. These catalogs contain the entire mail order product offering and are sent primarily to 12-month buyers.

Women's Books. The Women's books feature women's merchandise and are sent to buyers who purchase primarily women's merchandise. These books represent an additional customer contact potentially generating incremental revenue from women customers.

Prospect Books. These editions are abridged versions of the Base Books and are sent to less active and prospective customers in order to cost-effectively reactivate old customers and acquire new customers.

Sale Books. These catalogs contain overstock merchandise to be sold at reduced prices without adversely affecting the J. Crew brand image.

In 1999, total circulation increased to approximately 75 million from 73 million in 1998, while pages circulated were approximately 9.3 billion in 1999 and 8.8 billion in 1998.

J. Crew Direct name acquisition programs are designed to attract new customers in a cost-effective manner. The Company acquires new names from various sources, including its Internet site, list rentals, exchanges with other catalog and credit card companies, "friends' name" card inserts, and through J. Crew Retail stores which represent an increasingly significant resource in prospecting for new names. Names and addresses of 25% to 30% of the customers making credit card purchases at J. Crew Retail stores are automatically captured at the point of sale. Customers are also asked to fill out cards at the cash register when they make purchases. In addition, the Company is in the process of placing telephones in its J. Crew Retail stores with direct access to the J. Crew Direct telemarketing center to allow customers in the stores to order catalog-specific or out-of-stock items.

Catalog Creation and Production

The Company is distinguished from other catalog retailers by its award-winning catalog, which utilizes magazine-quality "real moment" pictures to depict an aspirational lifestyle image. All creative work on the catalogs is coordinated by J. Crew personnel to maintain and reinforce the J. Crew brand image. Photography is executed both on location and in studios, and creative design and copy writing are executed on a desk-top publishing system. Digital images are transmitted directly to outside printers, thereby reducing lead times and improving reproduction quality. The Company believes that appropriate page presentation of its merchandise stimulates demand and therefore places great emphasis on page layout.

J. Crew Direct does not have long-term contracts with paper mills. Projected paper requirements are communicated on an annual basis to paper mills to ensure the availability of an adequate supply. Management believes that the Company's long-standing relationships with a number of the largest coated paper mills in the United States allow it to purchase paper at favorable prices commensurate with the Company's size and payment terms.

Telemarketing and Customer Service

J. Crew Direct's primary telemarketing and fulfillment facilities are located in Lynchburg, Virginia. An additional telemarketing facility is located in Asheville, North Carolina. Telemarketing operations are open 24 hours a day, seven days a week and handled over 5.9 million calls in fiscal 1999. Orders for merchandise may be received by telephone, facsimile, mail and on the Company's Internet site. The telemarketing centers are staffed by a total of 850 full-time and part time telemarketing associates, and up to 600 additional associates during peak periods, who are trained to assist customers in determining the customer's correct size and to describe merchandise fabric, texture and function. Each telemarketing associate utilizes a terminal with access to an IBM mainframe computer which houses complete and up-to-date product and order information. The fulfillment operations are designed to process and ship customer orders in a quick and cost-effective manner. Orders placed before 9:00 p.m. are shipped the following day. Same-day shipping is available for orders placed before noon.

J. Crew Factory Outlets

The Company extends its reach to additional consumers through its 42 J. Crew Factory Outlets. Offering J. Crew products at an average of 30% below full retail prices, J. Crew Factory Outlets target value-oriented consumers. The factory outlet stores also serve to liquidate excess, irregular or out-of-season J. Crew products outside of the Company's three primary distribution channels. During fiscal 1999, J. Crew Factory Outlets generated revenues of $102.0 million, representing 14.2% of the Company's total J. Crew brand revenues.

J. Crew Factory Outlets offer selections of J. Crew menswear and womenswear. Ranging in size from 3,800 to 10,000 square feet with an average of 6,500 square feet, the stores are generally located in major outlet centers in 25 states across the United States. The Company believes that the outlet stores, which are designed in-house, maintain fixturing, visual presentation and service standards superior to those typically associated with outlet stores.

Trademarks and International Licensing

J. Crew International, Inc., an indirect subsidiary of J. Crew Group, Inc., currently owns all of the trademarks and domain names for the J. Crew name that the Company holds throughout the world, as well as its international licensing contracts with third parties. Trademarks related to the J. Crew name are registered in the United States Patent and Trademark Office.

The Company derives revenues from the international licensing of its trademarks in the J. Crew name and the know-how it has developed. The Company has entered into a licensing agreement with Itochu Corporation in Japan which gives the Company the right to receive payments of percentage royalty fees in exchange for the exclusive right to use the Company's trademarks in Japan. Under the license agreement the Company retains a high degree of control over the manufacture, design, marketing and sale of merchandise under the J. Crew trademarks. This agreement expires in January, 2003. In 1999, licensing revenues totaled $2.5 million.

Employees

The Company focuses significant resources on the selection and training of sales associates in both its mail order, retail and factory operations. Sales associates are required to be familiar with the full range of merchandise of the business in which they are working and have the ability to assist customers with merchandise selection. Both retail and factory store management are compensated in a combination of annual salary plus performance-based bonuses. Retail, telemarketing and factory associates are compensated on an hourly basis and may earn team-based performance incentives.

At January 29, 2000, the Company had approximately 5,400 associates, of whom approximately 1,900 were full-time associates and 3,500 were part-time associates. In addition, approximately 3,000 associates are hired on a seasonal basis to meet demand during the peak holiday buying season. None of the associates employed by J. Crew are represented by a union. The Company believes that its relationship with its associates is good.

Competition

All aspects of the Company's businesses are highly competitive. The Company competes primarily with specialty brand retailers, other catalog operations, department stores, and mass merchandisers engaged in the retail sale of men's and women's apparel, accessories, footwear and general merchandise. The Company believes that the principal bases upon which it competes are quality, design, efficient service, selection and price.

The Recapitalization

On October 17, 1997, the recapitalization of J. Crew Group, Inc. ("Holdings") (the "Recapitalization") was consummated pursuant to a Recapitalization Agreement, dated as of July 22, 1997, as amended as of October 17, 1997 (the "Recapitalization Agreement"), among Holdings, its shareholders and TPG Partners II, L.P. ("TPG"). Pursuant to the Recapitalization Agreement, Holdings purchased from its shareholders all outstanding shares of Holdings' capital stock, other than shares having an implied value of $11.1 million, almost all of which continue to be held by Emily Woods, and which represented approximately 14.8% of the outstanding shares of common stock of Holdings ("Common Stock") immediately following the transaction.

In connection with the Recapitalization, Holdings organized J. Crew Operating Corp. ("Operating Corp.") and immediately prior to the consummation of the Recapitalization, Holdings transferred substantially all of its assets and liabilities to Operating Corp. Holdings' current operations are, and future operations are expected to continue to be, limited to owning the stock of Operating Corp. Operating Corp. repaid substantially all of the Company's funded debt obligations existing immediately before the consummation of the Recapitalization.

Cash funding requirements for the Recapitalization totaled $559.8 million (including $99.0 million in seasonal borrowings) and were satisfied through the purchase by TPG, certain of its affiliates and other investors of an aggregate $188.9 million in Holdings' equity securities together with an aggregate $330.9 million in borrowings and $40.0 million in proceeds from the securitization of certain of the Company's accounts receivable.

ITEM 2. PROPERTIES

The Company is headquartered in New York City. The New York City headquarters' offices are leased under a lease agreement expiring in 2012 (not including renewal options). The Company owns two telemarketing and distribution facilities: a 406,500-square-foot telemarketing and distribution center for J. Crew Direct operations in Lynchburg, Virginia and a 192,500-square-foot telemarketing and distribution center in Asheville, North Carolina servicing the J. Crew Retail and Factory Outlet store operations.

As of January 29, 2000, the Company operated 81 J. Crew retail stores and 42 factory outlet stores in 34 states and the District of Columbia. All of the retail and factory outlet stores are leased from third parties, and the leases in most cases have terms of 10 to 12 years, not including renewal options. As a general matter, 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 comprised of annual base rent plus a contingent rent payment based on the store's sales in excess of a specified threshold. Substantially all the leases are guaranteed by the Company.

The table below sets forth the number of stores by state operated by the Company (excludes 7 C&W Outlet stores) in the United States as of January 29, 2000:

	Retail Stores	Outlet Stores	Total Number Of Stores
Alabama	1	1	2
Arizona	1	--	1
California	14	3	17
Colorado	2	2	4
Connecticut	3	1	4
Delaware	1	1	2
Florida	4	3	7
Georgia	3	2	5
Illinois	4	--	4
Indiana	1	2	3
Kansas	1	--	1
Maine	--	2	2
Maryland	2	1	3
Massachusetts	5	1	6
Michigan	2	1	3
Minnesota	1	--	1
Missouri	1	1	2
Nevada	--	1	1
New Hampshire	--	2	2
New Jersey	4	1	5
New Mexico	1	--	1
New York	9	4	13
North Carolina	2	--	2
Ohio	4	--	4
Oregon	2	--	2
Pennsylvania	2	3	5
Rhode Island	1	-	1
South Carolina	--	2	2
Tennessee	1	1	2
Texas	3	3	6
Vermont	--	1	1
Virginia	3	1	4
Washington	2	1	3
Wisconsin	--	1	1
District of Columbia	1	--	1
Total.	81	42	123

ITEM 3. LEGAL PROCEEDINGS

Routine litigation is pending against the Company with respect to matters incidental to its business. Although the outcome of litigation cannot be predicted with certainty, in the opinion of the Company none of those actions should have a material adverse effect on the financial condition of the Company

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended January 29, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established public market for Holdings Common Stock. As of April 1, 2000, there were 37 shareholders of record of the Common Stock. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" for a discussion of the ownership of Holdings.

Holdings has not paid cash dividends on its Common Stock and does not anticipate paying any such dividends in the foreseeable future.

The Credit Agreement entered into a connection with the Recapitalization (the "Credit Agreement") and the Indenture relating to the Senior Discount Debentures (the "Holdings Indenture") prohibits the payment of dividends by Holdings on shares of Common Stock (other than dividends payable solely in shares of capital stock of Holdings). Additionally, because Holdings is a holding company, its ability to pay dividends is dependent upon the receipt of dividends from its direct and indirect subsidiaries. Each of the Credit Agreement, the Holdings Indenture and the Indenture relating to the Senior Subordinated Notes contains covenants which impose substantial restrictions on Operating Corp's ability to make dividends or distributions to Holdings.

The Directors of Holdings have the right to receive all or a portion of the fees for their services as a Director in Common Stock at a purchase price of $6.82 per share for meetings prior to April 13, 1999 and $10 per share for meetings held thereafter. In fiscal 1999, certain Directors elected to receive a total of 17,665 shares of Common Stock in payment of their fees. Holdings issued the Common Stock to the Directors in transactions which did not involve any public offering in reliance upon Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act").

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated historical financial, operating, balance sheet and other data of the Company. The selected income statement and balance sheet data for each of the two fiscal years ended January 31, 1997 are derived from the Consolidated Financial Statements of the Company, which have been audited by Deloitte & Touche LLP, independent auditors. The selected income statement and balance sheet data for each of the three fiscal years ended January 29, 2000 are derived from the Consolidated Financial Statements of the Company, which have been audited by KPMG LLP, independent auditors. The data presented below should be read in conjunction with the Consolidated Financial Statements, including the related Notes thereto, included herein, the other financial information included herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal Year Ended				
	February 2, 1996	January 31, 1997	January 31, 1998	January 30, 1999	January 29, 2000
	(dollars in thousands, except per square foot data)				
Income Statement Data:					
Revenues	$745,909	$808,843	$ 834,031	$ 824,258	$ 716,624
Cost of goods sold(a)	399,668	428,719	465,168	460,592	394,813
Selling, general and administrative expenses	327,672	348,305	359,811	336,590	281,610
Charges incurred in connection with discontinuance of Clifford &Wills				13,300	4,000
Other charges	--	--	--	7,995	7,018
Income from operations	18,569	31,819	9,052	5,781	29,183
Interest expense-net	9,350	10,470	20,494	39,323	38,861
Gain on sale of Popular Club Plan	--	--	--	(10,000)	(1,000)
Expenses incurred-Recapitalization	--	--	20,707	--	--
Provision (benefit) for income taxes	3,700	8,800	(5,262)	(8,162)	(2,050)
Extraordinary items and cumulative effect of accounting changes, net of taxes	931	--	(4,500)	--	--
Net income (loss)	$ 6,450	$ 12,549	$ (31,387)	$ (15,380)	$ (6,628)

	Fiscal Year Ended				
	February 2, 1996	January 31, 1997	January 31, 1998	January 30, 1999	January 29, 2000
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 13,529	$ 7,132	$ 12,166	$ 9,643	$ 38,693
Working capital	132,256	132,222	142,677	95,710	75,929
Total assets	355,249	410,821	421,878	376,330	373,604
Total long term debt and redeemable preferred stock	87,329	87,092	428,457	433,243	458,218
Stockholders' equity (deficit)	89,633	102,006	(201,642)	(235,773)	(264,593)
Operating Data:					
Revenues:					
J. Crew retail	$134,959	$167,957	$ 209,559	$ 273,972	$ 333,575
J. Crew direct					
Catalog	274,653	289,773	260,853	230,752	213,308
Internet	--	--	4,000	22,000	65,249
	274,653	289,773	264,853	252,752	278,557
J. Crew factory outlet	79,203	94,579	100,285	96,461	101,987
J. Crew licensing	3,975	3,817	2,897	2,712	2,505
Total J. Crew brand	492,790	556,126	577,594	625,897	716,624
Other divisions(b)	253,119	252,717	256,437	198,361	--
Total	$745,909	$808,843	$ 834,031	$ 824,258	$ 716,624
J. Crew Direct:					
Number of catalogs circulated (in thousands)	67,519	76,087	76,994	73,440	75,479
Number of pages circulated (in millions)	10,198	9,827	9,830	8,819	9,319
J. Crew Retail:					
Sales per gross square foot(c)	$ 533	$ 551	$ 542	$ 558	$ 571
Store contribution margin(c)	25.5%	25.4%	23.4%	25.0%	26.0%
Number of stores open at end of period	31	39	51	65	81
Comparable store sales change(c)	(6.0)%	4.5%	(6.6)%	9.0%	1.8%
Depreciation and amortization	$ 10,272	$ 10,541	$ 15,255	$ 15,972	$ 19,241
Net capital expenditures(d)					
New store openings	$ 6,009	$ 10,894	$ 19,802	$ 14,749	$ 13,300
Other	8,631	11,587	11,565	21,605	27,953
Total net capital expenditures	$ 14,640	$ 22,481	$ 31,367	$ 36,354	$ 41,253

(a) Includes buying and occupancy costs.
(b) Includes revenues from the Company's PCP and C&W divisions and finance charge income from PCP installment sales. PCP was sold effective October 30, 1998 and the Company made a decision in 1998 to exit the catalog and outlet store operations of C&W.
(c) Includes stores that have been opened for a full twelve month period.
(d) Capital expenditures are net of proceeds from construction allowances.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity of the Company during the three-year period ended January 29, 2000. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the three-year period ended January 29, 2000 and notes thereto included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Consolidated statements of operations presented as a percentage of revenues are as follows:

	Fiscal Year ended		
	January 29,2000	January 30,1999	January 31,1998
Revenues	100.0%	100.0%	100.0%
Cost of goods sold, including buying and occupancy costs	55.1	55.9	55.8
Selling, general and administrative expenses	39.3	40.8	43.1
Charges incurred in connection with discontinuance of C&W	.5	1.6	--
Other charges	1.0	1.0	--
Income from operations	4.1	.7	1.1
Interest expense, net	(5.4)	(4.8)	(2.5)
Gain on the sale of Popular Club Plan	.1	1.2	--
Expenses incurred-recapitalization	--	--	(2.5)
Loss before income taxes and extraordinary items	(1.2)	(2.9)	(3.9)
Benefit for income taxes	.3	1.0	.6
Loss before extraordinary items	(.9)%	(1.9)%	(3.3)%

Fiscal 1999 Compared to Fiscal 1998

Revenues

Revenues decreased 13.1% to $716.6 million in the fiscal year ended January 29, 2000 from $824.3 million in the fiscal year ended January 30, 1999. The decrease in revenues was attributable to the sale of Popular Club Plan, effective as of October 30, 1998, and the discontinuance of Clifford & Wills operations which resulted in a decrease of $198.4 million. This decrease was offset by increases of $59.6 million in J. Crew Retail and $25.8 million in J.Crew Direct. Excluding Popular Club Plan and Clifford & Wills, revenues increased 14.5% from $625.9 million in fiscal 1998 to $716.6 million in fiscal 1999.

