As filed with the Securities and Exchange Commission on May 16, 2006

Registration No. 333-127628

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5
TO
Form S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

J. Crew Group, Inc.

(Exact name of Registrant as specified in its charter)

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

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

(Address including zip code, telephone number, including area code, of Registrant's Principal Executive Offices)

Arlene S. Hong, Esq.
General Counsel
J.Crew Group, Inc.
770 Broadway
New York, New York 10003
Telephone: (212) 209-2500

(Name, address including zip code, telephone number, including area code, of agent for service)

Copies To:

Jeffrey D. Karpf, Esq.
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Telephone: (212) 225-2000
Telecopy: (212) 225-3999

Robert E. Buckholz, Jr., Esq.
Catherine M. Clarkin, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Telephone: (212) 558-4000
Telecopy: (212) 558-3588

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

Common stock, $.01 par value per share	$	$355,000,000	$40,125(3)

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

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May 16, 2006.

Shares

J.CREW

Common Stock

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

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

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

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

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

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

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

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

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

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

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

Prospectus dated , 2006.

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

PROSPECTUS SUMMARY

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

Our Company

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

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

J.Crew products are distributed through our retail and factory stores, our J.Crew catalog and our Internet website located at www.jcrew.com. As of April 28, 2006 we operated 164 retail stores and 43 factory stores throughout the United States. In fiscal 2005, we distributed 20 catalog editions with a circulation of approximately 55 million copies and our website logged over 64 million visits, representing a 33% increase over fiscal 2004.

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

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

- slowing the pace of new store openings and closing underperforming stores, and
- enhancing our customer-service oriented culture.

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

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

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

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

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

- we may not be able to compete successfully in the highly competitive specialty retail industry,
- we may not successfully gauge fashion trends and changing consumer preferences,

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

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

Investment by Texas Pacific Group

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

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

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

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

The Offering

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

Transactions in Connection with the Offering

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

- on May 15, 2006, Operating repurchased, using $285.0 million in borrowings under our new term loan (the "New Term Loan") and $11.3 million of cash on hand, all of its 9 3/4% Senior Subordinated Notes due 2014 (the "9 3/4% Notes") (plus accrued and unpaid interest of $10.6 million) in a tender offer and consent solicitation (the "Tender Offer") and paid premiums, tender fees and other expenses of $10.7 million,
- on May 15, 2006, we issued a notice to redeem on June 14, 2006 (the "13 1/8% Redemption") all $21.7 million aggregate principal amount of outstanding 13 1/8% Senior Discount Debentures due 2008 (the "13 1/8% Debentures") (plus accrued and unpaid interest of $0.5 million),
- we plan to redeem all outstanding $92.8 million liquidation value of our 14 1/2% Cumulative Preferred Stock (the "Series A Preferred Stock") (plus accrued and unpaid dividends of $),
- we plan to redeem all outstanding $32.5 million liquidation value of our 14 1/2% Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") (plus accrued and unpaid dividends of $), and
- TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, has agreed to convert the $ million principal amount of Operating's 5.0% Notes Payable due 2008 (the "5.0% Notes Payable") (plus accrued and unpaid interest of $) into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering.

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

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

We expect to fund the Preferred Redemptions with:

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

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

Unless otherwise indicated, all information in this prospectus:

- assumes our receipt of net proceeds of $ million from the offering,
- reflects the TPG Subscription,
- assumes we have borrowed an additional $100.0 million under the New Term Loan,
- assumes we have not used available cash or borrowings under the Credit Facility to fund the Preferred Redemptions,
- assumes the over-allotment option has not been exercised,
- reflects the Conversion, the 13 1/8% Redemption and the Preferred Redemptions, and
- excludes options to purchase shares of common stock that were issued under our existing stock option plans with a weighted average exercise price of $ per share.

Summary Historical and Unaudited Pro Forma Financial Data

The summary historical consolidated financial data for each of the years in the three-year period ended January 28, 2006 and as of January 28, 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data for each of the years in the two-year period ended February 1, 2003 have been derived from our audited consolidated financial statements which are not included in this prospectus. The consolidated financial statements for each of the years in the five-year period ended January 28, 2006 and as of the end of each such year have been audited.

The summary consolidated pro forma income statement and balance sheet data have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma condensed consolidated income statement data for the year ended January 28, 2006 give effect to the offering, the TPG Subscription, $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions as if they had occurred on January 29, 2005.

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

	Year Ended				
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006
Income Statement Data					
Revenues	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 953,188
Cost of goods sold(1)	454,491	472,262	440,276	478,829	555,192
Gross profit	323,449	296,082	249,689	325,387	397,996
Selling, general and administrative expense	303,448	301,718	280,464	287,745	318,499
Income (loss) from operations	20,001	(5,636)	(30,775)	37,642	79,497
Interest expense (net)	36,512	40,954	63,844	87,571	72,903
(Gain) loss on debt refinancing	—	—	(41,085)	49,780	—
Insurance proceeds	—	(1,800)	(3,850)	—	—
Provision (benefit) for income taxes	(5,500)	(4,200)	500	600	2,800
Net income (loss)	(11,011)	(40,590)	(50,184)	(100,309)	3,794
Preferred stock dividends	(30,442)	(33,578)	(26,260)	(13,456)	(13,456)
Net loss applicable to common shareholders	$ (41,453)	$ (74,168)	$ (76,444)	$ (113,765)	$ (9,662)
Weighted average shares outstanding (in millions)					
Basic and diluted	11,744	11,780	11,927	12,205	12,642
Loss per share					
Basic and diluted	$ (3.53)	$ (6.30)	$ (6.41)	$ (9.32)	$ (.76)
Pro forma interest expense (net)(2)					$ 26,384
Pro forma net income (loss)(2)					$ 48,313
Pro forma weighted average shares outstanding (in millions)(2)					
Basic					
Diluted					
Pro forma income per share(2)					
Basic					$
Diluted					$

	As of January 28, 2006	
	Actual	Pro Forma(2)
	(In thousands)	
Balance Sheet Data		
Cash and cash equivalents	$ 61,275	$ 34,635
Working capital	72,657	49,712
Total assets	337,321	314,385
Total long-term debt and preferred stock	724,667	385,000
Stockholders' deficit	(587,843)	(267,447)

(1) Includes buying and occupancy costs.

(2) Pro forma numbers give effect to (i) the sale by us of shares of our common stock at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover to this prospectus, and (ii) the TPG Subscription, $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions, as if the offering and those transactions had occurred on January 29, 2005 for income statement data for the fiscal year ended January 28, 2006 and on January 28, 2006 for balance sheet data as of January 28, 2006.

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

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

RISK FACTORS

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

Risks Relating to Our Business

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

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

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

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

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

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

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

The industry in which we operate is cyclical. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending, including general economic

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

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

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

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

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

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

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

Our plans to expand our store base may not be successful and the implementation of these plans may not result in an increase in our revenues even though they increase our costs. Currently, our

average net investment to open a retail store is approximately $844,000 and our average net investment to open a factory store is approximately $511,000. In addition, we believe the opening of J.Crew stores has diverted some revenues from Direct, and future store openings may continue to have this effect. Moreover, implementing our plans to expand our store base will place increased demands on our operational, managerial and administrative resources. The increased demands of operating additional stores could cause us to operate less effectively, which could cause the performance of our existing stores and our Direct operations to suffer materially. As a result, our revenues would decline and our profitability would be adversely affected.

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

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

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

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

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

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

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

The success of our stores depends on their timely receipt of merchandise, and the success of Direct depends on our ability to fulfill customer orders on a timely basis. The efficient flow of our

merchandise requires that we have adequate capacity in our order fulfillment and distribution facilities to support our current level of operations, and the anticipated increased levels that may follow from our growth plans. We believe our current facilities have the capacity to support current operations and the growth we anticipate in our business in the near future. However, we may need to increase the capacity of these facilities sooner than anticipated to support our growth, and any further expansion may require us to secure favorable real estate for these facilities and may require us to obtain additional financing. Appropriate locations or financing for the purchase or lease of such locations may not be available at all or at reasonable costs. Our failure to secure adequate order fulfillment and distribution facilities when necessary could impede our growth plans, and the expansion of these facilities would increase our costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In fiscal 2005, approximately 95% of our products were sourced from foreign factories. In particular, approximately 55% of our products were sourced from China, Hong Kong and Macau. Any

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

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

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

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

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

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

Postal rate increases and paper and printing costs affect the cost of our catalog and promotional mailings. In fiscal 2005, approximately 13% of our selling, general and administrative expenses were attributable to such costs. In January 2006, the U.S. Postal Service implemented a postal rate increase of 5.5%. We have undertaken certain actions such as reductions in catalog circulation and size of

certain catalog editions in response to the effect of the increased costs of mailing. In addition, we rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. We are not a party to any long-term contracts for the supply of paper. Our cost of paper has fluctuated significantly, and our future paper costs are subject to supply and demand forces that we cannot control. Future additional increases in postal rates or in paper or printing costs would reduce our profitability to the extent that we are unable to pass those increases directly to customers or offset those increases by raising selling prices or by implementing mailings that result in increased purchases.

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

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

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

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

Our customer call center, Direct's order fulfillment operations and distribution operations for J.Crew factory stores are housed together in a single facility, while distribution operations for J.Crew retail stores are housed in another single facility. Although we maintain back-up systems for these facilities, they may not be able to prevent a significant interruption in the operation of these facilities due to natural disasters, accidents, failures of the inventory locator or automated packing and shipping systems we use or other events. Any such interruption could reduce our ability to receive and process orders and provide products and services to our stores and customers, which could result in lost sales, cancelled sales and a loss of loyalty to our brand.

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

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

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

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

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

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

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

Our Internet operations are an increasingly substantial part of our business, representing 63% of the Direct business in fiscal 2005. The success of our Internet operations depends on certain factors that we cannot control. In addition to changing consumer preferences and buying trends relating to Internet usage, we are vulnerable to certain additional risks and uncertainties associated with the Internet, including changes in required technology interfaces, website downtime and other technical failures, security breaches, and consumer privacy concerns. Our failure to successfully respond to these risks and uncertainties could reduce Internet sales and damage our brand's reputation.

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

We have, and will continue to have following this offering, a substantial amount of debt. On January 28, 2006, we had total debt, including preferred stock, of approximately $724.7 million and, after giving effect to the transactions described in "Transactions in Connection with the Offering," we would have had total debt of approximately $385.0 million. We discuss the terms of our debt instruments in more detail under "Description of Certain Indebtedness" below. Our level of indebtedness has important consequences to you and your investment in our common stock. For example, our level of indebtedness may:

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Common Stock and This Offering

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of January 28, 2006, there were outstanding options, of which 2,011,665 were vested, to purchase 4,769,349 shares of our common stock at a weighted average exercise price of $14.25 per share. From time to time, we may issue additional options to employees, non-employee directors and consultants pursuant to our equity incentive plans. These options generally vest commencing one or two years from the date of grant and continue vesting over a four to five-year period. You will experience further dilution as these stock options are exercised.

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

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

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

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

TRANSACTIONS IN CONNECTION WITH THE OFFERING

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

- on May 15, 2006, Operating repurchased, using $285 million in borrowings under the New Term Loan and $11.3 million of cash on hand, all of the 9 3/4% Notes (plus accrued and unpaid interest of $10.6 million) in the Tender Offer and paid premiums, tender fees and other expenses of $10.7 million,
- on May 15, 2006, we issued a notice to redeem on June 14, 2006 all of the 13 1/8% Debentures (plus accrued and unpaid interest of $0.5 million),
- we plan to redeem all outstanding $92.8 million liquidation value of the Series A Preferred Stock (plus accrued and unpaid dividends of $),
- we plan to redeem all outstanding $32.5 million liquidation value of the Series B Preferred Stock (plus accrued and unpaid dividends of $),
- TPG-MD Investment, LLC, an entity controlled by TPG and Mr. Drexler, has agreed to convert the $ million principal amount of 5.0% Notes Payable (plus accrued and unpaid interest of $) into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering,
- under the TPG Subscription, TPG has agreed to purchase from us, at the initial public offering price of $ per share, common stock with an aggregate purchase price equal to $73.5 million, and
- prior to the consummation of this offering, we expect to borrow an additional $100.0 million under the New Term Loan.

USE OF PROCEEDS

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

We intend to use the net proceeds to us from the sale of the common stock from this offering and the TPG Subscription, together with $ million of additional borrowings under the New Term Loan and, if necessary, borrowings under the Credit Facility, to fund the Preferred Redemptions and pay costs, fees and expenses in connection with the offering, the TPG Subscription, the additional borrowings under the New Term Loan, the Conversion and the Preferred Redemptions. Any remaining net proceeds will be used for general corporate purposes.

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

	Amount
	(In thousands)
Sources of Funds	
Gross proceeds from the offering	$
Net proceeds from the TPG Subscription	
Additional borrowings under New Term Loan	
Credit Facility(1)	
Total sources	$
Uses of Funds	
Redemption of the Series A Preferred Stock	$
Redemption of the Series B Preferred Stock	
Transaction fees and expenses(2)	
Total uses	$

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

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

DIVIDEND POLICY

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

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of January 28, 2006. Our capitalization is presented (1) on an actual basis, and (2) on a pro forma as adjusted basis to give effect to (i) the sale by us of shares of our common stock at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover of this prospectus, (ii) the TPG Subscription, $385.0 million in total borrowings under the New Term Loan and the Conversion, and (iii) the intended application of the net proceeds of this offering, the TPG Subscription and the New Term Loan as described in "Transactions in Connection with the Offering" and "Use of Proceeds," as if these events had occurred on January 29, 2005.

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

	As of January 28, 2006	
	Actual	Pro Forma As Adjusted
	(In thousands)	
Cash and Cash Equivalents	$ 61,275	$ 34,635
Long-Term Debt (including Redeemable Preferred Stock):		
Credit Facility	$ —	$ —
13 1/8% Debentures	21,667	—
5.0% Notes Payable	23,195	—
9 3/4% Notes	275,000	—
New Term Loan	—	385,000
Redeemable Preferred Stock(1)	312,005	—
Total Long-Term Debt	631,867	385,000
Preferred Stock(2)	92,800	—
Stockholders' Equity (Deficit):		
Common Stock, par value $.01 per share	143	
Additional Paid-in Capital	—	
Deferred Compensation	(2,655)	
Treasury Stock	(2,686)	
Accumulated Deficit	(582,645)	
Total Stockholders' Deficit	(587,843)	(267,447)
Total Capitalization	$ 136,824	$ 117,553

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

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

DILUTION

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

After giving effect to the sale of the shares of common stock at an assumed initial public offering price of $ per share (the midpoint of the offering range set forth on the cover of this prospectus) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us and giving effect to the TPG Subscription, $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions, our pro forma net tangible book value as of , 2006 would have been approximately $ million, or $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in this offering at the assumed initial offering price.

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

Assumed initial public offering price per share	$
Historical adjusted net tangible book value per share as of , 2006	
Increase per share attributable to this offering, the TPG Subscription and the Conversion	
Pro forma as adjusted net tangible book value per share after the offering	
Dilution per share to new investors in this offering	

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

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

The number of shares outstanding excludes:

- shares of common stock available for issuance upon the exercise of outstanding options, of which shares were subject to exercisable options as of , 2006, and
- shares of common stock reserved for future issuances under our equity incentive plans.

