

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 February 2, 2002

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	I.R.S. Employer Identification No.
333-42427 -----	J. CREW GROUP, INC. (Incorporated in New York) 770 Broadway New York, New York 10003 Telephone: (212) 209-2500	22-2894486 -----
333-42423 -----	J. CREW OPERATING CORP. (Incorporated in Delaware) 770 Broadway New York, New York Telephone: (212) 209-2500	22-3540930 -----

Securities Registered Pursuant to section 12(b) of the Act:

J. Crew Group, Inc. None
J. Crew Operating Corp. None

Securities Registered Pursuant to section 12(g) of the Act:

J. Crew Group, Inc. None
J. Crew Operating Corp. None

Indicate by check mark whether each 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

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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 each 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 each registrant is not publicly traded. Therefore, the aggregate market value is not readily determinable.

As of March 15, 2002, there were 11,748,789 shares of Common Stock, par value \$.01 per share, of J. Crew Group, Inc. outstanding and 100 shares of Common Stock, par value \$.01 per share, of J. Crew Operating Corp. outstanding (all of which are owned beneficially and of record by J. Crew Group, Inc.).

Documents incorporated by reference: None

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

FILING FORMAT

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

FORWARD LOOKING STATEMENTS

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

References herein to fiscal years are to the fiscal years of J. Crew Group, Inc. and J. Crew Operating Corp., which end on the Saturday closest to January 31 in the following calendar year for fiscal years 1997, 1998, 1999, 2000 and 2001. Accordingly, fiscal years 1997, 1998, 1999, 2000 and 2001 ended on January 31, 1998, January 30, 1999, January 29, 2000, February 3, 2001 and February 2, 2002. All fiscal years for which financial information is included had 52 weeks, except fiscal year 2000 which had 53 weeks.

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 19-year history through the circulation of approximately 900 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), workwear (casual weekday wear) sport, swimwear, accessories and shoes, as well as the more tailored men's and women's "Classics" lines. Approximately 70% 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 70 million J. Crew catalogs per annum and operates 136 J. Crew retail stores and 41 J. Crew factory outlet stores. In addition, J. Crew products are distributed through 61 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 Retail, J. Crew Direct, and J. Crew Factory, each of which operate under the J. Crew brand name. In 2001, products sold under the J. Crew brand contributed \$741.3 million in net sales. J. Crew brand net sales in 2001 were comprised of \$398.0 million from J. Crew Retail, \$258.2 million from J. Crew Direct and \$85.1 million from J. Crew Factory. The Company also markets to its customers through its Internet site (jcrew.com). Net sales derived from the Internet, which were \$122.9 million for 2001, are included in J. Crew Direct net sales. The Company also generated licensing revenues of \$2.6 million and shipping and handling fees of \$34.1 million.

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 to 75% of J.Crew brand sales in 2001.

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 product development, merchandising and production staffs 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 22 countries for the production of its products. In 2001, approximately 80% of the Company's J. Crew brand products were sourced in the Far East, 5% were sourced domestically and 15% were sourced in Europe and other regions. One vendor supplies approximately 16% 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 3.6 million orders per year and employs approximately 900 full and part-time employees during its non-peak season and an additional 400 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 300 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, Airborne 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 and the Lynchburg facility has an automated packing and shipping sorter.

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 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 SKU basis and allow for an efficient fulfillment process.

The Company has installed a SAP enterprise resource planning system for its information technology requirements. This system was implemented in 2000 and 2001. In fiscal 2000, the Company's accounting systems were implemented. A corporate wide purchasing system, a retail sales and inventory system (including new point of sale registers) and a human resource / payroll system were completed in fiscal 2001. In November 2000, the Company outsourced its data center, desktop, network and telecommunication services management and operations support. In February 2001, the Company outsourced the hosting and support of its Internet website to a third party vendor.

J. Crew Retail

During fiscal 2001, J. Crew Retail generated net sales of \$398.0 million, representing 53.7% of the Company's total net sales.

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 and distribution of e-mails 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.

J. Crew Retail stores that were open during all of fiscal 2001 averaged \$3.5 million per store in sales, produced sales per gross square foot of \$439 and generated store contribution margins of approximately 18.0%. The Company believes that these results are in line with the average among retailers that the Company believes to be its primary competitors. J. Crew Retail stores have an average size of 7,752 total square feet.

As of February 2, 2002, J. Crew Retail operated 136 retail stores nationwide, having expanded from 39 stores in 1997. The Company opened 34 stores in fiscal 2001 and intends to open approximately 15 stores in fiscal 2002. 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 2001.

	Stores ----- Opened -----	Stores ----- Closed -----	Stores ----- Open at -----	Total ----- Square ----- Footage ----- (000's) -----	Average ----- Store Total ----- Square ----- Footage at ----- End of Year -----	
Stores Open ----- At Beginning ----- Of Fiscal Year -----	During ----- Fiscal ----- Year -----	During ----- Fiscal ----- Year -----	Open at ----- End of ----- Fiscal Year -----	Square ----- Footage ----- (000's) -----	Square ----- Footage at ----- End of Year -----	
1997	39	12	--	51	428	8,392
1998	51	14	--	65	530	8,150
1999	65	16	--	81	668	8,243
2000	81	24	--	105	833	7,933
2001	105	34	3	136	1,054	7,752

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 2001, J. Crew Direct distributed 36 catalog editions with a total circulation of approximately 71 million. J. Crew Direct generated \$258.2 million in net sales (including \$122.9 million from its Internet site) representing 34.8% of the Company's total J. Crew brand net sales in fiscal 2001.

Circulation Strategy

J. Crew Direct's circulation strategy focuses on continually improving the segmentation of customer files and the acquisition of additional customer names. In 2001, approximately 65% 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 or on the Internet 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, Version, 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.

Version Books. These editions are abridged versions (in page count) 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.

Prospect Books. These editions are abridged versions (in size and page count) of the Version Books and are sent to prospective customers to cost effectively 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 2001, total circulation decreased to approximately 71 million from 73 million in 2000, and pages circulated were approximately 8.2 billion in 2001 compared to 8.7 billion in 2000.

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. The Company is also 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.

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 4.0 million calls in fiscal 2001. 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 550 full-time and part-time telemarketing associates, and up to 300 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

The Company extends its reach to additional consumers through its 41 J. Crew Factory outlet stores. Offering J. Crew products at an average of 30% below full retail prices, J. Crew Factory targets 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 2001, J. Crew Factory generated net sales of \$85.1 million, representing 11.5% of the Company's total J. Crew brand net sales.

J. Crew Factory offers selections of J. Crew menswear and womenswear. Ranging in size from 3,500 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.

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 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 2001, licensing revenues totaled \$2.6 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 February 2, 2002, the Company had approximately 5,800 associates, of whom approximately 2,700 were full-time associates and 3,100 were part-time associates. In addition, approximately 2,000 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.

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 operations.

As of February 2, 2002, the Company operated 136 J. Crew retail stores and 41 factory outlet stores in 38 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 generally 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 Holdings.

The table below sets forth the number of stores by state operated by the Company in the United States as of February 2, 2002.

	Retail ----- Stores -----	Outlet ----- Stores -----	Total ----- Number ----- Of Stores -----
Alabama	1	1	2
Arizona	4	--	4
California	18	3	21
Colorado	4	2	6
Connecticut	5	1	6
Delaware	1	1	2
Florida	4	3	7
Georgia	3	2	5
Illinois	7	--	7
Indiana	2	2	4
Kansas	1	--	1
Kentucky	1	--	1
Louisiana	1	--	1
Maine	--	2	2
Maryland	3	1	4
Massachusetts	6	1	7
Michigan	4	1	5
Minnesota	3	--	3
Missouri	2	1	3
Nevada	1	1	2
New Hampshire	1	2	3
New Jersey	7	1	8
New Mexico	1	--	1
New York	14	4	18
North Carolina	3	--	3
Ohio	7	--	7
Oklahoma	1	--	1
Oregon	2	--	2
Pennsylvania	6	3	9
Rhode Island	1	-	1
South Carolina	2	2	4
Tennessee	3	1	4
Texas	6	2	8
Utah	2	--	2
Vermont	--	1	1
Virginia	5	1	6
Washington	2	1	3
Wisconsin	1	1	2
District of Columbia	1	--	1
	-	--	-
Total.	136	41	177
	===	==	===

ITEM 3. LEGAL PROCEEDINGS

Routine litigation is pending against Holdings and Operating Corp. with respect to matters incidental to their business. Although the outcome of litigation cannot be predicted with certainty, in the opinion of Holdings and Operating Corp. none of those actions should have a material adverse effect on the consolidated financial position or results of operations of Holdings and Operating Corp.

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 February 2, 2002.

PART II

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

There is no established public trading market for Holdings or Operating Corp. Common Stock. As of March 15, 2002, there were 39 shareholders of record of the Holdings Common Stock. See "Item 12. Security Ownership of Certain Beneficial Owners and Management" for a discussion of the ownership of Holdings. Holdings owns 100% of the Common Stock of Operating Corp.

Holdings has not paid cash dividends on its Common Stock and does not anticipate paying any such dividends in the foreseeable future. Operating Corp. may from time to time pay cash dividends on its Common Stock to permit Holdings to make required payments relating to its Senior Discount Debentures.

The credit agreement (the "Credit Agreement") and the Indenture relating to the Senior Discount Debentures (the "Holdings Indenture") prohibit the payment of dividends by Holdings on shares of its 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 of Operating Corp., contains covenants which impose substantial restrictions on Operating Corp.'s ability to pay dividends or make 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 Holdings Common Stock. In fiscal year 2001, certain Directors elected to receive a total of 5,524 shares of Holdings Common Stock in payment of their fees, at purchase price per share equal to the fair market value thereof. 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 five fiscal years ended February 2, 2002 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."

	January 31, ----- 1998 ----	January 30, ----- 1999 ----	Fiscal Year Ended January 29, ----- 2000 ----	February 3, ----- 2001 ----	February 2, ----- 2002 ----
	(dollars in thousands, except per square foot data)				
Income Statement Data:					
Revenues	\$ 881,044	\$ 870,842	\$ 750,696	\$ 825,975	\$ 777,940
Cost of goods sold(a)	517,378	511,716	431,193	463,909	462,371
Selling, general and administrative expenses	354,614	332,050	279,302	301,865	295,568
Other charges	--	7,995	7,018	--	--
Charges incurred in connection with discontinuance of Clifford & Wills	--	13,300	4,000	4,130	--
Income from operations	9,052	5,781	29,183	56,071	20,001
Interest expense-net	20,494	39,323	38,861	36,642	36,512
Gain on sale of Popular Club Plan	----	(10,000)	(1,000)	----	--
Expenses incurred-Recapitalization	20,707	--	--	----	--
Provision (benefit) for income taxes	(5,262)	(8,162)	(2,050)	7,500	(5,500)
Extraordinary items and cumulative effect of accounting changes, net of taxes	(4,500)	--	--	--	--
Net income (loss)	<u>\$ (31,387)</u>	<u>\$ (15,380)</u>	<u>\$ (6,628)</u>	<u>\$ 11,929</u>	<u>\$ (11,011)</u>

Fiscal Year Ended

	January 31, 1998 ----	January 30, 1999 ----	January 29, 2000 ----	February 3, 2001 ----	February 2, 2002 ----
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 12,166	\$ 9,643	\$ 38,693	\$ 32,930	\$ 16,201
Working capital	142,677	95,710	75,929	49,482	39,164
Total assets	421,878	376,330	373,604	389,861	401,320
Total long term debt and redeemable preferred stock	428,457	433,243	458,218	464,310	510,147
Stockholders' deficit	(201,642)	(235,773)	(264,593)	(278,347)	(319,043)
Operating Data:					
Revenues:					
J. Crew retail	\$ 209,559	\$273,972	\$ 333,575	\$ 406,784	\$ 397,998
J. Crew direct					
Catalog	260,853	230,752	213,308	177,535	135,353
Internet	4,000	22,000	65,249	107,225	122,844
	-----	-----	-----	-----	-----
	264,853	252,752	278,557	284,760	258,197
	-----	-----	-----	-----	-----
J. Crew factory	100,285	96,461	101,987	96,114	85,085
J. Crew licensing	2,897	2,712	2,505	3,020	2,560
J. Crew shipping & handling fees	28,936	30,575	34,072	35,297	34,100
	-----	-----	-----	-----	-----
Total J. Crew brand	606,530	656,472	750,696	825,975	777,940
Other divisions(b)	274,514	214,370	--	--	--
	-----	-----	-----	-----	-----
Total	\$ 881,044	\$870,842	\$ 750,696	\$ 825,975	\$ 777,940
	=====	=====	=====	=====	=====
J. Crew Direct:					
Number of catalogs circulated (in thousands)	76,994	73,440	75,479	72,522	70,762
Number of pages circulated (in millions)	9,830	8,819	9,319	8,677	8,242
J. Crew Retail:					
Sales per gross square foot(c)	\$ 542	\$ 558	\$ 571	\$ 567	\$ 439
Store contribution margin(c)	23.4%	25.0%	26.0%	23.9%	18.0%
Number of stores open at end of period	51	65	81	105	136
Comparable store sales change(c)	(6.6)%	9.0%	1.8%	1.7%	(15.5)%
Depreciation and amortization	\$ 15,255	\$ 15,972	\$ 19,241	\$ 22,600	\$ 31,718
Net capital expenditures(d)					
New store openings	\$ 19,802	\$ 14,749	\$ 13,300	\$ 16,700	\$ 17,572
Other	11,565	21,605	27,953	25,475	25,003
	-----	-----	-----	-----	-----
Total net capital expenditures	\$ 31,367	\$ 36,354	\$ 41,253	\$ 42,175	\$ 42,575
	=====	=====	=====	=====	=====

(a) Includes buying and occupancy costs.

(b) Includes revenues from the Company's Popular Club Plan, Inc. ("PCP") and Clifford & Wills, Inc. ("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 - J.CREW GROUP, INC.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity of J. Crew Group, Inc. and subsidiaries during the three-year period ended February 2, 2002. This discussion should be read in conjunction with the audited consolidated financial statements of J. Crew Group, Inc. and subsidiaries for the three-year period ended February 2, 2002 and notes thereto included elsewhere in this Annual Report on Form 10-K.

Critical Accounting Policies

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

The following critical accounting policies reflect the more significant estimates and judgements used in the preparation of the consolidated financial statements.

(a) Inventory Valuation

Merchandise inventories are carried at the lower of cost or market. Cost is determined on a first-in first-out basis. We evaluate all of our inventories to determine excess inventories based on estimated future sales. Excess inventories may be disposed of through outlet stores, clearance catalogs, Internet clearance sales and other liquidations. Based on the historical results experienced by the Company through the various methods of disposition the Company writes down the carrying value of inventories which are not expected to be sold at or above costs.

(b) Deferred catalog costs

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

(c) Asset impairment

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

(d) Sales Returns

The Company must make estimates of future sales returns related to current period sales. Management analyzes historical returns, current economic trends and changes in customer acceptance of its products when evaluating the adequacy of the reserve for sales returns.

(e) Income taxes

Deferred tax assets are carried at the amount that the Company believes is more likely than not to be realized. The Company has considered future taxable income and prudent and feasible tax strategies in assessing the need for a valuation allowance. If the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Results of Operations

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

	Fiscal year ended		
	February 2, 2002	February 3, 2001	January 29, 2000
	----	----	----
Revenues	100.0%	100.0%	100.0%
Cost of goods sold, including buying and occupancy costs	59.4	56.2	57.4
Selling, general and administrative expenses	38.0	36.5	37.2
Other charges	--	--	.9
Charges incurred in connection with discontinuance of C&W	--	.5	.5
Income from operations	2.6	6.8	3.9
Interest expense, net	(4.7)	(4.4)	(5.2)
Gain on the sale of Popular Club Plan	--	.1	.1
Income/(loss) before income taxes	(2.1)	2.4	(2.2)
Income taxes	.7	(.9)	.3
Net income/(loss)	(1.4)%	1.5%	(.9)%
	=====	=====	=====

Fiscal 2001 Compared to Fiscal 2000

Revenues

- - - - -

Revenues in the fiscal year ended February 2, 2002 decreased 5.8% to \$778.0 million from \$826.0 million in the fiscal year ended February 3, 2001. The fiscal year ended February 2, 2002 consisted of 52 weeks compared to 53 weeks in fiscal year 2000. Net sales for the fifty-third week were \$10.8 million.

J. Crew Retail net sales decreased by 2.2% from \$406.8 million in fiscal 2000 to \$398.0 million in fiscal 2001. The percentage of the Company's total net sales derived from J. Crew Retail increased to 53.7% in fiscal year 2001 compared to 51.6% in fiscal 2000. The decrease in net sales was due to a decrease of 15.5% in comparable store sales. This decrease offset a 30% increase in the number of stores from 105 at February 3, 2001 to 136 at February 2, 2002.

J. Crew Direct net sales (which includes net sales from catalog and internet operations) decreased by 9.3% from \$284.8 million in fiscal 2000 to \$258.2 million in fiscal 2001. The percentage of the Company's total net sales derived from J. Crew Direct decreased to 34.8% in fiscal 2001 from 36.2% in fiscal 2000. Catalog net sales decreased to \$135.3 million in fiscal 2001 from \$177.5 million in fiscal 2000. Pages circulated decreased from 8.7 million in fiscal 2000 to 8.2 billion in fiscal 2001. Internet net sales increased to \$122.9 million in fiscal 2001 from \$107.3 million in fiscal 2000 as the Company continued to migrate catalog customers to the Internet.

J. Crew Factory net sales decreased from \$96.1 million in fiscal 2000 to \$85.1 million in fiscal 2001. The percentage of the Company's total net sales derived from J. Crew Factory decreased to 11.5% in fiscal 2001 from 12.2% in fiscal 2000. Comparable store sales for J. Crew Factory decreased by 10.5% in fiscal 2001. There were 41 J. Crew Factory outlet stores at February 2, 2002 and February 3, 2001.