J. Crew Retail revenues increased by 21.8% from $274.0 million in fiscal 1998 to $333.6 million in fiscal 1999. The percentage of the Company's total revenues derived from J. Crew Retail increased to 46.6% in fiscal year 1999 compared to 33.2% in fiscal 1998. This increase was attributed to $54.6 million from the opening of new stores and $5.0 million from an increase in comparable store sales of 1.8%. The number of stores opened at January 29, 2000 increased to 81 from 65 at January 30, 1999.

J. Crew Direct revenues (which includes revenues from catalog and internet operations) increased by 10.2% from $252.8 million in fiscal 1998 to $278.5 million in fiscal 1999. The percentage of the Company's total revenues derived from J. Crew Direct increased to 38.9% in fiscal 1999 from 30.7% in fiscal 1998. This increase was primarily due to an increase in net sales from j.crew.com which increased to $65.2 million fiscal 1999 from $21.6 million in fiscal 1998.Catalog sales decreased to $213.3 million in fiscal 1999 from $231.2 million in fiscal 1998 as the Company adopted initiatives to migrate catalog customers to the Internet.

J. Crew Factory Outlet revenues increased by 5.7% from $96.5 million in fiscal 1998 to $102.0 million in fiscal 1999. The percentage of the Company's total revenues derived from J. Crew Factory Outlet increased to 14.2% in fiscal 1999 from 11.7% in fiscal 1998. Comparable store sales for J. Crew Factory Outlet increased by 3.8% in fiscal 1999. J. Crew Factory Outlet closed three stores in fiscal 1999 and 42 stores were open at January 29, 2000.

Cost of sales, including buying and occupancy costs
- ---

Cost of sales, including buying and occupancy costs as a percentage of revenues decreased to 55.1% in fiscal 1999 compared to 55.9% in fiscal 1998. Excluding the operations of PCP and C&W, cost of sales including buying and occupancy costs decreased to 55.1% in fiscal 1999 from 56.2% in fiscal 1998. This decrease was caused primarily by an increase in initial mark up caused by a decrease in the cost of merchandise.

Selling, general and administrative expenses
- --

Selling, general and administrative expenses decreased to $281.6 million in fiscal 1999 (39.3% of revenues) from $336.6 million in fiscal 1998 (40.8% of revenues). Approximately $94.4 million of selling, general, and administrative expenses in fiscal 1998 resulted from the operations of PCP and C&W.

Selling, general and administrative expenses of the J.Crew brand increased to $281.6 million in fiscal 1999 (39.3% of revenues) from $242.2 million in fiscal 1998 (38.7% of revenues). This increase resulted primarily from an increase in general and administrative expenses of $31.5 million due to (a) an increase in the number of retail stores in operation during fiscal 1999 compared to fiscal 1998; (b) an increase in consulting fees and other expenses attributable to information technology initiatives; and (c) an increase in marketing expenses of approximately $8 million, primarily direct advertising, devoted to increasing customer awareness of the Company's Internet site.

Selling expenses were $75.7 million in fiscal 1999 (10.6% of revenues) compared to $67.8 million in fiscal 1998 (10.8% of revenues). This increase was due to $6.0 million of direct advertising related to the Internet and an increase in pages circulated from 8.8 billion pages in fiscal 1998 to 9.3 billion pages in fiscal year 1999, an increase of 5.7%. These increases in selling expenses were partially offset by decreases related to efficiencies in the catalog production process.

Write-down of assets and other charges in connection with the discontinuance of
- --
Clifford & Wills
- ----------------

An additional charge of $4.0 million was incurred in fiscal 1999 to write down the carrying value of inventories to net realizable value. (See note 2 to the consolidated financial statements).

Other charges
- -------------

Other charges in fiscal 1999 include $7.0 million relating to the write off of certain software development costs which were impaired by the decision of the Company to adopt an enterprise resource planning system for its future information technology requirements.

Gain on sale of subsidiary
- --------------------------

An additional gain of $1.0 million was recognized in fiscal 1999 from a reduction in certain estimated liabilities established at the time of sale.(See note 2 to the consolidated financial statements).

Interest expense
- ----------------

Interest expense, net decreased to $38.9 million in fiscal 1999 from $39.3 million in fiscal 1998. This decrease resulted primarily from lower average borrowings during fiscal 1999 under the Revolving Credit Facility and the reduced term loan balances which was offset by higher non-cash interest and interest related to the settlement of a sales and use tax assessment. Average borrowings under a Revolving Credit Facility required to fund inventories and capital expenditures were $30.8 million in fiscal 1999 and $47.5 million in fiscal 1998.

Interest expense included non-cash interest and amortization of deferred financing costs of $14.2 million in fiscal 1999 compared to $12.7 million fiscal 1998.

Income Taxes

The effective tax rate was (23.6%) in fiscal 1999 compared to (34.7)% in fiscal 1998. The decrease in the effective tax rate in 1999 was primarily due to the inability of certain subsidiaries to deduct net operating losses for state tax purposes.

Fiscal 1998 Compared to Fiscal 1997

Revenues

Revenues decreased 1.2% to $824.3 million in the fiscal year ended January 30, 1999 from $834.0 million in the fiscal year ended January 31, 1998. The decrease in revenues was due primarily to (a) the sale of Popular Club Plan, effective as of October 30, 1998, which resulted in a decrease of $60.3 million and (b) a decrease in J. Crew Direct revenues of $12.0 million. These decreases were offset by an increase of $64.4 million in the revenues of J. Crew Retail. Excluding Popular Club Plan, revenues increased 7.8% from $649.6 million in fiscal 1997 to $700.3 million in fiscal 1998.

J. Crew Retail revenues increased by 30.7% from $209.6 million in fiscal 1997 to $274.0 million in fiscal 1998. The percentage of the Company's total revenues derived from J. Crew Retail increased to 33.2% in fiscal 1998 from 25.1% in fiscal 1997. This increase was attributed to $45.5 million from the opening of new stores and $18.9 million from an increase in comparable store sales of 9.0%. The number of stores opened at January 30, 1999 increased to 65 from 51 at January 31, 1998.

J. Crew Direct revenues decreased by 4.5% from $264.8 million in fiscal 1997 to $252.8 million in fiscal 1998. The percentage of the Company's total revenues derived from J. Crew Direct decreased to 30.7% in fiscal 1998 from 31.8% in fiscal 1997. This decrease was primarily due to a decrease in catalog circulation from 9.8 billion pages circulated in fiscal 1997 to 8.8 billion pages circulated in fiscal 1998 and a continuing weak performance in menswear sales. J. Crew Direct revenues in fiscal 1998 include approximately $22.0 million from jcrew.com compared to approximately $4.0 million in fiscal 1997.

J. Crew Factory Outlet revenues decreased by 3.8% from $100.3 million in fiscal 1997 to $96.5 million in fiscal 1998. The percentage of the Company's total revenues derived from J. Crew Factory Outlet decreased to 11.7% in fiscal 1998 from 12.0% in fiscal 1997. Comparable store sales for J. Crew Factory Outlet decreased by 11.5% in fiscal 1998. The decrease in comparable store sales resulted from additional markdowns required to sell through overstock merchandise, primarily in the Spring of 1998. J. Crew Factory Outlet opened three new stores in fiscal 1998 and 45 stores were open at January 30, 1999.

C&W revenues increased by 3.2% to $74.3 million in fiscal 1998 from $72.0 million in fiscal 1997. The percentage of the Company's revenues derived from C&W increased to 9.0% in fiscal 1998 from 8.6% in fiscal 1997. The increase in revenues resulted from an increase in the number of catalogs mailed from approximately 40 million in fiscal 1997, to 42 million in fiscal 1998 and the introduction of a deferred payment program in the fall of 1998. During 1998 the Company made a decision to exit the operations of C&W and incurred a charge of $13.3 million to write-down C&W assets to estimated realizable value and to provide for other costs to be incurred in the discontinuance of operations, such as severance and lease termination costs. Additionally fourth quarter charges of $1.7 million were incurred relating to deferred catalog costs.

Cost of sales, including buying and occupancy costs

Cost of sales, including buying and occupancy costs as a percentage of revenues was 55.9% for fiscal 1998 compared to 55.8% for fiscal 1997. This increase was caused primarily by higher markdowns in fiscal 1998 to liquidate overstocks.

Selling, general and administrative expenses

Selling, general and administrative expenses as a percentage of revenues was 40.8% in fiscal year 1998 and 43.1% in fiscal year 1997.

As a percentage of revenues, selling expenses (catalog circulation costs) decreased to 13.1% in fiscal 1998 from 14.7% in 1997 and general and administrative expenses decreased to 27.7% in fiscal 1998 from 28.4% in fiscal 1997. The decrease in selling expense resulted primarily from the reduction in catalog circulation from 9.8 billion pages circulated in 1997 to 8.8 billion pages circulated in 1998 and the implementation of cost reduction initiatives relating primarily to printing costs at J. Crew Direct.

The decrease in general and administrative expenses in fiscal 1998 as a percentage of revenues was due to a decrease in expenses at J. Crew Direct and J. Crew Retail from the implementation of cost reduction initiatives.

The absolute dollar amount of selling, general and administrative expenses decreased to $336.6 million in fiscal 1998 from $359.8 million in fiscal 1997 primarily as a result of the sale of Popular Club Plan as of October 30, 1998 which accounted for $20.0 million of the decrease.

Write-down of assets and other charges in connection with the discontinuance of Clifford & Wills

A charge of $13.3 million was included in fiscal 1998 operations to write-down the assets of C&W to net realizable value and to provide for certain additional costs in connection with the discontinuance

Additionally fourth quarter charges of $1.7 million were included in selling expense relating to deferred catalog costs. (See note 2 to the consolidated financial statements).

Other charges

Other charges in fiscal 1998 include $2.9 million of costs incurred in connection with the termination of the employment contracts of two senior executives, including the former Chief Executive Officer, and $5.1 million of tax gross-up payments made on behalf of senior executives relating to restricted stock grants (See note 19 to the consolidated financial statements).

Gain on sale of subsidiary

During 1998 the Company sold the capital stock of Popular Club Plan Inc. and subsidiaries to the Fingerhut Companies, Inc. for gross proceeds of $42.0 million and realized a gain of $10.0 million. (See note 2 to the consolidated financial statements).

Interest expense

Interest expense, net increased to $39.3 million in fiscal 1998 from $20.5 million in fiscal 1997. This increase resulted primarily from the issuance of $295.3 million of debt in October 1997 to fund the Recapitalization including $85.0 million to retire senior indebtedness outstanding at the time of the Recapitalization. Average borrowings under a Revolving Credit Facility required to fund inventories and capital expenditures were $54.3 million in fiscal 1997 and $47.5 million in fiscal 1998.

Interest expense included non-cash interest and amortization of deferred financing costs of $12.7 million in fiscal 1998 compared to $3.9 million fiscal 1997.

Income Taxes

The effective tax rate was (34.7)% in fiscal 1998 compared to (21.1)% in fiscal 1997. The effective tax rate in fiscal 1997 was effected by the non-deductibility of certain expenses related to the Recapitalization.

Liquidity and Capital Resources

The Company's primary cash needs have been for capital expenditures incurred primarily for opening new stores and system enhancements, debt service requirements and working capital. The Company's sources of liquidity have been primarily cash flows from operations and borrowings under the revolving credit facility.

In October 1997 the Company incurred substantial indebtedness in connection with the Recapitalization. After giving effect to the Recapitalization, the Company had $298.2 million of indebtedness outstanding and $201.6 million of stockholders' deficit at January 31, 1998. The Company's significant debt service obligations following the Recapitalization could, under certain circumstances, have material consequences to security holders of the Company. In fiscal 1998 the Company sold its Popular Club Plan subsidiary and used $26.0 million of the proceeds to repay debt. In fiscal 1999 the Company used net proceeds from the sale of assets of its discontinued Clifford & Wills subsidiary to prepay an additional $10.0 million of the term loan.

Cash provided by operating activities was $94.1 million in fiscal year 1999 compared to $8.1 million in fiscal 1998. The increase in cash provided by operations resulted from (a) a decrease in the level of inventories of $26.1 million despite an increase in the number of retail stores from 65 to 81, (b) an increase in income from operations of $23.4 million, and (c) a federal income tax refund of $8.7 million.

Capital expenditures, net of construction allowances, were $41.3 million in fiscal 1999. The 1999 capital expenditures consisted primarily of the opening of 16 new J. Crew retail stores and systems enhancements. Capital expenditures in fiscal 1998 were $36.4 million (including $5.2 million for Popular Club Plan which was sold in October 1998). The capital expenditures in 1998 were incurred primarily from the opening of 14 new J.Crew Retail Stores and system enhancements.

Capital expenditures are expected to be approximately $45.0 million in fiscal 2000, primarily for the opening of at least 20 J. Crew retail stores and for system enhancements. The expected capital expenditures will be funded from internally generated cash flows and by borrowings from available financing sources.

There were no borrowings under the Revolving Credit Facility at January 29, 2000, compared to $14.0 million of borrowings outstanding at January 30, 1999. Average borrowings under the Revolving Credit Facility were $30.8 million for the fiscal year ended January 29, 2000 and $47.5 million for the fiscal year ended January 30, 1999.

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

Year 2000

The Company completed its Year 2000 software program conversions and compliance programs during the fourth quarter of 1999. The total external costs for such programs were approximately $2.6 million. Subsequent to December 31, 1999, the Company has not experienced any Year 2000 problems either internally or from outside sources. The Company has no reason to believe that Year 2000 failures will materially affect it in the future. However, since it may take several additional months before it is known whether the Company or third party suppliers, vendors or customers may have undergone Year 2000 problems, no assurances can be given that the Company will not experience losses or disruptions due to Year 2000 computer-related problems. The Company will continue to monitor the operation of its computers and microprocessor-based devices for any Year 2000 problems.

Impact of Inflation

The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on its results of operations and financial condition have been minor. However, there can be no assurance that during a period of significant inflation, the Company's results of operations would not be adversely affected.