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

SELECTED CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data for each of the years in the three-year period ended January 28, 2006 and as of January 28, 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data for each of the years in the two-year period ended February 1, 2003 have been derived from our audited consolidated financial statements which are not included in this prospectus. The consolidated financial statements for each of the years in the five-year period ended January 28, 2006 and as of the end of each such year have been audited.

The selected consolidated pro forma income statement and balance sheet data have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma condensed consolidated income statement data for the year ended January 28, 2006 give effect to the offering, the TPG Subscription, $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion, and the Preferred Redemptions as if they had occurred on January 29, 2005.

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

	Year Ended				
	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	January 28, 2006
	(In thousands, except share and per share data)				
Income Statement Data					
Revenues	$ 777,940	$ 768,344	$ 689,965	$ 804,216	$ 953,188
Cost of goods sold(1)	454,491	472,262	440,276	478,829	555,192
Gross profit	323,449	296,082	249,689	325,387	397,996
Selling, general and administrative expense	303,448	301,718	280,464	287,745	318,499
Income (loss) from operations	20,001	(5,636)	(30,775)	37,642	79,497
Interest expense (net)	36,512	40,954	63,844	87,571	72,903
(Gain) loss on debt refinancing	—	—	(41,085)	49,780	—
Insurance proceeds	—	(1,800)	(3,850)	—	—
Provision (benefit) for income taxes	(5,500)	(4,200)	500	600	2,800
Net income (loss)	(11,011)	(40,590)	(50,184)	(100,309)	3,794
Preferred stock dividends	(30,442)	(33,578)	(26,260)	(13,456)	(13,456)
Net loss applicable to common shareholders	(41,453)	(74,168)	(76,444)	(113,765)	(9,662)
Weighted average shares outstanding (in millions)					
Basic and diluted	11,744	11,780	11,927	12,205	12,642
Loss per share					
Basic and diluted	$ (3.53)	$ (6.30)	$ (6.41)	$ (9.32)	$ (.76)
Pro forma interest expense (net)(2)					$ 26,384
Pro forma net income (loss)(2)					$ 48,313
Pro forma weighted average shares outstanding (in millions)(4)					
Basic					
Diluted					
Pro forma income per share(2)					
Basic					$
Diluted					$

	As of					As of January 28, 2006	
	February 3, 2001	February 2, 2002	February 1, 2003	January 31, 2004	January 29, 2005	Actual	Pro Forma(2)
	(In thousands)						
Balance Sheet Data							
Cash and cash equivalents	$ 32,930	$ 16,201	$ 18,895	$ 49,650	$ 23,647	$ 61,275	$ 34,635
Working capital	49,482	39,164	38,015	46,217	12,168	72,657	49,712
Total assets	389,861	401,320	348,878	297,611	278,194	337,321	314,385
Total long-term debt and preferred stock	464,310	510,147	556,038	609,440	669,733	724,667	385,000
Stockholders' deficit	(278,347)	(319,043)	(391,663)	(468,066)	(581,712)	(587,843)	(267,447)

(1) Includes buying and occupancy costs.

(2) Pro forma numbers give effect to (i) the sale by us of shares of our common stock at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover to this prospectus, and (ii) the TPG Subscription and $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions, as if the offering and those transactions had occurred on January 29, 2005 for income statement data for the fiscal year ended January 28, 2006 and on January 28, 2006 for balance sheet data as of January 28, 2006.

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

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

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables present our unaudited actual and pro forma condensed consolidated financial information for the year ended January 28, 2006. The unaudited pro forma financial information gives effect to this offering, the TPG Subscription, $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions. The unaudited pro forma condensed consolidated financial information reflects the payment of early redemption or premium and prepayment costs, interest, dividends and transaction fees and expenses.

The unaudited pro forma balance sheet as of January 28, 2006 gives effect to the above transactions as if they had occurred on January 28, 2006. The unaudited pro forma condensed consolidated statement of operations for the year ended January 28, 2006 gives effect to the above transactions as if they had occurred on January 30, 2005. In connection with this offering, the TPG Subscription, $385.0 million in total borrowings under the New Term Loan, the Tender Offer, the 13 1/8% Redemption, the Conversion and the Preferred Redemptions, we expect to record a charge of $9.4 million related to the write-off of deferred debt financing costs of $5.3 million and prepayment costs and premiums of $4.1 million associated with the debt to be extinguished in the transactions. Because this charge is directly related to these transactions rather than our continuing operations, we have not given effect to it in the unaudited pro forma condensed consolidated statements of operations. However, the unaudited pro forma condensed balance sheet gives effect to the charge as if it occurred on January 28, 2006.

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

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of January 28, 2006

	Actual January 28, 2006	Pro Forma Adjustments	Pro Forma As Adjusted
		(In thousands)	
Assets			
Current assets:			
Cash and cash equivalents	$ 61,275	$ (26,640)(1)	$ 34,635
Merchandise inventories	116,191	—	116,191
Prepaid expenses and other current assets	29,132	—	29,132
Refundable income taxes	8,600	—	8,600
Total current assets	215,198	(26,640)	188,588
Property and equipment—at cost	252,328	—	252,328
Less accumulated depreciation and amortization	(142,920)	—	(142,920)
Property and equipment, net	109,408	—	109,408
Other assets	12,715	3,704 (2)	16,419
Total assets	$ 337,321	$ (22,936)	$ 314,385
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	$ 75,833	$ —	$ 75,833
Other current liabilities	64,031	(3,665)(3)	60,366
Federal and state income taxes	2,677	—	2,677
Total current liabilities	142,541	(3,665)	138,876
Deferred credits	57,956	—	57,956
Long-term debt	631,867	(246,867)(4)	385,000
Preferred stock	92,800	(92,800)(5)	—
Stockholders' deficit	(587,843)	320,396 (6)	(267,447)
Total liabilities and stockholders' deficit	$ 337,321	$ (22,936)	$ 314,385

J.CREW GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

	Year Ended January 28, 2006		
	Actual	Pro Forma Adjustments	Pro Forma As Adjusted
	(In thousands except for per share data)		
Revenues:			
Net sales	$924,129	—	$ 924,129
Other	29,059	—	29,059
	953,188	—	953,188
Cost of goods sold, including buying and occupancy costs	555,192	—	555,192
Gross profit	397,996	—	397,996
Selling, general and administrative expenses	318,499	—	318,499
Income from operations	79,497	—	79,497
Interest expense—net	72,903	(46,519)(7)	26,384
Income before income taxes	6,594	46,519	53,113
Income taxes	2,800	2,000 (8)	4,800
Net income (loss)	3,794	44,519	48,313
Preferred stock dividends	(13,456)	13,456 (9)	—
Net income (loss) applicable to common shareholders	(9,662)	57,975	48,313
Weighted average shares outstanding (in millions)			
Basic	12,642		
Diluted	12,642		
Loss per share			
Basic	$ (.76)		
Diluted	(.76)		

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

(1) Adjustments to cash and cash equivalents give effect to (a) receipt of the net proceeds of this initial public offering of common stock as of January 28, 2006, estimated at $233.2 million (assuming the underwriters do not exercise their over-allotment option), after deduction of the estimated underwriting discount and offering expenses of $17.8 million, (b) redemption of all outstanding $92.8 million Series A Preferred Stock and $32.5 million Series B Preferred Stock, plus accrued and unpaid dividends as of January 28, 2006 of $207.0 million and $72.5 million, respectively, (c) redemption of all outstanding $21.7 million 13 1/8% Debentures, plus accrued interest as of January 28, 2006 of $0.8 million, (d) redemption of all outstanding $275.0 million 9 3/4% Notes, at 101.507% of principal, plus accrued interest as of January 28, 2006 of $2.8 million, (e) receipt of the net proceeds from the TPG Subscription as of January 28, 2006 of $73.5 million, and (f) receipt of the total net proceeds of the New Term Loan, estimated at $375.9 million after deduction of the estimated facility fees and other expenses of $9.1 million from the principal amount of $385.0 million.

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

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

(4) Adjustments to long-term debt give effect to (a) redemption of all outstanding $32.5 million Series B Preferred Stock, plus accrued and unpaid dividends as of January 28, 2006 of $105.0 million, and payment of $207.0 million of accrued and unpaid dividends on all outstanding $92.8 million Series A Preferred Stock, (b) redemption of all outstanding $21.7 million 13 1/8% Debentures, (c) redemption of all outstanding $275.0 million 9 3/4% Notes, (d) receipt of the total proceeds of $385.0 million under the New Term Loan, and (e) conversion into common stock of the $23.2 million 5.0% Notes Payable at a conversion price of $6.82 per share.

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

(6) Adjustments to stockholders' deficit give effect to (a) receipt of the net proceeds of this initial public offering of common stock as of January 28, 2006, estimated at $233.2 million (assuming the underwriters do not exercise their over-allotment option), after deduction of the estimated underwriting discount and offering expenses of $17.8 million, (b) conversion into common stock of the $23.2 million 5.0% Notes Payable at a conversion price of $6.82 per share, (c) receipt of the net proceeds from the TPG Subscription as of January 28, 2006 of $73.5 million, and (d) charges of $9.4 million directly related to redemption of all outstanding $275.0 million 9 3/4% Notes at 101.507% of principal ($4.1 million) and the write-off of unamortized deferred debt financing charges and discount related to the $21.7 million 13 1/8% Debentures and $275.0 million 9 3/4% Notes ($5.3 million). Such charges were directly related to the redemptions and do not impact continuing operations.

(7) Adjustments to interest expense give effect to (a) redemption of all outstanding $92.8 million Series A Preferred Stock and $32.5 million Series B Preferred Stock, (b) redemption of all outstanding $21.7 million 13 1/8% Debentures, (c) redemption of all outstanding $275.0 million 9 3/4% Notes, (d) conversion into common stock of the $23.2 million 5.0% Notes Payable, and (e) total borrowings of $385.0 million under the New Term Loan bearing interest at LIBOR plus 2.25%.

(8) Pro forma adjustments for the year ended January 28, 2006 reflect a disproportionate income tax effect because approximately $40.0 million of the adjustment consists of preferred stock dividends that are not deductible for tax purposes, and net operating loss carryforwards were available to offset substantially all income taxes. The deferred tax asset resulting from these net operating loss carryforwards is offset by a valuation allowance.

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

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

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

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

Overview

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

On the basis of data collected on our Internet channel customers, we believe our customer base consists primarily of affluent, college-educated and professional and fashion-conscious women and men. As of April 28, 2006, we operated 164 retail stores and 43 factory stores throughout the United States.

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

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

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

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

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

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

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

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

How We Assess the Performance of Our Business

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

Net Sales

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

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

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

	Year Ended		
	January 31, 2004	January 29, 2005	January 28, 2006
Apparel			
Women's	62%	64%	65%
Men's	27%	25%	21%
Accessories	11%	11%	14%
	100%	100%	100%

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

Comparable Store Sales

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

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

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

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

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

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

Gross Profit

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

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

Selling, General and Administrative Expenses

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

Results of Operations

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

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

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

Fiscal 2005 Compared to Fiscal 2004

Revenues

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

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

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

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

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

Gross Profit

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

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

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

Selling, General and Administrative Expenses

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

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

These increases were offset by:

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

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

Interest Expense

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

Income Taxes

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

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

Net Income

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

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

Fiscal 2004 Compared to Fiscal 2003

Revenues

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

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

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

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

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

Gross Profit

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

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

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

Selling, General and Administrative Expenses

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

5.8 billion to 5.4 billion. As a percentage of revenues, selling, general and administrative expenses decreased to 35.8% in fiscal 2004 from 40.7% in fiscal 2003, resulting primarily from the fact that these expenses increased at a slower rate than revenues during fiscal 2004.

Interest Expense

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

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

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

These increases were partially offset by:

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

Loss on Refinancing of Debt

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

As a result of the refinancing, we:

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

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

Insurance Proceeds

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

Income Taxes

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

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

Net Loss

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

Quarterly Results and Seasonality

The following table sets forth our historical unaudited quarterly consolidated statements of operations data for each of the eight fiscal quarters ended January 28, 2006 and expressed as a percentage of our revenues. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this prospectus, and includes all necessary adjustments, consisting only of normal recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented. The quarterly data should be read in conjunction with our audited and unaudited consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	Fiscal 2004				Fiscal 2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Income Statement Data								
Revenues	$ 145.7	$ 188.6	$ 206.3	$ 263.6	$ 210.5	$ 229.4	$ 223.4	$ 289.9
Gross profit	60.7	74.2	89.0	101.5	96.5	97.0	97.8	106.7
Net income (loss)	(23.7)	(13.8)	(9.9)	(52.9)	4.9	1.7	3.0	(5.8)
Year-over-year increase (decrease)								
Revenues	(10)%	13%	36%	26%	44%	22%	8%	10%
Gross profit	5%	45%	48%	26%	59%	31%	10%	5%
% of year								
Revenues	18%	23%	26%	33%	22%	24%	23%	30%
Gross profit	19%	23%	27%	31%	24%	24%	25%	27%
Selected Operating Data								
Comparable store sales change	4%	12%	30%	17%	37%	15%	3%	8%

Liquidity and Capital Resources

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

Operating Activities

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

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

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

Cash provided by operating activities in fiscal 2003 was $18.2 million and consisted of a net loss of $50.2 million offset by non-cash adjustments of $50.1 million and a reduction in working capital of $18.3 million. The reduction in working capital was due primarily to a $41.3 million decrease in merchandise inventories, partially offset by a decrease of $19.3 million in accounts payable and other current liabilities. The decrease in merchandise inventories resulted from the liquidation of prior season

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

Investing Activities

Capital expenditures were $21.9 million in fiscal 2005, $13.4 million in fiscal 2004 and $9.9 million in fiscal 2003. Capital expenditures for the opening of new stores were $7.9 million in fiscal 2005 (11 stores), $5.9 million in fiscal 2004 (five stores) and $5.7 million is fiscal 2003 (four stores). The remaining capital expenditures in each period were for store renovation and refurbishment programs, investments in information systems and distribution center initiatives. Capital expenditures are planned at $55.0 million for fiscal 2006, including $27.0 million for 29 new store openings, $13.0 million for store renovation and refurbishment programs and $10.0 million for information technology enhancements.

Financing Activities

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

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

Credit Facility

On December 23, 2004, we, Operating and certain of its subsidiaries entered into an Amended and Restated Loan and Security Agreement (the “Credit Facility”) with Wachovia Capital Markets, LLC, as arranger and bookrunner, Wachovia Bank, National Association, as administrative agent (“Wachovia”), Bank of America N.A., as syndication agent, Congress Financial Corporation, as collateral agent, and a syndicate of lenders. The Credit Facility provides for revolving loans and letters of credit of up to $170.0 million (which can be increased to $250.0 million subject to certain conditions) at floating interest rates based on Wachovia’s prime rate plus a margin of up to 0.25% or LIBOR plus a margin ranging from 1.25% to 2.00%. The total amount of availability is limited to the sum of: (a) invested cash, (b) 90% of eligible receivables, (c) 95% of the net recovery percentage of inventories

(as determined by inventory appraisal) for the period August 1 through December 15, or 92.5% of the net recovery percentage of inventories for the period December 16 through July 31, and (d) real estate availability of 65% of appraised fair market value. The Credit Facility expires in December 2009. Borrowings under the Credit Facility are guaranteed by us and all of Operating's domestic direct or indirect subsidiaries and are secured by a perfected first priority security interest in substantially all of our and our subsidiaries' assets.