Other revenues which consist of shipping and handling fees and royalties decreased to \$36.7 million in fiscal 2001 from \$38.3 million in fiscal 2000, primarily as a result of a decrease in shipping and handling fees which is attributable to the decrease in net sales of J.Crew Direct.

Cost of sales, including buying and occupancy costs

Cost of sales (including buying and occupancy costs) as a percentage of revenues increased to 59.4% in fiscal 2001 from 56.2% in fiscal 2000. This increase was caused by a significant increase in markdowns as a result of the highly promotional retail environment and an increase in buying and occupancy costs caused by a decrease in leverage related to the decline in comp store sales.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased to \$295.6 million in fiscal 2001 (38.0% of revenues) from \$301.9 million in fiscal 2000 (36.6% of revenues).

General and administrative expenses of the J.Crew brand decreased to \$234.8 million in fiscal 2001 (30.2% of revenues) from \$239.2 million in fiscal 2000 (29.0% of revenues). This decrease resulted from a decrease in bonus provision in fiscal 2001 and the cost cutting initiatives instituted in the first quarter of 2001 which were offset by the additional retail stores in operation during fiscal 2001 and a \$10.1 million increase in depreciation and amortization.

Selling expenses were \$60.8 million in fiscal 2001 (7.8% of revenues) compared to \$62.7 million in fiscal 2000 (7.6% of revenues). This decrease was due primarily to a decrease in pages circulated from 8.7 billion pages in fiscal year 2000 to 8.2 billion pages in fiscal 2001.

Interest expense

Interest expense, net was \$36.5 million in fiscal year 2001 compared to \$36.6 million in fiscal 2000. The increase resulting from higher average borrowings in fiscal 2001 under the Revolving Credit Facility and higher non-cash interest was offset by the pay off of the term loan in January 2001 and a decrease in interest rates. Average borrowings under the Revolving Credit Facility required to fund inventories and capital expenditures were \$43.1 million in fiscal 2001 compared to \$9.8 million in fiscal 2000.

Interest expense included non-cash interest and amortization of deferred financing costs of \$17.4 million in fiscal 2001 compared to \$16.4 million in fiscal 2000.

Income Taxes

The effective tax rate was a benefit of 33.3% in fiscal 2001 compared to a provision of 38.6% in fiscal 2000. The effective rate in 2001 was less than the normal rate due primarily to the inability of subsidiaries to carry back net operating losses for state tax purposes, resulting in a lower tax benefit.

Fiscal 2000 Compared to Fiscal 1999

Revenues

Revenues increased 10.0% to \$826.0 million in the fiscal year ended February 3, 2001 from \$750.7 million in the fiscal year ended January 29, 2000. The fiscal year ended February 3, 2001 consisted of 53 weeks compared to 52 weeks in the prior year. Net sales for the fifty-third week were \$10.8 million. The increase in revenues was due primarily to the increase of \$73.2 million in the net sales for J.Crew Retail.

J. Crew Retail net sales increased by 21.9% from \$333.6 million in fiscal 1999 to \$406.8 million in fiscal 2000. The percentage of the Company's total net sales derived from J. Crew Retail increased to 51.6% in fiscal year 2000 compared to 46.7% in fiscal 1999. This increase was attributed primarily to net sales from stores not opened for a full fiscal year.

Comparable store sales increased by 1.7% in fiscal 2000. The number of stores opened at February 3, 2001 increased to 105 from 81 at January 29, 2000.

J. Crew Direct net sales (which includes net sales from catalog and Internet operations) increased by 2.2% from \$278.6 million in fiscal 1999 to \$284.8 million in fiscal 2000. The percentage of the Company's total net sales derived from J. Crew Direct decreased to 36.2% in fiscal 2000 from 39.0% in fiscal 1999. Catalog net sales decreased to \$177.5 million in fiscal 2000 from \$213.3 million in fiscal 1999. Internet net sales increased to \$107.3 million in fiscal 2000 from \$65.2 million in fiscal 1999 as the Company continued to migrate catalog customers to the Internet.

J.Crew Factory net sales decreased by 5.8% from \$102.0 million in fiscal 1999 to \$96.1 million in fiscal 2000. The percentage of the Company's total net sales derived from J. Crew Factory decreased to 12.2% in fiscal 2000 from 14.3% in fiscal 1999. Comparable store sales for J. Crew Factory decreased by 2.9% in fiscal 2000. J. Crew Factory closed one store in fiscal 2000 and 41 stores were open at February 3, 2001.

Other revenues which consist of shipping and handling fees and royalties increased from \$36.6 million to \$38.3 million, primarily as a result of an increase in shipping and handling fees.

Cost of sales, including buying and occupancy costs

Cost of sales, including buying and occupancy costs as a percentage of revenues decreased to 56.2% in fiscal 2000 from 57.4% in fiscal 1999. This decrease was caused primarily by an increase in initial mark up due to a decrease in the cost of merchandise and an improvement in inventory mix in our factory division.

Selling, general and administrative expenses

Selling, general and administrative expenses increased to \$301.9 million in fiscal 2000 (36.6% of revenues) from \$279.3 million in fiscal 1999 (37.2% of revenues).

General and administrative expenses of the J.Crew brand increased to \$239.2 million in fiscal 2000 (29.0% of revenues) from \$203.6 million in fiscal 1999 (27.1% of revenues). This increase resulted primarily from (a) an increase in the expenses attributable to the increased number of retail stores in operation during fiscal 2000 compared to fiscal 1999 and (b) an increase in bonus provision in fiscal 2000 as a result of the increase in operating income.

Selling expenses were \$62.7 million in fiscal 2000 (7.6% of revenues) compared to \$75.7 million in fiscal 1999 (10.1% of revenues). This decrease was due primarily to \$6.0 million of direct advertising related to the Internet that was incurred in fiscal 1999, a decrease in pages circulated from 9.3 billion pages in fiscal 1999 to 8.7 billion pages in fiscal year 2000 and catalog production efficiencies.

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

Clifford & Wills

An additional charge of \$4.1 million was incurred in fiscal 2000 to write off the remaining balance of the net assets of the Company's Clifford & Wills catalog and factory outlet subsidiaries, primarily inventories.

Interest expense

Interest expense, net decreased to \$ 36.6 million in fiscal 2000 from \$38.9 million in fiscal 1999. This decrease resulted from lower average borrowings during fiscal 2000 under the Revolving Credit Facility and the reduced term loan balance offset by higher non-cash interest. Average borrowings under the Revolving Credit Facility required to fund inventories and capital expenditures were \$9.8 million in fiscal 2000 compared to \$30.8 million in fiscal 1999.

Interest expense included non-cash interest and amortization of deferred financing costs of \$16.4 million in fiscal 2000 compared to \$14.2 million in fiscal 1999.

Income Taxes

The effective tax rate was a provision of 38.6% in fiscal 2000 compared to a benefit of (23.6%) in fiscal 1999. The effective tax rate in 1999 was less than the normal rate due primarily to the inability of certain subsidiaries to deduct net operating losses for state tax purposes.

Liquidity and Capital Resources

The Company's sources of liquidity have been primarily cash flows from operations and borrowings under the Revolving Credit Facility. 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.

Cash provided by operating activities was \$25.6 million in fiscal 2001 compared to \$70.3 million in fiscal 2000. The decrease in cash provided by operations resulted from a decrease in earnings before interest, taxes and depreciation and amortization of \$30.1 million and a change in working capital items of \$14.6 million.

Capital expenditures, net of construction allowances, were approximately \$42.6 million in fiscal 2001. These expenditures consisted primarily of the opening of 34 new J. Crew retail stores and for systems enhancements, primarily the SAP enterprise resource planning system.

Capital expenditures are expected to be approximately \$25.0 million in fiscal 2002, primarily for the opening of at least 15 J. Crew retail stores. 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 February 2, 2002 and February 3, 2001. Average borrowings under the Revolving Credit Facility were \$43.1 for fiscal 2001 and \$9.8 million for fiscal 2000. There are no scheduled principal payments of the Company's long term debt during the next five years.

Effective October 15, 2002, the interest payments accruing on the 13 1/8% Senior Discount Debentures will become payable in cash on April 15 and October 15 of each year subsequent thereto. The annual cash payments will be approximately \$18.6 million.

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.

The following summarizes the Company's contractual and other commercial obligations as of February 2, 2002 and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

Contractual Obligations	Within 1 year	2 - 3 years	4 - 5 years	after 5 years	Total
	(\$ in millions)				
Long term debt	\$ --	\$ --	\$ --	\$279.7	\$279.7
Operating lease obligations	46.4	88.6	76.8	139.3	351.1
	46.4	88.6	76.8	419.0	630.8
	=====	=====	=====	=====	=====

Other Commercial commitments	Within 1 year	2 - 3 years	4 - 5 years	after 5 years	Total
Letters of Credit	(\$ in millions)				
Standby	\$ --	\$ --	\$ --	\$ 1.8	\$ 1.8
Import	44.5	--	--	--	44.5
	44.5	--	--	1.8	46.3
	=====	=====	=====	=====	=====

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 2001 occurred in the fourth quarter. The Company's working capital requirements also fluctuate throughout the year, increasing substantially in September and October in anticipation of the holiday season inventory requirements.

Recent Accounting Pronouncements

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminates the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of January 1, 2002. These statements had no effect on the Company's financial statements in fiscal 2001 and are not anticipated to have any effect in fiscal 2002.

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

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

EITF Issue No. 00-14 "Accounting for Certain Sales Incentives" will be effective in the first quarter of fiscal 2002. This EITF addresses the accounting for and classification of various sales incentives. The adoption of the provisions of this EITF will not have a material effect on the Company's financial statements in fiscal 2002.

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

This discussion should be read in conjunction with the audited consolidated financial statements of J. Crew Operating Corp. and subsidiaries for the two-year period ended February 2, 2002 and notes thereto included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Fiscal 2001 Compared to Fiscal 2000

Revenues

Revenues in the fiscal year ended February 2, 2002 decreased 5.8% to \$778.0 million from \$826.0 million in the fiscal year ended February 3, 2001. The fiscal year ended February 2, 2002 consisted of 52 weeks compared to 53 weeks in fiscal year 2000. Net sales for the fifty-third week were \$10.8 million.

J. Crew Retail net sales decreased by 2.2% from \$406.8 million in fiscal 2000 to \$398.0 million in fiscal 2001. The percentage of the Company's total net sales derived from J. Crew Retail increased to 53.7% in fiscal year 2001 compared to 51.6% in fiscal 2000. The decrease in net sales was due to a decrease of 15.5% in comparable store sales. This decrease offset a 30% increase in the number of stores from 105 at February 3, 2001 to 136 at February 2, 2002.

J. Crew Direct net sales (which includes net sales from catalog and Internet operations) decreased by 9.3% from \$284.8 million in fiscal 2000 to \$258.2 million in fiscal 2001. The percentage of the Company's total net sales derived from J. Crew Direct decreased to 34.8% in fiscal 2001 from 36.2% in fiscal 2000. Catalog net sales decreased to \$135.3 million in fiscal 2001 from \$177.5 million in fiscal 2000. Pages circulated decreased from 8.7 million in fiscal 2000 to 8.2 billion in fiscal 2001. Internet net sales increased to \$122.9 million in fiscal 2001 from \$107.3 million in fiscal 2000 as the Company continued to migrate catalog customers to the Internet.

J. Crew Factory net sales decreased from \$96.1 million in fiscal 2000 to \$85.1 million in fiscal 2001. The percentage of the Company's total net sales derived from J. Crew Factory decreased to 11.5% in fiscal 2001 from 12.2% in fiscal 2000. Comparable store sales for J. Crew Factory decreased by 10.5% in fiscal 2001. There were 41 J. Crew Factory stores at February 2, 2002 and February 3, 2001.

Other revenues which consist of shipping and handling fees and royalties decreased to \$36.7 million in fiscal 2001 from \$38.3 million in fiscal 2000, primarily as a result of a decrease in shipping and handling fees which is attributable to the decrease in net sales of J. Crew Direct.

Cost of sales, including buying and occupancy costs

Cost of sales (including buying and occupancy costs) as a percentage of revenues increased to 59.4% in fiscal 2001 from 56.2% in fiscal 2000. This increase was caused by a significant increase in markdowns as a result of the highly promotional retail environment and an increase in buying and occupancy costs caused by a decrease in leverage related to the decline in comp store sales.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased to \$294.9 million in fiscal 2001 (37.9% of revenues) from \$301.2 million in fiscal 2000 (36.5% of revenues).

General and administrative expenses of the J.Crew brand decreased to \$234.1 million in fiscal 2001 (30.1% of revenues) from \$238.5 million in fiscal 2000 (28.9% of revenues). This decrease resulted from a decrease in bonus provision in fiscal 2001 and the cost cutting initiatives instituted in the first quarter of 2001 which were offset by the additional retail stores in operation and a \$10.1 million increase in depreciation and amortization during fiscal 2001.

Selling expenses were \$60.8 million in fiscal 2001 (7.8% of revenues) compared to \$62.7 million in fiscal 2000 (7.6% of revenues). This decrease was due primarily to a decrease in pages circulated from 8.7 billion pages in fiscal year 2000 to 8.2 billions pages in fiscal 2001.

Interest expense
- - - - -

Interest expense, net was \$20.9 million in fiscal 2001 compared to \$22.8 million in fiscal 2000. The decrease resulted from the pay off of the term loan in January 2001 and a decrease in interest rates offset by higher average borrowings in fiscal 2001. Average borrowings under the Revolving Credit Facility required to fund inventories and capital expenditures were \$43.1 million in fiscal 2001 compared \$9.8 million in fiscal 2000.

Income Taxes
- - - - -

The effective tax rate was a benefit of 46.7% in fiscal 2001 compared to a provision of 35.9% in fiscal 2000. The state tax provision in 2000 was reduced by the utilization of net operating loss carryovers.

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. The interest rates are a function of the bank prime rate or LIBOR. A one percentage point change in the base interest rate would result in approximately \$500,000 change in income before income taxes.

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 February 2, 2002 were approximately \$46.3 million.

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. There were no forward foreign exchange contracts outstanding during fiscal year 2001.

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

Information required by Items 10-14 with respect to Operating Corp. has been omitted pursuant to General Instruction I of Form 10-K. Information required by Items 10-14 with respect to Holdings is described below.

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.....	40	Director, Chairman of the Board
Mark A. Sarvary.....	42	Director, Chief Executive Officer
David Bonderman.....	59	Director
Richard W. Boyce.....	47	Director
Gregory D. Brenneman.....	40	Director
John W. Burden, III.....	65	Director
Basha Cohen.....	41	Senior Vice President, Womens Product Development
James G. Coulter.....	42	Director
Donald Fleming.....	54	Executive Vice President, Stores
Scott Formby.....	40	Executive Vice President, Design
Blair Gordon.....	39	Executive Vice President, Creative Director
Arlene S. Hong.....	33	Senior Vice President, General Counsel and Corporate Secretary
Scott D. Hyatt.....	44	Senior Vice President, Manufacturing
Walter Killough.....	47	Chief Operating Officer
David F. Kozel.....	46	Executive Vice President, Human Resources
Nicholas Lamberti.....	59	Vice President, Corporate Controller
Scott M. Rosen.....	43	Executive Vice President, Chief Financial Officer
Michael J. Scandiffio.....	53	Executive Vice President, Mens
David M. Schwarz.....	51	Director
Thomas W. Scott.....	36	Director
Carol Sharpe.....	47	Executive Vice President, Womens
Brian T. Swette.....	48	Director
Josh S. Weston.....	73	Director

Emily Woods

Ms. Woods became Chairman of the Board of Directors of Holdings in 1997. 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, Inc.

Mark A. Sarvary

Mr. Sarvary has been Chief Executive Officer of the Company and a director of Holdings since May 1999. He was President/General Manager of the Nestle Frozen Food Division of Nestle USA from 1996 to 1999.

David Bonderman

Mr. Bonderman became a director of Holdings in 1997. Mr. Bonderman is a founding partner of Texas Pacific Group and has been Managing General Partner of TPG since 1992. Mr. Bonderman serves on the Boards of Directors of Proquest Company, Continental Airlines, Inc., Co-Star Group, Inc., Denbury Resources Inc., Ducati Motor Holdings S.p.A., Magellan Health Services, Inc., Oxford Health Plans, Inc., Paradyne Networks, Inc., RyanAir Holdings PLC., ON Semiconductor Corporation, Washington Mutual, Inc., Agenesys, Inc. and Seagate Technology, Inc.

Richard W. Boyce

Mr. Boyce became a director of Holdings in 1997 and served as Chief Executive Officer of the Company during portions of 1997 and 1999 while also providing operating oversight to the remainder of the TPG portfolio. Mr. Boyce is the senior operating partner of Texas Pacific Group. Prior to joining Texas Pacific Group in 1997, Mr. Boyce was employed by PepsiCo from 1992 to 1997, most recently as Senior Vice President of Operations for Pepsi-Cola, North America. He was Chairman of Favorite Brands International Holding Corp., which filed for protection under Chapter 11 of the Bankruptcy Code in 1999. He also serves on the Boards of Directors of Del Monte Foods Corp., MEMC Electronic Materials, Inc., Punch Group Ltd., and ON Semiconductor Corporation.

Gregory D. Brenneman

Mr. Brenneman became a director of Holdings in 1998. Mr. Brenneman has been Chairman and Chief Executive Officer of Turnworks, Inc. (private equity firm) since 1994. He was President and Chief Operating Officer of Continental Airlines, Inc. from 1995 to 2001. He also serves as director of Automatic Data Processing and Home Depot, Inc.