Seasonality

The Company's retail and direct businesses experience two distinct selling seasons, spring and fall. The spring season is comprised of the first and second quarters and the fall season is comprised of the third and fourth quarters. Net sales are usually substantially higher in the fall season and selling, general and administrative expenses as a percentage of net sales are usually higher in the spring season. Approximately 35% of annual net sales in fiscal 1999 occurred in the fourth quarter. The Company's working capital requirements also fluctuate throughout the year, increasing substantially in September and October in anticipation of the holiday season inventory requirements.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires entities to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 is effective for all fiscal years beginning after June 15, 1999. In June 1999 the effective date of SFAS No.133 was deferred to all fiscal years beginning after June 15, 2000. The Company is currently reviewing SFAS No. 133 and is not able to evaluate the impact, if any, it may have on future operating results or financial statement disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's principal market risk relates to interest rate sensitivity which is the risk that future changes in interest rates will reduce net income or the net assets of the Company. The Company's variable rate debt consists of borrowings under the Revolving Credit Facility and the Term Loan Facility. In order to manage this interest rate risk, the Company entered into an interest rate swap agreement for a notional principal amount of $50 million which expires in October 2000. This agreement converts the interest rate to a fixed rate of 6.23%. If this interest rate swap agreement was settled on January 29, 2000 the Company would have received $62,000.

The Company enters into letters of credit to facilitate the international purchase of merchandise. The letters of credit are primarily denominated in U.S. dollars. Outstanding letters of credit at January 29, 2000 were approximately $38.3 million.

Furthermore, the Company has a licensing agreement in Japan which provides for royalty payments based on sales of J. Crew merchandise as denominated in yen. The Company has from time to time entered into forward foreign exchange contracts to minimize this risk. At January 29, 2000, there was a forward foreign exchange contract outstanding to sell 120 million Yen which expires on March 31, 2000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements are set forth herein commencing on page F-1 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the name, age and position of individuals who are serving as directors of Holdings and executive officers of Holdings and Operating Corp. Each Director of Holdings will hold office until the next annual meeting of shareholders or until his or her successor has been elected and qualified. Officers are elected by the respective Boards of Directors and serve at the discretion of such Board.

Name	Age	Position
Emily Woods...........	38	Director, Chairman of the Board
Mark A. Sarvary.......	40	Director, Chief Executive Officer
Charlotte L. Beers....	64	Director
David Bonderman.......	57	Director
Richard W. Boyce......	45	Director
Gregory D. Brenneman..	38	Director
John W. Burden, III...	63	Director
James G. Coulter......	40	Director
Richard M. Anders.....	43	President of Retail
Barbara K. Eisenberg..	54	Senior Vice President, General Counsel and Corporate Secretary
Scott Formby..........	38	Executive Vice President, Design
Scott D. Hyatt........	42	Senior Vice President, Manufacturing
Walter Killough.......	45	Chief Operating Officer
David F. Kozel........	44	Senior Vice President, Human Resources
Nicholas Lamberti.....	57	Vice President-Corporate Controller
Thomas A. Lesica......	40	Senior Vice President, Chief Information Officer
Michael Ovitz.........	53	Director
Scott M. Rosen........	41	Executive Vice President, Chief Financial Officer
Carol Sharpe..........	45	Executive Vice President, Merchandising - Brand
Trudy Sullivan........	50	President
Brian T. Swette.......	46	Director
Mark T. Walsh.........	38	Executive Vice President, e-commerce and Strategic Planning
Josh S. Weston........	71	Director

Emily Woods

Ms. Woods became Chairman of the Board of Directors of Holdings upon consummation of the Recapitalization. Ms. Woods is also a director and Chairman of the Board of Operating Corp. Ms. Woods co-founded the J. Crew brand in 1983. Ms. Woods has also served as Chief Executive Officer and Vice-Chairman of Holdings and as Chief Executive Officer of Operating Corp. She is also a director of Yankee Candle Company.

Mark A. Sarvary

Mr. Sarvary joined the Company in May 1999 as Chief Executive Officer and as a Director. He was President/General Manager of the Nestle Frozen Food Division of Nestle USA from 1996 to May 1999 and Vice President Marketing from 1995 to 1996.

Charlotte L. Beers

Ms. Beers became a director of Holdings in 1998. Ms. Beers has been Chairman of J. Walter Thompson (advertising agency) since March 1999. She was Chairman and Chief Executive Officer of Ogilvy & Mather (advertising agency) from 1992 until 1997 and Chairman Emeritus from 1997 until March 1999. She also serves as a director of Martha Stewart Living, Omnimedia and IBeauty.com.

David Bonderman

Mr. Bonderman became a director of Holdings upon consummation of the Recapitalization. Mr. Bonderman is a founding partner of Texas Pacific Group and has been Managing General Partner of TPG for more than six years. Mr. Bonderman serves on the Boards of Directors of Bell & Howell, Inc., Beringer Wine Estates, Inc., Continental Airlines, Inc., Co-Star Realty Information, Inc., Denbury Resources Inc., Ducati Motor Holdings S.p.A., Magellan Health Services, Inc., Oxford Health Plans, Inc., Paradyne Networks, Inc. and Ryanair Ltd.

Richard W. Boyce

Mr. Boyce became a director of Holdings upon consummation of the Recapitalization and was Chief Executive Officer from January 1999 until May 1999. Mr. Boyce is the President of CAF, Inc. ("CAF"), a management consulting firm which advises various companies controlled by TPG. Prior to founding CAF in 1997, Mr. Boyce served as Senior Vice President of Operations for Pepsi-Cola North America ("PCNA") from 1996 to 1997, and Chief Financial Officer of PCNA from 1994 to 1996. He is also Chairman of Del Monte Foods Company. He is Chairman of Favorite Brands International Holding Corp., which filed for protection under Chapter 11 of the Bankruptcy Code on March 30, 1999. Mr. Boyce is also a director of ON Semiconductor.

Gregory D. Brenneman

Mr. Brenneman became a director of Holdings in 1998. He has been President of Continental Airlines Inc. since 1996 and Chief Operating Officer of Continental Airlines Inc. since 1995. He has been a director of Continental since 1995.

John W. Burden, III

Mr. Burden became a director of Holdings in 1998. Mr. Burden has been a retail consultant for more than five years. He also serves as a director of Saks Incorporated and Chicos Fas Inc.

James G. Coulter

Mr. Coulter became a director of Holdings upon consummation of the Recapitalization. Mr. Coulter is a founding partner of Texas Pacific Group and has been Managing General Partner of TPG for more than six years. Mr. Coulter serves on the Boards of Directors of Beringer Wine Estates, Inc., Genesis Health Ventures, Inc., Northwest Airlines, Inc., Oxford Health Plans, Inc. and Globespan Semiconductor, Inc.

Barbara K. Eisenberg

Ms. Eisenberg has been Senior Vice President, General Counsel and Corporate Secretary since August 1999 and was Vice President, General Counsel and Corporate Secretary from 1998 until then. Prior thereto, she was Vice President, Associate General Counsel and Corporate Secretary of Burlington Industries, Inc. (textile manufacturer) for more than five years.

Richard M. Anders

Mr. Anders joined the Company in May 1999 as President of Retail. He was Zone Vice President of Old Navy, a division of The Gap, Inc., from 1996 to May 1999 and Regional Manager, Gap brand prior thereto.

Scott Formby

Mr. Formby became Executive Vice President, Design of J. Crew in 1999. Prior thereto, he was Vice President, Design for more than five years.

Scott D. Hyatt

Mr. Hyatt joined the Company in 1998 as Senior Vice President, Manufacturing. He was with Express Inc. as Vice President, Production and Sourcing from 1996 to 1998 and Vice President, Manufacturing of Bernard Chaus Inc. for more than five years prior thereto.

Walter Killough

Mr. Killough became Chief Operating Officer of the Company in October 1999. Prior thereto, he was Senior Vice President, General Manager, Mail Order for more than five years.

David F. Kozel

Mr. Kozel joined the Company in 1999 as Senior Vice President, Human Resources. Prior thereto, he was with Grey Advertising as Vice President, Human Resources from 1998, Vice President, Human Resources of Deluxe Corporation from 1997 to 1998 and Vice President, Human Resources of Citibank from 1995 to 1996.

Nicholas Lamberti

Mr. Lamberti has been Vice President - Corporate Controller for more than five years.

Thomas A. Lesica

Mr. Lesica joined the Company in 1999 as Senior Vice President and Chief Information Officer. He was with PepsiCo, Inc. as Vice President and Chief Information Officer from 1997 until joining the Company and Director of Information Technology of Pepsi Cola Company prior thereto.

Michael Ovitz

Mr. Ovitz became a director of Holdings in 1998. He is an independent businessman and investor and co-founded Artists Management Group, LLC, a management/production multi-media company. He has been a Principal of Artist Management Group since December 1998. From 1995 to 1996, Mr. Ovitz was President of the Walt Disney Company. For more than five years prior to 1995, Mr. Ovitz served as Chairman of Creative Artists Agency, which he co-founded. Mr. Ovitz is also a director of Gulfstream Aerospace Corp. and Livent, Inc.

Scott M. Rosen

Mr. Rosen has been Executive Vice President and Chief Financial Officer since August 1999, Senior Vice President and Chief Financial Officer from 1998 until then and Chief Financial Officer of Mail Order for more than five years prior thereto.

Carol Sharpe

Ms. Sharpe has been Executive Vice President, Merchandising - Brand since August 1999 and was Senior Vice President, General Merchandising Manager, Retail prior thereto. She was Senior Vice President and General Merchandising Manager-Women's from 1998 until then and Vice President, Women's for more than 5 years prior to 1998.

Trudy Sullivan

Ms. Sullivan has been President since rejoining the Company in February 2000. She was President of Kids "R" Us, a division of Toys "R" Us, Inc., from October 1999 to February 2000. Ms. Sullivan was President, Mail Order of the Company from 1998 to October 1999 and President of Clifford and Wills from 1995 to 1998.

Brian T. Swette

Mr. Swette became a director of Holdings in 1998. He has been Chief Operating Officer of eBay Inc. (person-to-person trading community on the Internet), since November 1999 and from 1998 until then was Senior Vice President of Marketing and International of eBay. He was Executive Vice President and Chief Marketing Officer-Global Beverages of Pepsi-Cola Beverages from 1996 until joining eBay and Executive Vice President Marketing-North America of Pepsi-Cola Beverages from 1994 to 1996. He is also a director of eBay Inc.

Mark T. Walsh

Mr. Walsh joined the Company in September 1999 as Senior Vice President Strategic Planning, Marketing and Internet and was elected Executive Vice-President e-commerce and Strategic Planning in March 2000. Prior thereto, he was Director, Global Marketing Strategy of Citibank, N.A., from 1998. He was Chief Financial Officer, Fountain Beverage Division of Pepsico, Inc. from 1997 to 1998 and Vice President, Mergers and Acquisitions of Pepsico from 1996 to 1997.

Josh S. Weston

Mr. Weston became a director of Holdings in 1998. He has been Honorary Chairman of the Board of Directors of Automatic Data Processing (computing services business) since 1998. He 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 is also a director of Gentiva Health Services, Shared Medical Systems Corporation and Russ Berrie & Company, Inc.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth compensation paid for fiscal years 1999, 1998 and 1997 to each individual serving as its chief executive officer during fiscal 1999 and to each of the four other most highly compensated executive officers of the Company as of the end of fiscal 1999.

		Annual Compensation		
Name And Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Comp. ($)
Emily Woods	1999	$1,000,000	$1,000,000	$--
Chairman	1998	1,000,000	1,000,000	--
	1997	700,000	--	--
Mark Sarvary	1999	560,190	335,000	1,000,000(5)
Chief Executive Officer	1998	--	--	--
	1997	--	--	--
Richard W. Boyce	1999	250,000	--	--
Former Chief Executive Officer	1998	83,333	--	--
	1997	--	--	--
Scott Formby	1999	422,115	106,800	--
Executive Vice President, Design	1998	392,158	107,000	--
	1997	358,654	30,000	--
Carol Sharpe	1999	402,500	240,000	360,000(5)
Executive Vice President, Merchandising -	1998	362,500	100,300	--
Brand	1997	315,856	75,000	--
Richard Anders	1999	304,220	75,000	300,000(5)
President, Retail	1998	--	--	--
	1997	--	--	--

	Long-Term Compensation Awards		Payouts	
	Restricted Stock Award(s)($)(1)	Securities Underlying Options/ SARS (#)(1)	LTIP Payouts ($)	All Other Comp. ($)
Emily Woods	--	--	--	$5,000(6)
Chairman	(2)	--	--	2,907,590(3)(6)
	--	492,200	--	10,004,750(4)(6)
Mark Sarvary	--	272,000	--	--
Chief Executive Officer	--	--	--	--
	--	--	--	--
Richard W. Boyce	--	--	--	--
Former Chief Executive Officer	--	55,200	--	--
	--	--	--	--
Scott Formby	--	8,800	--	5,000(6)
Executive Vice President, Design	--	--	--	5,000(6)
	--	31,200	--	64,750(4)(6)
Carol Sharpe	--	12,000	--	5,000(6)
Executive Vice President, Merchandising -	--	12,400	--	5,000(6)
Brand	--	12,600	--	54,750(4)(6)
Richard Anders	--	60,000		--
President, Retail	--	--	--	--
	--	--	--	--

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(1) There is no established public market for shares of Common Stock. Holders of restricted stock have the same right to receive dividends as other holders of Common Stock. The Company has not paid any cash dividends on its Common Stock. All share amounts have been adjusted to reflect a 200 for 1 stock split effective April 1999.

(2) Ms. Woods was granted 661,600 shares of Common Stock ("Woods Restricted Shares"), of which 78,600 shares vested immediately upon grant, 194,400 shares will vest on each of the 3rd and 4th anniversaries of the Recapitalization and 194,200 shares will vest on the 5th anniversary of

the Recapitalization.

(3) The amount set forth in this column includes reimbursement for income taxes in the amount of $ 2,902,590 incurred by Ms. Woods as a result of the grant of the Woods Restricted Shares.

(4) The amount set forth in this column includes a bonus paid in connection with the consummation of the Recapitalization.

(5) This amount is a signing bonus.

(6) Includes Company matching contributions to 401(k) plan in the amounts of $5,000, $5,000 and $4,750 for fiscal years 1999, 1998 and 1997, respectively.

The following Table shows information concerning stock options granted to any of the named executive officers during fiscal year 1999.

Option Grants In Fiscal Year 1999

Individual Grants					Potential Realizable Value At Assumed Annual Rates Of Stock Price Appreciation For Option Term	
Name	Number of Securities Underlying Options Granted(#) (1)(2)	Percent Of Total Options Granted To Employees In Fiscal Year	Exercise Price($/Sh)	Expiration Date	5%($)	$10% ($)
Richard Anders	60,000	7.9%	$6.82	5/3/09	$257,344	$652,319
Scott Formby	8,800	1.2%	10.00	4/13/09	55,344	140,250
Mark Sarvary	272,000	35.7%	10.00	5/10/09	1,710,594	4,334,979
Carol Sharpe	12,000	1.6%	6.82	4/13/09	51,468	131,094

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(1) The Company has not granted any SARs.

(2) The options have 10-year terms and are exercisable in the case of Messrs. Anders and Formby, 20% on January 31st in each of 2000 through 2004; in the case of Mr. Sarvary, 20% on May 10th in each of 2000 through 2004; and in the case of Ms. Sharpe, 20% on April 30th in each of 2000 through 2004.

The following Table shows the number of stock options held by the named executive officers at the end of fiscal year 1999. The named executive officers did not exercise any stock options in fiscal year 1999.

Aggregated Option Exercises in Fiscal Year 1999 and Fiscal Year-End Option Values

Name	Number Of Securities Underlying Unexercised Options At Fiscal Year End (1) (#) Exercisable/Unexercisable
Richard Anders	12,000 / 48,000
Scott Formby	14,240 / 25,760
Mark Sarvary	0 / 272,000
Carol Sharpe	10,000 / 27,000
Emily Woods	65,600 / 426,600

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(1) There is no established public market for shares of the Company's Common Stock.