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

There was $78.3 million available in short-term borrowings under the Credit Facility at January 28, 2006 based on the factors described above. There were no borrowings in fiscal 2005 and 2004, and average borrowings of $1.0 million in fiscal 2003.

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

Senior Subordinated Term Loan and 9 3/4% Notes

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

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

Outlook

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

Following this offering and the transactions in connection with the offering described in "Transactions in Connection with the Offering," our short-term and long-term liquidity needs will arise primarily from principal and interest payments on our indebtedness, capital expenditures associated with our expansion plans and growth strategy and working capital requirements. As of , 2006, on a pro forma basis after giving effect to the transactions described in "Transactions in Connection with the Offering," we would be permitted to borrow $ million of indebtedness under the Credit Facility. After giving effect to the transactions described in "Transactions in Connection with the Offering," assuming that those transactions had occurred on , 2005 and that the interest rate

on our variable rate indebtedness remained unchanged, our debt service requirement for the twelve months ending , 2006 would be $. Our annual debt service obligations will increase by $ million per year for each 1.0% increase in the average interest rate we pay, based on the balance of variable interest rate debt outstanding at , 2005, on a pro forma basis after giving effect to the transactions described in “Transactions In Connection with the Offering.”

We anticipate that capital expenditures in fiscal 2006 will be approximately $55.0 million, primarily for opening 29 new stores, store renovation and refurbishment programs and information technology enhancements.

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

Off Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate the international purchase of merchandise. We also enter into standby letters of credit to secure certain of our obligations, including insurance programs and duties related to import purchases. As of January 28, 2006, we had the following obligations under letters of credit in future periods.

Letters of credit	Within 1 Year	2-3 Years	4-5 Years	After 5 Years	Total
			(in millions)		
Standby	$ —	$ —	$ —	$ 6.0	$ 6.0
Documentary	63.9	—	—	—	63.9
Total	$ 63.9	$ —	$ —	$ 6.0	$69.9

Contractual Obligations

The following table summarizes, prior to the transactions described in “Transactions in Connection with the Offering,” our contractual obligations as of January 28, 2006 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due By Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
			(in millions)		
Long-term debt obligations(1)	$ 319.9	$ —	$ 44.9	$ —	$ 275.0
Interest on long-term debt obligations	246.3	29.7	58.5	53.6	104.5
Redeemable preferred stock(2)	312.0	—	—	312.0	—
Operating lease obligations(3)	327.9	55.4	102.4	83.6	86.5
Purchase obligations					
Inventory commitments	224.4	224.4	—	—	—
Other	8.1	4.5	3.6	—	—
Employment agreements	5.0	1.9	3.1	—	—
Total Purchase Obligations	237.5	230.8	6.7	—	—
Total(4)	$1,443.6	$ 315.9	$ 212.5	$ 449.2	$ 466.0

(1) Taking into account the repurchase of the 9 3/4% Notes in the Tender Offer and assuming the 5.0% Notes Payable are converted into shares of our common stock, the 13 1/8% Debentures are redeemed, and borrowings under the New Term Loan are $385.0 million, each as described in “Transactions in Connection with the Offering,” the total amount of long-term debt obligations would be $385.0 million, long-term debt obligations due in less than 1 year would be $1.8 million, long-term debt obligations due in 2-3 years would be $7.2 million, long-term debt obligations due in 4-5 years would be $7.2 million and long-term debt obligations after 5 years would be $368.8 million. These amounts would change if Operating were required under the New Term Loan to make mandatory prepayments of amounts outstanding under the New Term Loan. See “Description of Certain Indebtedness—New Term Loan—Mandatory Prepayments upon Certain Events.”

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

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

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

Impact of Inflation

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

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS No. 123R"), which is a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*." SFAS No. 123R supercedes Accounting Practices Board ("APB") Opinion No. 25, "*Accounting for Stock Issued to Employees*," and amends SFAS No. 95, "*Statement of Cash Flows*." Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS No. 123R must be adopted no later than the first interim or annual period beginning after June 15, 2005.

As permitted by SFAS No. 123, for periods prior to and including the fiscal year ended January 28, 2006 presented herein, we accounted for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. We adopted SFAS No. 123R effective January 29, 2006 using the modified prospective application option. As a result, the compensation cost for the portion of awards we granted before January 29, 2006, for which the requisite service has not been rendered and that were outstanding as of January 29, 2006, will be recognized as the remaining requisite service is rendered. In addition, the adoption of SFAS No. 123R requires us to change from recognizing the effect of forfeitures as they occur to estimating the number of outstanding instruments for which the requisite service is not expected to be rendered. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on our results of operations. The impact of the adoption of SFAS No. 123R cannot be determined at this time because it will depend upon levels of share-based payments granted in the future. However, had we adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact as described in the disclosure of pro forma net income pursuant to SFAS No. 123 in Note 1q to our consolidated financial statements.

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections," a replacement of APB Opinion No. 20, "Accounting Changes" and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," effective for fiscal years beginning after December 15, 2005. Statement No. 154 changes the requirements for the accounting for and reporting of a voluntary change in accounting principle as well as the changes required by an accounting pronouncement that does not include specific transition provisions. The Company does not expect the implementation of Statement No. 154 to have a significant effect on the Company's consolidated financial position, results of operations or cash flows.

In October 2005, the FASB issued FASB Staff Position FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period." FAS 13-1 concludes that there is no distinction between the

right to use a leased asset during and after the construction period; therefore rental costs incurred during the construction period should be recognized as rental expense and included in income from continuing operations. FAS 13-1 is effective for the first reporting period beginning after December 15, 2005; early adoption is permitted. The Company adopted FAS 13-1 in the fourth quarter of fiscal 2005 and the effect was not material.

Critical Accounting Policies

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

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

Revenue Recognition

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

Inventory Valuation

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

Deferred Catalog Costs

The costs associated with direct response advertising, which consist primarily of catalog production and mailing costs, are capitalized and amortized over the expected future revenue stream of the catalog mailings, which we currently estimate to be four months. The expected future revenue stream is determined based on historical revenue trends developed over an extended period of time. If

the current revenue streams were to diverge from the expected trend, our amortization of deferred catalog costs would be adjusted accordingly.

Asset Impairment

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

Income Taxes

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

Quantitative and Qualitative Disclosures About Market Risks

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

We have a licensing agreement in Japan that provides for royalty payments in yen based on sales of J.Crew merchandise. We have entered into forward foreign exchange contracts from time to time in order to minimize this risk. At January 28, 2006, there were no forward foreign exchange contracts outstanding.

We also enter into letters of credit to facilitate the international purchase of merchandise. The letters of credit are primarily denominated in U.S. dollars. Outstanding letters of credit at January 28, 2006 were $69.9 million, including $6.0 million of standby letters of credit.

BUSINESS

Our Company

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

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

J.Crew products are distributed through our retail and factory stores, our J.Crew catalog and our Internet website located at www.jcrew.com. As of April 28, 2006, we operated 164 retail stores and 43 factory stores throughout the United States. In fiscal 2005, we distributed 20 catalog editions with a circulation of approximately 55 million copies and our website logged over 64 million visits, representing a 33% increase over fiscal 2004. Our retail stores are designed by our in-house design staff and are fixtured to create a distinctive, sophisticated and inviting atmosphere, with clear displays that highlight the quality of our products and their fabrication. Our factory stores are designed with simple, volume-driving visuals to maximize sales of our key items and drive faster inventory turns.

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

Our Market

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

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

Our Competitive Strengths

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

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

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

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

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

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

Our Growth Strategy

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

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

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

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

Products

We offer complete assortments of women's and men's apparel and accessories that include business attire, weekend clothes, swimwear, loungewear, outerwear, wedding and special occasion attire, shoes, bags, belts and jewelry. We focus on creating product lines featuring the high quality

design, fabrics and craftsmanship as well as consistent fits and detailing that our customers expect of J.Crew, and are designed internally by our design team to embody our “classic with a twist” branding and styling strategies. We use a multi-tiered pricing strategy of offering a product assortment ranging from casual t-shirts and broken-in chinos at lower price points, to cashmere items and limited edition “collection” items, such as dresses, hand-beaded skirts and double-faced cashmere jackets, at higher price points, which we believe elevates the overall perception of our brand.

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

Design and Merchandising

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

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

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

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

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

Pricing

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

Sales Channels

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

Stores

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

Retail Stores

As of April 28, 2006, we operated 164 retail stores throughout the United States. Our retail stores are located in upscale regional malls, lifestyle centers, shopping centers and street locations. We believe situating our stores in desirable locations is key to the success of our business, and we determine store locations based on several factors, including geographic location, demographic information, presence of anchor tenants in mall locations and proximity to other higher-end specialty retail stores. Our retail stores are designed by our in-house design staff and fixtured with the goal of creating a distinctive, sophisticated and inviting atmosphere, with clear displays and information about product quality and fabrication.

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

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

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

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

Fiscal Year	Retail Stores Open At Beginning of Period	Retail Stores Opened During Period	Retail Stores Closed During Period	Retail Stores Open at End of Period	Total Gross Square Footage (in thousands)	Average Gross Square Footage Per Retail Store
2001	105	34	3	136	1,054	7,752
2002	136	16	0	152	1,172	7,712
2003	152	4	2	154	1,183	7,680
2004	154	5	3	156	1,198	7,682
2005	156	4	2	159	1,209	7,604

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

Factory Stores

As of April 28, 2006, we operated 43 factory stores throughout the United States. Our factory stores are located primarily in large factory-outlet malls. Factory stores are designed with simple, volume-driving visuals to maximize sales of key items and drive faster inventory turns. Our factory stores also use strategic and focused short-term promotional offerings designed to achieve higher margins and faster inventory turns. Sales associates in our factory stores adhere to the same customer-service focus as in our retail stores, and are trained to help customers locate styles similar to those they have seen in our retail stores or catalog. Compensation of factory sales associates is based on a similar model as that of our retail sales associates, with differences relating to bonus and commission structure.

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

Fiscal Year	Factory Stores Open At Beginning of Period	Factory Stores Opened During Period	Factory Stores Closed During Period	Factory Stores Open at End of Period	Total Gross Square Footage (in thousands)	Average Gross Square Footage Per Factory Store
2001	41	0	0	41	260	6,344
2002	41	2	1	42	265	6,306
2003	42	0	0	42	265	6,306
2004	42	0	1	41	258	6,296
2005	41	6	3	44	269	6,120

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

Central Real Estate Management for Retail and Factory Stores

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

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

Direct

Direct consists of the J.Crew catalog and our Internet website. During fiscal 2005, Direct generated $253.7 million in revenues, including $93.9 million from our catalog and $159.8 million from our Internet website, representing 26.6% of our total revenues. In addition to driving sales and revenue, we use our direct channel to introduce and test new product offerings, to sell specialty

product lines such as J.Crew Wedding and to offer extended sizes and colors on various products and to expand customer files to drive targeted marketing campaigns by collecting customer data to further segment customer groups.

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

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

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

Catalog

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

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

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

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

Internet Website

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

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

Marketing and Advertising

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

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

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

Sourcing Production and Quality

Our Sourcing Strategy

We do not own or operate any manufacturing facilities and instead contract with third-party vendors for production of our merchandise. Our sourcing strategy emphasizes the quality fabrics and construction that our customers expect of the J.Crew brand. To ensure that our high standards of quality and timely delivery of merchandise are met, we work with a select group of vendors and

factories among which are some of what we believe to be the most reputable producers currently supplying the designer fashion industry with such products as English silk, Scottish tweed and Italian leather and cashmere. We seek to ensure the quality of our manufacturers' products by inspecting pre-production samples, making periodic site visits to our vendors' foreign production factories and by selectively inspecting inbound shipments at our distribution center. We also monitor quality by "scoring" each factory at the end of each year on the basis of the number of defective products detected in that factory's output.

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

Our Sourcing Methods

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

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

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

In fiscal 2005, approximately 80% of our merchandise was sourced in Asia (with 55% of our products sourced from China, Hong Kong and Macau), 5% was sourced in the United States and 15% was sourced in Europe and other regions. Substantially all of our foreign purchases are negotiated and paid for in U.S. dollars.

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

two to three days of transit time. In the case of merchandise manufactured in the United States, we contract with an independent trucking company to transport merchandise from its manufacturer to one of our distribution centers, which generally takes a week or less.

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

Distribution Facilities

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

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

Each owned facility is equipped with an automated warehouse locator system and inventory bar coding system and our owned facility in Lynchburg has automated packing and shipping sorters. We believe our customer call center, order fulfillment operations and distribution operations are designed to handle customer orders and distribute merchandise to stores in a customer-friendly, efficient and cost-effective manner. We currently outsource a portion of customer calls to two vendors and plan to use only one of these vendors in the near future.

Management Information Systems

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

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

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

Employees and Labor Relations

As of January 28, 2006, we had approximately 6,800 employees (including seasonal employees), of whom approximately 2,500 were full-time employees and 4,300 were part-time employees. Approximately 1,000 of these employees are employed in our customer call center and order fulfillment operations facility in Lynchburg, Virginia, and approximately 100 of these employees work in our store distribution center in Asheville, North Carolina. Approximately 2,000 employees are hired on a seasonal basis to meet demand during the peak season.

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

Competition

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

Trademarks and Licensing

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

In addition, we license our J.Crew trademark and know-how to Itochu Corporation in Japan for which we receive royalty fees based on a percentage of sales. Under the license agreement, which is

an exclusive license with regard to Japan, we retain a high degree of control over the manufacture, design, marketing and sale of merchandise by Itochu Corporation under the J.Crew trademark. This agreement expires in January 2007. In fiscal 2005, licensing revenues totaled $2.9 million.

Government Regulation

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

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

Properties

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

As of April 28, 2006, we operated 164 retail stores and 43 factory stores in 39 states and the District of Columbia. All of the retail and factory stores are leased from third parties and the leases historically have in most cases had terms of 10 to 12 years. A portion of our leases have options to renew for periods typically ranging from five to ten years. Generally, the leases contain standard provisions concerning the payment of rent, events of default and the rights and obligations of each party. Rent due under the leases is generally comprised of annual base rent plus a contingent rent payment based on the store’s sales in excess of a specified threshold. Some of the leases also contain early termination options, which can be exercised by us or the landlord under certain conditions. The leases also generally require us to pay real estate taxes, insurance and certain common area costs. Excluding our stores and headquarter offices, all of our properties, whether owned or leased, are subject to liens or security interests under the Credit Facility.

The table below sets forth the number of retail and factory stores operated by us in the United States as of April 28, 2006.