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 Chicco Fas Inc.

Basha Cohen

Ms. Cohen has been Senior Vice President, Womens Product Development of the Company since 2000. Prior thereto, she was Senior Vice President, General Merchandising Manager, Womens Mail Order and Retail since 1999 and Senior Vice President, General Merchandising Manager, Womens Mail Order from 1998 to 1999. Prior to joining the Company, Ms. Cohen was Senior Vice President, Design and Buying of Laura Ashley PLC (retail apparel company) for three years.

James G. Coulter

Mr. Coulter became a director of Holdings in 1997. Mr. Coulter is a founding partner of Texas Pacific Group and has been Managing General Partner of TPG for more than eight years. Mr. Coulter serves on the Boards of Directors of Genesis Health Ventures, Inc., Globespan, Inc., Seagate Technology, Inc., MEMC Electronic Materials, Inc., Evolution Global Partners and Zhone Technologies.

Donald Fleming

Mr. Fleming has been Executive Vice President, Stores of the Company since May 2001 and prior thereto he was Senior Vice President, Factory since 1999. Before joining the Company, he was Northeast Regional Director of Victoria's Secret (retail apparel company) since 1996.

Scott Formby

Mr. Formby has been Executive Vice President, Design of the Company since 1999. His employment with the Company terminated on April 18, 2002. Prior thereto, he was Vice President, Design for more than five years.

Blair Gordon

Mr. Gordon has been Executive Vice President, Creative Director of the Company since January 2002. Prior thereto, he was Executive Vice President, Specialty Retail of Nautica Enterprises, Inc. (retail apparel company) since 2000 and Vice President, Creative Services of Polo Ralph Lauren Corporation (retail apparel company) from 1997 to 2000.

Arlene S. Hong

Ms. Hong has been Senior Vice President, General Counsel and Corporate Secretary of the Company since February 2002 and Vice President and Associate General Counsel since 2000. Prior to joining the Company, she practiced law at the New York offices of the international law firm of Proskauer Rose LLP for more than three years.

Scott D. Hyatt

Mr. Hyatt has been Senior Vice President, Manufacturing of the Company since 1998. Prior thereto, he was with Express, a division of the Limited, Inc. (retail apparel company), as Vice President, Production and Sourcing from 1996 to 1998

Walter Killough

Mr. Killough has been Chief Operating Officer of the Company since 1999. He was Senior Vice President, General Manager, Mail Order from 1997 to 1999 and prior thereto, he was Senior Vice President of Clifford & Wills, a subsidiary of the Company, for more than five years.

David F. Kozel

Mr. Kozel has been Executive Vice-President, Human Resources of the Company since February 2002 and Senior Vice President, Human Resources since 1999. Prior thereto, he was with Grey Advertising Inc. (advertising services company) as Vice President, Human Resources since 1998, and Vice President, Human Resources of Deluxe Corporation (check printing and electronic payment processing services company) from 1997 to 1998.

Nicholas Lamberti

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

Scott M. Rosen

Mr. Rosen has been Executive Vice President and Chief Financial Officer of the Company since 1999, Senior Vice President and Chief Financial Officer from 1998 until then and Chief Financial Officer of the Mail Order division of the Company for four years prior thereto.

Michael J. Scandiffio

Mr. Scandiffio has been Executive Vice President, Mens since June 2001. Prior thereto, he was Executive Vice President, Merchandising and Design of Pacific Sunwear of California, Inc. (retail apparel company) since 1999 and President of the retail division of Brooks Brothers (retail apparel company) from 1997 to 1999.

David M. Schwarz

Mr. Schwarz became a director of Holdings in October 2001. Mr. Schwarz has been President and Chief Executive Officer of David M. Schwarz / Architectural Services, Inc. (architectural services firm) for more than five years.

Thomas W. Scott

Mr. Scott became a director of Holdings in January 2002. Mr. Scott is a founding partner of Nantucket Allserve Inc. (beverage supplier) and has been Co-Chairman since 1989 and Co-Chairman and Co-Chief Executive Officer from 1989 to 2000. Mr. Scott has also been Co-Chairman of Shelflink (supply chain software company) since 2000.

Ms. Sharpe has been Executive Vice President, Womens of the Company since June 2001 and prior thereto was in the positions of Executive Vice President - Merchandising - Brand, Senior Vice President, General Merchandising Manager, Retail and Senior Vice President and General Merchandising Manager-Women's since 1998. She was Vice President, Women's for more than 5 years prior to 1998.

Brian T. Swette

Mr. Swette became a director of Holdings in 1998. He has been Vice-President of Corporate Development of eBay Inc. (person-to-person trading community on the Internet), since 2001 and prior thereto he was Chief Operating Officer since 1999 and Senior Vice President of Marketing and International from 1998 to 1999. Prior to joining eBay, he was Executive Vice President and Chief Marketing Officer-Global Beverages of Pepsi-Cola Beverages from 1996 and Executive Vice President Marketing-North America of Pepsi-Cola Beverages from 1994 to 1996. He is also a director of eBay.

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, Inc., Aegis Communications Group, Inc., and Russ Berrie & Company, Inc.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth compensation paid by the Company for fiscal years 2001, 2000, and 1999 to each individual serving as its chief executive officer during fiscal 2001 and to each of the four other most highly compensated executive officers of the Company as of the end of fiscal 2001.

Name And Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Securities Underlying Options/ SARS (#)(1)	Payouts	
					Restricted Stock Award(s)(\$)(1)		LTIP Payouts (\$)	
Emily Woods Chairman (2)	2001	\$1,000,000	--	\$ --	--	--	--	\$ 5,250(4)
	2000	1,000,000	1,000,000	--	--	--	--	5,250(4)
	1999	1,000,000	1,000,000	--	--	--	--	5,000(4)
Mark Sarvary Chief Executive Officer	2001	675,000	--	--	--	--	--	5,250(4)
	2000	675,000	502,500	--	--	--	--	5,250(4)
	1999	425,000	335,000	1,000,000(3)	--	272,000	--	60,000(5)
Basha Cohen Senior Vice President, Womens Product Development	2001	400,000	--	--	--	--	--	5,250(4)
	2000	400,000	210,000	--	--	--	--	5,250(4)
	1999	400,000	100,000	--	--	--	--	--
Scott Formby Executive Vice President, Design (6)	2001	450,000	--	--	--	--	--	4,558(4)
	2000	450,000	337,500	--	--	10,000	--	4,558(4)
	1999	422,000	106,800	--	--	8,800	--	5,000(4)
Carol Sharpe Executive Vice President, Women's	2001	400,000	--	--	--	--	--	5,250(4)
	2000	400,000	360,000	--	--	--	--	5,250(4)
	1999	362,500	240,000	360,000(3)	--	12,000	--	5,000(4)

- (1) There is no established public market for shares of Holdings Common Stock. Holders of restricted stock have the same right to receive dividends as other holders of Holdings Common Stock. Holdings has not paid any cash dividends on its Common Stock.
- (2) Ms. Woods was granted 661,600 shares of Holdings Common Stock ("Woods Restricted Shares"), on October 17, 1997 of which 78,600 shares vested immediately upon grant, 194,400 shares vested on each of October 17, 2000 and 2001 and 194,200 shares will vest on October 17, 2002.
- (3) This amount is a signing bonus.
- (4) Represents Company matching contributions to 401(k) plan.
- (5) Relocation.
- (6) Mr. Formby's employment with the Company terminated on April 18, 2002.

The following Table shows information concerning stock options to purchase shares of Holdings Common Stock granted to any of the named executive officers during fiscal year 2001.

Option Grants In Fiscal Year 2001

Name	Individual Grants		Exercise Price(\$/Sh)	Expiration Date	Assumed Annual Rates Of Stock Price Appreciation For Option Term	
	Number of Securities Underlying Options Granted(1) (1)	Percent Of Total Options Granted To Employees In Fiscal Year			5%(\$)	10% (\$)
None						

(1) The Company has not granted any SARs.

The following Table shows the number of stock options held to purchase shares of Holdings Common Stock by the named executive officers at the end of fiscal year 2001. The named executive officers did not exercise any stock options in fiscal year 2001.

Aggregated Option Exercises in Fiscal Year 2001 and Fiscal Year-End Option Values

Name	Number Of Securities Underlying Unexercised Options At Fiscal Year End (1) (#)	
	Exercisable/Unexercisable	
Basha Cohen.....	20,000/	5,000
Scott Formby (2).....	34,240/	15,760
Mark Sarvary	108,800/	163,200
Carol Sharpe	24,800/	12,200
Emily Woods	131,200/	361,000

(1) There is no established public market for shares of Holdings Common Stock.
 (2) Mr. Formby's employment with the Company terminated on April 18, 2002.

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 a minimum 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 Holdings Common Stock (the "Woods Restricted Shares") and the reimbursement of income taxes incurred by Ms. Woods in connection with such grant. (See footnote 2 to the Executive Compensation Table for information on the vesting of the Woods Restricted Shares). 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 employment 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 a minimum annual base salary of \$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. 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 Holdings 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.

In the event of a change in Mr. Sarvary's duties and responsibilities, upon the termination of Mr. Sarvary's employment, he will be entitled to receive severance and other benefits described in the January 15, 2002 amendment to his employment agreement. These include the payment of an amount equal to two times his base salary and the continuation of medical and life insurance benefits for a period of time after the termination date. In addition, the portion of his stock options that are vested as of the termination of his employment will remain exercisable for three years.

Ms. Cohen has a letter agreement with Operating Corp. which provides that, in the event of her termination by Operating Corp. without Cause (as that term is defined in the letter agreement), she will receive a continuation of her base salary and medical benefits for a period of one year after the termination date and the payment of any bonus that she would otherwise have received for the fiscal year ending before the termination date.

Mr. Formby has a letter agreement with Operating Corp. which provides that, in the event of the termination of his employment with Operating Corp. without Cause (as that term is defined in the letter agreement), he will receive a continuation of his base salary and medical benefits for a period of one year after the termination date. Mr. Formby's employment with the Company terminated on April 18, 2002 as a result of which he is entitled to receive the aforementioned benefits.

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 a minimum 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. The employment agreement also provides for a signing bonus of \$360,000 and the grant of options to purchase 12,000 shares of Holdings Common Stock. The employment 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 Holdings Common Stock acquired by Ms. Woods, Mr. Sarvary, Mr. Formby, Ms. Sharpe and Ms. Cohen 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, and Mr. Boyce, a director and former Chief Executive Officer of the Company, are members of the Compensation Committee of Holdings.

Compensation of Directors

An attendance fee of \$10,000 for each Board of Directors meeting (up to a maximum of \$40,000 per year) 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 Holdings Common Stock at a per share purchase price equal to the fair market value thereof.

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 15, 2002 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. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102	7,313,797.6 shares (1)	59%
Common Stock	Emily Woods J. Crew Group, Inc. 770 Broadway New York, NY 10003	2,396,376.6 shares (2)	19%

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

(2) Includes (a) 131,200 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) 194,200 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 15, 2002 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 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	David Bonderman	7,313,797.6(1)	59%
Common Stock	Richard W. Boyce	55,200(2)	*
Common Stock	Gregory D. Brenneman	13,000	*
Common Stock	John W. Burden, III	4,466.276	*
Common Stock	Basha Cohen	20,000(2)	*
Common Stock	James G. Coulter	7,313,797.6(1)	59%
Common Stock	Scott Formby	34,240(2)(4)	*
Common Stock	Mark A. Sarvary	163,200(2)	*
Common Stock	David M. Schwarz	1,232	*
Common Stock	Thomas W. Scott	0	*
Common Stock	Carol Sharpe	27,200(2)	*
Common Stock	Brian T. Swette	20,012.276	*
Common Stock	Josh S. Weston	19,612.276	*
Common Stock	Emily Woods	2,396,376.6(3)	19%
Common Stock	All Directors and executive officers as a group	10,156,617(1)(2)(3)	81%
Series A Preferred Stock	David Bonderman	73,474.58(1)	79%
Series A Preferred Stock	Gregory D. Brenneman	60	*
Series A Preferred Stock	James G. Coulter	73,474.58(1)	79%
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%
Series A Preferred Stock	All Directors and executive officers as a group	76,633.085	83%

*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) 131,200 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) 194,200 shares of Common Stock that have not vested and are held in custody by the Company until vesting thereof.
- (4) Mr. Formby's employment with the Company terminated on April 18, 2002.

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 largest amount outstanding in fiscal year 2001 was \$950,000. The loan is secured by a mortgage on that residence and \$850,000 is still outstanding.

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

J. Crew Group, Inc.

(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 February 2, 2002 and February 3, 2001
- (iii) Consolidated Statements of Operations - Years ended February 2, 2002, February 3, 2001 and January 29, 2000
- (iv) Consolidated Statements of changes in Stockholders' Deficit - Years ended February 2, 2002, February 3, 2001 and January 29, 2000
- (v) Consolidated Statements of Cash Flows - Years ended February 2, 2002, February 3, 2001 and January 29, 2000
- (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

J. Crew Group, Inc., has not filed any reports on Form 8-K during the fiscal quarter ended February 2, 2002.

(c) Exhibits

See Item 14(a)3 above

(d) Financial Statement Schedules

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

(a) 1. Financial Statements

The following financial statements of J. Crew Operating Corp. and subsidiaries are included in Item 8:

- (i) Report of KPMG LLP, Independent Auditors
- (ii) Consolidated Balance Sheets - as of February 2, 2002 and February 3, 2001
- (iii) Consolidated Statements of Operations - Years ended February 2, 2002, February 3, 2001 and January 31, 2000
- (iv) Consolidated Statements of Cash Flows - Years ended February 2, 2002, February 3, 2001 and January 29, 2000
- (v) Notes to consolidated financial statements

2. Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

3. Exhibits

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

(b) Reports on Form 8-K

J. Crew Operating Corp., has not filed any reports on Form 8-K during the fiscal quarter ended February 2, 2002.

(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, each registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 17, 2002

J. CREW GROUP, INC.
 J. CREW OPERATING CORP.
 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 each registrant and in the capacities indicated, on April 17, 2002.

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

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 auditing standards generally accepted in the United States of America. 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 February 2, 2002 and February 3, 2001 and the results of their operations and their cash flows for each of the years in the three-year period ended February 2, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

KPMG LLP

March 25, 2002, except as to note 6,
which is as of April 17, 2002
New York, NY

J. CREW GROUP, INC. AND
SUBSIDIARIES

Consolidated Balance Sheets

Assets -----	February 2, 2002 -----	February 3, 2001 -----
	(in thousands)	
Current assets:		
Cash and cash equivalents	\$ 16,201	\$ 32,930
Merchandise inventories	138,918	140,667
Prepaid expenses and other current assets	27,026	23,740
	-----	-----
Total current assets	\$ 182,145	\$ 197,337
	-----	-----
Property and equipment - at cost:		
Land	1,610	1,460
Buildings and improvements	11,700	11,432
Furniture, fixtures and equipment	105,292	70,541
Leasehold improvements	170,195	144,906
Construction in progress	4,903	22,983
	-----	-----
Total property and equipment - at cost	293,700	251,322
	-----	-----
Less accumulated depreciation and amortization	106,427	85,746
	-----	-----
Total property and equipment, net	187,273	165,576
	-----	-----
Deferred income tax assets	18,071	14,362
Other assets	13,831	12,586
	-----	-----
Total assets	\$ 401,320	\$ 389,861
	=====	=====
Liabilities and Stockholders' Deficit -----		
Current liabilities:		
Accounts payable	\$ 66,703	\$ 49,705
Other current liabilities	61,788	75,168
Income taxes payable	8,840	17,581
Deferred income tax liabilities	5,650	5,401
	-----	-----
Total current liabilities	142,981	147,855
	-----	-----
Deferred credits and other long-term liabilities	67,235	56,043
	-----	-----
Long-term debt	279,687	264,292
	-----	-----
Redeemable preferred stock	230,460	200,018
	-----	-----
Stockholders' deficit	(319,043)	(278,347)
	-----	-----
Total liabilities and stockholders' deficit	\$ 401,320	\$ 389,861
	=====	=====

See accompanying notes to consolidated financial statements.

J. CREW GROUP, INC. AND
SUBSIDIARIES

Consolidated Statements of Operations

	February 2, ----- 2002 -----	Years ended ----- February 3, 2001 ----- (in thousands)	January 29, ----- 2000 -----
Revenues:			
Net sales	\$ 741,280	\$ 787,658	\$ 714,119
Other	36,660	38,317	36,577
	----- 777,940	----- 825,975	----- 750,696
Operating costs and expenses:			
Cost of goods sold, including buying and occupancy costs	462,371	463,909	431,193
Selling, general and administrative expenses	295,568	301,865	279,302
Write off of software development costs	--	--	7,018
Write down of assets and other charges in connection with discontinuance of Clifford & Wills	--	4,130	4,000
	----- 757,939	----- 769,904	----- 721,513
Income from operations	20,001	56,071	29,183
Interest expense - net	(36,512)	(36,642)	(38,861)
Gain on sale of Popular Club Plan	--	--	1,000
	-----	-----	-----
Income/(loss) before income taxes	(16,511)	19,429	(8,678)
(Provision) benefit for income taxes	5,500	(7,500)	2,050
	-----	-----	-----
Net income/(loss)	\$ (11,011) =====	\$ 11,929 =====	\$ (6,628) =====

See accompanying notes to consolidated financial statements.