Employment Agreements and Other Compensation Arrangements

Ms. Woods has an employment agreement with Holdings and Operating Corp. (the "Employers") which provides that, for a period of five years beginning on October 17, 1997, she will serve as Chairman of the Board of Directors of Holdings. The employment agreement provides for an annual base salary of $1.0 million, and an annual target bonus of up to $1.0 million based on achievement of earnings objectives to be determined each year. The employment agreement also provided for the grant of 661,600 shares of Common stock (the "Woods Restricted Shares"). (See footnotes 2 and 3 to the Executive Compensation Table for information on the vesting of the Woods Restricted Shares and the reimbursement of income taxes incurred by Ms. Woods in connection with such grant.) Ms. Woods is also entitled to various executive benefits and perquisites under the employment agreement.

Under the terms of stock options awarded to Ms. Woods under the Company's Stock Option Plan, all unvested options shall become exercisable (i) if Ms. Woods' employment is terminated by Holdings without cause, by Ms. Woods for good reason or by reason of death or disability, or (ii) in the event of a change in control of Holdings. Because of a change in Ms. Woods' duties and responsibilities, upon the termination of Ms. Woods' employment, she will be entitled to severance benefits and other benefits as described in the February 4, 2000 amendment to her agreement.

Mr. Sarvary has an Employment Agreement with Operating Corp., which provides that, for a period of five years commencing on May 10, 1999, he will serve as Chief Executive Officer of Operating Corp. The Employers also agreed to cause Mr. Sarvary to be elected to the Board of Directors of Holdings. The Employment Agreement provides for an annual base salary $670,000 and an annual target bonus of 50% of his annual base salary based on achievement of earnings objectives to be determined each year, provided that with respect to fiscal year 1999, the bonus would be at least $335,000 regardless of whether the bonus objectives were achieved. The Employment Agreement also provides for the payment of a signing bonus of $1,000,000 and the grant of options to purchase 272,000 shares of Common Stock as well as the grant of additional stock options to purchase 68,000 shares on the earlier of the date of an initial public offering of Holdings' Common Stock or May 10, 2004. Mr. Sarvary is also entitled to various executive benefits and perquisites under the Employment Agreement. Mr. Sarvary's Employment Agreement also provides that in the event of his termination by Operating Corp. without cause or termination by Mr. Sarvary for Good Reason (as defined in the Agreement), he will receive an amount equal to two times his base salary.

Ms. Sharpe has an Employment Agreement with Operating Corp. which provides that, for a period of five years commencing on April 30, 1999, she will serve as Executive Vice President-Merchandising of Operating Corp. The Employment Agreement provides for an annual base salary of $400,000 and an annual target bonus of 60% of her annual base salary based on achievement of earnings objectives to be determined for each year, provided that with respect to fiscal year 1999, the bonus would be at least $240,000 regardless of whether the bonus objectives were achieved. The Employment Agreement also provides for a signing bonus of $360,000 and the grant of options to purchase 12,000 shares of Common Stock. The Agreement provides for continuation of salary for a period of one year if Ms. Sharpe's employment is terminated without cause (as defined in the Agreement). Ms. Sharpe's employment agreement also provides that if, on April 30, 2003, the aggregate spread between the fair market value per share and the exercise price per share of her options to purchase 34,600 shares of Holdings Common Stock does not equal or exceed $1,124,500, then Operating Corp. will pay her a cash payment equal to any such shortfall, subject to adjustment in the event she has disposed of any of the shares underlying such options.

The Woods Restricted Shares and any shares of Common Stock acquired by Ms. Woods, Mr. Sarvary and Ms. Sharpe pursuant to the exercise of options are subject to a shareholders' agreement providing for certain transfer restrictions, registration rights and customary tag-along and drag-along rights.

Compensation Committee Interlocks and Insider Participation

Ms. Woods, Chairman, is a member of the Compensation Committee of Holdings.

Compensation of Directors

An attendance fee of $10,000 for each Board of Directors meeting is paid to each Director who is neither an employee of the Company nor a representative of TPG. Directors have the option to receive all or a portion of that fee paid in cash or in shares of Common Stock at a per share purchase price of $6.82 for meetings prior to April 13, 1999 and $10.00 for meetings held thereafter.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Common Stock of Holdings as of March 9, 2000 for each person who is known to Holdings to be the beneficial owner of 5% or more of Holdings Common Stock. The holders listed have sole voting power and investment power over the shares held by them, except as indicated by the notes following the table.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	TPG Partners II, L.P. 201 Main Street, Suite 2420 Fort Worth, TX 76102	7,313,797.6 shares (1)	60.3%
Common Stock	Emily Woods J. Crew Group, Inc. 770 Broadway New York, NY 10003	2,330,776.6 shares (2)	19.2%

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(1) These shares of Common Stock are held by TPG and the following affiliates of TPG (collectively, "TPG Affiliates"): TPG Parallel II L.P. and TPG Investors II, L.P.

(2) Includes (a) 65,600 shares not currently owned but which are issuable upon the exercise of stock options awarded under the Company's Stock Option Plan that are currently exercisable, and (b) 583,000 shares of Common Stock that have not vested and are held in custody by the Company until vesting thereof.

The following table sets forth information regarding the beneficial ownership of each class of equity securities of Holdings as of March 9, 2000 for (i) each director, (ii) each of the executive officers identified in the table set forth under Item 11. "Executive Compensation", and (iii) all directors and all such executive officers as a group. The holders listed have sole voting power and investment power over the shares held by them, except as indicated by the notes following the table.

Title of Class	Name of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Class
Common Stock	Richard M. Anders	12,000 (2)	*
Common Stock	Charlotte L. Beers	13,466.276	*
Common Stock	David Bonderman	7,313,797.6 (1)	60.3%
Common Stock	Richard W. Boyce	55,200 (2)	*
Common Stock	Gregory D. Brenneman	10,600	*
Common Stock	John W. Burden, III	2,466.276	*
Common Stock	James G. Coulter	7,313,797.6 (1)	60.3%
Common Stock	Scott Formby	14,240 (2)	*
Common Stock	Michael Ovitz	11,400	*
Common Stock	Mark A. Sarvary	54,400 (2)	*
Common Stock	Carol Sharpe	12,400 (2)	*
Common Stock	Brian T. Swette	13,866.276	*
Common Stock	Josh S. Weston	13,466.276	*
Common Stock	Emily Woods	2,330,776.6 (3)	19.2%
Common Stock	All Directors and executive officers as a group	9,926,239.304 (1) (2) (3)	81.8%
Series A Preferred Stock	Charlotte L. Beers	60	*
Series A Preferred Stock	David Bonderman	73,474.58 (1)	79.2%
Series A Preferred Stock	Gregory D. Brenneman	60	*
Series A Preferred Stock	James G. Coulter	73,474.58 (1)	79.2%
Series A Preferred Stock	Michael Ovitz	60	*
Series A Preferred Stock	Brian T. Swette	60	*
Series A Preferred Stock	Josh S. Weston	60	*
Series A Preferred Stock	Emily Woods	2,978.505	3.2%
Series A Preferred Stock	All Directors and executive officers as a group	76,753.085	82.7%

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*Represents less than 1% of the class.

(1) Attributes ownership of the shares owned by TPG Affiliates to Messrs. Bonderman and Coulter, who are partners of TPG. Each of Messrs. Bonderman and Coulter disclaim beneficial ownership of the shares owned by TPG Affiliates.

(2) These are shares not currently owned but which are issuable upon the exercise of stock options awarded under the Company's Stock Option Plan that are currently exercisable or become exercisable within 60 days.

(3) Includes (a) 65,600 shares not currently owned but which are issuable upon the exercise of stock options awarded under the Company's Stock Option Plan that are currently exercisable, and (b) 583,000 shares of Common Stock that have not vested and are held in custody by the Company until vesting thereof.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In connection with Mr. Sarvary's relocation to the Company's headquarters, the Company loaned Mr. Sarvary $1.0 million on an interest-free basis to purchase a residence. The loan is secured by a mortgage on that residence and $950,000 is still outstanding.

The Company loaned Mr. Gilbertson $250,000 in connection with his purchase of a residence. The loan bears interest at 8% per annum and is secured by a mortgage on that residence and a life insurance policy of $250,000 naming the Company as the sole beneficiary. Mr. Gilbertson resigned as President of the Company's e-commerce business on March 31, 2000, to return to TPG and the loan is in the process of being repaid in full with accrued interest.

Holdings and its subsidiaries entered into a tax sharing agreement providing (among other things) that each of the subsidiaries will reimburse Holdings for its share of income taxes determined as if such subsidiary had filed its tax returns separately from Holdings.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following financial statements of J. Crew Group, Inc. and subsidiaries are included in Item 8:

(i) Report of KPMG LLP, Independent Auditors

(ii) Consolidated Balance Sheets as of January 29, 2000 and January 30, 1999

(iii) Consolidated Statements of Operations - Years ended January 29, 2000, January 30, 1999 and January 31, 1998

(iv) Consolidated Statements of changes in Stockholders' Deficit - Years ended January 29, 2000, January 30, 1999 and January 31, 1998

(v) Consolidated Statements of Cash Flows - Years ended January 29, 2000, January 30, 1999 and January 31, 1998

(vi) Notes to consolidated financial statements

2. Financial Statements Schedules

Schedule II Valuation and Qualifying Accounts.

3. Exhibits

The exhibits listed on the accompanying Exhibit Index are incorporated by reference herein and filed as part of this report.

(b) Reports on Form 8-K

The Company has not filed any reports on Form 8-K during the fiscal quarter ended January 29, 2000.

(c) Exhibits

See Item 14(a)3 above.

(d) Financial Statement Schedules

See Item 14(a)1 and 14(a)2 above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

J. CREW GROUP, INC.

Date: April 17, 2000

By: /s/ Mark A. Sarvary

Mark A. Sarvary
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Emily Woods Emily Woods	Director; Chairman of the Board	April 17, 2000
/s/ Mark A. Sarvary Mark A. Sarvary	Director; Chief Executive Officer (Principal Executive Officer)	April 17, 2000
/s/ Scott M. Rosen Scott M. Rosen	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	April 17, 2000
/s/ Nicholas Lamberti Nicholas Lamberti	Vice President, Corporate Controller (Principal Accounting Officer)	April 17, 2000
/s/ Charlotte L. Beers Charlotte Beers	Director	April 17, 2000
/s/ David Bonderman David Bonderman	Director	April 17, 2000
/s/ Richard W. Boyce Richard W. Boyce	Director	April 17, 2000
/s/ Gregory D. Brenneman Gregory D. Brenneman	Director	April 17, 2000
/s/ John W. Burden, III John W. Burden, III	Director	April 17, 2000
/s/ James G. Coulter James G. Coulter	Director	April 17, 2000
/s/ Michael Ovitz Michael Ovitz	Director	April 17, 2000
/s/ Brian T. Swette Brian T. Swette	Director	April 17, 2000
/s/ Josh S. Weston Josh S. Weston	Director	April 17, 2000

Independent Auditors' Report

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

We have audited the consolidated financial statements of J. Crew Group, Inc. and subsidiaries (the "Company") 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 the Company'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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of J. Crew Group, Inc. and subsidiaries as of January 29, 2000 and January 30, 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended January 29, 2000, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement 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.

KPMG LLP

March 31, 2000

J. CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

Assets	January 29, 2000	January 30, 1999
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 38,693	$ 9,643
Merchandise inventories	129,928	156,022
Prepaid expenses and other current assets	30,083	46,729
Net assets held for disposal	8,927	17,377
Total current assets	207,631	229,771
Property and equipment - at cost:		
Land	1,460	1,460
Buildings and improvements	11,363	11,167
Furniture, fixtures and equipment	60,355	53,344
Leasehold improvements	130,054	114,424
Construction in progress	12,851	3,932
	216,083	184,327
Less accumulated depreciation and amortization	77,683	64,577
	138,400	119,750
Deferred income tax assets	14,830	11,624
Other assets	12,743	15,185
Total assets	$373,604	$376,330

Liabilities and Stockholders' Deficit		
Current liabilities:		
Notes payable - bank	$ --	$14,000
Accounts payable	40,951	40,130
Other current liabilities	70,222	59,175
Federal and state income taxes payable	14,687	11,280
Deferred income tax liabilities	5,842	9,476
Total current liabilities	131,702	134,061
Long-term debt	284,684	282,695
Deferred credits and other long-term liabilities	48,277	44,799
Redeemable preferred stock	173,534	150,548
Stockholders' deficit	(264,593)	(235,773)
Total liabilities and stockholders' deficit	$373,604	$376,330

See accompanying notes to consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	Years ended		
	January 29, 2000	January 30, 1999	January 31, 1998
	(in thousands)		
Revenues:			
Net sales	$714,119	$816,221	$822,840
Other	2,505	8,037	11,191
	716,624	824,258	834,031
Operating costs and expenses:			
Cost of goods sold, including buying and occupancy costs	394,813	460,592	465,168
Selling, general and administrative expenses	281,610	336,590	359,811
Write off of software development costs	7,018	--	--
Write down of assets and other charges in connection with discontinuance of Clifford & Wills	4,000	13,300	--
Termination costs and other nonrecurring employment contract charges	-	7,995	--
	687,441	818,477	824,979
Income from operations	29,183	5,781	9,052
Interest expense - net	38,861	39,323	20,494
Gain on sale of Popular Club Plan	(1,000)	(10,000)	--
Expenses incurred in connection with the Recapitalization	--	--	20,707
Loss before income taxes and extraordinary item	(8,678)	(23,542)	(32,149)
Benefit for income taxes	2,050	8,162	5,262
Loss before extraordinary item	(6,628)	(15,380)	(26,887)
Extraordinary item - loss on early retirement of debt (net of income tax benefit of $3,127)	--	--	(4,500)
Net loss	$(6,628)	$(15,380)	$(31,387)

See accompanying notes to consolidated financial statements.