	Retail Stores	Factory Stores	Total Number of Stores
Alabama	2	1	3
Arizona	4	—	4
California	20	4	24
Colorado	4	2	6
Connecticut	6	1	7
Delaware	—	1	1
Florida	7	4	11
Georgia	4	2	6
Illinois	9	1	10
Indiana	1	2	3
Iowa	1	—	1
Kansas	1	—	1
Kentucky	2	—	2
Louisiana	1	—	1
Maine	—	2	2
Maryland	3	1	4
Massachusetts	6	2	8
Michigan	6	1	7
Minnesota	4	—	4
Missouri	2	—	2
Nevada	1	—	1
New Hampshire	1	2	3
New Jersey	9	1	10
New Mexico	1	—	1
New York	16	4	20
North Carolina	5	—	5
Ohio	7	—	7
Oklahoma	2	—	2
Oregon	3	—	3
Pennsylvania	8	3	11
Rhode Island	1	—	1
South Carolina	2	2	4
Tennessee	3	1	4
Texas	8	1	9
Utah	2	—	2
Vermont	1	1	2
Virginia	5	2	7
Washington	3	1	4
Wisconsin	1	1	2
District of Columbia	2	—	2
Total	164	43	207

Legal Proceedings

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

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

MANAGEMENT

Executive Officers and Directors

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

Name	Age	Position
Millard Drexler	61	Chief Executive Officer and Chairman of the Board
Jeffrey Pfeifle	47	President
Tracy Gardner	42	Executive Vice President, Merchandising, Planning & Production
James Scully	41	Executive Vice President, Chief Financial Officer
Bridget Ryan Berman	45	Director
Richard Boyce	51	Director
Jonathan Coslet	41	Director
James Coulter	46	Director
Steven Grand-Jean	63	Director
Emily Scott	44	Director
Thomas Scott	40	Director
Stuart Sloan	62	Director
Josh Weston	77	Director

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

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

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

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

Bridget Ryan Berman. Ms. Berman has been a director since August 2005. Ms. Berman was appointed as Chief Executive Officer of Giorgio Armani Corporation, a U.S. subsidiary of Giorgio Armani S.p.A., effective April 2006. Prior to that, Ms. Berman was Vice President and Chief Operating Officer of Retail Stores for Apple Computer, Inc. from April 2004 to August 2005. Prior to joining Apple Computer, Inc., Ms. Berman held various positions at Polo Ralph Lauren Corporation, including Group President of Polo Global Retail from 2003 to 2004, President and Chief Operating Officer of Polo Ralph Lauren Retail from 2001 to 2003 and President of Polo Factory Store Concepts from 1998 to 2001.

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

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

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

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

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

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

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

Josh Weston. Mr. Weston has been a director since 1998. Mr. Weston also served as Honorary Chairman of the Board of Directors of Automatic Data Processing, a computing services business, from 1998 to November 2004. Mr. Weston was Chairman of the Board of Directors of Automatic Data

Processing from 1996 until 1998, and Chairman and Chief Executive Officer for more than five years prior thereto. Mr. Weston also serves on the Board of Directors of Gentiva Health Services, Inc. and Russ Berrie & Company, Inc.

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

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

Our Board of Directors

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

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

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

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

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

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

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

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

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

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

Compensation of Directors. Directors who are our employees or representatives of TPG (Messrs. Boyce, Coslet, Coulter and Drexler) do not receive any compensation for their services. All other directors (Messrs. Grand-Jean, Scott, Sloan and Weston and Ms. Scott) received the following as compensation in 2005: (1) a cash retainer of $30,000 and (2) a non-qualified stock option to purchase 20,000 shares of our common stock. The options have an exercise price of $12.60 per share, have a term of 10 years and become exercisable and vest in equal installments over a two-year period. Ms. Berman became a director in August 2005 and therefore received a pro-rated share of the cash retainer and a non-qualified stock option to purchase 20,000 shares of our common stock. Ms. Berman's options have an exercise price of $13.40 per share and all other terms are the same. If a director ceases to serve as a director for any reason, other than removal for cause, any options vested at the time of termination of his or her services will remain exercisable for 90 days (but no longer than the 10-year term of the options). In addition, Mr. Weston, the chairman of the audit committee, received additional cash compensation of $10,000 for his services on such committee.

Our board of directors has also approved the following to be paid as compensation to all eligible directors for their services in 2006: (1) a cash retainer of $35,000; (2) an additional cash payment of $2,000 for each board meeting attended in person; and (3) a non-qualified stock option to purchase 7,500 shares of our common stock. The options will have an exercise price per share equal to the fair market value at the time of grant, have a term of 10 years and vest in equal installments over a two year period. If a director ceases to serve as a director for any reason, other than removal for cause, any options vested at the time of termination of his or her services will remain exercisable for 90 days (but no longer than the 10 year term of the options). In addition, the chairman of the audit committee will receive additional cash compensation of $20,000, and the chairman of the compensation committee will receive additional cash compensation of $10,000 for their respective services on such committees.

Executive Compensation

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

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

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

Summary Compensation Table

				Long Term Compensation				
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Fiscal Year	Salary($)	Bonus($)	Other Annual Compensation ($)(1)	Restricted Stock Award(s) ($)(2)	Securities Underlying Options/ SARS(#)	LTIP Payouts ($)	All Other Compensation ($)(3)
Millard Drexler	2005	200,000	—	751,000(4)	804,000(5)	80,000	—	—
Chief Executive Officer and Chairman	2004	200,000	—	484,500(4)	55,500(5)	1,698,778(6)	—	—
	2003	200,000	—	500,000(4)	598,654(5)	—	—	—
Jeffrey Pfeifle	2005	781,200	400,000	—	201,000(8)	50,000	—	8,400
President	2004	760,000	500,000	—	18,500(8)	223,170(9)	800,000	8,900
	2003	760,000	2,400,000(7)	—	119,731(8)	—	400,000	—
James Scully	2005	188,200	250,000(10)	230,700(11)	469,000(12)	130,000	—	—
Executive Vice President and Chief Financial	2004	—	—	—	—	—	—	—
Officer	2003	—	—	—	—	—	—	—
Tracy Gardner	2005	492,300	350,000	—	327,000(15)	145,000	—	—
Executive Vice President, Merchandising,	2004	398,100	450,000(13)	95,500(14)	37,000(15)	90,000	—	—
Planning & Production	2003	—	—	—	—	—	—	—
Roxane Al-Fayez(16)	2005	243,300	—	55,500(18)	126,000(19)	45,000	—	8,400
Former Executive Vice President, Catalog & e-	2004	377,900	275,000(17)	83,800(18)	7,400(19)	10,000	—	1,700
Commerce	2003	155,400	100,000(17)	—	18,500(19)	35,000	—	—

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

(2) Holders of restricted stock have the same right to receive dividends as other holders of our common stock. We have not paid any cash dividends on our common stock. Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $12.60 as of March 31, 2005 and $13.40 as of August 8, 2005. Restricted stock awards in fiscal 2005 reflect an estimated share value on the respective dates of grant, and awards in 2004 and fiscal 2003 reflect an estimated share value of $0.74 on the date of grant. As of April 1, 2006, the named executive officers held the following aggregate number of restricted shares of our common stock: Mr. Drexler—664,031 vested shares and 335,754 unvested shares; Mr. Pfeifle—121,349 vested shares and 80,449 unvested shares; Mr. Scully—0 vested shares and 35,000 unvested shares; Ms. Gardner—12,500 vested shares and 62,500 unvested shares; Ms. Al-Fayez—6,250 vested shares and 0 unvested shares.

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

(4) Under the terms of his services agreement and amended and restated employment agreement, Mr. Drexler is entitled to the reimbursement of business expenses, provided that in each of fiscal 2005, 2004 and 2003, his salary, bonus and reimbursement of business expenses could not exceed $700,000 per annum in the aggregate. We have determined that for fiscal year 2005, only business expenses related to aircraft usage (which is described further below) will count toward the

aggregate $700,000 cap. We have also reimbursed Mr. Drexler for other business expenses not subject to the cap that were incurred in the ordinary course of business and therefore are not reflected in the table above. For Mr. Drexler, the amount listed under “Other Annual Compensation” for fiscal 2005 also includes: (i) reimbursement for relocation expenses ($201,000) and (ii) the portion of annual salary and benefits for a driver provided by us that is allocable to personal use ($50,000). We have reimbursed a company of which Mr. Drexler is a principal for the use for corporate business of a private aircraft owned by that company. The total reimbursements for the use of such aircraft in fiscal 2004 and 2005 were approximately $255,600 and $636,000 respectively. The amounts applicable to Mr. Drexler’s business use of the aircraft in fiscal 2004 and 2005 were $255,600 and $500,000, respectively, and are included in the total amounts described in this footnote. The remaining $136,000 reimbursed to Mr. Drexler’s company was for other employees’ use of the aircraft for business purposes during fiscal year 2005.

(5) In August 2005, Mr. Drexler was granted 60,000 shares of our common stock, of which 50% will vest on each of August 8, 2008 and August 8, 2009. In November 2004, Mr. Drexler was granted 75,000 shares of our common stock, of which 50% will vest on each of November 1, 2007 and November 1, 2008. In September 2003, Mr. Drexler was granted 83,689 shares of our common stock, of which 5,976 shares vested immediately upon grant, 19,429 shares vested on January 27, 2004, 19,428 shares vested on January 27, 2005 and 19,428 shares vested on January 27, 2006, and the remainder will vest on January 27, 2007. In February 2003, Mr. Drexler was granted 725,303 shares of our common stock, of which 181,326 shares vested on each of January 27, 2004, January 27, 2005 and January 27, 2006 the remainder of which will vest on January 27, 2007. Mr. Drexler paid us $800,000 for the shares granted to him in February 2003, which was in excess of their fair market value at the time of grant. In addition, in February 2003, a corporation of which Mr. Drexler is a principal was also granted 55,793 shares of our common stock, all of which vested immediately upon grant.

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

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

(8) In August 2005, Mr. Pfeifle was granted 15,000 shares of our common stock, of which 100% will vest on August 14, 2009. In November 2004, Mr. Pfeifle was granted 25,000 shares of our common stock, of which 50% will vest on each of November 1, 2007 and November 1, 2008. In September 2003, Mr. Pfeifle was also granted 50,213 shares of our common stock, of which 12,554 shares vested on February 1, 2004, 12,553 shares vested on February 1, 2005 and 12,553 shares vested on February 1, 2006, and the remainder will vest on February 1, 2007. In addition, in February 2003, Mr. Pfeifle was granted 111,585 shares of our common stock, of which 27,897 shares vested on February 1, 2004, 27,896 shares vested on February 1, 2005 and 27,896 shares vested on February 1, 2006, and the remainder will vest on February 1, 2007.

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

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

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

(12) In September 2005, Mr. Scully was granted 35,000 shares of our common stock, of which 25% will vest on each of September 7, 2006, 2007, 2008 and 2009.

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

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

(15) In August 2005, Ms. Gardner was granted 15,000 shares of our common stock, of which 100% will vest on August 14, 2009. In May 2005, Ms. Gardner was granted 10,000 shares of our common stock, of which 50% will vest on each of May 5, 2008 and May 5, 2009. In May 2004, Ms. Gardner was granted 50,000 shares of our common stock, which will vest in equal annual installments on each of April 1 of 2006, 2007, 2008 and 2009.

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

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

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

(19) In May 2005, Ms. Al-Fayez was granted 10,000 shares of our common stock, of which 50% were scheduled to vest on each of May 5, 2008 and May 5, 2009. In November 2004, Ms. Al-Fayez was also granted 10,000 shares of our common stock, of which 50% were scheduled to vest on each of November 1, 2007 and November 1, 2008. In October 2003, Ms. Al-Fayez was granted 25,000 shares of our common stock, of which 6,250 shares vested on October 22, 2004 and the remainder were scheduled to vest in equal annual installments on each of October 22, 2005, 2006 and 2007. All of these shares, other than the 6,250 shares that vested on October 22, 2004, were forfeited upon Ms. Al-Fayez’s resignation.

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

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(a)	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees In Fiscal Year	Exercise Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Millard Drexler	40,000	3.9%	15.00	2015	273,088	790,246
	40,000	3.9%	25.00	2015	—	390,246
Jeffrey Pfeifle	25,000	2.5%	12.60	2015	198,102	502,029
	25,000	2.5%	13.40	2015	210,680	533,904
James Scully	50,000	4.9%	13.40	2015	421,359	1,067,807
	40,000	3.9%	15.00	2015	273,088	790,246
	40,000	3.9%	25.00	2015	—	390,246
Tracy Gardner	20,000	2.0%	15.00	2015	—	94 ,249
	20,000	2.0%	25.00	2015	—	—
	50,000	4.9%	12.60	2015	396,204	1,004,058
	10,000	1.0%	15.00	2015	55,241	176,812
	10,000	1.0%	25.00	2015	—	76,812
	35,000	3.5%	13.40	2015	294,952	747,465
Roxane Al-Fayez	25,000	2.5%	12.60	2005	15,750	31,500
	10,000	1.0%	15.00	2005	—	—
	10,000	1.0%	25.00	2005	—	—

(a) Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $12.60 as of March 31, 2005 and $13.40 as of August 8, 2005.

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

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

			Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year-End($)(a)	
Name	Shares Acquired on Exercise(#)	Value Realized($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Millard Drexler	139,482	806,206	982,662	1,214,600	0/0	0/0
Jeffrey Pfeifle	41,845	241,864	55,794	342,909	0/0	0/0
James Scully	—	—	—	—	0/0	0/0
Tracy Gardner	—	—	—	—	0/0	0/0
Roxane Al-Fayez	11,250	65,025	—	—	0/0	0/0

(a) Prior to this offering, there was no established public market for shares of our common stock. Based on customary corporate valuation techniques, including an analysis of the discounted value of our potential earnings and cash flow, the valuation of comparable companies and current book value per share, the value of a share of our common stock was estimated to be $6.40 as of January 28, 2006. Therefore, since the exercise price of the options exceeds the estimated value of a share of our common stock at January 28, 2006, the value of unexercised in-the-money options is shown as zero.