J. CREW GROUP, INC. AND
SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years ended		
February 2,	February 3,	January 29,	
2002	2001	2000	
----	----	----	
	(in thousands)		
Cash flows from operating activities:			
Net income/(loss)	\$(11,011)	\$ 11,929	\$ (6,628)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization	31,718	22,600	19,241
Write off of software development costs	--	--	7,018
Amortization of deferred financing costs	1,997	2,793	2,196
Non-cash interest expense	15,395	13,608	11,989
Deferred income taxes	(3,460)	27	(6,840)
Non-cash compensation expense	1,574	649	636
Gain on sale of subsidiary	--	--	(1,000)
Write down of assets and other charges in connection with discontinued catalog	--	4,130	4,000
Changes in operating assets and liabilities:			
Merchandise inventories	1,749	(10,739)	26,094
Net assets held for disposal	--	4,797	4,450
Prepaid expenses and other current assets	(3,286)	6,343	16,646
Other assets	(3,416)	(2,788)	(777)
Accounts payable	16,998	8,754	821
Other liabilities	(13,767)	5,263	12,892
Income taxes payable	(8,741)	2,894	3,407
	25,750	70,260	94,145
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures	(61,862)	(55,694)	(48,684)
Proceeds from construction allowances	19,287	13,519	7,431
	(42,575)	(42,175)	(41,253)
	-----	-----	-----
Cash flows from financing activities:			
Decrease in notes payable, bank	--	--	(14,000)
Repayment of long-term debt	--	(34,000)	(10,000)
Proceeds from the issuance of common stock	96	178	158
Repurchase of common stock	--	(26)	--
	96	(33,848)	(23,842)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(16,729)	(5,763)	29,050
Cash and cash equivalents at beginning of year	32,930	38,693	9,643
Cash and cash equivalents at end of year	\$ 16,201	\$ 32,930	\$ 38,693
	=====	=====	=====
Supplementary cash flow information:			
Income taxes paid (refunded)	\$ 6,442	\$ 4,279	\$ (7,570)
	=====	=====	=====
Interest paid	\$ 19,389	\$ 20,513	\$ 24,792
	=====	=====	=====
Noncash financing activities:			
Dividends on redeemable preferred stock	\$ 30,442	\$ 26,484	\$ 22,986
	=====	=====	=====

See accompanying notes to consolidated financial statements.

J. CREW GROUP, INC. AND
SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit

(in thousands, except shares)

	Common stock		Additional paid-in capital	Retained earnings (Deficit)	Treasury stock	Deferred compen- sation	Stock- holders' deficit
	Shares	Amount					
Balance at January 30, 1999	12,196,600	\$ 1	\$ 70,379	\$ (301,564)	\$ (2,325)	\$ (2,264)	\$ (235,773)
Net loss	--	--	--	(6,628)	--	--	(6,628)
Preferred stock dividends	--	--	--	(22,986)	--	--	(22,986)
Issuance of common stock	17,665	--	158	--	--	--	158
Amortization of restricted stock	--	--	--	--	--	636	636
Balance at January 29, 2000	<u>12,214,265</u>	<u>\$ 1</u>	<u>\$ 70,537</u>	<u>\$ (331,178)</u>	<u>\$ (2,325)</u>	<u>\$ (1,628)</u>	<u>\$ (264,593)</u>
Net loss	--	--	--	11,929	--	--	11,929
Preferred stock dividends	--	--	--	(26,484)	--	--	(26,484)
Issuance of common stock	18,400	--	178	--	--	--	178
Amortization of restricted stock	--	--	--	--	--	649	649
Repurchase of common stock	--	--	--	--	(26)	--	(26)
Balance at February 3, 2001	<u>12,232,665</u>	<u>\$ 1</u>	<u>\$ 70,715</u>	<u>\$ (345,733)</u>	<u>\$ (2,351)</u>	<u>\$ (979)</u>	<u>\$ (278,347)</u>
Net loss	--	--	--	(11,011)	--	--	(11,011)
Preferred stock dividends	--	--	--	(30,442)	--	--	(30,442)
Issuance of common stock	5,524	--	96	--	--	--	96
Amortization of restricted stock	--	--	--	--	--	661	661
Balance at February 2, 2002	<u>12,238,189</u>	<u>\$ 1</u>	<u>\$ 70,811</u>	<u>\$ (387,186)</u>	<u>\$ (2,351)</u>	<u>\$ (318)</u>	<u>\$ (319,043)</u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(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 2001, 2000, and 1999 ended on February 2, 2002 (52 weeks), February 3, 2001 (53 weeks) and January 29, 2000 (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 \$7,895,000 and \$18,331,000 at February 2, 2002 and February 3, 2001, are stated at cost, which approximates market value.

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(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 in 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 February 2, 2002 and February 3, 2001 were \$7,959,000 and \$10,600,000. Catalog costs, which are reflected in selling and administrative expenses, for the fiscal years 2001, 2000, and 1999 were \$65,477,000, \$69,000,000, and \$84,077,000.

All other advertising costs are expensed as incurred. Advertising expenses were \$6,671,000 for fiscal year 1999. Advertising costs were not significant in all other years.

(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 \$8.5 million and \$15.0 million of system development costs were capitalized in fiscal years 2001 and 2000.

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) Debt Issuance Costs

Debt issuance costs (included in other assets) of \$6,906,000 and \$8,703,000 at February 2, 2002 and February 3, 2001 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."

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(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. Amounts billed to customers for shipping and handling fees related to catalog and internet sales are included in other revenues at the time of shipment. Expenses associated with shipping and handling functions are included in cost of goods sold.

(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 from time to time to manage its interest rate and foreign currency exposures. The Company may enter into (a) interest rate swaps to convert fixed rate debt to variable rates or (b) forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations. Effective in the first quarter of 2001 the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded either as assets or liabilities on the balance sheet at their respective fair values. SFAS No. 133 also establishes criteria for a derivative to qualify as a hedge for accounting purposes. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholders' equity, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The adoption of SFAS 133 did not have a material effect on the Company's financial statements; therefore a transition adjustment was not necessary. There were no derivative financial instruments outstanding at February 2, 2002.

(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 undiscounted 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 or in excess of 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.

(q) Recent Accounting Pronouncements

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminates the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of January 1, 2002. These statements had no effect on the Company's financial statements in fiscal 2001 and are not anticipated to have any effect in fiscal 2002.

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

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

EITF Issue No. 00-14 "Accounting for Certain Sales Incentives" will be effective in the first quarter of fiscal 2002. This EITF addresses the accounting for and classification of various sales incentives. The adoption of the provisions of this EITF will not have a material effect on the Company's financial Statements in fiscal 2002.

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(2) Events of September 11, 2001

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

The statement of operations for the year ended February 2, 2002 includes losses of \$1.9 million relating to inventories and stores fixtures, equipment and leasehold improvements. Insurance recoveries have been recorded to the extent of the losses recognized. Additional insurance recoveries will be recorded at the time of settlement including recoveries for business interruption which were not determinable as of February 2, 2002.

(3) 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 was 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.

(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 and expenses of C&W for fiscal 1999 and 2000 were not material and as a result have been netted in the accompanying consolidated statements of operations.

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 C&W 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. At February 3, 2001, the Company determined that the realizable value of the remaining net assets of C&W, primarily inventories, was less than their carrying amounts and an additional charge of \$4,130,000 was taken.

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(4) Other Current Liabilities

Other current liabilities consist of:

	February 2, 2002 ----	February 3, 2001 ----
Customer liabilities	\$ 11,381,000	\$ 12,251,000
Accrued catalog and marketing costs	3,655,000	4,515,000
Taxes, other than income taxes	2,930,000	3,686,000
Accrued interest	4,690,000	4,746,000
Accrued occupancy	1,036,000	2,339,000
Reserve for sales returns	6,475,000	6,530,000
Accrued compensation	1,697,000	11,051,000
Other	29,924,000	30,050,000
	-----	-----
	\$ 61,788,000	\$ 75,168,000
	-----	-----

(5) Long-Term Debt

Long term debt consists of:

	February 2, 2002 ----	February 3, 2001 ----
10-3/8% senior subordinated notes (a)	150,000,000	150,000,000
13-1/8% senior discount debentures (b)	129,687,000	114,292,000
	-----	-----
Total	\$279,687,000	\$264,292,000
	=====	=====

(a) 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% of principal in 2002 to 100% in 2005 and thereafter.

(b) 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% of principal to 100% in 2005 and thereafter.

There are no maturities of long-term debt required during the next five years.

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(6) Lines of Credit

On October 17, 1997, the Company entered into a syndicated revolving credit agreement (the "Revolving Credit Agreement") with a group of banks. This agreement was amended on March 18, 1998, November 23, 1998, April 20, 1999 and April 17, 2002. 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. The maximum amount available under this agreement is \$175.0 million.

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 \$95,000,000, \$34,000,000, and \$58,000,000 during fiscal years 2001, 2000 and 1999 and average borrowings were \$ 43,100,000, \$9,800,000, and \$30,800,000. There were no borrowings outstanding at February 2, 2002 and February 3, 2001.

Outstanding letters of credit established to facilitate international merchandise purchases at February 2, 2002 and February 3, 2001 amounted to \$46,300,000 and \$50,948,000.

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.

(7) 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. At February 2, 2002, shares issued were 12,238,189 and shares outstanding were 11,748,789. In April 1999 the Board of Directors approved a 200 for 1 stock split of Holdings common stock in the form of a stock dividend. During 1999, 2000 and 2001 directors converted fees into 17,665, 18,400 and 5,524 shares of Holdings common stock.

(8) 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.

At February 2, 2002, 92,800 shares of Series A Preferred Stock and 32,500 shares of Series B Preferred Stock were outstanding.

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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 \$105,460,000 at February 2, 2002. Dividends are recorded as an increase to redeemable preferred stock and a reduction of retained earnings.

(9) Commitments and Contingencies

(a) Operating Leases

As of February 2, 2002, 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 through 2014. At February 2, 2002 aggregate minimum rentals in future periods are, as follows:

Fiscal year	Amount
-----	-----
2002	\$ 46,354,000
2003	45,979,000
2004	42,585,000
2005	40,051,000
2006	36,785,000
Thereafter	139,305,000

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 2001, 2000, and 1999 was \$46,573,000, \$45,138,000, and \$39,474,000, including contingent rent based on store sales of \$1,023,000, \$1,974,000, and \$2,600,000.

(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.

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(10) 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 \$1,334,000, \$1,241,000, and \$1,320,000 for fiscal 2001, 2000 and 1999.

(11) 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 2001, 2000, and 1999 was \$2,560,000, \$3,020,000, and \$2,505,000

(12) Interest Expense - Net

Interest expense, net consists of the following:

	2001	2000	1999
	----	----	----
Interest expense	\$34,810,000	\$34,390,000	\$36,903,000
Amortization of deferred financing costs	1,997,000	2,793,000	2,196,000
Interest income	(295,000)	(541,000)	(238,000)
	-----	-----	-----
Interest expense, net	\$36,512,000	\$36,642,000	\$38,861,000
	-----	-----	-----

Interest expense in fiscal 1999 includes \$1,029,000 incurred in connection with the settlement of a sales and use tax assessment.

(13) Other Revenues

Other revenue consists of the following:

	2001	2000	1999
	----	----	----
Shipping and handling fees	\$34,100,000	\$35,297,000	\$34,072,000
Royalties	2,560,000	3,020,000	2,505,000
	-----	-----	-----
	\$36,660,000	\$38,317,000	\$36,577,000
	=====	=====	=====

(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 \$187,191,000 and \$202,793,000 at February 2, 2002 and February 3, 2001, and is based on dealer quotes or quoted market prices of the same or similar instruments. The carrying amounts of long-term debt were \$279,687,000 and \$264,292,000 at February 2, 2002 and February 3, 2001. 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.

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(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 asset and liability method of accounting for income taxes. Under the asset and liability method, deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The income tax provision/(benefit) consists of:

	2001 ----	2000 ----	1999 ----
Current:			
Foreign	\$ 260,000	\$ 300,000	\$ 250,000
Federal	(2,400,000)	6,253,000	3,100,000
State and local	100,000	920,000	1,440,000
	-----	-----	-----
	(2,040,000)	7,473,000	4,790,000
	-----	-----	-----
Deferred - Federal, state and local	(3,460,000)	27,000	(6,840,000)
	-----	-----	-----
Total	\$ (5,500,000)	\$ 7,500,000	\$ (2,050,000)
	=====	=====	=====

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

	2001 ----	2000 ----	1999 ----
Federal income tax rate	(35.0)%	35.0 %	(35.0)%
State and local income taxes, net of federal benefit	(2.3)	7.6	7.0
Nondeductible expenses and other	4.0	(4.0)	4.4
	-----	-----	-----
Effective tax rate	(33.3)%	38.6 %	(23.6)%
	=====	=====	=====

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

	February 2, 2002 ----	February 3, 2001 ----
Deferred tax assets:		
Original issue discount	\$ 20,836,000	\$ 15,007,000
State and local NOL carryforwards	1,900,000	1,900,000
Reserve for sales returns	2,603,000	2,625,000
Other	3,766,000	3,412,000
	----- 29,105,000	----- 22,944,000
Deferred tax liabilities:		
Prepaid catalog and other prepaid expenses	(8,841,000)	(8,026,000)
Difference in book and tax basis for property and equipment	(7,903,000)	(5,957,000)
	----- (16,744,000)	----- (13,983,000)
Net deferred income tax asset	\$ 12,421,000 =====	\$ 8,961,000 =====

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.

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(16) 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 1,910,000 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:

	2001		2000		1999	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,788,750	\$ 9.15	1,532,800	\$ 8.87	997,200	\$ 8.00
Granted	283,000	14.53	374,700	10.17	772,800	9.47
Exercised	--	--	(2,000)	6.82	-	-
Cancelled	(262,960)	9.31	(116,750)	8.72	(237,200)	7.14
Outstanding, end of year	<u>1,808,790</u>	<u>\$ 9.97</u>	<u>1,788,750</u>	<u>\$ 9.15</u>	<u>1,532,800</u>	<u>\$ 8.87</u>
Options exercisable at end of year	<u>728,950</u>	<u>\$ 9.21</u>	<u>583,000</u>	<u>\$ 9.24</u>	<u>318,040</u>	<u>\$ 7.97</u>

(17) Employee Restricted Stock

Under the terms of an employment agreement with a key executive 661,600 shares of restricted stock were awarded in fiscal 1997. These shares vest through October 2002. Deferred compensation is charged to expense over the vesting period.

(18) Segment Information

The Company operates in one business segment. The Company designs, contracts to manufacture and markets men's, women's, and children's apparel, shoes and accessories under the J. Crew brand name. The brand is marketed through various channels of distribution including retail and factory outlet stores, catalogs, the Internet and licensing arrangements with third parties. During 1998, the Company decided to discontinue the operations of its C&W brand. Fiscal 1999 and 2000 include charges of \$4,000,000 and \$4,130,000 primarily to write down inventories to net realizable value. (See note 3 to the consolidated financial statements).

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

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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.

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 deferred income tax assets and certain capitalized software.

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

	2001	[\$ in thousands] 2000	1999
	----	----	----
Revenues			
J. Crew	\$ 777,940	\$ 825,975	\$ 750,696
	-----	-----	-----
Income from operations			
J. Crew	21,575	61,094	41,052
Clifford & Wills	--	(4,130)	(4,000)
Corporate and other expenses	(1,574)	(893)	(7,869)
	-----	-----	-----
Income from operations	20,001	56,071	29,183
	-----	-----	-----
Interest expense, net	36,512	(36,642)	(38,861)
Gain on sale of PCP	--	--	1,000
	-----	-----	-----
Income/(loss) before income taxes	\$ (16,511)	\$ 19,429	\$ (8,678)
	=====	=====	=====
Depreciation and amortization			
J. Crew	\$ 31,568	\$ 22,448	\$ 19,051
Corporate	150	152	190
	-----	-----	-----
	\$ 31,718	\$ 22,600	\$ 19,241
	=====	=====	=====
Identifiable assets			
J. Crew	\$ 360,882	\$ 342,541	\$ 305,552
Clifford & Wills	--	--	8,927
Corporate	40,438	47,320	59,125
	-----	-----	-----
	\$ 401,320	\$ 389,861	\$ 373,604
	=====	=====	=====
Capital expenditures			
J. Crew	\$ 59,846	\$ 55,394	\$ 39,435
Corporate	2,016	300	9,249
	-----	-----	-----
	\$ 61,862	\$ 55,694	\$ 48,684
	=====	=====	=====

J. CREW GROUP, INC. AND
SUBSIDIARIES

Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(19) Quarterly Financial Information (Unaudited)

(\$ in millions)

	13 weeks ended 5/5/01 -----	13 weeks ended 8/4/01 -----	13 weeks ended 11/3/01 -----	13 weeks ended 2/2/02 -----	52 weeks ended 2/2/02 -----
Net sales	\$158.9	\$160.5	\$187.1	\$234.8	\$741.3
Gross profit	68.2	60.5	82.8	104.1	315.6
Net income (loss)	\$ (9.3)	\$ (8.6)	\$.3	\$ 6.6	\$(11.0)
	13 weeks ended 4/29/00 -----	13 weeks ended 7/29/00 -----	13 weeks ended 10/28/00 -----	14 weeks ended 2/3/01(a) -----	53 weeks ended 2/03/01 -----
Net sales	\$158.0	\$162.2	\$194.0	\$273.5	\$787.7
Gross profit	72.8	71.0	90.2	128.1	362.1
Net income (loss)	\$ (5.2)	\$ (5.1)	\$ 4.5	\$ 17.7	\$ 11.9

(a) includes \$4.1 million writedown of net assets of C&W.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	beginning balance	charged to cost and expenses	charged to other accounts	deductions	ending balance
	(\$ in thousands)				
Inventory reserve					

(deducted from inventories)					
fiscal year ended:					
February 2, 2002	\$ 7,360	\$ 1,007(a)	\$ --	\$ --	\$ 8,367
February 3, 2001	4,447	2,913(a)	--	--	7,360
January 29, 2000	6,122	(1,675)(a)	--	--	4,447
Allowance for sales returns					

(included in other current liabilities)					
fiscal year ended:					
February 2, 2002	\$ 6,530	\$ (55)(a)	\$ --	\$ --	\$ 6,475
February 3, 2001	5,011	1,519(a)	--	--	6,530
January 29, 2000	3,473	1,538(a)	--	--	5,011

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

Independent Auditors' Report

The Board of Directors and Stockholders
J. Crew Operating Corp. and Subsidiaries:

We have audited the consolidated financial statements of J. Crew Operating Corp. 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 auditing standards generally accepted in the United States of America. 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 Operating Corp. and subsidiaries as of February 2, 2002 and February 3, 2001 and the results of their operations and their cash flows for each of the years in the three-year period ended February 2, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

March 25, 2002, except as to note 6,
which is as of April 17, 2002
New York, NY

J. CREW OPERATING CORP. AND
SUBSIDIARIES

Consolidated Balance Sheets

Assets -----	February 2, 2002 -----	February 3, 2001 -----
	(in thousands)	
Current assets:		
Cash and cash equivalents	\$ 16,201	\$ 32,930
Merchandise inventories	138,918	140,667
Prepaid expenses and other current assets	27,026	23,740
	-----	-----
Total current assets	182,145	197,337
	-----	-----
Property and equipment - at cost:		
Land	1,610	1,460
Buildings and improvements	11,700	11,432
Furniture, fixtures and equipment	105,292	70,541
Leasehold improvements	170,195	144,906
Construction in progress	4,903	22,983
	-----	-----
Total	293,700	251,322
Less accumulated depreciation and amortization	106,427	85,746
	-----	-----
Total	187,273	165,576
	-----	-----
Other assets	12,310	10,839
	-----	-----
Total assets	\$381,728	\$373,752
	=====	=====
Liabilities and Stockholder's Equity -----		
Current liabilities:		
Accounts payable	\$ 66,703	\$ 49,705
Other current liabilities	61,788	75,168
Federal and state income taxes payable	10,109	18,850
Deferred income taxes	5,604	3,731
	-----	-----
Total current liabilities	144,204	147,454
	-----	-----
Long-term debt	150,000	150,000
	-----	-----
Deferred credits and other long-term liabilities	67,235	56,043
	-----	-----
Due to J.Crew Group, Inc.	1,142	1,047
	-----	-----
Stockholder's equity	19,147	19,208
	-----	-----
Total liabilities and stockholder's equity	\$381,728	\$373,752
	=====	=====

See accompanying notes to consolidated financial statements.