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

	Years ended January 29, 2000	January 30, 1999	January 31, 1998
		(in thousands)	
Cash flows from operating activities:			
Net loss	$ (6,628)	$(15,380)	$ (31,387)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	19,241	15,972	15,255
Write off of software development costs	7,018	--	--
Amortization of deferred financing costs	2,196	2,119	958
Noncash interest expense	11,989	10,534	2,904
Deferred income taxes	(6,840)	(10,129)	(5,010)
Provision for losses on accounts receivable	--	5,627	7,343
Noncash compensation expense	636	881	150
Gain on sale of subsidiary	(1,000)	(10,000)	--
Write down of assets and other charges in connection with discontinued catalog	4,000	15,000	--
Loss on early retirement of debt	--	--	7,627
Changes in operating assets and liabilities:			
Accounts receivable	--	(8,242)	33,902
Merchandise inventories	26,094	(15,608)	(5,106)
Net assets held for disposal	4,450	--	--
Prepaid expenses and other current assets	16,646	(536)	(4,081)
Other assets	(777)	(2,559)	(587)
Accounts payable	821	7,415	(37,726)
Other liabilities	12,892	1,931	17,577
Federal and state income taxes payable	3,407	11,029	(9,268)
Net cash provided by (used in) operating activities	94,145	8,054	(7,449)
Cash flows from investing activities:			
Capital expenditures	(48,684)	(41,177)	(43,134)
Proceeds from construction allowances	7,431	4,823	11,767
Proceeds from sale of subsidiary, net of related expenses	-	37,157	-
Net cash provided by (used in) investing activities	(41,253)	803	(31,367)
Cash flows from financing activities:			
(Decrease)/increase in notes payable, bank	(14,000)	14,000	--
Issuance of long-term debt	--	--	295,257
Repayment of long-term debt	(10,000)	(26,000)	(92,863)
Costs incurred in connection with the issuance of debt	--	--	(16,429)
Proceeds from the issuance of common stock	158	320	63,891
Proceeds from the issuance of redeemable preferred stock	--	300	125,000
Repurchase and retirement of capital stock	--	--	(316,688)
Costs incurred in connection with the repurchase of capital stock	--	--	(14,318)
Net cash provided by (used in) financing activities	(23,842)	(11,380)	43,850
Increase (decrease) in cash and cash equivalents	29,050	(2,523)	5,034
Cash and cash equivalents at beginning of year	9,643	12,166	7,132
Cash and cash equivalents at end of year	$ 38,693	$ 9,643	$ 12,166
Supplementary cash flow information:			
Income taxes paid (refunded)	$ (7,570)	$ (515)	$ 5,180
Interest paid	$ 24,792	$ 27,763	$ 12,655
Noncash financing activities:			
Dividends on redeemable preferred stock	$ 22,986	$ 19,952	$ 5,296

See accompanying notes to consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit

(in thousands, except shares)

	6% noncumulative preferred stock		8% cumulative preferred stock	
	Shares	Amount	Shares	Amount
Balance at January 31, 1997	15,794	$ 1,579	5,000	$ 500
Net loss	--	--	--	--
Repurchase and retirement of capital stock	(15,794)	(1,579)	(5,000)	(500)
Costs incurred in connection with the repurchase of capital stock	--	--	--	--
Issuance of common stock	--	--	--	--
Preferred stock dividends	--	--	--	--
Issuance of common stock pursuant to grant of restricted stock	--	--	--	--
Amortization of restricted stock	--	--	--	--
	--	--	--	--
Balance at January 31, 1998	--	$ --	--	$ --
Net loss				
Issuance of common stock				
Preferred stock dividends				
Issuance of common stock pursuant to grant of restricted stock, net				
Forfeiture of shares of restricted stock				
Amortization of restricted stock				
Balance at January 30, 1999				
Net loss				
Issuance of common stock				
Preferred stock dividends				
Amortization of restricted stock				
Balance at January 29, 2000				

See accompanying notes to consolidated financial statements.

Common stock Shares	Amount	Additional paid-in capital	Retained earnings (Deficit)	Treasury stock	Deferred compen-sation	Stock-holders' equity (Deficit)
262,912	$ 263	$ 3,710	$ 101,850	$(5,896)	$ --	$ 102,006
--	--	--	(31,387)	--	--	(31,387)
(262,912)	(263)	(3,161)	(317,081)	5,896	--	(316,688)
--	--	--	(14,318)	--	--	(14,318)
11,000,000	1	63,890	--	--	--	63,891
--	--	--	(5,296)	--	--	(5,296)
661,600	--	4,500	--	--	(4,500)	--
-----------	-------	-------	--------	--	150	150
11,661,600	1	68,939	(266,232)	--	(4,350)	(201,642)
--	--	--	(15,380)	--	--	(15,380)
47,600	--	320	--	--	--	320
--	--	--	(19,952)	--	--	(19,952)
487,400	--	1,120	--	--	(1,120)	--
--	--	--	--	(2,325)	2,325	--
---	--	--	--	--	881	881
12,196,600	1	70,379	(301,564)	(2,325)	(2,264)	(235,773)
			(6,628)			(6,628)
17,665		158				158
			(22,986)			(22,986)
					636	636
12,214,265	$1	$70,537	$(331,178)	$(2,325)	$(1,628)	$(264,593)

J. CREW GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years ended January 29, 2000, January 30, 1999 and January 31, 1998

(1) Nature Of Business And Summary Of Significant Accounting Policies

(a) Principles of Consolidation

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

(b) Business

The Company designs, contracts for the manufacture of, markets and distributes men's and women's apparel and accessories. The Company's products are marketed, primarily in the United States, through retail 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 the Far East 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) Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. The fiscal years 1999, 1998 and 1997 ended on January 29, 2000 (52 weeks), January 30, 1999 (52 weeks) and January 31, 1998 (52 weeks).

(d) 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 $23,896,000 and $755,000 at January 29, 2000 and January 30, 1999, are stated at cost, which approximates market value.

(e) Merchandise Inventories

Merchandise inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market. The Company capitalizes certain design, purchasing and warehousing costs into inventory.

(f) 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. Deferred catalog costs, included in prepaid expenses and other current assets, as of January 29, 2000 and January 30, 1999 were $14,300,000 and $21,130,000. Catalog costs, which are reflected in selling and administrative expenses, for the fiscal years 1999, 1998 and 1997 were $84,077,000, $116,515,000, and $131,103,000.

All other advertising costs are expensed as incurred. Advertising expenses were $6,671,000 for fiscal year 1999. Prior year amounts were not significant.

(g) Property and Equipment

Property and equipment are stated at cost. Buildings and improvements are depreciated by the straight-line method over the estimated useful lives of twenty years. Furniture, fixtures and equipment are depreciated by the straight-line method over the estimated useful lives, ranging from three to ten years. Leasehold improvements are amortized over the shorter of their useful lives or related lease terms.

Significant systems development costs are capitalized and amortized on a straight-line basis over periods ranging from three to five years. Approximately $6.0 million of systems development costs were capitalized in fiscal 1999.

The Company receives construction allowances upon entering into certain store leases. These construction allowances are recorded as deferred credits and are amortized over the term of the related lease.

(h) Other Assets

Other assets consist primarily of debt issuance costs of $11,282,000 and $12,857,000 at January 29, 2000 and January 30, 1999, which are amortized over the term of the related debt agreements.

(i) Income Taxes

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, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

(j) 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. 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.

(k) Store Preopening Costs

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

(l) Derivative Financial Instruments

Derivative financial instruments are used by the Company to manage its interest rate and foreign currency exposures. 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. Gains and losses on contracts accounted for as hedges are deferred and recognized as adjustments to the bases of those assets. Contracts accounted for as speculative are marked to market and gains and losses are recorded currently. Such gains and losses were not material for the fiscal years ended January 29, 2000, January 30, 1999 and January 31, 1998.

(m) 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.

(n) Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of

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.

During fiscal 1999 the Company wrote off $7,018,000 of capitalized computer software costs which were impaired by the Company's decision to adopt an enterprise resource planning system for its future information technology requirements.

(o) 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 the fair market price at the date of grant, as determined by management.

(p) Reclassifications

Certain amounts in the prior year have been reclassified to conform with the current year presentation.

(2) Disposal of Businesses

(a) Popular Club Plan

In accordance with a sale agreement dated November 24, 1998 the Company sold all of the capital stock of Popular Club Plan, Inc. and subsidiaries ("PCP") to The Fingerhut Companies, Inc. effective as of October 30, 1998 for gross proceeds of $42.0 million in cash.

A gain on the sale of PCP of $10.0 million is included in the statement of operations for fiscal 1998. An additional gain of $1.0 million was recognized in fiscal 1999 from the reversal of certain estimated liabilities recorded at the date of sale. For the nine months ended October 30, 1998 revenues of $124.1 million were included in the statement of operations.

(b) Clifford & Wills

In 1998, management of the Company made a decision to exit the catalog and outlet store operations of Clifford & Wills ("C&W"). Revenues of C&W included in the statement of operations for the year ended January 30, 1999 were $74.3 million. Revenues and expenses for fiscal 1999 were not material and as a result have been netted in the accompanying consolidated statement of operations.

The statement of operations for fiscal year 1998 includes a charge of $13,300,000 to write down assets to net realizable value and provide for other costs to be incurred in the discontinuance of operations including lease termination and severance costs. This loss includes the write down of inventories of $9,400,000; the estimated loss on cancellation of leases of $1,000,000, severance costs of $1,100,000, write down of property and equipment of $600,000, and other related costs of $1,200,000.

The inventory write down of $9,400,000 was required due to lower than anticipated recovery rates on the liquidation of these inventories. Additionally fourth quarter charges of $1,700,000 included in selling expense were incurred relating to deferred catalog costs.

In February 2000 the Company sold certain intellectual property assets to Spiegel Catalog Inc. for $3.9 million. In connection with this sale the Company agreed to cease the fulfillment of catalog orders but retained the right to operate its outlet stores and conduct other liquidation sales of inventories through December 31, 2000. After consideration of the proceeds from the sale and other terms of the agreement the Company provided an additional $4,000,000 to write down inventories to net realizable value as of January 29, 2000.

(3) Recapitalization Transaction

In October 1997, the Company entered into a recapitalization transaction (the "Recapitalization"). Holdings purchased from the existing Shareholders for an aggregate purchase price of approximately $316,688,000 all of the outstanding shares of Holdings' capital stock, other than a certain number of shares of Holdings' common stock held by existing shareholders which represented 14.8% of the outstanding shares of Holdings' common stock immediately following consummation of the Recapitalization. The purchase of such outstanding shares of capital stock was financed in part by (a) issuing to TPG Partners II, L.P., its affiliates and other investors shares of common stock of Holdings for approximately $63,891,000 and shares of preferred stock of Holdings for $125,000,000 and (b) consummating the debt and securitization transactions described in Notes 5, 6 and 7. In connection with the Recapitalization, the Company repaid substantially all of its preexisting debt obligations immediately before the consummation of the Recapitalization.

Expenses incurred in connection with the Recapitalization consisted of:

Management bonuses	$12,163,000
TPG financial advisory fee	5,550,000
Legal and accounting fees	1,454,000
Consulting fee	1,000,000
Other	540,000
Total	$20,707,000

(4) Other Current Liabilities

Other current liabilities consist of:

	January 29, 2000	January 30, 1999
Customer liabilities	$ 8,855,000	$ 6,861,000
Accrued catalog and marketing costs	11,503,000	5,155,000
Taxes, other than income taxes	2,372,000	3,834,000
Accrued interest	4,926,000	5,042,000
Accrued occupancy	6,957,000	4,059,000
Reserve for sales returns	5,011,000	3,473,000
Accrued compensation (including employment contract termination costs of $2,850,000 at January 30, 1999)	7,411,000	11,984,000
Other	23,187,000	18,767,000
	$70,222,000	$59,175,000

(5) Sale of Accounts Receivable

In October 1997, the Company entered into an agreement to securitize certain customer installment receivables of Popular Club Plan, Inc. on a revolving basis. The Company had no obligation to reimburse the trust or the purchasers of beneficial interests for credit losses. The transactions were accounted for as a sale in accordance with the provisions of SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." Under SFAS No. 125, no servicing asset or liability was recorded as fees charged were expected to cover related expenses.

At January 31, 1998, $46,000,000 of accounts receivable had been sold pursuant to this agreement. The sale of receivables resulted in a gain of $1,472,000 during the year ended January 31, 1998. Finance charge income, including the gain on sale, was $5,325,000 and $8,294,000 for fiscal years 1998 and 1997.

Obligations under the securitization agreement were assumed by the acquiror under the terms of the sale agreement with The Fingerhut Companies, Inc. (see Note 2).

(6) Long-Term Debt

	January 29, 2000	January 30, 1999
Term loan (a)	$ 34,000,000	$ 44,000,000
10-3/8% senior subordinated notes (b)	150,000,000	150,000,000
13-1/8% senior discount debentures (c)	100,684,000	88,695,000
Total	$284,684,000	$282,695,000

(a) The term loan is subject to the same interest rates and security terms as the Revolving Credit Agreement. Weighted average interest rates were 8.5% at January 29, 2000 and January 30, 1999 (see Note 7). The term loan is repayable in quarterly installments of $1,925,000 from February 2001 through November 2001 and $3,287,500 from February 2002 through November 2003. Proceeds of $26.0 million from the sale of PCP were used to prepay the term loan in 1998 and proceeds of $10.0 million from the sale of assets of its discontinued C&W subsidiary were used to prepay the term loan in 1999.

(b) The senior subordinated notes are unsecured general obligations of J. Crew Operating Corp., a subsidiary of Holdings, and are subordinated in right of payment to all senior debt. Interest on the notes accrues at the rate of 10-3/8% per annum and is payable semi-annually in arrears on April 15 and October 15. The notes mature on October 15, 2007 and may be redeemed at the option of the issuer subsequent to October 15, 2002 at prices ranging from 105.188% in 2002 to 100% in 2005 and thereafter.

(c) The senior discount debentures were issued in aggregate principal amount of $142.0 million at maturity and mature on October 15, 2008. These debentures are senior unsecured obligations of Holdings. Cash interest will not accrue prior to October 15, 2002. However, the Company records non-cash interest expense as an accretion of the principal amount of the debentures at a rate of 13-1/8% per annum. Interest will be payable in arrears on April 15 and October 15 of each year subsequent to October 15, 2002. The senior discount debentures may be redeemed at the option of Holdings on or after October 15, 2002 at prices ranging from 106.563%, to 100% in 2005 and thereafter.

The maturities of long-term debt required during the next five years are:

Fiscal year	Amount
2000	$ --
2001	7,700,000
2002	13,150,000
2003	13,150,000
2004	----

(7) Lines of Credit

On October 17, 1997, in connection with the Recapitalization, the Company entered into a syndicated revolving credit agreement of up to $200.0 million (the "Revolving Credit Agreement") with a group of banks. This agreement was amended on March 18, 1998, November 23, 1998 and April 20, 1999. Borrowings may be utilized to fund the working capital requirements of the Company including issuance of stand-by and trade letters of credit and bankers' acceptances.

Borrowings are secured by a perfected first priority security interest in all assets of the Company's subsidiaries and bear interest, at the Company's option, at a base rate equal to the Administrative Agent's Eurodollar rate plus an applicable margin or an alternate base rate equal to the highest of the Administrative Agent's prime rate, a certificate of deposit rate plus 1% or the Federal Funds effective rate plus one-half of 1% plus, in each case, an applicable margin. The Revolving Credit Agreement matures on October 17, 2003.

Maximum borrowings under revolving credit agreements were $58,000,000 during fiscal year 1999 and $104,000,000 during fiscal years 1998 and 1997; and average borrowings were $30,800,000, $47,500,000, and $54,300,000. Borrowings outstanding under the Company's revolving credit agreement were $14,000,000 at January 30, 1999. There were no borrowings outstanding at January 29, 2000.

Outstanding letters of credit established to facilitate international merchandise purchases at January 29, 2000 and January 30, 1999 amounted to $38,315,000 and $41,628,000.

The provisions of the Revolving Credit Agreement, as amended, require that the Company maintain certain levels of (i) leverage ratio, (ii) interest coverage ratio and (iii) inventory coverage ratio; provide for limitations on capital expenditures, sale and leaseback transactions, liens, investments, sales of assets and indebtedness; and prohibit the payment of cash dividends on shares of common stock.

(8) Common Stock

The restated certificate of incorporation authorizes Holdings to issue up to 100,000,000 shares of common stock; par value $.01 per share. In April 1999 the Board of Directors approved a 200 for 1 stock split of its common stock in the form of a stock dividend. All references to shares of common stock have been restated to reflect the stock split. During 1998 directors acquired 30,000 shares of common stock and converted fees into 17,600 shares of common stock. During 1999 directors converted fees into 17,665 shares of common stock.

(9) Redeemable Preferred Stock

The restated certificate of incorporation authorizes Holdings to issue up to:

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

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

In connection with the Recapitalization, Holdings issued 92,500 shares of Series A Preferred Stock and 32,500 shares of Series B Preferred Stock. During 1998 directors acquired 300 shares of preferred stock at $1,000 per share.

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. On October 17, 2009, Holdings 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, Holdings may redeem shares of the Preferred Stock at any time at redemption prices ranging from 103% of liquidation value plus accumulated and unpaid dividends at October 17, 1998 to 100% of liquidation value plus accumulated and unpaid dividends at October 17, 2000 and thereafter. In certain circumstances (including a change of control of Holdings), subject to restrictions imposed by certain indebtedness of the Company, Holdings may be required to repurchase shares of the Preferred Stock at liquidation value plus accumulated and unpaid dividends.