Employment Agreements and Other Compensation Arrangements

Employment and Other Agreements

Millard Drexler. On October 20, 2005, we entered into an amended and restated employment agreement with Mr. Drexler, which replaces the services agreement that previously governed Mr. Drexler's employment. Pursuant to this amended and restated agreement, Mr. Drexler will continue to serve as our Chief Executive Officer until August 31, 2008, provided that the amended and restated agreement will automatically extend for successive one-year periods unless we or Mr. Drexler provide at least 90 days' written notice prior to the expiration of the then-current term. The amended and restated agreement provides Mr. Drexler with a minimum annual base salary of $200,000, an opportunity to earn an annual bonus based on the achievement of earnings objectives to be determined each year and the reimbursement of business expenses, provided that his total cash compensation cannot exceed $700,000 per year. We have agreed to reimburse Mr. Drexler $250,000 of moving expenses in connection with his relocation from California to New York and have reimbursed Mr. Drexler $250,000 pursuant to this provision. The reimbursement of such relocation expenses shall be excluded from the $700,000 cap. Beginning February 1, 2006, Mr. Drexler will be eligible to receive a target bonus of $800,000 (provided that his bonus may be greater or lesser in the compensation committee's discretion) and his total annual cash compensation will no longer be subject to a cap. Pursuant to the amended and restated agreement, if we terminate Mr. Drexler's employment without "cause" or he terminates his employment for "good reason" (each as defined in the employment agreement), Mr. Drexler will be entitled to receive (i) a payment of his annual base salary through the termination date, any accrued vacation pay and any unreimbursed expenses, (ii) a payment equal to his annual base salary and target bonus, one-half of such payment to be paid on the first business day that is six months and one day following the termination date and the remaining one-half of such payment to be paid in six equal monthly installments commencing on the first business day of the seventh calendar month following the termination date, (iii) a pro-rated bonus based on (A) the last bonus Mr. Drexler received prior to the termination date and (B) the number of days of service completed by Mr. Drexler in the year of termination, such amount to be paid on the first business day that is six months and one day following the termination date, and (iv) the accelerated vesting of any unvested restricted shares and/or unvested stock options as provided for in any applicable grant agreement. In the event that any payment or benefit provided to Mr. Drexler following this offering becomes subject to the excise taxes imposed by the "parachute payment" provisions of the Internal Revenue Code, Mr. Drexler will be entitled to receive a "gross-up" payment in connection with any such excise taxes. Mr. Drexler remains subject to customary non-solicitation, non-competition and confidentiality covenants.

In September 2003, Mr. Drexler surrendered to us all of his "premium options" which were granted to him in accordance with his previous services agreement. The premium options consisted of options to purchase 836,889 shares at an exercise price equal to $25.00 per share and 836,889 shares at an exercise price equal to $35.00 per share. In consideration of the surrender, we granted to Mr. Drexler replacement premium options in May 2004 as follows: options to purchase 836,889 shares at an exercise price equal to $15.00 per share and options to purchase an additional 836,889 shares at an exercise price equal to $25.00 per share. The replacement premium options are subject to the same terms and conditions (other than the expiration date and exercise price), including vesting schedule, as the surrendered premium options. This option repricing was approved by a majority of our board of directors.

Mr. Drexler's previous services agreement provided for the grant of 55,793 restricted shares of our common stock that vested immediately and the grant of 725,303 restricted shares of our common stock that vest in equal annual installments over four years commencing on January 27, 2005 (the second anniversary of the date his service commenced). We refer to these shares collectively as the "Drexler Restricted Shares." Mr. Drexler paid us $800,000 for the 725,303 share grant of the Drexler

Restricted Shares. The Drexler Restricted Shares remain subject to these terms under Mr. Drexler's amended and restated employment agreement.

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

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

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

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

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

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

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

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

Tracy Gardner. Ms. Gardner has entered into an employment agreement with us pursuant to which she has agreed to serve as Executive Vice President, Merchandising, Planning and Production for four years beginning in March 2004, subject to renewal upon mutual agreement. The agreement provides for a minimum annual base salary of $450,000, a one-time sign-on bonus of $150,000, and an annual bonus with a target of 50% of base salary and a maximum of 100% of base salary, based on the achievement of earnings objectives and individual performance goals to be determined each year, provided that the minimum bonus payable with respect to fiscal 2004 was $112,500. The agreement also provides for (i) the grant of options to purchase 50,000 shares of our common stock at an exercise price equal to $6.82 per share, which we refer to as "initial options," and (ii) the grant of premium options to purchase an additional 20,000 shares of our common stock at an exercise price equal to $15.00 per share and 20,000 shares of our common stock at an exercise price equal to $25.00 per share, which we refer to as "premium options." The agreement also provides for the grant in March 2005 of (x) an additional option to purchase 20,000 shares of our common stock at an exercise price equal to $15.00 per share and (y) an additional option to purchase 20,000 shares of our common stock at an exercise price equal to $25.00 per share, which we refer to as the "additional premium options." The initial options vest in equal annual installments over four years commencing on the first anniversary of the grant date. The premium options and the additional premium options vest in equal installments over four years commencing on the second anniversary of their respective grant dates. The agreement also provides for the grant of 50,000 shares of our common stock, which we refer to as the "Gardner Restricted Shares." Ms. Gardner also received relocation benefits in connection with her relocation to the New York City area. Under the agreement, Ms. Gardner is subject to customary non-solicitation, non-competition and confidentiality covenants.

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

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

Under Ms. Gardner's employment agreement, if we terminate her employment without "cause" or she terminates her employment for "good reason" (each as defined in the employment agreement), Ms. Gardner will be entitled to receive her base salary for one year and a pro-rated amount of any

bonus that she would have otherwise received for the fiscal year ending before the termination date. However, Ms. Gardner's right to the continuation of her base salary for one year following the termination of her employment will cease upon the date that she becomes employed by a new employer or otherwise begins providing services for another entity, provided that if the cash compensation she receives from her new employer or otherwise is less than her base salary in effect immediately prior to her termination date, she will be entitled to receive the difference between her base salary and her new amount of cash compensation during the remainder of the severance period.

James Scully. We have entered into an employment agreement dated August 16, 2005, with James Scully, pursuant to which he has agreed to serve as our Executive Vice President and Chief Financial Officer, effective September 7, 2005, for a three year period, subject to automatic one-year renewals unless we or Mr. Scully provide four month's written notice prior to the expiration of the then current term. The agreement provides for a base salary of $475,000, which will be reviewed annually by us. He is eligible to receive an annual bonus with a target bonus of 50% of base salary and a maximum of 100% of base salary, based upon the achievement of certain company and individual performance objectives, provided that for fiscal 2005, Mr. Scully received a guaranteed bonus of $250,000. Mr. Scully also received a $165,000 transition support payment, provided that in the event he voluntarily terminates his employment without "good reason" or we terminate his employment for "cause" (each as defined in the agreement) within the first year of employment, Mr. Scully will be required to immediately pay us back a pro-rata portion of the transition support payment. The agreement also provides Mr. Scully with relocation assistance in connection with his relocation to New York in accordance with our executive homeowner relocation policy, provided that in the event that he voluntarily terminates his employment without good reason prior to the first anniversary of his employment, he will be required to immediately pay back a pro-rata portion of all relocation assistance payments that he received. In addition we have granted to Mr. Scully the following equity awards: (i) options to purchase 50,000 shares of our common stock at an exercise price per share equal to $13.40 on the date of grant, which we refer to as "initial options," (ii) premium options to purchase an additional 40,000 shares at an exercise price equal to $15.00 per share and 40,000 shares at an exercise price equal to $25.00 per share, which we refer to as "premium options," and (iii) 35,000 restricted shares, all of which will vest in equal annual installments beginning on the first anniversary of the grant date. We refer to these shares as the "Scully Restricted Shares." Under the agreement, Mr. Scully is subject to customary non-solicitation, non-competition and confidentiality covenants.

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

Amended and Restated 1997 Stock Option Plan

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

Share Reserve. We have authorized 1,910,000 shares of our common stock for issuance under the 1997 Plan. The aggregate number of shares available for issuance under the 1997 Plan may be

adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 1997 Plan. In addition, shares subject to stock awards that have expired, been forfeited or otherwise terminated without having been exercised may be subject to new awards under the 1997 Plan. As of January 28, 2006, options to purchase 1,682,448 shares of our common stock at a weighted average exercise price of $9.40 per share were outstanding under the 1997 Plan.

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

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

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

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

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

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

Non-Qualified Stock Option (each, an "NSO"). No taxable income is reportable when an NSO is granted. Upon exercise, generally, the recipient will have ordinary income equal to the fair market

value of the underlying shares of stock on the exercise date minus the exercise price. Any gain or loss upon the disposition of the stock received upon exercise will be capital gain or loss to the recipient.

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

2003 Equity Incentive Plan

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

Share Reserve. We have authorized 4,798,160 shares of our common stock for issuance under the 2003 Plan. Unless our compensation committee determines otherwise, of the maximum number of shares reserved for issuance: (a) 1,115,812 shares are reserved for the issuance of stock options with an exercise price of $6.82 per share, provided that if the fair market value of a share of our common stock is greater than $6.82, such exercise price may be greater than $6.82 per share; (b) 1,115,812 shares are reserved for the issuance of stock options with an exercise price of $25.00 per share, provided that if the fair market value of a share of our common stock is greater than $25.00, such exercise price may be greater than $25.00 per share; (c) 1,115,812 shares are reserved for the issuance of stock options with an exercise price of $35.00 per share, provided that if the fair market value of a share of our common stock is greater than $35.00, such exercise price may be greater than $35.00 per share; and (d) 1,450,724 shares are reserved for the issuance of restricted shares. The aggregate number of shares available for issuance under the 2003 Plan may be adjusted in the case of a stock dividend, recapitalization, stock split, reverse stock split, merger, or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 2003 Plan. As of January 28, 2006, options to purchase 3,086,901 shares of our common stock at a weighted average exercise price of $16.90 per share were outstanding under the 2003 Plan.

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

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

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

Our compensation committee has authority to interpret and administer the 2003 Plan and any award agreement and to establish rules and regulations for the administration of the 2003 Plan.

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

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

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

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

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

Non-Qualified Stock Options (each, an "NSO"). No taxable income is reportable when an NSO is granted. Upon exercise, generally, the recipient will have ordinary income equal to the fair market

value of the underlying shares of stock on the exercise date minus the exercise price. Any gain or loss upon the disposition of the stock received upon exercise will be capital gain or loss to the recipient.

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

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

2005 Equity Incentive Plan

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

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

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

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

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

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

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

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

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

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

The grant, exercise and/or settlement of such performance or annual incentive award shall be contingent upon achievement of pre-established performance goals which shall consist of one or more

business criteria and a targeted level or levels of performance with respect to each of such criteria. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) and regulations thereunder.

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

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

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

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

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

Incentive Stock Options (each an "ISO"). No taxable income is reportable when an ISO is granted or exercised (except for participants who are subject to the alternative minimum tax, who may be required to recognize income in the year in which the ISO is exercised). If the recipient exercises the ISO and then sells the underlying shares of stock more than two years after the grant date and

more than one year after the exercise date, the excess of the sale price over the exercise price will be taxed as capital gain or loss. If the recipient exercises the ISO and sells the shares before the end of the two- or one-year holding periods, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the ISO.

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

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

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

Company Bonus Plan

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

Compensation Committee Interlocks and Insider Participation

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership of shares is determined under the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, we believe that each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by that person. Shares of common stock subject to options currently exercisable or exercisable within 60 days of April 15, 2006 are deemed outstanding for calculating the percentage of outstanding shares of the person holding these options, but are not deemed outstanding for calculating the percentage of any other person. The beneficial ownership of shares of our common stock after the offering as set forth below is calculated assuming an aggregate of shares will be sold in this offering and an aggregate of shares will be issued in connection with the Conversion and the TPG Subscription. In the event that a different number of shares is sold, the beneficial ownership of holders of our common stock may be significantly different from that set forth below.

The following table sets forth information regarding the beneficial ownership of the shares of our common stock as of April 15, 2006 by stockholders known by us to beneficially own more than five percent of our outstanding common stock.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class: Before Offering	Percent of Class: After Offering(1)
Common stock	TPG Advisors II, L.P. 301 Commerce Street, Suite 3300 Fort Worth, TX 76102	9,014,298 shares(2)(3)	56%	
Common stock	Millard S. Drexler J.Crew Group, Inc. 770 Broadway New York, NY 10003	3,486,636 shares(4)	22%	
Common stock	Emily Scott J.Crew Group, Inc. 770 Broadway New York, NY 10003	2,782,377 shares(5)	17%	

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

(2) TPG Advisors II, Inc. is the general partner of TPG Gen Par II, L.P. (“GenPar II”), which is the general partner of each of Partners II, TPG Parallel II, L.P. (“Parallel II”), TPG Investors II, L.P. (together with Partners II and Parallel II, the “TPG II Funds”), and TPG 1999 Equity II, L.P. (“Equity II”). The TPG II Funds and Equity II beneficially own 9,014,298 shares of our common stock directly. TPG Advisors II, Inc. may be deemed to be the beneficial owner of shares beneficially owned by the TPG II Funds and Equity II but disclaims such beneficial ownership pursuant to rules promulgated under the Exchange Act. David Bonderman, James G. Coulter and William S. Price, III (the “Shareholders”) are directors, officers and shareholders of TPG Advisors II, Inc. and may be deemed to be the beneficial owners of shares owned by the TPG II Funds and Equity II. Each Shareholder disclaims beneficial ownership of any securities beneficially owned by the TPG II Funds and Equity II.

(3) Includes 1,700,500 shares not currently owned but issuable to the TPG II Funds and Equity II upon conversion of the 5.0% Notes Payable. The TPG II Funds and Equity II together hold a 50% membership interest in TPG-MD Investment, LLC, which beneficially owns the 5.0% Notes Payable directly. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. The TPG II Funds and Equity II have agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(4) Includes (i) 686,722 shares owned by Mr. Drexler, (ii) 262,524 shares beneficially owned by a family trust for which Mr. Drexler is a trustee, (iii) 836,890 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable, and (iv) 1,700,500 shares not currently owned but issuable to TPG-MD Investment, LLC upon conversion of the 5.0% Notes Payable. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. An entity controlled by Mr. Drexler, MDJC LLC, holds a 50% membership interest in TPG-MD Investment LLC, which beneficially owns the 5.0% Notes Payable directly. Mr. Drexler has agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(5) Includes 512,200 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable.

The following table sets forth information regarding the beneficial ownership of each class of our equity securities as of April 15, 2006 by each of our directors and executive officers, and our directors and executive officers as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class	
			Before Offering	After Offering(1)
Common stock	Bridget Ryan Berman	10,000	*	
Common stock	Richard Boyce	55,200	*	
Common stock	James Coulter	9,014,298(2)	56%	
Common stock	Steven Grand-Jean	28,750(3)	*	
Common stock	Emily Scott	2,782,377(4)	17%	
Common stock	Thomas Scott	28,750(3)	*	
Common stock	Stuart Sloan	28,750(3)	*	
Common stock	Josh Weston	44,228(5)	*	
Common stock	Millard Drexler	3,486,636(6)	22%	
Common stock	Roxane Al-Fayez	17,500	*	
Common stock	Tracy Gardner	47,500(7)	*	
Common stock	Jeffrey Pfeifle	276,176(8)	2%	
Common stock	All directors and executive officers as a group	15,820,165	98%	
Series A preferred stock	James Coulter	73,475(9)	79%	
Series A preferred stock	Emily Scott	2,979	3%	
Series A preferred stock	Josh Weston	60	*	
Series A preferred stock	All directors and executive officers as a group	76,514	83%	

* Represents less than 1% of the class.