J. CREW OPERATING CORP. AND
SUBSIDIARIES

Consolidated Statements of Operations

	February 2, ----- 2002 -----	Years ended ----- February 3, ----- 2001 ----- (in thousands)	January 29, ----- 2000 -----
Revenues:			
Net sales	\$ 741,280	\$ 787,658	\$ 714,119
Other	36,660	38,317	36,577
	----- 777,940	----- 825,975	----- 750,696
Operating costs and expenses:			
Cost of goods sold, including buying and occupancy costs	462,371	463,909	431,193
Selling, general and administrative expenses	294,907	301,216	278,666
Write off of software development costs	--	--	7,018
Write down of assets and other charges in connection with discontinuance of Clifford & Wills	--	4,130	4,000
	----- 757,278	----- 769,255	----- 720,877
Income from operations	20,662	56,720	29,819
Interest expense - net	(20,890)	(22,787)	(26,626)
Gain on sale of Popular Club Plan	--	--	1,000
	-----	-----	-----
Income/(loss) before income taxes	(228)	33,933	4,193
(Provision) benefit for income taxes	167	(12,180)	(2,293)
	-----	-----	-----
Net income/(loss)	\$ (61) =====	\$ 21,753 =====	\$ 1,900 =====

See accompanying notes to consolidated financial statements.

J. CREW OPERATING CORP. AND
SUBSIDIARIES

Consolidated Statements of Cash Flows

	February 3, ----- 2001 -----	Years ended ----- January 29, ----- 2000 ----- (in thousands)	January 30, ----- 1999 -----
Cash flows from operating activities:			
Net income/(loss)	\$ (61)	\$ 21,753	\$ 1,900
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization	31,718	22,600	19,241
Write off of software development costs	--	--	7,018
Amortization of deferred financing costs	1,770	2,548	1,950
Non-cash compensation expense	913	--	--
Deferred income taxes	1,873	4,706	(2,497)
Gain on sale of subsidiary	--	--	(1,000)
Write down of assets and other charges in connection with discontinued catalog	--	4,130	4,000
Changes in operating assets and liabilities:			
Merchandise inventories	1,749	(10,739)	26,094
Net assets held for disposal	--	4,797	4,450
Prepaid expenses and other current assets	(3,286)	6,343	16,646
Other assets	(3,416)	(2,781)	(770)
Accounts payable	16,998	8,754	821
Other liabilities	(13,671)	5,407	13,044
Federal and state income taxes payable	(8,741)	2,894	3,406
Net cash provided by operating activities	----- 25,846 -----	----- 70,412 -----	----- 94,303 -----
Cash flows from investing activities:			
Capital expenditures	(61,862)	(55,694)	(48,684)
Proceeds from construction allowances	19,287	13,519	7,431
Net cash provided by (used in) investing activities	----- (42,575) -----	----- (42,175) -----	----- (41,253) -----
Cash flows from financing activities:			
(Decrease)/increase in notes payable, bank	--	--	(14,000)
Repayment of long-term debt	--	(34,000)	(10,000)
Net cash used in financing activities	----- -- -----	----- (34,000) -----	----- (24,000) -----
Increase (decrease) in cash and cash equivalents	(16,729)	(5,763)	29,050
Cash and cash equivalents at beginning of year	32,930	38,693	9,643
Cash and cash equivalents at end of year	\$ 16,201 =====	\$ 32,930 =====	\$ 38,693 =====

See accompanying notes to consolidated financial statements.

J. CREW OPERATING CORP. AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(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 Operating Corp ("Operating Corp") and its wholly-owned subsidiaries (collectively, the "Company"). Operating Corp. is a wholly owned subsidiary of J.Crew Group, Inc. ("Holdings"). 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 2001, 2000, and 1999 ended on February 2, 2002 (52 weeks), February 3, 2001 (53 weeks) and January 29, 2000 (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 \$7,895,000 and \$18,331,000 at February 2, 2002 and February 3, 2001 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 in 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

J. CREW OPERATING CORP. AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

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 February 2, 2002 and February 3, 2001 were \$7,959,000 and \$10,600,000. Catalog costs, which are reflected in selling and administrative expenses, for the fiscal years 2001, 2000, and 1999 were \$ 65,477,000, \$69,000,000, and \$84,077,000.

All other advertising costs are expensed as incurred. Advertising expenses were \$6,671,000 for fiscal year 1999. Advertising costs were not significant in all other years.

(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 \$8.5 million and \$15.0 million of systems development costs were capitalized in fiscal years 2001 and 2000.

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) Debt Issuance Costs

Debt issuance costs (included in other assets) of \$5,195,000 and \$6,965,000 at February 2, 2002 and February 3, 2001 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. Amounts billed to customers for shipping and handling fees related to catalog and internet sales are included in other revenues at the time of shipment. Expenses associated with shipping and handling functions are included in cost of goods sold.

(k) Store Preopening Costs

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

J. CREW OPERATING CORP. AND
SUBSIDIARIES

Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(l) Derivative Financial Instruments

Derivative financial instruments are used by the Company from time to time to manage its interest rate and foreign currency exposures. The Company may enter into (a) interest rate swaps to convert fixed rate debt to variable rates or (b) forward foreign exchange contracts as hedges relating to identifiable currency positions to reduce the risk from exchange rate fluctuations. Effective in the first quarter of 2001 the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities." as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded either as assets or liabilities on the balance sheet at their respective fair values. SFAS No. 133 also establishes criteria for a derivative to qualify as a hedge for accounting purposes. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholders' equity, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The adoption of SFAS 133 did not have a material effect on the Company's financial statements, therefore a transition adjustment was not necessary. There were no derivative financial instruments outstanding at February 2, 2002.

(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 undiscounted 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 or in excess of 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.

(q) Recent Accounting Pronouncements

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminates the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of January 1, 2002. These statements had no effect on the Company's financial statements in fiscal 2001 and are not anticipated to have any effect in fiscal 2002.

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

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

EITF Issue No. 00-14 "Accounting for Certain Sales Incentives" will be effective in the first quarter of fiscal 2002. This EITF addresses the accounting for and classification of various sales incentives. The adoption of the provisions of this EITF will not have a material effect on the Company's financial Statements in fiscal 2002.

J. CREW OPERATING CORP AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(2) Events of September 11, 2001

The terrorist actions of September 11, 2001 resulted in the destruction of our retail store located at the World Trade Center, resulting in the loss of inventories and store fixtures, equipment and leasehold improvements. These losses and the resulting business interruption are covered by insurance policies maintained by the Company.

The statement of operations for the year ended February 2, 2002 includes losses of \$1.9 million relating to inventories and stores fixtures, equipment and leasehold improvements. Insurance recoveries have been recorded to the extent of the losses recognized. Additional insurance recoveries will be recorded at the time of settlement including recoveries for business interruption which were not determinable as of February 2, 2002.

(3) 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 was 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.

(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 and expenses (C&W) for fiscal 1999 and 2000 were not material and as a result have been netted in the accompanying consolidated statement of operations.

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 C&W 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. At February 3, 2001 the Company determined that the realizable value of the remaining net assets of C&W, primarily inventories, was less than their carrying amounts and an additional charge of \$4,130,000 was taken.

J. CREW OPERATING CORP. AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(4) Other Current Liabilities

Other current liabilities consist of:

	February 2, 2002 ----	February 3, 2001 ----
Customer liabilities	\$11,381,000	\$12,251,000
Accrued catalog and marketing costs	3,655,000	4,515,000
Taxes, other than income taxes	2,930,000	3,686,000
Accrued interest	4,690,000	4,746,000
Accrued occupancy	1,036,000	2,339,000
Reserve for sales returns	6,475,000	6,530,000
Accrued compensation	1,697,000	11,051,000
Other	29,924,000	30,050,000
	-----	-----
	\$61,788,000	\$75,168,000
	-----	-----

(5) Long-Term Debt

Long term debt consists of \$150,000,000 principal amount of senior subordinated notes. The senior subordinated notes are unsecured general obligations of J. Crew Operating Corp., 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% of principal in 2002 to 100% in 2005 and thereafter.

There are no maturities of long-term debt required during the next five years.

(6) Lines of Credit

On October 17, 1997, the Company entered into a syndicated revolving credit agreement (the "Revolving Credit Agreement") with a group of banks. This agreement was amended on March 18, 1998, November 23, 1998, April 20, 1999 and April 17, 2002. 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. The maximum amount available under this agreement is \$175.0 million.

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 \$95,000,000, \$34,000,000 and \$58,000,000 during fiscal years 2001, 2000 and 1999 and average borrowings were \$ 43,100,000, \$9,800,000 and \$30,800,000. There were no borrowings outstanding at February 2, 2002 and January 29, 2000.

Outstanding letters of credit established to facilitate international merchandise purchases at February 2, 2002 and February 3, 2001 amounted to \$46,300,00 and \$50,948,000.

J. CREW OPERATING CORP. AND
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Years ended February 2, 2002, February 3, 2001 and January 29, 2000

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.

(7) Commitments and Contingencies

(a) Operating Leases

As of February 2, 2002, 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 through 2012. At February 2, 2002 aggregate minimum rentals in future periods are, as follows:

Fiscal year	Amount
-----	-----
2002	46,354,000
2003	45,979,000
2004	42,585,000
2005	40,015,000
2006	36,785,000
Thereafter	139,305,000

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 2001, 2000, and 1999 was \$46,573,000, \$45,138,000 and \$ 39,474,000, including contingent rent based on store sales of \$1,023,000, \$1,974,000 and \$2,600,000.

(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.

(8) 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 \$1,334,000, \$1,241,000 and \$1,320,000 for fiscal 2001, 2000 and 1999.

J. CREW OPERATING CORP. AND
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Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(9) 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 2001, 2000, and 1999 was \$2,560,000, \$3,020,000, and \$2,505,000.

(10) Interest Expense - Net

Interest expense, net consists of the following:

	2001 ----	2000 ----	1999 ----
Interest expense	\$19,415,000	\$20,780,000	\$24,914,000
Amortization of deferred financing costs	1,770,000	2,548,000	1,950,000
Interest income	(295,000)	(541,000)	(238,000)
	-----	-----	-----
Interest expense, net	\$20,890,000	\$22,787,000	\$26,626,000
	-----	-----	-----

Interest expense in fiscal 1999 includes \$1,029,000 incurred in connection with the settlement of a sales and use tax assessment.

(11) Other Revenues

Other revenue consists of the following:

	2001 ----	2000 ----	1999 ----
Shipping and handling fees	\$34,100,000	\$35,297,000	\$34,072,000
Royalties	2,560,000	3,020,000	2,505,000
	-----	-----	-----
	\$36,660,000	\$38,317,000	\$36,577,000
	=====	=====	=====

(12) 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 \$119,754,000 and \$132,504,000 at February 2, 2002 and February 3, 2001, and is based on dealer quotes or quoted market prices of the same or similar instruments. The carrying amounts of long-term debt were \$150,000,000 at February 2, 2002 and February 3, 2001. 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.

(13) 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 asset and liability method of accounting for income taxes. Under the asset and liability method, deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

J. CREW OPERATING CORP. AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

The income tax provision/(benefit) consists of:

	2001 ----	2000 ----	1999 ----
Current:			
Foreign	\$ 260,000	\$ 300,000	\$ 250,000
Federal	(2,400,000)	6,253,000	3,100,000
State and local	100,000	920,000	1,440,000
	-----	-----	-----
	(2,040,000)	7,473,000	4,790,000
	-----	-----	-----
Deferred - Federal, state and local	1,873,000	4,707,000	(2,497,000)
	-----	-----	-----
Total	\$ (167,000)	\$ 12,180,000	\$ 2,293,000
	=====	=====	=====

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

	2001 ----	2000 ----	1999 ----
Federal income tax rate	(35.0)%	35.0%	35.0%
State and local income taxes, net of federal benefit	134.6	3.2	14.4
Nondeductible expenses and other	(172.8)	(2.3)	5.4
	-----	-----	-----
Effective tax rate	(73.2)%	35.9%	54.7%
	=====	=====	=====

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

	February 2, 2002 ----	February 3, 2001 ----
Deferred tax assets:		
Reserve for sales returns	\$ 2,603,000	\$ 2,625,000
State and local net operating loss carryforwards	1,900,000	1,900,000
Other	6,637,000	5,727,000
	-----	-----
	11,140,000	10,252,000
	-----	-----
Prepaid catalog and other prepaid expenses	(8,841,000)	(8,026,000)
Difference in book and tax basis for property and equipment	(7,903,000)	(5,957,000)
	-----	-----
	(16,744,000)	(13,983,000)
	-----	-----
Net deferred income taxes	\$ (5,604,000)	\$ (3,731,000)
	=====	=====

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.

J. CREW OPERATING CORP. AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

(14) Stockholder's Equity

The Company has authorized 100 shares of common stock par value \$1 per share, all of which was issued and outstanding at February 2, 2002 and February 3, 2001. A reconciliation of stockholder's equity is as follows:

	Year Ended	
	February 2, 2002	February 3, 2001
	-----	-----
Balance, beginning of year	\$ 19,208,000	\$ (2,545,000)
Net income/(loss) for year	(61,000)	21,753,000
	-----	-----
Balance, end of year	\$ 19,147,000	\$ 19,208,000
	=====	=====

(15) Segment Information

The Company operates in one business segment. The Company designs, contracts to manufacture and markets men's, women's, and children's apparel, shoes and accessories primarily under the J.Crew brand name. The brand is marketed through various channels of distribution including retail and factory outlet stores, catalogs, the Internet and licensing arrangements with third parties. During 1998 the Company decided to discontinue the operations of its C&W brand. Fiscal 1999 and 2000 include charges of \$4,000,000 and \$4,130,000 primarily to write down inventories to net realizable value. (See note 3 to the consolidated financial statements).

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

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.

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.