Accumulated but unpaid dividends amounted to $48,234,000 at January 29, 2000. Dividends are recorded as an increase to redeemable preferred stock and a reduction of retained earnings.

(10) Commitments and Contingencies

(a) Operating Leases

As of January 29, 2000, the Company was obligated under various long-term operating leases for retail and outlet stores, warehouses, office space and equipment requiring minimum annual rentals. These operating leases expire on varying dates to 2012. At January 29, 2000 aggregate minimum rentals in future periods are as follows:

Fiscal year	Amount
2000	$ 36,900,000
2001	34,720,000
2002	33,611,000
2003	33,317,000
2004	29,609,000
Thereafter	132,817,000

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 1999, 1998 and 1997 was $ 39,474,000, $42,347,000 and $35,753,000, including contingent rent based on store sales of $2,600,000, $3,270,000, and $2,877,000.

(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 the ultimate resolution of these matters will have a material adverse effect on the Company's financial condition or results of operations.

(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 $1,320,000 for fiscal 1999 and $1,780,000 for fiscal 1998 and 1997.

(12) License Agreement

The Company has a licensing agreement through January 2003 with Itochu Corporation, a Japanese trading company. The agreement permits Itochu to distribute J. Crew merchandise in Japan. The Company earns royalty payments under the agreement based on the sales of its merchandise. Royalty income, which is included in other revenues, for fiscal 1999, 1998 and 1997 was $2,505,000, $2,712,000 and $2,897,000.

(13) Interest Expense - Net

Interest expense, net consists of the following:

	1999	1998	1997
Interest expense	$39,099,000	$40,379,000	$20,636,000
Interest income	(238,000)	(1,056,000)	(142,000)
Interest expense, net	$38,861,000	$39,323,000	$20,494,000

Interest expense in fiscal 1999 includes $1,029,000 incurred in connection with the settlement of a sales and use tax assessment. Interest income in fiscal 1998 includes $979,000 related to a federal income tax refund.

(14) Financial Instruments

The following disclosure about the fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The fair value of the Company's long-term debt is estimated to be approximately $235,215,000 and $246,680,000 at January 29, 2000 and January 30, 1999, and is based on dealer quotes or quoted market prices of the same or similar instruments The carrying amounts of long-term debt were $284,684,000 and $282,695,000 at January 29, 2000 and January 30, 1999. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, notes payable-bank, 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.

In October 1997 the Company entered into an interest rate swap agreement for $70 million notional amount, which was reduced to $50 million in October 1998. This agreement effectively converted the interest rate on its term loan and borrowings on the Revolving Credit Agreement from a variable rate to a fixed rate of 6.23% through October 2000. If this agreement had been settled on January 29, 2000, the Company would have received $62,000.

At January 29, 2000, the Company had a forward foreign exchange contract outstanding to sell 120 million yen on March 31, 2000. At January 30, 1999 the company had two forward foreign exchange contracts outstanding to sell 130 million yen each on March 31, 1999 at different rates of exchange. These contracts are entered into to manage the foreign exchange rate exposure relating to foreign licensing revenues. The fair value of the contracts approximate carrying value. The Company is exposed to credit losses in the event of nonperformance by the counterparties to these contracts, but it does not expect any counterparties to fail to meet their obligation given their high-credit rating.

(15) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". This statement requires the use of the liability method of accounting for income taxes. Under the 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 expected to reverse.

The income tax benefit consists of:

	1999	1998	1997
Current:			
Foreign	$ 250,000	$ 270,000	$ 309,000
Federal	3,100,000	600,000	(866,000)
State and local	1,440,000	1,097,000	305,000
	4,790,000	1,967,000	(252,000)
Deferred - Federal, state and local	(6,840,000)	(10,129,000)	(5,010,000)
Income taxes before tax effect of extraordinary items	(2,050,000)	(8,162,000)	(5,262,000)
Tax effect of extraordinary items	-	--	(3,127,000)
Total	$(2,050,000)	$ (8,162,000)	$(8,389,000)

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

	1999	1998	1997
Federal income tax rate	(35.0)%	(35.0)%	(35.0)%
State and local income taxes, net of federal benefit	7.0	(1.4)	(1.8)
Nondeductible expenses and other	4.4	1.7	15.7
Effective tax rate	(23.6)%	(34.7)%	(21.1)%

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

	January 29, 2000	January 30, 1999
Deferred tax assets:		
Original issue discount	$ 8,629,000	$ 4,519,000
State and local net operating loss carryforwards	3,034,000	4,132,000
Difference in book and tax basis for property and equipment	1,885,000	2,302,000
Reserve for sales returns	2,012,000	1,396,000
Other	2,298,000	1,073,000
	17,858,000	13,422,000
Deferred tax liabilities:		
Prepaid catalog expenses and other prepaid expenses	(8,870,000)	(11,274,000)
Net deferred income tax asset	$ 8,988,000	$ 2,148,000

Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. The Company has state and local income tax net operating loss carryforwards of varying amounts.

(16) Extraordinary Item

In October 1997, the Company prepaid $85 million principal amount of senior notes and recorded an extraordinary loss of $4,500,000 (net of an income tax benefit of $3,127,000) consisting of the write-off of deferred financing costs and redemption premiums related to the early retirement of debt.

(17) Stock Options

The J. Crew Group, Inc. Stock Option Plan (the "Option Plan") was adopted by the Company in 1997. Under the terms of the Option Plan, an aggregate of 1,810,000 shares are available for grant to certain key employees or consultants. The options have terms of seven to ten years and become exercisable over a period of five years. Options granted under the Option Plan are subject to various conditions, including under some circumstances, the achievement of certain performance objectives.

A summary of stock option activity for the Plan was, as follows:

	1999		1998		1997	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding,beginning of year	997,200	$8.00	786,800	$8.31	----	$ ---
Granted	772,800	9.47	431,000	6.82	786,800	8.31
Cancelled	(237,200)	7.14	(220,600)	6.82	--	
Outstanding, end of year	1,532,800	$8.87	997,200	$8.00	786,800	$8.31
Options exercisable at end of year	318,040	$7.97	189,460	$7.06	--	--

(18) Employee Restricted Stock

Under the terms of employment agreements with several key executives 661,600 shares of restricted stock were awarded in fiscal 1997 and 487,400 shares in fiscal 1998. These shares vest through October 2002. Deferred compensation of $5,620,000 was credited to additional paid in capital. Deferred compensation is charged to expense over the vesting period.

In connection with the termination of an executive in 1998, 487,400 shares were forfeited and deferred compensation of $2,325,000 was reversed and the shares were reacquired as treasury stock.

(19) Termination costs and other non-recurring employment contract charges

Charges of $2,850,000 were incurred in fiscal 1998 in connection with the termination of the employment contracts of two senior executives including the former Chief Executive Officer. Additionally, during fiscal 1998, tax gross-up payments of $5,145,000 were made on behalf of senior executives relating to restricted stock grants.

(20) Segment Information

On January 1, 1998, the Company adopted SFAS 131, "Disclosure About Segments of An Enterprise and Related Information". This statement does not affect the Company's financial position or results of operations.

The Company designs, contracts to manufacture and markets men's, women's, and children's apparel, accessories and home furnishings primarily under Company owned brand names. The brands are marketed through various channels of distribution including retail and factory outlet stores, catalogs, the Internet and licensing arrangements with third parties. These operations have been aggregated into three reportable segments based on brand identification: J. Crew, Clifford & Wills and Popular Club Plan. Management evaluates the results of operations of its segments based on income from operations.

All of the Company's identifiable assets are located in the United States. Export sales are not significant.

During 1998, the Company sold PCP to The Fingerhut Companies, Inc. and decided to discontinue the operations of its C&W brand. The revenues and operating income of PCP are included through October 30, 1998 and through January 30, 1999 for C&W.

Income from operations relating to Clifford & Wills for fiscal 1998 includes a noncash write-down of $13,300,000 relating to the discontinuance of C&W operations and $1,700,000 of fourth quarter charges to write off deferred catalog costs. Fiscal 1999 includes an additional charge of $4,000,000 to write down inventories to net realizable value. (See note 2 to the consolidated financial statements).

Corporate and other expenses include expenses incurred by the corporate office and certain non-recurring expenses that are not allocated to specific business units. Corporate and other expenses in fiscal 1999 include the write off of impaired software development costs. Corporate and other expenses in fiscal 1998 include tax gross-up payments related to restricted stock grants and employee contract termination costs. Corporate and other expenses in fiscal 1997 include a one-time bonus expense related to the employment of a senior executive and non-recurring consulting fees incurred as a result of the Recapitalization.

Segment assets represent the assets used directly in the operations of each business unit such as inventories and property and equipment. Corporate assets consist principally of investments, deferred financing costs and certain capitalized software.

The accounting policies used for segment reporting are consistent with those described in the summary of significant accounting policies.

	[$ in thousands]		
Revenues	1999	1998	1997
J. Crew	$716,624	$625,897	$577,594
Clifford & Wills	---	74,303	72,063
PCP	---	124,058	184,374
	716,624	824,258	834,031
Income from operations			
J. Crew	41,052	34,736	8,393
Clifford & Wills	(4,000)	(16,694)	(1,186)
PCP	--	(2,701)	7,550
Corporate and other expenses	(7,869)	(9,560)	(5,705)
Income from operations	29,183	5,781	9,052
Interest expense, net	(38,861)	(39,323)	(20,494)
Gain on sale of PCP	1,000	10,000	-
Expenses incurred in connection with the Recapitalization	-	----	(20,707)
Loss before income taxes	$ (8,678)	$(23,542)	$(32,149)
Depreciation and amortization			
J. Crew	$ 19,051	$ 14,455	$ 13,645
Clifford & Wills	---	327	199
PCP	---	1,015	1,279
Corporate	190	175	132
	$ 19,241	$ 15,972	$ 15,255

Identifiable assets	[$ in thousands] 1999	1998	1997
J. Crew	$305,552	$324,949	$314,186
Clifford & Wills	8,927	17,377	29,078
PCP	---	--	57,811
Corporate	59,125	34,004	20,803
	$373,604	$376,330	$421,878

Capital expenditures (net of disposals)	1999	1998	1997
J. Crew	$ 39,435	$ 34,084	$ 41,149
Clifford & Wills	--	(59)	(98)
PCP	--	5,264	2,058
Corporate	9,249	1,888	25
	$ 48,684	$ 41,177	$ 43,134

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	beginning balance	charged to cost and expenses	charged to other accounts	deductions	ending balance
			($ in thousands)		
Allowance for doubtful accounts					
(deducted from accounts receivable)					
fiscal year ended:					
January 29, 2000	$---------	$---------	$---------	$-----------	$--------
				(5,486)(a)	
January 30, 1999	5,438	5,627	----	(5,579)(c)	---
January 31, 1998	4,357	7,343	----	(6,262)(a)	5,438
Inventory reserve					
(deducted from inventories)					
fiscal year ended:					
January 29, 2000	$6,122	(1,675)(b)	$---------	--	$4,447
				(2,200)(c)	
January 30, 1999	4,400	4,929(b)	----	(1,007)(d)	6,122
January 31, 1998	3,289	1,111(b)	----	----	4,400
Allowance for sales returns					
(included in other current liabilities)					
fiscal year ended:					
January 29, 2000	$3,473	1,538(b)	----		$5,011
				500(c)	---
January 30, 1999	3,529	844(b)	----	400(d)	3,473
January 31, 1998	2,406	1,123(b)	----	----	3,529

(a) accounts deemed to be uncollectible
(b) 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.
(c) charged to gain on sale of Popular Club Plan, Inc.
(d) reclassified to net assets held for disposal (relating to discontinuance of Clifford & Wills operation)

EXHIBIT INDEX

Exhibit No.	Description
3.2(a)	By-laws of J. Crew Group, Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement)
3.2(b)	By-laws amendment adopted June 1, 1998 (incorporated by reference to Exhibit 3.2(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 30, 1999 ("1999 Form 10-K"))
3.2(c)	By-laws amendment adopted January 27, 2000
4.1	Indenture, dated as of October 17, 1997, between J. Crew Group, Inc., as issuer, and State Street Bank and Trust Company, as trustee, relating to the Debentures (the "Indenture") (incorporated by reference to Exhibit 4.3 to the Registration Statement)
4.2(a)	Credit Agreement, dated as of October 17, 1997 ("Credit Agreement"), among J. Crew Group, Inc., J. Crew Operating Corp., the Lenders Party thereto, the Chase Manhattan Bank, as Administrative Agent, and Donaldson, Lufkin & Jenrette Securities Corporation, as Syndication Agent (incorporated by reference to Exhibit 4.5 to Amendment No. 1 to the Registration Statement, filed February 6, 1998 (the "Amendment No. 1"))
4.2(b)	Amendment dated as of November 23, 1998 to the Credit Agreement (incorporated by reference to Exhibit 4.2(b) of the 1999 Form 10-K)
4.2(c)	Amendment dated as of March 18, 1998 to the Credit Agreement (incorporated by reference to Exhibit 4.2(c) of the 1999 Form 10-K)
4.2(d)	Amendment and Restatement Agreement dated as of April 20, 1999 relating to the Credit Agreement (incorporated by reference to Exhibit 4.2(d) of the 1999 Form 10-K)
4.3	Guarantee Agreement dated as of October 17, 1997, among J. Crew Group, Inc., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.6 to the Registration Statement)
4.4	Indemnity, Subrogation and Contribution Agreement dated as of October 17, 1997, among J. Crew Operating Corp., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.7 to the Registration Statement)
4.5	Pledge Agreement, dated as of October 17, 1997 among J. Crew Operating Corp., J. Crew Group, Inc., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.8 to the Registration Statement)

Exhibit No.	Description
4.6	Security Agreement, dated as of October 17, 1997 among J. Crew Operating Corp., J. Crew Group, Inc., the subsidiary guarantors of J. Crew Operating Corp. that are signatories thereto and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.9 to the Registration Statement)
4.7	Registration Rights Agreement, dated as of October 17, 1997 by and among J. Crew Group, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Chase Securities Inc. (incorporated by reference to Exhibit 4.10 to the Registration Statement)
	NOTE: Pursuant to the provisions of paragraph (b)(4)(iii) of Item 601 of Regulation S-K, the Registrant hereby undertakes to furnish to the Commission upon request copies of the instruments pursuant to which various entities hold long-term debt of the Company or its parent or subsidiaries, none of which instruments govern indebtedness exceeding 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis.
10.1(a)+	Employment Agreement, dated October 17, 1997, among J. Crew Group, Inc., J. Crew Operating Corp., TPG Partners II, L.P. (only with respect to Section 2(c) therein) and Emily Woods (the "Woods Employment Agreement") (incorporated by reference to Exhibit 10.1 to the Registration Statement)
10.1(b)+	Letter Agreement, dated February 4, 2000, between J. Crew Group, Inc. and Emily Woods
10.2+	J. Crew Operating Corp. Senior Executive Bonus Plan (included as Exhibit A to the Woods Employment Agreement filed as Exhibit 10.1)
10.3+	Stock Option Grant Agreement, made as of October 17, 1997 between J. Crew Group, Inc. and Emily Woods (time based) (incorporated by reference to Exhibit 10.3 to the Registration Statement)
10.4+	Stock Option Grant Agreement, made as of October 17, 1997 between J. Crew Group, Inc. and Emily Woods (performance based) (incorporated by reference to Exhibit 10.4 to the Registration Statement)
10.5(a)	Employment Agreement, dated May 3, 1999, between J.Crew Group, Inc. and Mark Sarvary (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ended May 1, 1999).
10.5(b)+	Letter Agreement, dated August 9, 1999, between Mark Sarvary and J. Crew Operating Corp.
10.6+	Letter Agreement, dated September 30, 1999, between J. Crew Operating Corp. and Carol Sharpe
10.7	Stockholders' Agreement, dated as of October 17, 1997, among J. Crew Group, Inc. and the Stockholder signatories thereto (incorporated by reference to Exhibit 4.1 to the Registration Statement)
10.8	Stockholders' Agreement, dated as of October 17, 1997, among J. Crew Group, Inc., TPG Partners II, L.P. and Emily Woods (included as Exhibit B to the Woods Employment Agreement filed as Exhibit 10.1)
10.9	J. Crew Group, Inc. 1997 Stock Option Plan (incorporated by reference to Exhibit 10.13 to the Registration Statement)
10.10	Contract Carrier Agreement, between J. Crew Group, Inc. and United Parcel Service, Inc. (incorporated by reference to Exhibit 10.6 to the Registration Statement)

Exhibit No.	Description
10.11	Agreement dated August 14, 1997 between R.R. Donnelley & Sons Company and J. Crew Inc. (incorporated by reference to Exhibit 10.11 to the Registration Statement)
21.1	Subsidiaries of J. Crew Group, Inc.
27.1	Financial Data Schedule

+Management contract or compensatory plan or arrangement.