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

(2) As a Shareholder, Mr. Coulter may be deemed to be the beneficial owner of shares owned by the TPG II Funds and Equity II. Includes 1,700,500 shares not currently owned but issuable to the TPG II Funds and Equity II upon conversion of the 5.0% Notes Payable. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. Mr. Coulter disclaims beneficial ownership of the shares owned by the TPG II Funds and Equity II. The TPG II Funds and Equity II have agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(3) Includes 23,750 shares for Messrs. Scott and Sloan and 16,250 shares for Mr. Grand-Jean not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(4) Includes 512,200 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(5) Includes 13,750 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(6) Includes (i) 686,722 shares owned by Mr. Drexler, (ii) 262,524 shares beneficially owned by a family trust of which Mr. Drexler is a trustee, (iii) 836,890 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days, and (iv) 1,700,500 shares not currently owned but issuable to TPG-MD Investment, LLC upon conversion of the 5.0% Notes Payable. An entity controlled by Mr. Drexler, MDJC LLC, holds a 50% membership interest in TPG-MD Investment LLC, which beneficially owns the 5.0% Notes Payable directly. We refer you to “Certain Relationships and Related Transactions—TPG-MD Investment Notes Payable” for more information. Mr. Drexler has agreed to convert the 5.0% Notes Payable into shares of our common stock at a conversion price of $6.82 per share of common stock immediately prior to the consummation of this offering. We refer you to “Transactions in Connection with the Offering” for more information.

(7) Includes 35,500 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

(8) Includes 153,431 shares not currently owned but issuable upon the exercise of stock options awarded under our stock option plans that are currently exercisable or become exercisable within 60 days.

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Tax Sharing Arrangement

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

5.0% Notes Payable

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

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

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

Madewell License Agreement

On October 20, 2005 we entered into a trademark license agreement with Mr. Drexler, our Chairman and Chief Executive Officer, and Millard S. Drexler, Inc., a corporation of which Mr. Drexler is a principal, whereby Mr. Drexler granted us a thirty-year exclusive, worldwide license to use the "Madewell" trademark and associated intellectual property rights owned by him to develop a supplemental clothing, footwear and accessories line. In consideration for the license, we will reimburse Mr. Drexler's actual costs expended in acquiring and developing this mark (not to exceed $300,000 in total), pay royalties of $1 per year during the term of the license, and recognize Mr. Drexler as "founder" and "creator" of any business developed in connection with this mark. We also agreed that, during Mr. Drexler's employment, we will not assign or spin off ownership of the mark without his consent other than as part of a sale of the entire company (except that we may pledge or hypothecate our interest in the mark as part of bank or other financings).

Mr. Drexler has further agreed to assign to us all of his residual rights in this mark and all associated intellectual property for no additional consideration if we (a) establish an operating business unit using this mark and (b) invest at least $7.5 million in developing this mark; provided, however, that Mr. Drexler will have no obligation to assign such rights if we terminate his employment without cause or he resigns with good reason before we meet conditions (a) and (b) above.

In addition, if one of the following events occurs prior to his assignment of his residual rights, Mr. Drexler will have the right to terminate the license within the first ninety days of the occurrence of such event: (a) we have not made the $7.5 million capital commitment prior to Mr. Drexler's termination without cause or resignation with good reason, (b) we decide, before making the $7.5 million commitment, to discontinue our plans to use this mark and we have no bona fide intention to resume such use, or (c) we determine, during Mr. Drexler's employment and without his consent, to pursue a supplemental product line under any mark other than the licensed trademark or J. Crew. If Mr. Drexler terminates the license, he must repay all consideration we paid him on execution of the license.

We plan to open two to three stores offering the Madewell line in 2006.

University Village Lease

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

Plum TV Sponsorship Agreement

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

Registration Rights

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

In addition, Mr. Drexler and Ms. Scott have rights under stockholders' agreements with us and Partners II to cause us to register their shares of common stock under the Securities Act representing an aggregate of up to shares of our common stock. These rights include piggyback registration rights to require us to include these stockholders' shares in any registered offering including shares of Partners II, a party to the Registration Rights Agreement described above. Registration of the sale of these shares of our common stock would permit their sale into the market immediately. If these stockholders exercise their rights and sell a large number of shares, the market price of our common stock could decline. These holders of registration rights are subject to lock-up agreements for a period of 180 days following the date of this prospectus. We refer you to "Management—Executive Compensation—Employment Agreements and other Compensation Arrangements" and "Description of Capital Stock—Stockholders' Agreements" for a more detailed discussion of the registration rights.

DESCRIPTION OF CAPITAL STOCK

General

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

Common Stock

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

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

Preferred Stock

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

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

Stockholders' Agreements

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

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

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

Provisions in Our Charter and Bylaws

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

Bylaws. Our bylaws provide that:

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

Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders or to nominate candidates for election as directors at an annual meeting of

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

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

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

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

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

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

Limitation of Liability and Indemnification of Officers and Directors

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

Transfer Agent and Registrar

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

New York Stock Exchange Listing

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

DESCRIPTION OF CERTAIN INDEBTEDNESS

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

Credit Facility

On December 23, 2004, we, Operating and certain of its subsidiaries entered into the Credit Facility with Wachovia Capital Markets, LLC, as arranger and bookrunner, Wachovia, as administrative agent, Bank of America N.A., as syndication agent, Congress Financial Corporation, as collateral agent, and a syndicate of lenders which provides for a maximum credit availability of up to $170.0 million (which may be increased to $250.0 million subject to certain conditions). The Credit Facility was amended on October 10, 2005 in connection with our reincorporation in Delaware and merger with Intermediate, on May 12, 2006 in connection with the establishment of our Madewell operating subsidiary, and on May 15, 2006 in connection with our entering into the New Term Loan and the 13 1/8% Redemption.

Structure. The Credit Facility provides for revolving loans and letter of credit accommodations to Operating and certain of its subsidiaries (collectively, the "Borrowers"), and expires in December 2009. The total amount of available borrowings is subject to limitations based on specified percentages of the value of eligible receivables, inventory and real property. During fiscal 2002, 2003 and 2004, maximum borrowings under our working capital credit agreements were $63.0 million, $10.0 million and none, respectively, and average borrowings were none, $40.4 million and $1.0 million, respectively. There were no borrowings outstanding at January 31, 2004 and January 29, 2005. As of October 29, 2005, there were no amounts outstanding and $64.8 million available under the Credit Facility.

Guarantees and Security. Borrowings under the Credit Facility are guaranteed by us and all of Operating's domestic direct or indirect subsidiaries and are secured by a perfected first priority security interest in substantially all of our and our subsidiaries' assets. We expect to amend the Credit Facility in connection with this offering to provide for borrowings under the Credit Facility to be secured by a perfected first or second priority security interest in substantially all of our and our subsidiaries' assets, subject to inter-creditor arrangements expected to be negotiated with the lenders under the New Term Loan or substitute financing arrangements.

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

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

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

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

limitations on our and Operating's and certain of our and Operating's subsidiaries' ability to, among other things:

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

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

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

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

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

Letters of Credit. Outstanding letters of credit established primarily to facilitate international merchandise purchases amounted to $58.7 million and $69.9 million at January 29, 2005 and January 28, 2006, respectively.

5.0% Notes Payable

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

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

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

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

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

New Term Loan

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

We used the $285.0 million in borrowings under the New Term Loan, along with cash on hand, to repurchase the 9 3/4% Notes in the Tender Offer and to pay premiums, fees, commissions and expenses related to the Tender Offer. We plan to use $100.0 million of additional borrowings under the accordion feature of the New Term Loan to fund, in part, the Preferred Redemptions. See “Transactions in Connection with the Offering”.

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

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

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

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

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

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

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

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

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

UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

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

Dividends

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

Gain on Disposition of Common Stock

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

Federal Estate Taxes

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

U.S. Information Reporting Requirements and Backup Withholding Tax

U.S. information reporting requirements and backup withholding tax will not apply to dividends paid on common stock to a non-U.S. holder, provided the non-U.S. holder provides a Form W-8BEN (or satisfies certain documentary evidence requirements for establishing that it is a non-United States person) or otherwise establishes an exemption. Information reporting and backup withholding also generally will not apply to a payment of the proceeds of a sale of common stock effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of common stock effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or

business in the United States, (iii) is a “controlled foreign corporation” as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is more than 50 percent (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of common stock will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

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

SHARES ELIGIBLE FOR FUTURE SALE

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

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

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

Rule 144

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

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

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

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

Lock-up Agreements

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

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

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

Option Grants

As of January 28, 2006, collectively under both our 1997 Amended and Restated Stock Option Plan and our 2003 Equity Incentive Plan, there were options issued and outstanding to purchase up to 4,769,349 shares of our common stock. An additional 64,351 shares were reserved for issuance under our 1997 Amended and Restated Stock Option Plan, and 35,062 shares were available for grant under our 2003 Equity Incentive Plan.

Registration Rights

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

In addition, Mr. Drexler and Ms. Scott have rights under stockholders' agreements with us and Partners II to cause us to register their shares of common stock under the Securities Act representing an aggregate of up to shares of our common stock. These rights include piggyback registration rights to require us to include these stockholders' shares in any registered offering including shares of Partners II, a party to the Registration Rights Agreement described above. Registration of the sale of these shares of our common stock would permit their sale into the market immediately. If these stockholders exercise their rights and sell a large number of shares, the market price of our common stock could decline. These holders of registration rights are subject to lock-up agreements for a period of 180 days following the date of this prospectus. We refer you to "Certain Relationships and Related Transactions—Registration Rights," "Management—Executive Compensation—Employment Agreements and other Compensation Arrangements" and "Description of Capital Stock—Stockholders' Agreements" for a more detailed discussion of the registration rights.

S-8 Registration Statements

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

TPG Subscription

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

UNDERWRITING

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

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Bear, Stearns & Co. Inc.	
Banc of America Securities LLC	
Citigroup Global Markets Inc.	
Credit Suisse First Boston LLC	
J.P. Morgan Securities Inc.	
Lehman Brothers Inc.	
Wachovia Capital Markets, LLC	
Total	

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

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

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

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

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

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

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

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

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

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

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

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

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a

result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

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

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

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

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

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

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

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

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

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

Each of the underwriters has represented and agreed that:

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

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

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

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

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

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

The underwriters have performed investment banking and advisory services for J.Crew from time to time for which they received customary fees and expenses. In addition, affiliates of Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. acted as joint lead arrangers and joint book runners in connection

with the New Term Loan. An affiliate of Goldman, Sachs & Co. is the administrative agent and collateral agent for the New Term Loan, and an affiliate of Bear, Stearns & Co. Inc. is the syndication agent. The underwriters may, from time to time, engage in transactions with, and perform services for, J.Crew in the ordinary course of their businesses.

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

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

EXPERTS

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

VALIDITY OF COMMON STOCK

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

AVAILABLE INFORMATION

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

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

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

J.CREW GROUP, INC.
INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

KPMG LLP
New York, New York
April 24, 2006

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

	January 29, 2005	January 28, 2006
	(in thousands, except for shares)	
Assets		
Current assets:		
Cash and cash equivalents	$ 23,647	$ 61,275
Merchandise inventories	88,093	116,191
Prepaid expenses and other current assets	22,217	29,132
Refundable income taxes	9,320	8,600
Total current assets	143,277	215,198
Property and equipment—at cost	259,098	252,328
Less accumulated depreciation and amortization	(138,285)	(142,920)
	120,813	109,408
Other assets	14,104	12,715
Total assets	$ 278,194	$ 337,321
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 68,569	$ 75,833
Other current liabilities	61,148	64,031
Federal and state income taxes	1,392	2,677
Total current liabilities	131,109	142,541
Deferred credits	59,064	57,956
Long-term debt	576,933	631,867
Preferred stock	92,800	92,800
Stockholders' deficit:		
Common stock $.01 par value; authorized 100,000,000 shares; issued 13,780,175 and 14,338,939 shares; outstanding 13,207,086 and 13,701,100 shares	137	143
Accumulated deficit	(579,183)	(582,645)
Deferred compensation	(253)	(2,655)
Treasury stock, at cost (573,089 and 637,839 shares)	(2,413)	(2,686)
Total stockholders' deficit	$ (581,712)	$ (587,843)
Total liabilities and stockholders' deficit	$ 278,194	$ 337,321

See notes to consolidated financial statements.

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

	Years Ended		
	January 31, 2004	January 29, 2005	January 28, 2006
	(in thousands)		
Revenues:			
Net sales	$660,628	$ 778,165	$924,129
Other	29,337	26,051	29,059
	689,965	804,216	953,188
Cost of goods sold, including buying and occupancy costs	440,276	478,829	555,192
Gross profit	249,689	325,387	397,996
Selling, general and administrative expenses	280,464	287,745	318,499
Income (loss) from operations	(30,775)	37,642	79,497
Interest expense—net of interest income of $(162) in 2003, $(256) in 2004 and $(584) in 2005	63,844	87,571	72,903
Insurance proceeds	(3,850)	—	—
(Gain) loss on refinancing of debt (net of expenses of $2,922 in 2003)	(41,085)	49,780	—
Income (loss) before income taxes	(49,684)	(99,709)	6,594
Provision for income taxes	500	600	2,800
Net income (loss)	(50,184)	(100,309)	3,794
Preferred dividends	(26,260)	(13,456)	(13,456)
Net loss applicable to common shareholders	$ (76,444)	$(113,765)	$ (9,662)
Weighted average shares outstanding (in millions)			
Basic and diluted	11,927	12,205	12,642
Loss per share			
Basic and diluted	$ (6.41)	$ (9.32)	$ (.76)

See notes to consolidated financial statements.

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

	Common Stock		Additional paid-in capital	Accumulated deficit	Treasury stock	Deferred compensation	Stockholders' deficit
	Shares	Amount					
Balance at February 1, 2003	13,359,773	$ 134	$ —	$ (389,281)	$ (2,351)	$ (165)	$ (391,663)
Net loss	—	—	—	(50,184)	—	—	(50,184)
Issuance of restricted stock	224,402	2	163	—	—	(165)	—
Restricted stock expense	—	—	—	—	—	41	41
Forfeiture of restricted stock	—	—	—	—	(62)	62	—
Preferred stock dividends	—	—	(163)	(26,097)	—	—	(26,260)
Balance at January 31, 2004	13,584,175	136	—	(465,562)	(2,413)	(227)	(468,066)
Net loss	—	—	—	(100,309)	—	—	(100,309)
Issuance of restricted stock	196,000	1	144	—	—	(145)	—
Restricted stock expense	—	—	—	—	—	119	119
Preferred stock dividends	—	—	(144)	(13,312)	—	—	(13,456)
Balance at January 29, 2005	13,780,175	$ 137	—	(579,183)	(2,413)	(253)	(581,712)
Net income	—	—	—	3,794	—	—	3,794
Issuance of restricted stock	170,000	2	2,825	—	—	(2,827)	—
Restricted stock expense	—	—	—	—	—	556	556
Forfeiture of restricted stock	—	—	—	—	(273)	273	—
Preferred stock dividends	—	—	(6,200)	(7,256)	—	—	(13,456)
Exercise of stock options	388,764	4	2,727	—	—	—	2,731
Issuance of stock options	—	—	525	—	—	(525)	—
Stock option expense	—	—	—	—	—	121	121
Non-employee stock option expense	—	—	83	—	—	—	83
Tax effect from exercise of stock options	—	—	40	—	—	—	40
Balance at January 28, 2006	14,338,939	$ 143	—	$ (582,645)	$ (2,686)	$ (2,655)	$ (587,843)

See notes to consolidated financial statements.

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

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

See notes to consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

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1. Nature Of Business And Summary Of Significant Accounting Policies

(a) Basis of Presentation

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

All significant intercompany balances and transactions are eliminated in consolidation.