J. CREW OPERATING CORP. AND
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Notes to Consolidated Financial Statements

Years ended February 2, 2002, February 3, 2001 and January 29, 2000

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

	[\$ in thousands]		
Revenues	2001 -----	2000 -----	1999 -----
J. Crew	\$777,940 =====	\$825,975 =====	\$ 750,696 =====
Income from operations			
J. Crew	20,650	61094	41,052
Clifford & Wills	--	(4,130)	(4,000)
Corporate and other expenses	--	(244)	(7,869)
	-----	-----	-----
Income from operations	20,650	56,720	29,819
Interest expense, net	(20,890)	(22,787)	(26,626)
Gain on sale of PCP	---	--	1,000
	-----	-----	-----
Income/(loss) before income taxes	\$ (240) =====	\$ 33,933 =====	\$ 4,193 =====
Depreciation and amortization			
J. Crew	\$ 31,568	\$ 22,448	\$ 19,051
Corporate	150	152	190
	-----	-----	-----
	\$ 31,718 =====	\$ 22,600 =====	\$ 19,241 =====
Identifiable assets			
J. Crew	\$360,882	\$342,541	\$ 305,552
Clifford & Wills	--	--	8,927
Corporate	20,846	31,211	49,127
	-----	-----	-----
	\$381,728 =====	\$373,752 =====	\$ 363,606 =====
Capital expenditures			
J. Crew	\$ 59,846	\$ 55,394	\$ 39,435
Corporate	2,016	300	9,249
	-----	-----	-----
	\$ 61,862 =====	\$ 55,694 =====	\$ 48,684 =====

(16) Quarterly Financial Information (Unaudited)

(\$ in millions)

	13 weeks ended 5/5/01 -----	13 weeks ended 8/4/01 -----	13 weeks ended 11/3/01 -----	13 weeks ended 2/2/02 -----	52 weeks ended 2/2/02 -----
Net sales	\$ 158.9	\$160.5	\$187.1	\$234.8	\$741.3
Gross profit	68.2	60.5	82.8	104.1	315.6
Net income (loss)	\$ (7.1)	\$ (6.1)	\$ 2.7	\$ 10.4	\$ (.1)
	13 weeks ended 4/29/00 -----	13 weeks ended 7/29/00 -----	13 weeks ended 10/28/00 -----	14 weeks ended 2/3/01(a) -----	53 weeks ended 2/3/01 -----
Net sales	\$ 158.0	\$162.2	\$194.0	\$273.5	\$787.7
Gross profit	72.8	71.0	90.2	128.1	362.1
Net income (loss)	\$ (3.1)	\$ (2.9)	\$ 6.7	\$ 21.1	\$ 21.8

(a) includes \$4.1 million writedown of net assets of C&W.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	beginning balance	charged to cost and expenses	charged to other accounts	deductions	ending balance
	(\$ in thousands)				
Inventory reserve ----- (deducted from inventories)					
fiscal year ended:					
February 2, 2002	\$ 7,360	\$ 1,007(a)	\$ --	\$ --	\$ 8,367
February 3, 2001	4,447	2,913(a)	--	--	7,360
January 29, 2000	6,122	(1,675)(a)	---	--	4,447
Allowance for sales returns ----- (included in other current liabilities)					
fiscal year ended:					
February 2, 2002	\$ 6,530	\$ (55)(a)	\$ --	\$ --	\$ 6,475
February 3, 2001	5,011	1,519(a)	--	--	6,530
January 29, 2000	3,473	1,538(a)	----		5,011

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

EXHIBIT INDEX

Exhibit No. --	Description -----
3.1	Restated Certificate of Incorporation of J. Crew Group, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-4, File No. 333-42427, filed December 16, 1997 (the "Registration Statement")).
3.2	By-laws of J. Crew Group, Inc., as amended (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended February 3, 2001 (the "2000 Form 10-K")).
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 (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).
4.2(b)	Amendment, dated as of November 23, 1998, to the Credit Agreement (incorporated by reference to Exhibit 4.2(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 30, 1999 (the "1998 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 1998 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 1998 Form 10-K).
4.2(e)*	Amendment, dated as of April 17, 2002, to the Credit Agreement.
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).
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).

Exhibit No. --	Description -----
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 (incorporated by reference to Exhibit 10.1 (b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 29, 2000 (the "1999 Form 10-K")).
10.2+	J. Crew Operating Corp. Senior Executive Bonus Plan (included as Exhibit A to the Woods Employment Agreement filed as Exhibit 10.1(a) above).
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 the 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. (incorporated by reference to Exhibit 10.5(b) to the 1999 Form 10-K).
10.5(c)+*	Letter Agreement, dated January 15, 2002, between Mark Sarvary and J. Crew Operating Corp.
10.6+	Agreement, dated September 30, 1999, between J. Crew Operating Corp. and Carol Sharpe (incorporated by reference to Exhibit 10.6 to the 1999 Form 10-K).
10.7(a)+	Employment Agreement, dated February 18, 2000, between J. Crew Operating Corp. and Trudy Sullivan (incorporated by reference to Exhibit 10.7 to the 2000 Form 10-K).
10.7(b)+*	Letter Agreement, dated July 12, 2001, between Trudy Sullivan and J. Crew Operating Corp.
10.8+	Letter Agreement, dated January 29, 2001, between J. Crew Group, Inc. and Richard Anders (incorporated by reference to Exhibit 10.8(b) of the 2000 Form 10-K).
10.9	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).

Exhibit No. --	Description -----
10.10	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 to the Registration Statement).
10.11(a)+	J. Crew Group, Inc. 1997 Stock Option Plan (the "1997 Plan") (incorporated by reference to Exhibit 10.13 to the Registration Statement).
10.11(b)+	Amendment to the 1997 Plan, dated July 24, 2000 (incorporated by reference to Exhibit 10.11(b) to the 2000 Form 10-K).
10.11(c)+	Amendment to the 1997 Plan, dated February 2, 2001 (incorporated by reference to Exhibit 10.11(c) to the 2000 Form 10-K).
10.12+*	Employment Agreement, dated May 17, 2001, between J. Crew Operating Corp. and Michael Scandiffio.
10.13+*	Employment Agreement, dated December 12, 2001, between J. Crew Operating Corp. and Blair Gordon.
10.14+*	Form of Executive Severance Agreement between J. Crew Operating Corp. and certain executives thereof.
10.15+*	Letter agreement, dated March 14, 2000, between J. Crew Operating Corp. and Scott Formby.
21.1*	Subsidiaries of J. Crew Group, Inc.
23.1*	Consent of KPMG LLP, Independent Auditors.

+ Management contract or compensatory plan or arrangement

* Filed herewith

AMENDMENT (this "Amendment") dated as of April 17, 2002, relating to the Credit Agreement dated as of October 17, 1997 (as previously amended, the "Credit Agreement"), among J. CREW OPERATING CORP., a Delaware corporation, as Borrower, J. CREW GROUP, INC., the Lenders party thereto, JPMORGAN CHASE BANK, successor to The Chase Manhattan Bank, as Administrative Agent, and DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, as Syndication Agent.

A. The Borrower (such term and each other capitalized term used but not defined herein having the meanings assigned to such terms in the Credit Agreement) has requested that the Lenders approve amendments to certain provisions of the Credit Agreement.

B. The undersigned Lenders are willing, on the terms and subject to the conditions set forth herein, to approve such amendments.

In consideration of these premises, the Borrower and the undersigned Lenders hereby agree as follows:

SECTION 1. Amendments. Upon the effectiveness of this Amendment

as provided in Section 4 below, the Credit Agreement shall be amended as set forth below:

(a) The definition of the term "Applicable Rate" set forth in Section 1.01 of the Credit Agreement is hereby amended by deleting the table therein in its entirety and replacing it with the following:

Leverage Ratio:	ABR Spread	Eurodollar Spread	Acceptance Spread

Category 1 -----			
greater than 5.00 to 1.00	2.75%	3.75%	3.75%

Category 2 -----			
greater than 4.50 to 1.00 and less than or equal to 5.00 to 1.00	2.50%	3.50%	3.50%

Category 3 -----			
greater than 4.00 to 1.00 and less than or equal to 4.50 to 1.00	2.25%	3.25%	3.25%

Category 4 -----			
greater than 3.50 to 1.00 and less than or equal to 4.00 to 1.00	2.00%	3.00%	3.00%

Category 5 -----			
greater than 3.00 to 1.00 and less than or equal to 3.50 to 1.00	1.75%	2.75%	2.75%

Category 6 -----			
less than or equal to 3.00 to 1.00	1.50%	2.50%	2.50%
=====			

(b) The definition of the term "Excluded Charges" set forth in Section 1.01 of the Credit Agreement is hereby amended by deleting such definition in its entirety and substituting in lieu thereof the following:

"Excluded Charges" means (a) non-recurring charges taken during the ----- fiscal year ending January 30, 1998, or the fiscal year ended January 30, 1999, not exceeding \$11,000,000 in the aggregate for severance payments, professional advisory fees, management bonuses for 1997, one-time compensation payments made to newly hired executives in 1998 and one-time payments in respect of the employment arrangements of Emily Woods and David DeMattei and (b) non-recurring charges taken during the fiscal year ending February 1, 2003, not exceeding \$5,000,000 in the aggregate for one-time payments to salaried employees of the Borrower and its Subsidiaries.

(c) Section 1.01 of the Credit Agreement is hereby amended by adding the following defined term in proper alphabetical order:

"Amendment Effective Date" means the date the Amendment to this ----- Agreement dated as of April 17, 2002, shall become effective in accordance with its terms.

(d) Section 2.11 of the Credit Agreement is hereby amended by deleting paragraph (e) thereof in its entirety and substituting in lieu thereof the following:

(e) The Borrower shall repay or prepay Revolving Borrowings and shall refrain from making additional Revolving Borrowings to the extent necessary in order that there shall be a period of at least 30 consecutive days during the period from December 1, 2002 through January 31, 2003 during which the Revolving Exposure (other than the aggregate undrawn amount of all outstanding Letters of Credit) shall be zero.

(e) Section 5.01 of the Credit Agreement is hereby amended by (i) deleting the word "and" appearing at the end of clause (g) thereof, (ii) deleting the period at the end of clause (h) thereof and substituting in lieu thereof the following "; and" and (iii) adding at the end thereof the following:

(i) not later than the end of each fiscal quarter, a forecast of projected cash receipts and cash disbursements for the succeeding fiscal quarter.

(f) Section 6.01 of the Credit Agreement is hereby amended by deleting the reference to "Section 6.07(a)" appearing at the end of paragraph (c) thereof and substituting in lieu thereof the following: "Section 6.07(a)(iv); provided ----- that this paragraph (c) shall not preclude any Restricted Payment permitted by Section 6.07(a)".

(g) Section 6.04 of the Credit Agreement is hereby amended by deleting the reference to "Section 6.01" appearing in paragraph (e) thereof and substituting in lieu thereof the following: "paragraph (a) of Section 6.01".

(h) Section 6.07 of the Credit Agreement is hereby amended by deleting the word "interest" in the first instance it appears in clause (v) of paragraph (a) thereof and substituting in lieu thereof the words "cash dividends".

(i) Section 6.12 of the Credit Agreement is hereby amended by (i) deleting the provisos contained therein in their entirety and (ii) changing the amount opposite the words "February 1, 2003 and thereafter" from "\$55,000,000" to "\$25,000,000"

(j) Section 6.13 of the Credit Agreement is hereby amended by deleting the table therein in its entirety and replacing it with:

Quarter Ending During the Period	Ratio
February 3, 2002 through November 2, 2002	4.50 to 1.00
November 3, 2002 and thereafter	3.50 to 1.00

(k) Section 6.14 of the Credit Agreement is hereby amended by deleting the table therein in its entirety and replacing it with:

Four-Quarter Period Ending	Ratio
February 3, 2002 through February 1, 2003	1.30 to 1.00
February 2, 2003 and thereafter	1.25 to 1.00

(l) Section 6.16 of the Credit Agreement is hereby amended by deleting "1.50 to 1.00 or, for any fiscal month ending during the third fiscal quarter in any fiscal year, 1.35 to 1.00" and substituting in lieu thereof the following:

(A) for the first fiscal month ending during the fourth fiscal quarter of the fiscal year ending on February 1, 2003, 1.50 to 1.00, (B) for each of the second and third fiscal months ending during the fourth fiscal quarter of the fiscal year ending February 1, 2003, 2.00 to 1.00 and (C) for any other fiscal month in any fiscal year, 1.35 to 1.00

SECTION 2. Decrease in Revolving Commitments. The parties hereto agree

that on the Amendment Effective Date the Revolving Commitments shall be reduced by \$25,000,000 to \$175,000,000, and that such reduction shall be allocated pro rata among the Lenders based on their Revolving Commitments. The parties hereto acknowledge that, after giving effect to such reduction, the Revolving Commitment of each Lender shall be as set forth on Exhibit A hereto.

SECTION 3. Representations and Warranties. The Borrower represents and

warrants to each of the Lenders that, after giving effect to the amendments contemplated hereby, (a) the representations and warranties of each Loan Party set forth in the Loan Documents are true and correct in all material respects on and as of the date of this Amendment, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct in all material respects as of the earlier date) and (b) no Default has occurred and is continuing.

SECTION 4. Effectiveness. This Amendment shall become effective (as of

the date first written above) on the date when (a) the Administrative Agent (or its counsel) shall have received copies hereof that, when taken together, bear the signatures of the Borrower, Holdings and the Required Lenders and (b) the Administrative Agent shall have received payment of the fees payable under Section 5 below (to the extent due on the Amendment Effective Date) and any out-of-pocket expenses of the Administrative Agent payable by the Borrower that have been invoiced before the Amendment Effective Date.

SECTION 5. Amendment Fee. The Borrower agrees to pay to each Lender

that executes and delivers a copy of this Amendment to the Administrative Agent (or its counsel) on or prior to 5:00 p.m., Eastern Standard time, on April 17, 2002, an amendment fee in an amount equal to 0.25% of such Lender's Revolving Commitment (whether used or unused) as of the Amendment Effective Date and after giving effect to this Amendment; provided that the Borrower shall have no

liability for any such amendment fee if this Amendment does not become effective. Such amendment fee shall be payable (i) on the Amendment Effective Date, to each Lender entitled to receive such fee as of the Amendment Effective Date and (ii) in the case of any Lender that becomes entitled to such fee after the Amendment Effective Date, within two Business Days after such Lender becomes entitled to such fee.

SECTION 6. Applicable Law. This Amendment shall be construed in

accordance with and governed by the law of the State of New York.

SECTION 7. No Other Amendments. Except as expressly set forth herein,

this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under the Credit Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

SECTION 8. Counterparts. This Amendment may be executed in two or more

counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Amendment.

SECTION 9. Headings. Section headings used herein are for

convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

SECTION 10. Expenses. The Borrower shall reimburse the Administrative

Agent for its reasonable out-of-pocket expenses incurred in connection with this Amendment, including the reasonable fees and expenses of Cravath, Swaine & Moore, counsel for the Administrative Agent.

IN WITNESS WHEREOF, Holdings, the Borrower and the undersigned Lenders have caused this Amendment to be duly executed by their duly authorized officers as of the date first above written.

J. CREW GROUP, INC.,

by /s/ Scott M. Rosen

Name: Scott M. Rosen
Title: Executive Vice President
and Chief Financial
Officer

J. CREW OPERATING CORP.,

by /s/ Scott M. Rosen

Name: Scott M. Rosen
Title: Executive Vice President
and Chief Financial
Officer

COMMITMENTS

Lender	Revolving Commitment
JPMorgan Chase Bank	\$19,444,444.47
Bank of America, NT & SA	14,486,111.05
BankBoston, N.A.	9,074,074.12
Bank Leumi Trust Company of New York	6,481,481.41
Bank of Tokyo - Mitsubishi Trust Company	9,074,074.12
CIT Commercial	31,046,296.21
Finova Capital	7,777,777.97
First Union National Bank	9,074,074.12
Foothill Capital	20,254,629.57
General Electric Capital Corp.	9,398,148.24
Provident	9,727,222.12
Summit Bank	12,962,963.08
Wells Fargo Bank, National Association	16,203,703.77
Total	\$175,000,000.00 =====

J. Crew Operating Corp.
770 Broadway
New York, New York

January 15, 2002

Mark Sarvary
7 Fox Run
Purchase, NY 10577

Dear Mark:

This letter agreement (this "Letter Agreement") is intended to memorialize

our recent discussions concerning the search for a new chief merchant of J. Crew
Operating Corp. (the "Company") and the terms of your employment during and

after the search. During the period that the Company conducts the search, you
agree to continue in your employment with the Company as its CEO and to devote
your full time and attention to your duties and responsibilities pursuant to
your Employment Agreement with the Company, dated May 3, 1999 (the "Employment

Agreement") and to cooperate and assist the Company with the search.

The Company acknowledges that any change in your duties and
responsibilities as CEO of the Company following the appointment of a new chief
merchant will constitute Good Reason (as defined in the Employment Agreement)
and you may terminate your employment with the Company for "Good Reason" and be
eligible to receive the termination payments set forth in Section 5(a) of the
Employment Agreement, subject to the terms and conditions of the Employment
Agreement, including without limitation the execution of the general release and
waiver. Subject to your compliance with the obligations described above and
provided in the Employment Agreement, in the event that following the
appointment of a new chief merchant either you resign your employment for Good
Reason or your employment is terminated by the Company without Cause (each as
provided in the Employment Agreement and collectively referred to herein as a
"Qualifying Termination"), you will be entitled to the following modifications

to the Employment Agreement and to the following benefits, in addition to the
termination payments described above:

(a) Regardless of the effective date of any Qualifying Termination,
you will become fully vested in the portion of the Option (as defined in
Section 2(d) of the Employment Agreement) that is scheduled to vest on May
10, 2002. In addition, notwithstanding any other provision to the contrary,
the portion of your Option that has become vested on the date of any
Qualifying Termination shall remain exercisable until the earlier of (i)
the expiration of the term of the Option (assuming your employment with the
Company was not terminated) or (ii) the third anniversary of the effective
date of any Qualifying Termination;

(b) The Company shall continue to provide medical plan coverage
substantially similar to the medical plan coverage that it provides its
active employees, as it may be amended from time to time, until the earlier
of (i) the two year anniversary of the date of your Qualifying Termination
or (ii) the date that you become employed with a new

employer, provided that the Company shall provide such coverage by paying your COBRA continuation coverage for the COBRA coverage period and thereafter, the Company shall only provide such coverage to the extent that the monthly cost of such coverage does not exceed the cost of your monthly COBRA premiums as in effect on the last month of your COBRA continuation period. In order to receive the foregoing medical coverage you shall cooperate with the reasonable requests of the Company, including without limitation any request to submit to medical examinations and elect COBRA continuation coverage;

(c) The Company shall provide you with life insurance coverage equivalent to the coverage provided immediately prior to your Qualifying Termination (namely two-times your annual salary as of the date of your Qualifying Termination) under the same terms as it provides such coverage to its active employees under its life insurance plan, as it may be amended from time to time, until the earlier of the twenty-four month anniversary of the date of this Letter Agreement or the date that you become employed with a new employer;

(d) Notwithstanding anything to the contrary in the Employment Agreement or the Promissory Note between you and the Company dated August 13, 1999 in respect of the Company's original loan of \$1,000,000 (currently \$900,000 principal balance still outstanding) (the "Company Loan") for the

sole purpose of your purchase of your primary residence, located at 7 Fox Run, Purchase, New York (the "Property"), you shall repay in full the

principal amount of the Company Loan on the earliest of (i) June 1, 2005, (ii) the date that you sell or otherwise dispose of the Property, and (iii) the one year anniversary of the date that you commence full time continuous employment with any subsequent employer. Notwithstanding the foregoing, you agree that any and all proceeds generated from the sale or disposition of all or any portion of your shares of common stock of the Parent (as defined in the Employment Agreement) or from the cancellation of any portion of the Option shall be immediately applied to the payment of the outstanding principal amount of the Company Loan and you authorize the Company to withhold any such payments and apply such proceeds to the repayment of the Company Loan; and

(e) For purposes of Section 8 of the Employment Agreement, the restrictive period shall be two years following such resignation for Good Reason and the term "Competitive Business" shall mean American Eagle, Abercrombie & Fitch, and Banana Republic.