Exhibit 3.2(c)

Amendment to Section 5.02 of the ByLaws

"Chairman. The Chairman of the Board, who shall be elected from among the Directors, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman shall have such other powers and duties as the Board of Directors may from time to time assign to him or her."

Exhibit 10.1(b)

J. Crew Group, Inc.
770 Broadway
New York, NY 10003

February 4, 2000

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

Dear Emily:

We are delighted that you have decided to continue your relationship with J. Crew Group, Inc. (the "Company") and its operating subsidiary, J. Crew Operating Corp., under the new arrangements described below. This letter shall constitute an amendment to your Employment Agreement with the Company, dated October 17, 1997 (the "Employment Agreement"). All defined terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Employment Agreement. Except as provided herein, all terms and conditions of the Employment Agreement shall remain in full force and effect.

I. Employment Duties and Responsibilities.

Effective February 7, 2000, in lieu of your duties, responsibilities and title provided in Section 1(a) of the Employment Agreement, you will (i) continue to be the Chairman of the Board of Directors of the Company (the "Board"), and shall be identified as such in all internal and external communications in which you are referred to or mentioned, each of which shall be subject to your prior review and approval, (ii) serve on the Strategic Planning Committee of the Board (which will consist of yourself and Messrs. Bonderman, Coulter and Sarvary as long as each of you are serving on the Board), and (iii) perform certain services for the Company from time to time as you and the Company may mutually agree and (iv) serve as a spokesperson for the Company at your and the Company's discretion, and in such connection shall be kept apprised of all public relations and other similar inquiries and requests concerning yourself. The provisions of Sections 1(b) and (c) of the Employment Agreement shall no longer apply, and you shall not be required to devote more than four days per month to the affairs of the Company, although you shall be free to do so at your discretion. The foregoing services shall be referred to in this letter as the "Continuing Services." The Continuing Services and the title referred to above shall constitute your duties, responsibilities and title under the Employment Agreement.

II. Effect of Changed Responsibilities.

Notwithstanding the modification effected hereby of your employment duties, but subject to your option to terminate the Employment Period as set forth in the following paragraph, the Employment Period shall continue notwithstanding the changes to the Employment Agreement effected hereby. During the continuation of the Employment Period, your entitlement to Compensation pursuant to Section 2 of the Employment Agreement, and all of the other rights and benefits provided to you under the Employment Agreement shall continue without any change. Without limiting the generality of the foregoing, during the continuation of the Employment Period, your current office and its use will remain as they are currently.

The Company hereby agrees and acknowledges that the above-described change in duties and responsibilities shall constitute Good Reason under the Employment Agreement and you may terminate your employment under the Employment Agreement at any time after February 7, 2000 pursuant to the procedures provided in Section 4 of the Employment Agreement and such termination shall be deemed to be a termination by the Company without Cause. Accordingly, upon such a termination you shall be entitled to all of the payments and benefits under Section 5(a) of the Employment Agreement as of the Date of Termination, and all of the other terms and provisions of the Employment Agreement and of the Stockholders Agreement and of all other agreements and plans applicable to Employee relevant to a termination by the Company without Cause shall be applicable.

III. Emily Woods Name.

The Company shall relinquish any proprietary rights to the use of the names "Emily Woods," Emily Wood," "EMWoods", "EMWood" and any other similar name, trademark, registered mark or other similar right or intellectual property, and shall convey to you all of its right, title and interest in and to each such name, trademark, registered mark or other similar right or intellectual property.

IV. Put Rights.

You and the Company hereby agree and acknowledge that in the event, following termination of your employment under the Employment Agreement, you exercise your Put Option (described in Section 3(b) of the Stockholders' Agreement among you, the Company and TPG Partners II, L.P. (the "Stockholders' Agreement")), notwithstanding anything to the contrary in the Employment Agreement or the Stockholders Agreement, (A) if the date you exercise your Put Option (and therefore the date on which the Appraised Value (as defined under the Stockholders' Agreement) would otherwise be determined) shall be on or prior to October 31, 2000, the date as of which the Appraised Value shall be determined shall be, at your election, either (x) January 31, 2000 or (y) such date as you shall exercise the Put Option, and (B) if the date you exercise your Put Option is after October 31, 2000, the date as of which the Appraised Value shall be determined shall be the date on which you exercise the Put Option. The remaining terms and conditions of the Stockholders' Agreement, including without limitation as to the determination of Appraised Value, shall remain in full force and effect.

This letter may be signed in counterparts and each counterpart shall constitute a part hereof, and a facsimile of a signature shall be deemed an original signature for purposes of this letter.

If the terms of this letter meet with your approval, please sign in the space provided below.

Sincerely,

____
David Bonderman

Member, Board of Directors

Agreed to and Accepted:

____
Emily Woods

Exhibit 10.5(b)

August 9, 1999

Mr. Mark Sarvary
Chief Executive Officer
J. Crew Group, Inc.
770 Broadway
New York, NY 10003

Dear Mark:

Pursuant to our recent discussions regarding the loan which J. Crew Operating Corp. (the "Company") will make to you in accordance with Section 2(g) of the Employment Agreement dated as of May 3, 1999, among the Company, J. Crew Group, Inc. and you, we thought it would be useful to lay out certain material terms and conditions of such loan in this letter for both parties to sign.

I. The Company Loan

Immediately prior to the closing of the purchase of your proposed primary residence (the "Closing"), the Company will lend you one million dollars ($1,000,000) (the "Company Loan") to be used by you for the sole purpose of purchasing your primary residence, located at 7 Fox Run, Purchase, New York (the "Property"). It is understood that the funding of the Company Loan will take place immediately prior to the Closing and will be initially secured by your pledge to the Company of certain stock options (the "Stock Options") pursuant to the Pledge and Security Agreement to be executed by you, a copy of which is attached heret as Exhibit B. Immediately following the Closing, you will grant the Company a second mortgage on the Property to secure the Company Loan by executing a second mortgage agreement substantially in the form attached hereto as Exhibit C (the "Second Mortgage"), and the Company will release its security interest in the Stock Options.

II. Terms and Conditions of the Company Loan

A. The obligation of the Company to make the Company Loan is subject to your providing evidence satisfactory to the Company on the date of the Closing that:

(1) the sum of (x) the Company Loan and (y) the loan to be obtained by you from Citibank, N.A. in connection with the purchase of the Property, which loan will be secured by a first mortgage on the Property (the "First Mortgage Loan"), does not exceed ninety percent (90%) of the fair market value of the Property as appraised by Citibank, N.A. in connection with the First Mortgage Loan (a copy of such appraisal to be provided to the Company at the Closing);

(2) there are no liens on the Property other than the lien created by the First Mortgage Loan (or other items acceptable to the Company identified on the Citibank, N.A. lender's title insurance policy, a copy of which you will provide to the Company); and

(3) The terms and conditions of the First Mortgage Loan do not prohibit the Second Mortgage.

B. As consideration for the Company making the Company Loan, you agree that:

(1) Contemporaneously with the making of the Company Loan, you will execute the Promissory Note and the Pledge and Security Agreement, substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively;

(2) You will execute the Second Mortgage in the form attached hereto as Exhibit C immediately following the Closing and the Company shall record the same in the applicable recording office;

(3) You will not grant any liens on the Property without the prior written consent of the Company (other than the lien securing the First Mortgage Loan); and

(4) In the event the Closing does not occur on the date the Company makes the Company Loan to you, you will immediately repay the Company Loan to the Company.

If the foregoing correctly reflects your understanding, please sign the enclosed copy of this letter and return it to me.

Sincerely,

Emily Woods

Agreed to and accepted:

____
Mark Sarvary
Date:

PROMISSORY NOTE

$1,000,000.00 New York, NY
August __, 1999

Mark Sarvary ("Sarvary"), for value received, hereby promises to pay to the order of J.Crew Operating Corp., a Delaware corporation ("J.Crew"), at its offices located at 770 Broadway, New York, NY, 10003, or such other place as the holder hereof may designate by notice to Sarvary, the principal amount of One Million Dollars ($1,000,000.00), in lawful money of the United States, without interest, as follows: (i) $50,000.00 on April 15th in each of the years 2000, 2001, 2002 and 2003; and (ii) the remaining balance of $800,000.00 on June 29, 2004. Sarvary hereby grants J.Crew the right to deduct all or a portion of the principal payments when due from any bonus payable to him. Sarvary acknowledges and confirms that (i) J.Crew has loaned Sarvary the principal amount of the Note for the sole purpose of Sarvary purchasing a primary residence located at 7 Fox Run, Purchase, New York (the "Property") and (ii) he will use the proceeds of the Note solely for such purpose.

1. Prepayment

This Note may be prepaid at any time, in whole or in part, without penalty or premium. Each partial prepayment shall be applied to installments of principal in inverse order of maturity.

2. Events of Acceleration

The holder of this Note, by written notice to Sarvary, may declare the entire principal amount immediately due and payable if any of the following events ("Accelerated Events") shall have occurred and be continuing, in which event the maturity of the then unpaid balance of the Note shall be accelerated and shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived in accordance with Paragraph 3(f) hereunder.

(a) Sarvary shall not have paid any installment of principal on this Note as and when it has become due and payable and such default shall continue for a period of 10 days after notice to Sarvary;

(b) Sarvary's employment with J.Crew is terminated for any reason; or

(c) Sarvary is in default under any other agreement with J.Crew.

3. Miscellaneous

(a) Sarvary shall pay all costs and expenses incurred by the holder in connection with the collection of the Note, including reasonable attorneys' fees.

(b) This Note shall be governed by and construed in accordance with the laws of New York State applicable to agreements made and to be performed therein and cannot be changed orally. Sarvary irrevocably consents to the sole and exclusive jurisdiction of the courts of New

York State and of any federal court located in New York State in connection with any action or proceeding arising out of or related to this Note.

(c) No delay or failure on the part of the holder of this Note to exercise any power or right given under this Notice, including, but not limited to, the right to accelerate the amounts due, shall operate as a waiver of the power or right and no right or remedy of the holder shall be deemed abridged or modified by any course of conduct. All rights and remedies existing hereunder are cumulative and not exclusive of each other or any rights or remedies otherwise available.

(d) All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally, three days after being mailed by registered mail, return receipt requested, or the following day if sent by overnight courier service, to J.Crew at the address set forth at the beginning of this Note, attn: General Counsel, and to Sarvary at 770 Broadway, New York, NY 10003, or such other address as either party may specify by notice given pursuant hereto.

(e) To the extent permitted by applicable law, Sarvary hereby waives all benefit that might accrue by virtue of any present or future moratorium laws exempting any of the Property, or any other property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy, or sale under execution, or providing for any stay of execution to be issued on any judgment recovered on this Note (excepting only any stay of execution).

(f) SARVARY HEREBY WAIVES PRESENTMENT, DEMAND, DILIGENCE, PROTEST AND NOTICE OF PROTEST, NOTICE OF INTENT TO ACCELERATE, NOTICE OF ACCELERATION, DEMAND, DISHONOR AND NON-PAYMENT OF THIS NOTE OR ANY OTHER NOTICE OF ANY KIND WHATSOEVER.

(g) If any term or provision of this Note or the application thereof to any circumstance shall, to any extent, be invalid, illegal or unenforceable, such term or such provisions shall be ineffective to the extent of such invalidity, illegality or unenforceability without invalidating or rendering unenforceable any remaining terms and provisions hereof or thereof or the application of such term or provision to circumstances other than those as to which it is held invalid, illegal or unenforceable.

(h) This Note shall not be transferable, except that J.Crew may transfer the Note to any other person or entity without Sarvary's consent.

____
Mark Sarvary

Exhibit "B"

PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "Agreement") is dated as of August __, 1999 and entered into by and between Mark Sarvary, in his individual capacity, ("Grantor") and J.Crew Operating Corp., (together with it successors and assigns, "Secured Party").

PRELIMINARY STATEMENTS

WHEREAS, Secured Party has agreed to loan Grantor the principal amount of $1,000,000 (the "Loan") in accordance with that certain Promissory Note made by Grantor, dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Note") and in accordance with that certain letter agreement between the parties, dated August 9, 1999 (the "Letter Agreement") in order to finance Grantor's acquisition of a certain property located at 7 Fox Run, Purchase, NY 10577 (the "Property");

WHEREAS, Grantor is the legal and beneficial owner of those certain options to purchase 272,000 shares of the common stock of J.Crew Group, Inc. awarded to him under the J.Crew Group, Inc. 1997 Stock Option Plan (such options and such plan, the "Pledged Options" and the "Option Plan", respectively) and evidenced by that certain Stock Option Agreement dated as of June 28, 1999 (the "Option Agreement");

WHEREAS, it is a condition precedent to the making of the Loan by Secured Party that Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement; and

WHEREAS, it is intended that the security interest granted hereunder secure the Loan until the closing of Grantor's purchase of the Property, at which time Grantor shall grant to Secured Party a second mortgage on the Property, substantially in the form agreed to in the Letter Agreement (the "Second Mortgage"), after which this Agreement shall terminate.

NOW, THEREFORE, in consideration of the premises and in order to induce Secured Party to make the Loan and for other good and valuable consideration, the receipt and adequacy of which are hereby conclusively acknowledged, Grantor hereby agrees with Secured Party as follows:

SECTION 1. Grant and Pledge of Security. Grantor hereby assigns and pledges to Secured Party, and hereby grants to Secured Party a security interest in, all of Grantor's right, title and interest in and to the following, whether now or hereafter acquired (the "Pledged Collateral") the Option Agreement, Pledged Options, and any interest of the Grantor in the entries on the books of J.Crew Group, Inc. or any financial intermediary pertaining to the Pledged Options, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributable in respect of or in exchange for any or all of the Pledged Options. The Grantor shall deliver the original Option

Agreement to the Secured Party and such Option Agreement shall remain in the possession of the Secured Party until this Agreement is terminated, at which time, the Secured Party shall return the Option Agreement to the Grantor.

SECTION 2. Security for Obligations. This Agreement secures, and the Pledged Collateral is collateral security for, all obligations of every nature of the Grantor now or hereafter existing under the Note and the Letter Agreement (all such obligations collectively, the "Secured Obligations").