(b) Business

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

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

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

(c) Segment Information

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

(d) Fiscal Year

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

(e) Cash Equivalents

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

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

(f) Merchandise Inventories

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

(g) Advertising and Catalog Costs

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

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

(h) Property and Equipment

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

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

(i) Debt Issuance Costs

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

(j) Income Taxes

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

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

(k) Revenue Recognition

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

(l) Operating Expenses

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

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

(m) Store Pre-opening Costs

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

(n) Derivative Financial Instruments

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

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

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

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

(p) Impairment of Long-Lived Assets

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

(q) Stock Based Compensation

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

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

	(in thousands)
Net loss applicable to common shareholders, as reported	$ (9,662)
Compensation expense included in reported net income, net of income tax benefit	720
Compensation expense under fair value method, net of income tax benefit	(1,540)
Pro forma net loss applicable to common shareholders, as reported	$ (10,482)
Loss per share	
As reported—basic and diluted	$ (.76)
Pro forma—basic and diluted	$ (.83)

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

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

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

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

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

(r) Deferred Rent and Lease Incentives

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

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

(s) Loss per share

Net loss per share is computed using the weighted average number of common shares outstanding during the period. The weighted average number of shares used in the calculation for both basic and diluted net loss per share for fiscal years 2003, 2004 and 2005 was 11,927,000, 12,205,000 and 12,642,000 shares, respectively. Diluted earnings per share is the same as basic earnings per share since the dilutive calculation would have an anti-dilutive impact as a result of the net losses incurred during fiscal years 2002, 2003 and 2004.

(t) Reclassification

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

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2. Related Party Transaction

On October 20, 2005, the Company, Millard Drexler, Chairman of the Board and Chief Executive Officer and Millard S. Drexler, Inc. entered into a Trademark License Agreement whereby Mr. Drexler granted the Company a thirty-year exclusive, worldwide license to use a trademark and associated intellectual property rights owned by him (the "Properties"). In consideration for the license, the Company will reimburse Mr. Drexler's actual costs expended in acquiring and developing the Properties (not to exceed $300,000 in total) (the "Up-Front Fee") and pay royalties of $1 per year during the term of the license. The Company also agreed that it will not assign or spin off ownership of the Properties during the term of Mr. Drexler's employment without his consent other than as part of a sale of the entire company (except that the Company may pledge or hypothecate its interest in the Properties as part of a bank or other financings). Mr. Drexler has further agreed to assign to the Company all of his residual rights in the Properties for no additional consideration if the Company (a) establishes an operating business unit using the Properties and (b) invests at least $7.5 million in developing the Properties; provided, however, that Mr. Drexler will have no obligation to assign such rights if the Company terminates his employment without cause or he resigns with good reason before the Company meets conditions (a) and (b) above. In addition, if one of the following events occurs prior to his assignment of his residual rights, Mr. Drexler will have the right to terminate the license within the first ninety days of the occurrence of such event: (a) the Company has not made the $7.5 million capital commitment prior to Mr. Drexler's termination without cause or resignation with good reason, (b) the Company decides to discontinue its plans to use the licensed trademark and the Company has no bona fide intention to resume such use, or (c) the Company determines, during Mr. Drexler's employment and without his consent, to pursue a supplemental product line under any mark other than the licensed trademark of J. Crew. If Mr. Drexler terminates the license he must repay the Up-Front Fee.

3. Insurance Proceeds

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

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

4. Property and Equipment

Property and equipment, net consists of:

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

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5. Other Current Liabilities

Other current liabilities consist of:

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

6. Lines of Credit

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

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

Borrowings are secured by a perfected first priority security interest in all the assets of Operating and its subsidiaries and bear interest, at the Company’s option, at the prime rate plus a margin of up to 0.25% or the Eurodollar rate plus a margin ranging from 1.25% to 2.00%. The Company is required to pay a monthly unused line fee ranging from .25% to .375%. Fees for outstanding commercial letters of credit range from .625% to 1.0% and fees for outstanding standby letters of credit are 1.25%.

The Amended Wachovia Credit Facility includes restrictions, including the incurrence of additional indebtedness, the payment of dividends and other distributions, the making of investments, the granting of loans and the making of capital expenditures. The Amended Wachovia Credit Facility permits restricted payments (by way of dividends or other distributions) with respect to, among other things, the Company’s capital stock payable solely in additional shares of its capital stock, the Company’s tax sharing agreement, the Series A Preferred Stock of Group, the Series B Preferred Stock of Group and the 13 1/8% Senior Discount Debentures due 2008 of Group. The ability of Operating to declare dividends on its capital stock is also limited by Delaware law, which permits a company to pay dividends on its capital stock only out of its surplus or, in the event that it has no surplus, out of its net profits for the year in which a dividend is declared or for the immediately

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preceding fiscal year. Under the Amended Wachovia Credit Facility, Operating is required to maintain a fixed interest charge coverage ratio of 1.1 if excess availability is less than $20.0 million for any 30 consecutive day period. Operating has at all times been in compliance with all financial covenants.

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

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

7. Long-Term Debt and Preferred Stock

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

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

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

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

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

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

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

On October 3, 2005, Operating announced a cash tender offer and consent solicitation for all its outstanding 9 3/4% senior subordinated notes. On October 17, 2005, Operating announced that 100% of the outstanding 9 3/4% senior subordinated notes had been tendered. Holders of the 9 3/4% senior subordinated notes will receive total consideration equal to $1,015.07 per $1,000 principal amount, or 101.507% of their par value, comprising tender consideration of 1.0% and a consent payment of $5.07. On November 1, 2005, Operating extended the expiration date of its tender offer, and further extended it on January 23, 2006, March 1, 2006 and May 1, 2006. The offer will now expire on May 15, 2006 unless further extended.

On April 24, 2006, Operating entered into commitment letters with Goldman Sachs Credit Partners L.P., Bear, Stearns & Co. Inc., Bear Stearns Corporate Lending Inc., and Wachovia Bank, National Association under which such institutions and their affiliates have committed to provide a senior secured term loan (the "Term Loan") to Operating with a principal amount of up to $285 million, subject to Operating's ability to increase the principal amount in the form of an additional tranche of up to $100 million under certain terms and conditions. Operating intends to use the proceeds of the Term Loan to repay or redeem certain outstanding indebtedness of Operating and to pay fees and expenses related to such transactions. The closing and funding of the Term Loan are conditioned on (i) the satisfaction of certain customary conditions and (ii) the amendment of the existing revolving credit agreement of Operating and certain of its subsidiaries with Wachovia Bank, National Association and certain other lenders (the "Revolving Credit Facility") to permit the contemplated Term Loan. The Term Loan will be secured by security interests in substantially all of our assets, subject to inter-creditor arrangements to be negotiated with the lenders under the Revolving Credit Facility.

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

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

(d) The restated certificate of incorporation of our predecessor, a New York corporation, authorized issuance of up to:

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

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

At January 29, 2005 and January 28, 2006, 92,800 shares of Series A preferred stock and 32,500 shares of Series B preferred stock were issued and outstanding.

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

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

In certain circumstances (including a change of control of Group), subject to restrictions imposed by certain indebtedness of the Company, Group may be required to repurchase shares of the preferred stock at liquidation value plus accumulated and unpaid dividends. If Group liquidates, dissolves or winds up, whether voluntary or involuntary, no distribution shall be made either (i) to those holders of stock ranking junior to the preferred stock, unless prior thereto the holders of the preferred stock receive the total value for each share of preferred stock plus an amount equal to all accrued dividends

thereon as of the date of such payment or (ii) to the holders of stock ranking *pari passu* with the preferred stock (which we refer to as the "parity stock"), except distributions made ratably on the preferred stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon liquidation, dissolution or winding up of Group.

Effective at the beginning of the third quarter of 2003, the Company adopted SFAS No. 150 "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*". This pronouncement required the reclassification to long-term debt of the liquidation value of Group Series B preferred stock and the related accumulated and unpaid dividends and the accumulated and unpaid dividends related to the Series A preferred stock since these amounts are required to be redeemed in October 2009. The preferred dividends related to the liquidation value of the Series B preferred stock and to the accumulated and unpaid dividends of the Series A and Series B preferred stock for the third and fourth quarters of 2003 and fiscal 2004 and 2005 are included in interest expense. The Series A preferred stock is only redeemable in certain circumstances (including a change of control at Group) and does not qualify for reclassification under SFAS No. 150. Accordingly, the dividends related to the Series A preferred stock are deducted from stockholders' deficit.

Accumulated but unpaid dividends amounted to $279,506 at January 28, 2006.

8. Gain (loss) on Refinancing of Debt

During the fourth quarter of 2004, the Company redeemed in full the outstanding 10 3/8% senior subordinated notes due 2007 ($150.0 million) and redeemed the outstanding 16% senior discount contingent principal notes due 2008 ($169.1 million). Funds used for the redemption were generated from the proceeds of a $275 million term loan and internally available funds. This refinancing resulted in a loss of $49.8 million in fiscal 2004, which consisted of: (a) redemption premiums of $15.3 million, (b) the write-off of deferred financing costs of $3.2 million and (c) the write-off of deferred debt issuance costs of $31.3 million related to the 16% senior discount contingent principal notes issued in May 2003.

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

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended February 1, 2003, January 31, 2004 and January 29, 2005
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9. Loss per Share

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

	2003	2004	2005
		($ in thousands, except per share amounts)	
Net income (loss)	$(50,184)	$(100,309)	$ 3,794
Preferred stock dividends	(26,260)	(13,456)	(13,456)
Net loss applicable to common shareholders	(76,444)	(113,765)	(9,482)
Weighted average common shares outstanding			
Basic and diluted	11,927	12,205	12,642
Loss per Share			
Basic and diluted	$ (6.41)	$ (9.32)	$ (.76)

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

	2003	2004	2005
Stock options	2,411	4,582	4,769
Unvested shares of restricted stock	855	776	636
Convertible note payable	3,079	3,226	3,401
	6,345	8,584	8,806

10. Commitments and Contingencies

(a) Operating Leases

As of January 28, 2006, the Company was obligated under various long-term operating leases for retail and factory outlet stores, warehouses, office space and equipment requiring minimum annual rentals.

These operating leases expire on varying dates through 2019. At January 28, 2006 aggregate minimum rentals are, as follows:

Fiscal year	Amount
2006	$55,432
2007	54,522
2008	47,860
2009	44,223
2010	39,365
Thereafter	86,537

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

Rent expense for fiscal 2003, 2004 and 2005 was $42,997, $46,583 and $49,144, respectively, including contingent rent, based on store sales, of $814, $1,700 and $2,768.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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(b) Employment Agreements

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

(c) Litigation

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

11. Employee Benefit Plan

The Company has a 401(K) Savings Plan pursuant to Section 401 of the Internal Revenue Code whereby all eligible employees may contribute up to 15% of their annual base salaries subject to certain limitations. The Company's contribution is based on a percentage formula set forth in the plan agreement. Company contributions to the 401(K) Savings Plan were $1,288, $1,306 and $1,428 for fiscal 2003, 2004 and 2005, respectively.

12. License Agreement

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

The Company earns royalty payments under the agreement based on the sales of its merchandise. Royalty income, which is included in other revenues, for fiscal 2003, 2004 and 2005 was $2,456, $2,757 and $2,864, respectively.

13. Other Revenues

Other revenues consist of the following:

	2003	2004	2005
Shipping and handling fees	$ 25,205	$ 21,624	$ 26,430
Royalties	2,456	2,757	2,864
Other	1,676	1,670	(235)
	$ 29,337	$ 26,051	$ 29,059

14. Financial Instruments

The fair value of the Company's long-term debt (including redeemable preferred stock) is estimated to be approximately $596,400 and $595,100 at January 29, 2005 and January 28, 2006, respectively, and is based on current rates offered to the Company for debt of similar maturities or quoted market prices of the same or similar instruments. The carrying amounts of long-term debt were

Dollars in thousands, unless otherwise indicated

$576,933 and $631,867 at January 29, 2005 and January 28, 2006, respectively. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts payable and other current liabilities approximate fair value because of the short-term maturity of those financial instruments. The estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

15. Income Taxes

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

The income tax provision (benefit) consists of:

	2003	2004	2005
Current:			
Foreign	$ 250	$300	$ 290
Federal	(3,744)	—	580
State and local	(1,006)	300	1,930
	(4,500)	600	2,800
Deferred	5,000	—	—
Total	$ 500	$600	$2,800

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

	2003	2004	2005
Federal income tax rate	(35.0)%	(35.0)%	35.0%
State and local income taxes, net of federal benefit	0.8	0.4	19.0
Foreign income tax	—	—	4.4
Valuation allowance	64.0	5.6	(245.8)
Additional NOL carryback	(7.4)	—	—
Adjustment of prior tax accruals	(2.6)	—	(8.1)
Non-deductible expenses (primarily Group preferred dividends)	8.4	18.6	242.6
Non-recognized gain (loss) on exchange of debt	(27.2)	11.0	—
Other	—	—	(4.7)
Effective tax rate	1.0%	0.6%	42.4%

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Fiscal Years Ended January 31, 2004, January 29, 2005 and January 28, 2006
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The tax effect of temporary differences which give rise to deferred tax assets and liabilities are:

	January 29, 2005	January 28, 2006
Deferred tax assets:		
Original issue discount	$ 3,900	$ 3,900
Rent	17,800	17,000
Federal NOL carryforwards	47,200	29,800
State and local NOL carryforwards	4,500	3,200
Reserve for sales returns	1,900	2,500
Other	4,400	3,700
	79,700	60,100
Valuation allowance	(63,400)	(46,500)
	16,300	13,600
Deferred tax liabilities:		
Prepaid catalog and other prepaid expenses	(6,600)	(7,600)
Difference in book and tax basis for property and equipment	(9,700)	(6,000)
	(16,300)	(13,600)
Net deferred income tax assets	$ —	$ —

The Company has significant deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, which will reduce taxable income in future periods. SFAS No. 109 “Accounting for Income Taxes” states that a valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence needs to be considered, including a company’s current and past performance, the market environment in which a company operates, length of carryback and carryforward periods, existing contracts or sales backlog that will result in future profits, etc. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses weigh heavily in the overall assessment. As a result of our assessment, we established a valuation allowance for the net deferred tax assets at February 1, 2003. The valuation allowance was adjusted at January 29, 2005 and January 28, 2006 to fully reserve net deferred tax assets at such dates. The Company did not recognize any net tax benefits in fiscal 2005 and does not expect to recognize any net tax benefits in future results of operations until an appropriate level of profitability is sustained.

The Company has net operating loss carryforwards, which expire in 2025, of approximately $83 million to offset future taxable income for federal income tax purposes. The amount and expiration date of net operating loss carryforwards for state and local income tax purposes vary by tax jurisdiction.