Except as otherwise specifically provided in this Letter Agreement, all terms and conditions of the Employment Agreement, Promissory Note, Mortgage and the Stock Option Grant Agreement related to the Option shall remain in full force and effect, including without limitation the restrictive covenants and other provisions set forth in Sections 7, 8, 9 and 10 of the Employment Agreement. You agree to execute and record any and all documents, mortgages or other filings reasonably requested by the Company to secure any obligations provided under or modified by this Letter Agreement to secure the Company's interests or otherwise to consummate the transactions provided herein.

If you agree with the foregoing provisions, please sign this Letter Agreement in the appropriate space below.

Sincerely,

/s/ Richard W. Boyce

[NAME]
[TITLE]

Agreed and Accepted:

/s/ Mark Sarvary

Mark Sarvary

July 12, 2001

Ms. Trudy Sullivan
544 E. 86th St., Apt. 12W
New York, NY 10028

Dear Trudy:

This letter will confirm our understanding of the arrangements under which the Employment Agreement between you (the "Executive") and J. Crew Operating Corp. (the "Company") dated February 18, 2000 (the "Employment Agreement") is terminated. The terms and conditions of the termination of your employment with the Company are set out below.

1. The Parties hereby acknowledge and confirm that the Executive's employment with the Company has terminated effective as of June 15, 2001 (the "Termination Date"). During the two-month period immediately following the Termination Date (the "Consulting Period"), the Executive shall provide such consulting services to the Company as the Company may, from time to time, request. In full payment for the consulting services provided hereunder, the Company will pay the Executive a fee at the rate of \$41,666 per month, payable no less frequently than twice per month. The Company will also reimburse the Executive for reasonable travel expenses incurred by her that are authorized in advance by the Company, upon presentation of appropriate documentation in accordance with the Company's expense report policy.
2. Subject to this Agreement becoming effective (as described in Paragraph 18 hereof), the Company will continue to pay the Executive her base salary of \$500,000 per annum for the 12-month period beginning on the day immediately following the end of the Consulting Period (the "Severance Period"), payable in accordance with the Company's regular payroll policies for its employees. The Executive will also continue to have medical coverage during both the Consulting Period and the Severance Period on the same terms and conditions as medical coverage is then made available to employees of the Company.
3. The consulting and severance payments described in Paragraphs 1 and 2 above shall be reduced by any required tax withholdings and shall not be taken into account as compensation and no service credit shall be given after the Termination Date for purposes of determining the benefits payable under any other plan, program, agreement or arrangement of the Company. The Executive acknowledges that, except for the payments described herein, she is not entitled to any payment in the nature of severance or termination pay from the Company.
4. The Executive currently has vested options to purchase 22,560 shares of Common Stock of J. Crew Group, Inc. ("Common Stock") at \$6.82 per share and vested options to purchase 6,480 shares of Common Stock at \$10.00 per share. The Company hereby agrees that notwithstanding the provisions of the stock option agreements with the Executive (a) options to purchase an additional 7,520

shares of Common Stock at \$6.82 per share and options to purchase and additional 6,480 shares of Common Stock at \$10.00 per share shall vest and become exercisable on January 31, 2002 (such additional options together with the options vested on the Termination Date are collectively referred to as the "Vested Options"), (b) the expiration date of the Vested Options shall be the tenth anniversary of the grant date of such options, and (c) the Executive shall have the right to exercise the Vested Options in accordance with the provisions of the stock option agreements until such expiration date. All other unvested options (totaling 7,520 options to purchase Common Stock at \$6.82 per share and 19,440 options to purchase Common Stock at \$10.00 per share) shall terminate effective on the Termination Date.

5. By signing this Agreement, the Executive agrees that in exchange for the additional consideration set forth herein, the Executive hereby voluntarily, fully and unconditionally releases and forever discharges the Company, its present and former parent corporation(s), subsidiaries, divisions, affiliates and otherwise related entities and their respective incumbent and former employees, directors, plan administrators, officers and agents, individually and in their official capacities (collectively, the "Releasees"), from any and all charges, actions, causes of action, demands, debts, dues, bonds, accounts, covenants, contracts, liabilities, or damages of any nature whatsoever, whether now known or claimed, to whomever made, which the Executive has or may have against any or all of the Releasees for or by reason of any cause, nature or thing whatsoever, up to the present time, arising out of or related to her employment with the Company or the termination of such employment, including, by way of examples and without limiting the broadest application of the foregoing, any actions, causes of action, or claims under any contract or federal, state or local decisional law, statues, regulations or constitutions, any claims for notice, pay in lieu of notice, wrongful dismissal, breach of contract, defamation or other tortious conduct, discrimination on the basis of actual or perceived disability, age, sex, race or any other factor (including, without limitation, any claim pursuant to Title VII of the Civil Rights Act of 1964, Americans with Disabilities Act of 1990, the Family Medical Leave Act of 1993, the Age Discrimination in Employment Act of 1967, as amended, or the New York State equal employment laws), any claim pursuant to any other applicable employment standards or human rights legislation or for severance pay, salary, bonus, incentive or additional compensation, vacation pay, insurance, other benefits, interest, and/or attorney's fees. The Executive acknowledges that this general release is not made in connection with an exit incentive or other employment termination program offered to a group or class of employees. If the Executive has made or should hereafter make any complaint, charge, claim, allegation or demand, or commence or threaten to commence any action, complaint, charge, claim or proceeding, against any or all of the Releasees for or by reason of any cause, matter or thing whatsoever existing up to the present time, this Agreement may be raised as and shall constitute a complete bar to any such action, complaint, charge, claim, allegation or proceeding, and, subject to a favorable ruling by a tribunal of final jurisdiction, the Releasees shall recover from the Executive, and the Executive shall pay to the Releasees, all costs incurred by them, including their attorneys' fees, as a consequence of any such action, complaint charge, claim, allegation or proceeding; provided, however, that this shall not limit the Executive from enforcing her rights under this Agreement and in the event any action is commenced to enforce her rights under this Agreement, each party shall bear its own legal fees and expenses.

6. The Executive acknowledges that the payments and the additional vesting of options to purchase shares of common stock she is receiving in connection with the foregoing release is in addition to anything of value to which she already is entitled from the company
7. The Executive hereby agrees and acknowledges that she shall be bound by and comply with the restrictive covenants provided in Section 4 of the Employment Agreement other than the non-compete restrictive covenant set forth in Section 4(a)(ii)(1) of the Employment Agreement which the Company hereby waives (the "Restrictive Covenants"), that such Restrictive Covenants are hereby made part of this Agreement as if specifically restated herein and that all payments, medical insurance, additional vesting of stock options and continued extension of the expiration date of the Vested Options are subject to and contingent upon the Executive's compliance with Restrictive Covenants.
8. The Executive acknowledges and agrees that, notwithstanding any other provision of this Agreement, if the Executive breaches any of her obligations under this Agreement or the Restrictive Covenants under the Employment Agreement (a) she will forfeit her right to receive the payments under paragraphs 1 and 2 above and to have the stock options vest on January 31, 2001 (to the extent the payments were not theretofore paid or the options had not vested as of the date of such breach), (b) the Vested Options shall expire as of the date of such breach to the extent not theretofore exercised and, if exercised as of the date of such breach, the Executive shall immediately reimburse the Company for the profit upon exercise (such profit calculated as the difference between the (i) greater of either the fair market value per share of Common Stock on the date of exercise or the amount paid by the Company to the Executive per share of Common Stock for the purchase of the shares acquired upon exercise, and (ii) exercise price, times the number of options exercised).
9. The Executive hereby agrees that a breach of the Restrictive Covenants contained in Section 4 of the Employment Agreement may, depending on the circumstances, cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if the Executive breaches any of the Restrictive Covenants, the Company would be entitled to temporary and permanent injunctive relief in any court of competent jurisdiction (without the need to post any bond) without prejudice to any other remedies under this Agreement or otherwise.
10. This Agreement does not constitute an admission of liability or wrongdoing of any kind by the Executive or the Company or its affiliates.
11. The terms of this Agreement shall be binding on the parties hereto and their respective successors and assigns.
12. This Agreement constitutes the entire understanding of the Company and the Executive with respect to the subject matter hereof and supersedes all prior understandings, written or oral. The terms of this Agreement may be changed, modified or discharged only by an instrument in writing signed by the parties hereto. A failure of the Company or the Executive to insist on strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or any other provision hereof. If any provision of this Agreement is determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

13. This Agreement shall be construed, enforced and interpreted in accordance with and governed by the laws of the State of New York.
14. The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has contributed to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.
15. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.
16. The Executive acknowledges that, by the Executive's free and voluntary act of signing below, the Executive agrees to all of the terms of this Agreement and intends to be legally bound thereby.
17. The Executive acknowledges that she has received this Agreement on or before June 20, 2001. The Executive understands that she may consider whether to agree to the terms contained herein for a period of twenty-one days after the date hereof. However, the operation of the provisions of the paragraph 1 (other than the first sentence thereof) and paragraphs 2 through 5 above may be delayed until this Agreement is executed by the Executive, returned to the Company and becomes effective as provided below. The Executive acknowledges that she has consulted with an attorney prior to her execution of this Agreement or has determined by her own free will not to consult with an attorney.
18. This Agreement will become effective, enforceable and irrevocable seven days after the date on which it is executed by the Executive (the "Effective Date"). During the seven-day period prior to the Effective Date, the Executive may revoke her agreement to accept the terms hereof by indicating in writing to the Company her intention to revoke. If the Executive exercises her right to revoke hereunder, she shall forfeit her right to receive any of the benefits provided for herein, and to the extent such payments have already been made, the Executive

May 17, 2001

Mr. Michael Scandiffio
25481 Lone Pine
Laguna Hills, CA 92653

Dear Michael:

Pursuant to our discussions 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 during the "Employment Period" (as defined below) as Executive Vice President of Mens, and you hereby agree to serve the Company in such capacity. You shall report to the Chief Executive Officer of the Company or to a person immediately reporting to the Chief Executive Officer, as determined by the Company.

(b) During the Employment Period, you shall devote your full business time and energy, attention, skills and ability to the performance of your duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company. Accordingly, you may not, directly or indirectly, without the prior written consent of the Company, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company), provided that it shall not be a violation of the foregoing for you to (i) act or serve as a director, trustee or committee member of any civic or charitable organization, and (ii) manage your personal, financial and legal affairs, so long as such activities (described in clauses (i) or (ii)) do not interfere with the performance of your duties and responsibilities to the Company as provided hereunder.

2. Employment Period.

(a) The "Employment Period" shall begin as of June 12, 2001 (the "Effective Date") and shall terminate ("Termination Date") upon the earliest to occur of (i) the third anniversary of the Effective Date, (ii) your death or Disability (as defined below), (iii) voluntary termination of employment by you in advance of the Termination Date on at least two months prior notice, (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 Termination Date. 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 and medical benefits 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 provisions set forth in Paragraph 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 indictment for 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(c) 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 your being unable to perform your duties hereunder for a period of ninety (90) consecutive working days, and within thirty (30) days after the Company notifies you that your employment is being terminated for Disability, you shall not have returned to the performance of your duties on a full-time basis.

3. Compensation and Benefits.

(a) During the Employment Period, your annual base salary shall be \$480,000 ("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 both the Company achieves certain performance objectives (which will be determined by the Company for each such fiscal year in accordance with the Company's bonus plan) and you achieve your performance goals established by the Company: Threshold - 25%, Target - 50% and Stretch - 100% of Base Salary. Notwithstanding the foregoing, for the fiscal year beginning February 4, 2001, your Annual Bonus will be at least \$100,000 (the "Guaranteed Bonus") regardless of whether the performance objectives for such fiscal year are achieved. Any Annual Bonus (including the Guaranteed Bonus) 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). The Annual Bonus will be paid no later than May 1 following the fiscal year for which it relates.

(c) As soon as practicable after the Effective Date, the Company will pay you \$100,000 (the "Signing Bonus") as consideration for entering into this

Agreement provided that you will be required to immediately pay back a "pro-rata portion" as determined below of the Signing Bonus in the event you voluntarily terminate your employment hereunder prior to June 11, 2003, and to the extent that you fail to pay back any portion of the Signing 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.

(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. ("Group") and the stockholders of Group, the Company will cause Group to grant you an option (the "Option") to purchase 40,000 shares of common

stock of J. Crew Group, Inc. (the "Common Stock") at an exercise price equal to

\$19.28 per share. The Option shall be subject to and governed by the terms and conditions of the 1997 J. Crew Group, Inc. Stock Option Plan (the "Option Plan",

a copy of which has been provided to you) and shall be evidenced by a stock option grant agreement as provided under the Option Plan. Twenty percent of the shares underlying the Option shall vest and become exercisable on each of the first through the fifth anniversaries of the Effective Date, provided that you are still employed by the Company on such anniversary.

(e) During the Employment Period, you will be entitled to participate in the Company's benefit package made generally available to associates of the Company, except where specifically provided herein. Currently, the Company's benefit package includes 25 PTO days, holidays, life insurance, medical insurance, a matching 401(k) tax deferred savings plan, a health flexible spending account, and the employee discount. The Company reserves the right to change these benefits at any time in its sole discretion.

(f) During the Employment Period, the Company will pay you a monthly automobile allowance of \$675.00 per month.

(g) With respect to your relocation to the New York area, the Company will provide the following payments or reimbursements of expenses:

(i) the Company will reimburse you for temporary living quarters in the New York area for you until September 11, 2001;

(ii) the Company will reimburse you for the cost of round-trip airfare between New York and Los Angeles, California no more than once each week until September 11, 2001; and

(iii) the Company will reimburse you for the reasonable costs incurred by you with respect to the sale of your primary residence and with respect to moving to the New York metropolitan area in accordance with the Company's relocation policy, including the cost of up to two trips to New York with your family in order to locate a primary residence in the New York area and all reasonable closing costs incurred in respect of the purchase of such primary residence.

4. Additional Agreements; Confidentiality.

(a) As additional consideration for the Company entering into this Agreement, you agree that for a period of twelve months following the Termination Date, you shall not, directly or indirectly, (i) engage (either as owner, investor, partner, employer, employee, consultant or director) in or otherwise perform services for any Competitive Business (as defined below) which operates within a 100 mile radius of the location of any store of the Company or its affiliates or in the same area as the Company directs its mail order operations 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 Termination Date, 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 or cause another to solicit any customers or suppliers of the Company or any of its subsidiaries to terminate or otherwise adversely modify their relationship with the Company or any such subsidiary. The term "Competitive Business" means the retail, mail order and internet apparel and accessories business and any other business the Company or its affiliates is engaged in on the Termination Date.

(b) During the Employment Period and for a period of two years following the Termination Date, you shall not, directly or indirectly, solicit, hire, or seek to influence the employment decisions of, any employee of the Company or any of its subsidiaries on behalf of any person or entity other than the Company.

(c) You agree that during the Employment Period and thereafter you will hold in strict confidence any proprietary or Confidential Information related to the Company or its affiliates. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Company and its affiliates in whatever form which is not generally known to the public, including without limitation, customer lists, trade practices, marketing techniques, fit specifications, design, pricing structures and practices, research, trade secrets, processes, systems, programs, methods, software, merchandising, distribution, planning, inventory and financial control, store design and staffing. Upon termination of your employment, you shall not take, without the prior written consent of the Company, any drawing, specification or other document or computer record (in whatever form) of the Company or its affiliates embodying any Confidential Information and will return any such information (in whatever form) then in your possession.

(d) You agree that during the Employment Period and thereafter you shall not disclose any information regarding the existence or substance of this Agreement to any third party (including employees of the Company) without the prior written consent of the Chief Executive Officer of the Company, except as may be required by law, other than to your spouse or your professional advisers for purposes of discussing the subject matter hereof and, with respect to such professional advisers, you agree to inform them of your obligations hereunder and take all reasonable steps to ensure that such professional advisers do not disclose the existence or substance hereof. Further, during the Employment Period and thereafter you agree not to directly or indirectly disparage or defame the Company, its affiliates or any of their directors, officers or employees.

(e) You also agree that breach of the provisions provided in this Paragraph 4 would cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if you breach any of the provisions in this Paragraph 4, the Company will be entitled to an injunction restraining you from violating such provision without the posting of any bond. If the Company shall institute any action or proceeding to enforce the terms of any such provision, you hereby waive the claim or defense that the Company has an adequate remedy at law and you agree not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require you to account for and pay over to the Company, and you hereby agree to account for and pay over, the compensation, profits, monies, accruals and other benefits derived or received by you as a result of any transaction constituting a breach of any of the provisions set forth in this Paragraph 4.

5. Representations. The parties hereto hereby represent and warrant that they have the authority to enter into this Agreement and perform their respective obligations hereunder. You hereby represent and warrant to the Company that (i) the execution and delivery of this Agreement and the performance of your duties hereunder shall not constitute a breach of or otherwise violate any other agreement to which you are a party or by which you are bound, and (ii) you will not use or disclose any confidential information obtained by you in connection with your former employment with respect to your duties and responsibilities hereunder.