SECTION 3. No Assumption. Notwithstanding any of the foregoing, this Agreement shall not in any way be deemed to obligate Secured Party to assume any of Grantor's obligations, duties, expenses or liabilities now existing or hereafter drafted or executed (collectively, the "Grantor Obligations") unless Secured Party or any such purchaser otherwise expressly agrees to assume any or all of such Grantor Obligations in writing.

SECTION 4. Further Assurances and Covenants of Grantor. Grantor agrees that from time to time, at the expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may reasonable request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral. Grantor shall not, without the prior written consent of Secured Party, which may be granted or withheld in Secured Party's sole discretion, sell, assign (by operation of law or otherwise), pledge or otherwise dispose of or hypothecate all or any part of the Pledged Collateral.

SECTION 5. Acceleration Event. In the case of an Acceleration Event, as defined in the Note, in addition to all of Secured Party's other rights and remedies, Secured Party shall have the right, upon five days prior notice to Grantor, to cause J. Crew Group, Inc. to cancel all or any portion of the Pledged Option and to apply the "Spread" (as defined below) on each of the shares of Common Stock underlying the vested Pledged Option which Secured Party elects to cancel as follows: (i) first to pay Secured Party's expenses (including reasonable attorney's fees) in connection with collection of the Note; (ii) second, to apply so much of the remaining Spread as may be necessary to pay the unpaid principal of the Note; and (iii) third, to pay any remaining amount of the spread to Grantor. As used herein, the term "Spread" means the difference obtained by subtracting the (a) exercise price per share underlying the Pledged Option, from (b) the Fair Market Value (as defined in the Option Plan) of a share of J.Crew Group, Inc. Common Stock determined as of the date on which the Option is cancelled.

SECTION 6. Substitution of Pledged Collateral. In accordance with the Letter Agreement, upon Grantor's execution and grant of the Second Mortgage on the Property and the recordation of such Second Mortgage, the Pledged Collateral hereunder shall be released to the Grantor and this Agreement shall terminate.

SECTION 7. Continuing Security Interest; Transfer of Loan. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until the indefeasible payment in full of the Secured Obligations or granting and recordation of the Second Mortgage, (b) be binding upon Grantor, its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), Secured Party may assign or otherwise transfer the Note to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Secured Party herein or otherwise. Upon the indefeasible payment in full of all Secured Obligations or the granting by Grantor of the Second Mortgage on the Property (as described above), the security interest granted hereby shall terminate and all rights to the Pledged Collateral shall revert to Grantor.

SECTION 8. Amendments; Etc. No amendment, modification, termination or waiver of any provision of this Agreement, or consent to any departure by Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party, and, in the case of any such amendment or modification by Grantor, such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 9. Notices. Any notice or other communication herein required or permitted to be given hereunder shall be given in accordance with Section 4(d) of the Note.

SECTION 10. Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right, privilege or option or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right, privilege or option preclude any other or further exercise thereof or of any other power, right, privilege or option. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 11. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 12. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 13. Governing Law; Terms. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 14. Consent to Jurisdiction and Service of Process. The provisions of Section 4(b) of the Note are hereby incorporated by reference in their entirety.

SECTION 15. Waiver of Jury Trial. The provisions of Section 4(f) of the Note are hereby incorporated by reference in their entirety.

SECTION 16. Counterparts. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

GRANTOR: Mark Sarvary, in his individual capacity

By: ____________________________

Name:

Title:

SECURED PARTY: J.Crew Operating Corp., a Delaware Corporation

By: ____________________________

Name:

Title:

Exhibit 10.6

LETTER AGREEMENT

September 24, 1999

Ms. Carol Sharpe
6 Eno Lane
Westport, CT 06880

Dear Carol:

Pursuant to our discussions and our letter dated March 23, 1999 regarding your employment with J. Crew Operating Corp. (the "Company"), we thought it would be useful to lay out the terms and conditions of our agreement in this letter agreement ("Agreement") for both parties to sign.

1. Employment.

(a) The Company hereby agrees to employ you as Senior Vice President - Merchandising and you hereby agree to serve the Company in such capacity during the "Employment Period" (as defined below). As Senior Vice President - Merchandising, you will have merchandising responsibility for both men's and women's lines in retail. In the event that the Company decides, in its sole discretion, to reorganize around gender, you will have merchandising responsibility in all channels for either men's or women's lines, as determined by the Company. You will report either to the Chief Executive Officer of the Company or to a person immediately reporting to the Chief Executive Officer (a "span breaker"), as determined by the Company, provided that you shall have the right to veto any individual candidate proposed by the Company to serve as a span breaker between the Chief Executive Officer and you by notifying the Company of your objection within five (5) days after the date you are notified of the candidate.

(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 as provided hereunder on an exclusive basis 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 commence as of April 30, 1999 (the "Effective Date") and shall terminate ("Date of Termination") upon the earliest to occur of (i) the fifth anniversary of the Effective Date, (ii) your death or Disability (as defined below), (iii) voluntary termination of employment by you, (iv) termination of employment by the Company without Cause (as defined below) or (v) termination of employment by the Company for Cause.

(b) Upon termination of the Employment Period for any reason, you shall be entitled to any earned but unpaid Base Salary (as defined in Section 3(a) below) as of the Date of Termination. If the Company terminates the Employment Period without Cause, you will be entitled to continuation of your Base Salary as in effect immediately prior to such termination for a period of twelve (12) months after the date of such termination (the "Salary Continuation Payments"), provided that the Salary Continuation Payments are subject to and conditioned upon your execution of a valid general release and waiver (reasonably acceptable 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 Restrictive Covenants provided in Section 4 hereof. The Company shall have no additional obligations under this Agreement.

(c) For purposes of this Agreement, the term "Cause" shall mean (i) the commission of a felony, (ii) willful misconduct or gross negligence in connection with the performance of your duties as an employee of the Company, (iii) a material breach of this Agreement, including without limitation your failure to perform your duties and responsibilities hereunder, (iv) a fraudulent act or omission by you adverse to the reputation of the Company or any affiliate, and (v) the disclosure by you of any Confidential Information (as defined in Section 4(b) hereof) to persons not authorized to know same. If subsequent to the termination of your employment, it is discovered that your employment could have been terminated for Cause, your employment shall, at the election of the Company, in its sole discretion, be deemed to have been terminated for Cause. In addition, for purposes of this Agreement, the term "Disability" shall mean your incapacity due to physical or mental illness or injury, which results in you 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.

3. Compensation and Benefits.

(a) During the Employment Period, your annual base salary shall be $400,000 ("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) 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 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): Threshold - 25%, Target - 60% and Stretch - 120% of Base Salary. Any Annual Bonus (including the Guaranteed Bonus described below) will be paid only if you are actively employed with the Company and not in breach of this Agreement on the date of payment (as described below). Notwithstanding the foregoing, with respect to the fiscal year beginning January 31, 1999, your Annual Bonus will be at least $240,000 (the "Guaranteed Bonus") regardless of whether the performance objectives for such fiscal year are achieved. The Annual Bonus will be paid no later than May 1 following the fiscal year for which it relates.

(c) The Company has paid you $180,000 (the "First-Half Special Bonus") as consideration for entering into this Agreement. In addition, on or before August 31, 1999, the Company will pay you an additional $180,000 (the "Second-Half Special Bonus" and, together with the First-Half Special Bonus, the "Special Bonus"), provided that you are actively employed with the Company and not in breach of this Agreement on such date. You will be required to immediately pay back a "pro-rata portion" as determined below of the Special Bonus in the event you voluntarily terminate your employment hereunder prior to August 31, 2000, and to the extent that you fail to pay back any portion of the Special Bonus 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. The "pro-rata portion" shall equal the product of (I) the sum of the First-Half Special Bonus and the Second-Half Special Bonus (if paid), and (ii) a fraction, the numerator of which is the number of full months from and including the month in which the employment hereunder terminates through August 31, 2000, and the denominator of which is sixteen.

(d) As soon as practicable after the Effective Date and subject to approval of the Compensation Committee of the Board of Directors of J. Crew Group, Inc., the Company will cause J. Crew Group, Inc. to grant you an option (the "Option") to purchase twelve thousand (12,000) shares of common stock of J. Crew Group, Inc. (the "Common Stock") at an exercise price equal to $6.82 per share. Except as otherwise provided herein, the Option shall be governed by the terms and subject to the conditions of the 1997 J. Crew Group, Inc. Stock Option Plan (the "Option Plan"), including the requirements regarding the execution of a Stock Option Grant Agreement and a Stockholders' Agreement. Twenty percent (20%) of the Option will become vested and exercisable on each of April 30, 2000 through 2004, provided you are actively employed with the Company on such date. Subject to the provisions of the Option Plan, with respect to the Option or any portion thereof which has not become exercisable, the Option shall expire on the date your employment with the Company is terminated for any reason, and with respect to any Option or any portion thereof which has become exercisable, the Option shall expire on the earlier of: (i) 90 days after your termination of employment with the Company other than for Cause, death or Disability; (ii) one year after termination of your employment with the Company by reason of death or Disability; (iii) the commencement of business on the date your employment with the Company is, or is deemed to have been, terminated for Cause; or (iv) the tenth anniversary of the Effective Date.

(e) In addition to the Option granted hereunder, you currently hold options to purchase 25,000 shares of Common Stock, which were issued at an exercise price of $6.82 per share. If you are employed by the Company on April 30, 2003 and not in breach of this Agreement, the Company will pay you an amount in cash equal to the Cash Payment, if any, determined in the manner described in Exhibit A hereto, not later than May 30, 2003. In general, the calculation described in Exhibit A is intended to reflect our agreement that, as of April 30, 2003, the spread, with respect to options to purchase 34,600 shares of Common Stock, between the value of such shares and the exercise price of the options should be at least $32.50 per share, subject to adjustment to take into account sales or other dispositions of the shares by you prior to April 30, 2003. Any such Cash Payment shall be in full satisfaction of the foregoing agreement.

(f) Given that the Cash Payment relates to the 34,600 shares of Common Stock (the "Option Shares") that you may acquire pursuant to the options described in Subparagraphs (d) and (e) above, if you actually acquired the Option Shares and then the Company exercised its call rights (the "Call") under the Stockholders' Agreement (as provided under the Option Plan) with respect to the Option Shares, it is possible that the Company would be required to pay twice for a portion of such Option Shares. Accordingly, if a Cash Payment is made and the Fair Market Value per share of Common Stock on the date the Call is exercised is equal to or greater than the Fair Market Value per share as of April 30, 2003, notwithstanding anything herein or in Section 3 of such Stockholders' Agreement to the contrary, you hereby agree that the amount the Company shall pay per Option Share pursuant to the Call (the "Call Price") shall equal the amount determined in accordance with Exhibit B hereto.

(g) During the Employment Period, you will be entitled to participate generally in the Company's benefit plans, except where specifically provided herein and except for any severance or other termination of employment plans. Currently, the Company's benefit package includes 3 weeks vacation, 3 personal days, holidays, life insurance, medical insurance, long term disability, 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) The Company will reimburse you for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to the senior executives of the Company.

4. Restrictive Covenants.

(a) As additional consideration for the Company entering into this Agreement, you agree that for a period of twelve (12) months after the date on which the Employment Period is terminated for any reason, 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 or any other area in which the Company or any of its subsidiaries conducts business or in which the Company or any of its subsidiaries' customers are located as of the Date of Termination, 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 and (ii) solicit, hire, or seek to influence the employment decisions of, any employee of the Company on behalf of any person or entity other than the Company. The term "Competitive Business" means the retail, mail order and internet apparel and accessories business and any other business the Employer or its affiliates are engaged in on the Date of Termination.

(b) 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, planning, inventory and financial control, store design and staffing.

(c) You also agree that breach of the confidentiality, non-competition or employee non-solicitation provisions provided in paragraphs (a) or (b) of 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 Restrictive Covenants provided in this Section 4, the Company will be entitled to an injunction restraining you from violating such restrictive covenant without the posting of any bond. If the Company shall institute any action or proceeding to enforce any such restrictive covenant, 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 Restrictive Covenants provided in this Section 4.

(d) You agree that during the Employment Period and thereafter you shall not disclose any information regarding the existence or substance of this Agreement to any third party (including employees of the Company) without the prior written consent of the Chairman of the Company except as may be required by law, during any legal proceeding brought by you relating to this Agreement or with 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, you agree not to directly or indirectly disparage or defame the Company, its affiliates or any of their directors, officers or employees.

5. 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 Operating Corp.
770 Broadway
Twelfth Floor

New York, NY 10003
Attention: General Counsel

If to you:

Ms. Carol Sharpe
6 Eno Lane
Westport, CT 06880

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

(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, including without limitation the March 23, 1999 letter agreement/term sheet.

(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 your duties and obligations 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. No waiver of any provision or violation of this Agreement by the Company shall be implied by the Company's forbearance or failure to take action.

(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.

If the terms of this letter Agreement meet with your approval, please sign and return one copy to me.

Sincerely,

____

Emily Woods

Chairman

Agreed to and Accepted:

____

Carol Sharpe

Date: ________________

EXHIBIT A

GUARANTEED OPTION CASH PAYMENT FORMULA

The Cash Payment, if any, provided in Section 3(e) hereof, shall be calculated as follows:

CP = (X - SA) - (FMV x N)

Where:

CP = the Cash Payment, if any, provided under Section 3(e) hereof;

X = $1,360,472;

SA = the greater of (i) any proceeds received upon the actual or constructive sale or other disposition of any shares of Common Stock of the Company ("Sales Transactions") and (ii) $39.32 multiplied by the number of shares sold or disposed of in the Sales Transaction;

FMV = the greater of (i) $6.82 and (ii) the Fair Market Value per share of Common Stock as of April 30, 2003, as determined pursuant to the Option Plan;

N = 34,600 less the number of shares of Common Stock sold in all Sales Transactions.

In the event of an adjustment in the Options pursuant to Section 4.13 of the Option Plan, the foregoing amounts shall be equitably adjusted in a similar manner in order to avoid the dilution or enlargement of rights or payments hereunder.

EXHIBIT B

Call Price Formula

If the Fair Market Value per share of Common Stock (as determined under the Option Plan) on the date the Call is exercised is equal to or greater than the Fair Market Value per share on April 30, 2003, then the Call Price per share in respect of the Option Shares shall equal:

(the greater of Y or FMV1) - (CP/N)

where,

FMV1 = Fair Market Value per share on April 30, 2003;

Y = $39.32;

CP = The Cash Payment as determined under Exhibit A of this Letter Agreement; and

N = The number of shares as determined under Exhibit A of this Letter Agreement.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

J. CREW GROUP, INC.

Name of Subsidiary	State of Incorporation	Name Under Which Subsidiary Does Business
J. Crew Operating Corp.	Delaware	J. Crew Operating Corp.
J. Crew Inc.	New Jersey	J. Crew Inc.
ERL, Inc.	New Jersey	ERL, Inc.
Grace Holmes, Inc.	Delaware	(J. Crew Retail Stores)
H.F.D. No. 55, Inc.	Delaware	(J. Crew Factory Outlet Stores)
C & W Outlet, Inc.	New York	C & W Outlet, Inc.
J. Crew International, Inc.	Delaware	J. Crew International, Inc.
J. Crew Services, Inc.	Delaware	J. Crew Services, Inc.

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE J. CREW GROUP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF INCOME FROM THE TWELVE MONTHS ENDED JANUARY 29, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR
JAN-29-2000
JAN-29-2000
38,693
0
0
0
129,928
207,631
216,083
(77,683)
373,604
131,702
284,684
173,534
0
70,537
(335,130)
373,604
714,119
716,624
394,813
687,441
0
0
38,861
(8,678)
2,050
(6,628)
0
0
0
(6,628)
0
0