6. 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:

Mr. Michael Scandiffio
25481 Lone Pine Road
Laguna Hills, CA 92653

or to such other address as any party may designate by notice to the other.

(b) This Agreement constitutes the entire agreement between you and the Company with respect to your employment by the Company, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to your employment.

(c) This Agreement shall inure to the benefit of and be an obligation of the Company's assigns and successors; however you may not assign any of your rights or duties hereunder to any other party.

(d) No provision of this Agreement may be amended or waived, unless such amendment or waiver is specifically agreed to in writing and signed by you and an officer of the Company duly authorized to execute such amendment. The failure by either you or the Company at any time to require the performance by the other of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by you or the Company of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

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

(f) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Paragraph, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

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

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

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

(j) This Agreement and all amendments thereof shall, in all respects, be governed by and construed and enforced in accordance with the internal laws (without regard to principles of conflicts of law) of the State of New York. Each party hereto hereby agrees to and accepts the exclusive jurisdiction of any court in New York County or the U.S. District Court for the Southern District of New York in respect of any action or proceeding relating to the subject matter hereof, expressly waiving any defense relating to jurisdiction or forum non conveniens, and consents to service of process by U.S. certified or registered mail in any action or proceeding with respect to this Agreement.

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

Sincerely,

/s/ MARK SARVARY

Mark Sarvary
Chief Executive Officer

AGREED TO AND ACCEPTED:

/s/ MICHAEL SCANDIFFIO

Michael Scandiffio

Date: May 18, 2001

December 12, 2001

Mr. Blair Gordon
359 West 20th Street, #4
New York, NY 10011

Dear Blair:

Pursuant to our discussions 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 during the "Employment Period"

(as defined below) as Executive Vice President and Creative Director, and you hereby agree to serve the Company in such capacity. You shall report to the Chief Executive Officer of the Company.

(b) During the Employment Period, you shall devote your full business time and energy, attention, skills and ability to the performance of your duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company. Accordingly, you may not, directly or indirectly, without the prior written consent of the Company, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company), provided that it shall not be a violation of the foregoing for you to (i) act or serve as a director, trustee or committee member of any civic or charitable organization, and (ii) manage your personal, financial and legal affairs, so long as such activities (described in clauses (i) or (ii)) do not interfere with the performance of your duties and responsibilities to the Company as provided hereunder.

2. Employment Period.

(a) The "Employment Period" shall begin as of January 7, 2002 (the

"Effective Date") and shall terminate ("Termination Date") upon the earliest to occur of (i) the third anniversary of the Effective Date, (ii) your death or Disability (as defined below), (iii) voluntary termination of employment by you in advance of the Termination Date on at least two months prior notice, (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 Termination

Date. 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 and medical benefits 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 provisions set forth in Paragraph 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

conviction for 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 or adhere to corporate policies, (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(c) 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 your being unable to perform your duties hereunder for a period of ninety (90) consecutive working days, and within thirty (30) days after the Company notifies you that your employment is being terminated for Disability, you shall not have returned to the performance of your duties on a full-time basis.

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 beginning with the fiscal year ending February 3, 2003 ("FY 2002"), you will have the opportunity to earn an annual bonus ("Annual Bonus")

at the following percentages of your Base Salary if both the Company achieves certain performance objectives (which will be determined by the Company for each such fiscal year in accordance with the Company's bonus plan) and you achieve your performance goals established by the Company: Threshold - 25%, Target - 50% and Stretch - 100% of Base Salary. Notwithstanding the foregoing, for the FY 2002, your Annual Bonus will be at least \$100,000 (the "Guaranteed Bonus")

regardless of whether the performance objectives for such fiscal year are achieved. Any Annual Bonus (including the Guaranteed Bonus) 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). The Annual Bonus will be paid no later than May 1 following the fiscal year for which it relates.

(c) As soon as practicable after the Effective Date, the Company will cause J. Crew Group, Inc. to grant you an option (the "Option") to purchase -----
30,000 shares of common stock of J. Crew Group, Inc. (the "Common Stock") at an -----
exercise price equal to the fair market value of a share of Common Stock calculated in accordance with the provisions of the Option Plan. The Option shall be subject to and governed by the terms and conditions of the 1997 J. Crew Group, Inc. Stock Option Plan, as amended from time to time (the "Option Plan", -----
a copy of which has been provided to you), and shall be evidenced by a stock option grant agreement as provided under the Option Plan. Twenty percent of the shares underlying the Option shall vest and become exercisable on each of the first through the fifth anniversaries of the grant date, provided that you are still employed by the Company on such anniversary.

(d) During the Employment Period, you will be entitled to participate in the Company's benefit package made generally available to associates of the Company upon the terms and conditions thereof, except where specifically provided herein. Currently, the Company's benefit package includes 25 PTO days (beginning February 2002), holidays, life insurance, medical insurance, a matching 401(k) tax deferred savings plan, a health flexible spending account, and the employee discount. The Company reserves the right to change these benefits at any time in its sole discretion.

4. Additional Agreements; Confidentiality.

(a) As additional consideration for the Company entering into this Agreement, you agree that for a period of twelve months following the Termination Date, you shall not, directly or indirectly, (i) engage (either as owner, investor, partner, employer, employee, consultant or director) in or otherwise perform services for any Competitive Business (as defined below) which operates within a 100 mile radius of the location of any store of the Company or its affiliates or in the same area as the Company directs its mail order operations 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 Termination Date, 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 or cause another to solicit any customers or suppliers of the Company or any of its affiliates to terminate or otherwise adversely modify their relationship with the Company or any such affiliate. The term "Competitive -----
Business" means the retail, mail order and internet apparel and accessories -----
business and any other business the Company or any of its affiliates is engaged in on the Termination Date.

(b) During the Employment Period and for a period of two years following the Termination Date, you shall not, directly or indirectly, solicit, hire, or seek to influence the employment decisions of, any employee of the Company or any of its subsidiaries on behalf of any person or entity other than the Company.

(c) You agree that during the Employment Period and thereafter you will hold in strict confidence any proprietary or Confidential Information related to the Company or its affiliates. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Company and its -----
affiliates in whatever form which is not generally known to

the public, including without limitation, customer lists, trade practices, marketing techniques, fit specifications, design, pricing structures and practices, research, trade secrets, processes, systems, programs, methods, software, merchandising, distribution, planning, inventory and financial control, store design and staffing. Upon termination of your employment, you shall not take, without the prior written consent of the Company, any drawing, specification or other document or computer record (in whatever form) of the Company or its affiliates embodying any Confidential Information and will return any such information (in whatever form) then in your possession.

(d) You agree that during the Employment Period and thereafter you shall not disclose any information regarding the existence or substance of this Agreement to any third party (including employees of the Company) without the prior written consent of the Chief Executive Officer of the Company, except as may be required by law, other than to your spouse or your professional advisers for purposes of discussing the subject matter hereof and, with respect to such professional advisers, you agree to inform them of your obligations hereunder and take all reasonable steps to ensure that such professional advisers do not disclose the existence or substance hereof. Further, during the Employment Period and thereafter you agree not to directly or indirectly disparage or defame the Company, its affiliates or any of their directors, officers or employees.

(e) You also agree that breach of the provisions provided in this Paragraph 4 would cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if you breach any of the provisions in this Paragraph 4, the Company will be entitled to an injunction restraining you from violating such provision without the posting of any bond. If the Company shall institute any action or proceeding to enforce the terms of any such provision, you hereby waive the claim or defense that the Company has an adequate remedy at law and you agree not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require you to account for and pay over to the Company, and you hereby agree to account for and pay over, the compensation, profits, monies, accruals and other benefits derived or received by you as a result of any transaction constituting a breach of any of the provisions set forth in this Paragraph 4.

5. Representations. The parties hereto hereby represent and warrant that they have the authority to enter into this Agreement and perform their respective obligations hereunder. You hereby represent and warrant to the Company that (i) the execution and delivery of this Agreement and the performance of your duties hereunder shall not constitute a breach of or otherwise violate any other agreement or arrangement to which you are a party or by which you are bound, and (ii) you will not use or disclose any confidential information obtained by you in connection with your former employment with respect to your duties and responsibilities hereunder.

6. 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:

Mr. Blair Gordon
359 West 20th Street, #4
New York, NY 10011

or to such other address as any party may designate by notice to the other.

(b) This Agreement constitutes the entire agreement between you and the Company with respect to your employment by the Company, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to your employment.

(c) This Agreement shall inure to the benefit of and be an obligation of the Company's assigns and successors; however you may not assign any of your rights or duties hereunder to any other party.

(d) No provision of this Agreement may be amended or waived, unless such amendment or waiver is specifically agreed to in writing and signed by you and an officer of the Company duly authorized to execute such amendment. The failure by either you or the Company at any time to require the performance by the other of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by you or the Company of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

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

(f) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Paragraph, be ineffective to the extent of such invalidity, illegality or unenforceability, without

affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

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

(h) This Agreement may be executed in 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,

/s/ MARK SARVARY

Mark Sarvary
Chief Executive Officer

Agreed to and Accepted:

/s/ BLAIR GORDON

Blair Gordon

Date: 12-13-01

Dear [Executive]:

J.Crew Group, Inc. (together with its subsidiary companies, the "Company") has determined that it is in the best interests of the Company and its shareholders to agree to pay you the severance benefits described in this letter agreement if you leave the Company's employ under the limited circumstances described below. The Company believes that these arrangements will reinforce and encourage your continued attention and dedication to your duties and better align your interests with those of the Company's shareholders.

Accordingly, the parties hereto agree as follows:

1. Term. The provisions of this Agreement shall become effective

on the date hereof and shall terminate on the fifth anniversary of that date (the "Employment Period").

2. Severance Payments.

(a) If your employment is terminated during the Employment Period for any reason, the Company shall pay you or your estate, as the case may be, within thirty days following the effective date of termination (the "Termination Date"), your Base Salary (as defined in below) through the Termination Date (to the extent not theretofore paid).

(b) If the Company terminates your employment during the Employment Period without "Cause" (as defined below), you will be entitled to (i) continuation of your Base Salary and medical benefits for a period of twelve months after the Termination Date, (ii) payment of any bonus that would have been earned by you in respect of the fiscal year ending before the Termination Date occurs if you had been employed on the date such bonus is paid by the Company to associates for such fiscal year, provided that the payments provided in clauses (i) and (ii) hereof (collectively, the "Salary

Continuation Payments") are subject to and conditioned upon your

executing 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 provisions set forth in Paragraph 3 hereof. The Company shall have no additional obligations under this Agreement.

(c) For purposes of this Agreement, the following terms shall have the following definitions:

(i) "Base Salary" shall mean your base salary in effect on the date hereof or on the Termination Date, whichever is higher.

(ii) "Cause" shall mean (i) your conviction for a felony, (ii) -----
willful misconduct or gross negligence in connection with the performance of your duties as an employee of the Company, (iii) a fraudulent act or omission by you adverse to the reputation of the Company or any affiliate, and (iv) the disclosure by you of any Confidential Information (as defined in Section 3(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.

- (iii) "Disability" shall mean your incapacity due to physical or mental illness or injury, which results in your being unable to perform your duties hereunder for a period of ninety (90) consecutive working days, and within thirty (30) days after the Company notifies you that your employment is being terminated for Disability, you shall not have returned to the performance of your duties on a full-time basis.

3. Additional Agreements; Confidentiality.

(a) As additional consideration for the Company entering into this Agreement, you agree that during the Employment Period and for a period of one year following the Termination Date, you shall not, directly or indirectly, solicit, hire, or seek to influence the employment decisions of any employee of the Company on behalf of any person or entity other than the Company.

(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, distribution, planning, inventory and financial control, store design and staffing. Upon termination of your employment, you shall not take, without the prior written consent of the Company, any drawing, specification or other document or computer record (in whatever form) of the Company or its affiliates embodying any Confidential Information and will return any such information (in whatever form) then in your possession.

(c) 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 Chief Executive Officer of the Company, except as may be required by law, other than to your spouse or your professional advisers for purposes of discussing the subject matter hereof and, with respect to such professional advisers, you agree to inform them of your obligations hereunder and take all reasonable steps to ensure that such professional advisers do not disclose the existence or substance hereof. Further, during the Employment Period and thereafter you agree not to directly or indirectly disparage or defame the Company, its affiliates or any of their directors, officers or employees.

(d) You also agree that breach of the obligations provided in this Paragraph 3 would cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, if you breach any of the provisions in this Paragraph 3, the Company will be entitled to an injunction restraining you from violating such provision without the posting of any bond. If the Company shall institute any action or proceeding to enforce the terms of any such provision, you hereby waive the claim or defense that the Company has an adequate remedy at law and you agree not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice

the Company's right to require you to account for and pay over to the Company, and you hereby agree to account for and pay over, the compensation, profits, monies, accruals and other benefits derived or received by you as a result of any transaction constituting a breach of any of the provisions set forth in this Paragraph 3.

4. 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:

or to such other address as any party may designate by notice to the other.

(b) This Agreement constitutes the entire agreement between you and the Company with respect to your employment by the Company, and supersedes and is in full substitution for any and all prior understandings or agreements (other than the terms set forth in any stock option agreement to which you are a party) with respect to your employment.

(c) This Agreement shall inure to the benefit of and be an obligation of the Company's assigns and successors; however you may not assign any of your rights or duties hereunder to any other party.

(d) No provision of this Agreement may be amended or waived, unless such amendment or waiver is specifically agreed to in writing and signed by you and an officer of the Company duly authorized to execute such amendment. The failure by either you or the Company at any time to require the performance by the other of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by you or the Company of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(e) You and the Company acknowledge and agree that each of you has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement.

Rather, the terms of this Agreement shall be construed fairly as to both parties and not in favor or against either party.

(f) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Paragraph, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

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

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

(i) 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,

Chief Executive Officer

AGREED TO AND ACCEPTED:

[Executive]

Date: -----

March 14, 2000

Scott Formby
15 Barrow Road
New York, NY 10014

Dear Scott,

This letter confirms our severance agreement. We are extending this consideration to better align your interests and those of the Company.

If the Company terminates your employment for any reason other than death disability, or "cause" (cause shall include breach of this agreement, dishonesty, theft, embezzlement, material dereliction in the performance of your duties, insobriety or drug use while performing duties, and conviction of a crime other than traffic violations or minor misdemeanors), the Company will continue your base salary and cover your Cobra expenses for a period of 12 months (as per the Company's standard payroll schedule); provided that you are in compliance with the restrictive covenants provided in this letter and that you execute a general release and waiver, waiving all claims you may have against the Company. During such period, salary continuation and Cobra reimbursements will be paid provided that you exercise good faith efforts to promptly obtain new employment. The Company shall have the right to terminate salary continuation payments and Cobra reimbursements when you obtain new employment and to offset your base pay continuation by the amount of compensation that you earn during such twelve-month period from such new employment. If, however, you resign, become disabled, die or are terminated for cause, no salary and Cobra reimbursement will be paid. Your relationship with the Company is one of employment at will and the payments described in this paragraph are the only payments to which you will be entitled as a result of the termination of your employment.

As consideration for the Company entering into this agreement and agreeing to make the salary continuation payments described above, you agree that during (1) your employment by the Company and for a period of twelve (12) months after the later of the date on which any employment or consulting relationship is terminated or the date on which the last salary, salary continuation, bonus, or other payment is made, you shall not directly or indirectly solicit, hire, or attempt to solicit or influence any employee of the Company to leave the Company's employ or otherwise perform services on behalf of any person or entity; and (2) while employed and thereafter, you will hold in strict confidence any proprietary or confidential information or material related to the Company. Confidential information includes but is not limited to customer lists, trade practices, marketing techniques, pricing structures and practices, research, trade secrets, processes, systems, programs, methods, software, merchandising, planning, inventory and financial control, store design, staffing, etc. You also agree that breach of the confidentiality or employee non-solicitation provisions previously noted would cause the Company to suffer irreparable harm for which money damages would not be an adequate remedy and therefore, the Company would be entitled to temporary and permanent injunctive relief in any court of competent jurisdiction (without the need to post any bond).

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.

You agree not to disclose any information regarding the existence or substance of this agreement, except to an attorney with whom you choose to consult regarding your consideration of this agreement or to your spouse or tax advisor; provided that you notify such individuals that they are strictly bound by the non-disclosure restrictions. Further, you agree not to directly or indirectly, disparage or defame the Company or any director, officer, or employee of the Company.

No provisions 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.

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 that County 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 amended agreement meet with your approval, please sign and return one copy to me.

Sincerely,

/s/ MARK SARVARY

Mark Sarvary
CEO

Acknowledged and Accepted:

/s/ SCOTT FORMBY 3/20/00

Scott Formby Date

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.
Clifford & Wills, Inc.	New Jersey	Clifford & Wills, Inc.
Grace Holmes, Inc.	Delaware	(J. Crew Retail Stores)
H. F. D. No. 55, Inc.	Delaware	(J. Crew Factory 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.
J. Crew Virginia, Inc.	Virginia	J. Crew Virginia, Inc.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
J. Crew Group, Inc.:

We consent to incorporation by reference in the previously filed registration statement on Form S-8 of J. Crew, Group Inc. 1997 Stock Option Plan of our report dated March 25, 2002, except as to note 6, which is as of April 17, 2002, relating to the consolidated balance sheets of J. Crew Group, Inc. and subsidiaries as of February 2, 2002 and February 3, 2001, and the related consolidated statements of operations, cash flows, and changes in stockholders' deficit for each of the years in the three-year period ended February 2, 2002 and the related schedule, which report appears in this February 2, 2002 annual report on Form 10-K of J. Crew Group, Inc.

KPMG LLP

New York, New York
April 18, 2002