16. Stock Compensation Plans

Amended and Restated 1997 Stock Option Plan

Under the terms of the Amended and Restated 1997 Stock Option Plan (1997 Plan), an aggregate of 1,910,000 shares of Group common stock are available for grant to key employees and consultants in the form of non-qualified stock options. The options have terms of seven to ten years

J.CREW GROUP, INC. AND SUBSIDIARIES

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

2003 Equity Incentive Plan

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

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

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

A summary of stock option activity for the three years ended January 28, 2006, is as follows:

	2003		2004		2005	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	4,474,469	$ 18.22	2,410,606	$ 8.37	4,582,265	$ 13.15
Granted	377,750	6.85	2,515,848	17.07	1,014,914	14.66
Exercised	—	—	—	—	(388,674)	7.03
Cancelled	(2,441,613)	26.19	(344,189)	8.33	(439,156)	10.05
Outstanding, end of year	2,410,606	$ 8.37	4,582,265	$ 13.15	4,769,349	$ 14.25
Options exercisable at end of year	849,302	$ 10.59	1,706,775	$ 11.81	2,011,665	$ 14.03

The following table summarizes information about stock options outstanding as of January 28, 2006:

	Outstanding			Exercisable	
Range	Number of options	Weighted average option price	Weighted average remaining contractual life (in months)	Number of options	Weighted average option price
$6.82–$8.53	1,642,463	$ 6.87	74	798,237	$ 6.89
$10.00–$20.81	1,994,936	$ 14.14	97	733,652	$ 14.38
$25.00–$35.00	1,131,950	$ 25.15	99	479,776	$ 25.35
$6.82–$35.00	4,769,349	$ 14.25	89	2,011,665	$ 14.03

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Under the 2003 Plan, 224,402, 196,000 and 170,000 restricted shares were issued in fiscal 2003, 2004 and 2005, respectively, of which 83,689 and 64,750 shares were forfeited in fiscal 2003 and 2005, respectively. On January 28, 2006, there were 1,446,229 restricted shares outstanding, of which 809,951 shares were vested.

The weighted-average grant-date fair value per share of restricted stock issued in fiscal years 2003, 2004 and 2005 was $0.74, $1.12 and $12.76, respectively.

17. Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board, (FASB) issued SFAS No. 123 (revised 2004), "*Share-Based Payment*" (SFAS No. 123R), which is a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*." SFAS No. 123R supercedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*," and amends SFAS No. 95, "*Statement of Cash Flows*." Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS No. 123R must be adopted no later than the first interim or annual period beginning after June 15, 2005.

As permitted by SFAS No. 123, we have accounted for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. We will adopt SFAS No. 123R effective January 29, 2006 using the modified prospective application option. As a result, the compensation cost for the portion of awards we granted before January 29, 2006 for which the requisite service has not been rendered and that are outstanding as of January 29, 2006 will be recognized as the remaining requisite service is rendered. In addition, the adoption of SFAS No. 123R will require us to change from recognizing the effect of forfeitures as they occur to estimating the number of outstanding instruments for which the requisite service is not expected to be rendered. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on our results of operations. The impact of the adoption of SFAS No. 123R cannot be determined at this time because it will depend upon levels of share-based payments granted in the future. However, had we adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact as described in the disclosure of pro forma net income pursuant to SFAS No. 123 in Note 1q of Notes to Consolidated Financial Statements.

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections,* a replacement of APB Opinion No. 20, *Accounting Changes* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, effective for fiscal years beginning after December 15, 2005. Statement No. 154 changes the requirements for the accounting for and reporting of a voluntary change in accounting principles as well as the changes required by an accounting pronouncement that does not include specific transition provisions. The Company does not expect the implementation of Statement No. 154 to have a significant effect on the Company's consolidated financial position, results of operations or cash flows.

In October 2005, the FASB issued Staff Position FAS 13-1, *Accounting For Rental Costs Incurred During A Construction Period*. FAS 13-1 provides that there is no distinction between the right to use a leased asset during and after the construction period; therefore rental costs incurred during the

construction period should be recognized as rental expense and included in income from continuing operations. FAS 13-1 is effective for the first reporting period beginning after December 15, 2005; early adoption is permitted. The Company adopted FAS 13-1 in the fourth quarter of fiscal 2005 and the effect was not material.

18. Subsequent Event (Unaudited)

On May 15, 2006, the Company entered into a $285.0 million Senior Secured Term Loan Facility with Goldman Sachs Capital Partners L.P., Bear, Stearns & Co. Inc. and Wachovia Bank, National Association. The loan bears interest at the Company's option at the Base Rate plus 1.25% or LIBOR plus 2.25%. The Company has the option to increase the principal amount in the form of an additional tranche of up to $100 million under certain terms and conditions.

The proceeds from this transaction and $11.3 million of cash on hand were used to repay the $275.0 million 9 3/4% Senior Subordinated Notes due 2014 including accrued interest of $10.6 million and related premium, tender fees and other expenses of $10.7 million. A loss of $9.3 million on refinancing of debt will be included in the statement of operations in the second quarter of fiscal 2006.

The Company also announced a cash tender offer for all of its outstanding 13 1/8% Senior Discount Debentures due 2008. The tender offer is scheduled to expire on June 15, 2006.

19. Quarterly Financial Information (Unaudited)

	(in millions)				
	Thirteen Weeks Ended May 1, 2004	Thirteen Weeks Ended July 31, 2004	Thirteen Weeks Ended October 30, 2004	Thirteen Weeks Ended January 29, 2005(a)	Fifty-two Weeks Ended January 29, 2005(a)
Net sales	$ 140.6	$ 182.1	$ 200.9	$ 254.7	$ 778.3
Gross profit	60.7	74.2	89.0	101.5	325.4
Net loss	(23.7)	(13.8)	(9.9)	(52.9)	(100.3)
Preferred dividends	(3.4)	3.4	3.4	(3.3)	(13.5)
Net loss applicable to common shareholders	$ (27.1)	$ (17.2)	$ (13.3)	$ (56.2)	$ (113.8)
Weighted average common shares outstanding					
Basic and diluted	12,197	12,197	12,198	12,228	12,205
Loss per share					
Basic and diluted	$ (2.23)	$ (1.40)	$ (1.09)	$ (4.60)	$ (9.32)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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(in millions)

	Thirteen Weeks Ended April 30, 2005	Thirteen Weeks Ended July 30, 2005	Thirteen Weeks Ended October 29, 2005	Thirteen Weeks Ended January 28, 2006	Fifty-two Weeks Ended January 28, 2006
Net sales	$ 204.6	$ 221.3	$ 217.2	$ 281.2	$ 924.3
Gross profit	96.5	97.0	97.8	106.7	398.0
Net income (loss)	4.9	1.7	3.0	(5.8)	3.8
Preferred dividends	(3.4)	(3.4)	(3.4)	(3.3)	(13.5)
Net income (loss) applicable to common shareholders	$ 1.5	$ (1.7)	$ (.4)	$ (9.1)	$ (9.7)
Weighted average common shares outstanding					
Basic	12,472	12,485	12,773	12,840	12,642
Diluted	16,911	12,485	12,773	12,840	12,642
Income (loss) per share					
Basic	$ .12	$ (.13)	$ (.03)	$ (.72)	$ (.76)
Diluted	$ .11	$ (.13)	$ (.03)	$ (.72)	$ (.76)

(a) Net loss includes a pre-tax loss on the refinancing of debt of $49.8 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Charged to Cost and Expenses(a)	Charged to other Accounts	Deductions(a)	Ending Balance
			(in thousands)		
Inventory reserve (deducted from inventories)					
Fiscal year ended:					
January 31, 2004	$12,420	$ —	$ —	$ 7,380	$5,040
January 29, 2005	5,040	—	—	557	4,483
January 28, 2006	4,483	3,537	—	—	8,020
Allowance for sales returns (included in other current liabilities)					
Fiscal year ended:					
January 31, 2004	$ 5,313	$ —	$ —	$ 2,309	$3,004
January 29, 2005	3,004	1,827	—	—	4,831
January 28, 2006	4,831	1,385	—	—	6,216

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

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

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Shares

Common Stock

J.CREW

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.

Banc of America Securities LLC
Citigroup
Credit Suisse First Boston

JPMorgan
Lehman Brothers
Wachovia Securities

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

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

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

Registration fee	$ 41,783.50
NASD filing fee	36,000
New York Stock Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous	*
Total	

* To be provided by amendment.

Item 14. ***Indemnification of Directors and Officers.***

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

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

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, the Registrant's Certificate of Incorporation provides that its directors shall not be personally liable to the Registrant or its stockholders for monetary damages for breach of the directors' fiduciary duty as directors to the Registrant and its stockholders, except liability for (i) breach of the director's duty of loyalty to the

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

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

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

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

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

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

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

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

(4) Since September 2002, we have issued restricted shares of our common stock to some of our employees, non-employee directors and former executive officers, as further described below:

Grant Date	Number of Shares of Restricted Stock Granted
9/1/2002	105,000
1/27/2003	1,004,266
9/25/2003	133,902
10/22/2003	27,000
12/1/2003	11,000
1/1/2004	52,500
5/01/2004	55,000
5/10/2004	25,000
6/01/2004	2,500
7/26/2004	5,000
11/01/2004	138,500
12/01/2004	25,000
5/05/2005	40,000
8/08/2005	60,000
8/14/2005	35,000
9/07/2005	35,000

The recipients of these restricted shares of common stock did not pay any consideration for their awards.

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

Item 16. *Exhibits and Financial Statement Schedules.*

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

Exhibit No.	Document
1.1	Form of Underwriting Agreement.†
2.1	Agreement and Plan of Merger between J.Crew Group, Inc. (a New York corporation) and J.Crew Group, Inc. (a Delaware corporation), dated as of October 11, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K/A filed on October 17, 2005.
2.2	Agreement of Merger between the Company and Intermediate, dated as of October 11, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K/A filed on October 17, 2005.
3.1	Certificate of Incorporation of J.Crew Group, Inc.**
3.2	By-laws of J.Crew Group, Inc. Incorporated by reference to Exhibit 3.2 to the Form 8-K/A filed on October 17, 2005.
	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Form of Specimen Common Stock Certificate of J.Crew Group, Inc.*
4.2(a)	Indenture, dated as of October 17, 1997, between J.Crew Group, Inc. as Issuer and State Street Bank and Trust Company as Trustee (the "Group Indenture"). Incorporated by reference to Exhibit 4.3 to the Registration Statement of J.Crew Group, Inc. on Form S-4 filed on December 16, 1997 (File No. 333-42427) (the "S-4 Registration Statement").
4.2(b)	First Supplemental Indenture, dated as of May 6, 2003, of the Group Indenture. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on May 8, 2003.
4.3	Stockholders' Agreement, dated as of October 17, 1997, between J.Crew Group, Inc. and the Stockholder signatories thereto. Incorporated by reference to Exhibit 4.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(a)	Employment Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., J.Crew Operating Corp. and TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 10.1 to the S-4 Registration Statement (File No. 333-42427).
4.4(b)	Stockholders' Agreement, dated as of October 17, 1997, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods.**

Exhibit No.	Document
4.4(c)	Amendment to Stockholders' Agreement, dated as of June 11, 1998, between TPG Partners II, L.P. and Emily Woods.**
4.4(d)	Amendment to Stockholders' Agreement, dated as of February 3, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 7, 2003.
4.5	Stockholders' Agreement, dated as of January 24, 2003, among J.Crew, TPG Partners II, L.P. and Millard Drexler. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 3, 2003.
4.6	Stockholders' Agreement, dated as of February 20, 2003, among J.Crew Group, Inc., TPG Partners II, L.P. and Jeffrey Pfeifle. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on February 26, 2003.
4.7	Indenture, dated as of March 18, 2005, among J.Crew Operating Corp. as Issuer, J.Crew Intermediate LLC, Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew Inc. and J.Crew International, Inc. as Guarantors, and U.S. Bank National Association as Trustee (the "9¾% Notes Indenture"). Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on March 23, 2005.
4.8	First Supplemental Indenture, dated as of October 17, 2005, supplementing the 9¾% Notes Indenture. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on October 18, 2005.
4.9	Second Supplemental Indenture, dated as of October 17, 2005, supplementing the 9¾% Notes Indenture. Incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 18, 2005.
4.10	Security Agreement, dated as of November 21, 2004, by and among J.Crew Operating Group, J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC as Grantors, and U.S. Bank National Association as Collateral Agent. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on December 28, 2004.
4.11	Intercreditor Agreement, dated as of November 21, 2004, among Congress Financial Corporation as Senior Credit Agent, U.S. Bank National Association as Collateral Agent, J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., J.Crew International, Inc. and J.Crew Intermediate LLC. Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on December 28, 2004.
	Legal Opinion
5.1	Legal Opinion of Cleary Gottlieb Steen & Hamilton LLP.†
	Material Contracts
10.1	Amended and Restated Loan and Security Agreement, dated as of December 23, 2004, by and among J.Crew Operating Corp., J.Crew Inc., Grace Holmes, Inc. d/b/a J.Crew Retail, H.F.D. No. 55, Inc. d/b/a J.Crew Factory as Borrowers, J.Crew Group, Inc., J.Crew International, Inc., J.Crew Intermediate LLC as Guarantors, Wachovia Capital Markets, LLC as Arranger and Bookrunner, Wachovia Bank, National Association as Administrative Agent, Bank of America, N.A. as Syndication Agent, Congress Financial Corporation as Collateral Agent, and the Lenders (the "Credit Facility"). Incorporated by reference to Exhibit 4.6 to the Form 8-K filed on December 28, 2004.
10.1(a)	Amendment No. 1, dated as of October 10, 2005, to the Credit Facility. Incorporated by reference to Exhibit 4.1 to the Form 8-K/A filed on October 17, 2005.

Exhibit No.	Document
10.1(b)	Joinder Agreement between the Company and Wachovia Bank, National Association, as Agent under the Credit Facility, dated October 12, 2005. Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on October 18, 2005.
10.1(c)	Amendment No. 2, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation, a national banking association, in its capacity as administrative agent and collateral agent for lenders (the "Agent"), and Amendment No. 1 to Guarantee, dated as of May 15, 2006, by the borrowers and guarantors in favor of the Agent. †
10.1(d)	Amendment No. 3, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and the Agent. †
10.2	Amended and Restated Credit Agreement, dated as of May 15, 2006, by an among TPG-MD Investment, LLC, J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc. and J. Crew International, Inc. †
10.3	Purchase Agreement, dated as of August 16, 2005, between the Company and TPG Partners II L.P., TPG Parallel II L.P., TPG Investors II L.P. and TPG 1999 Equity II, L.P.**
10.4	Letter Agreement, dated as of August 16, 2005, between the Company and TPG-MD Investment, LLC.**
10.5	Amended and Restated J.Crew Group, Inc. 1997 Stock Option Plan. Incorporated by reference to Exhibit 10.1 to the Form 10-Q for the period ended August 3, 2002.
10.6(a)	J.Crew Group, Inc. 2003 Equity Incentive Plan (the "2003 Plan"). Incorporated by reference to Exhibit 10.4 to the Form 10-K for the fiscal year ended February 1, 2003.
10.6(b)	Amendment No. 1 to the 2003 Plan. Incorporated by reference to Exhibit 10.4(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.7(a)	Services Agreement, dated January 24, 2003, between the Company, Millard S. Drexler, Inc. and Millard S. Drexler. Incorporated by reference to Exhibit 10.9 to the Form 10-K for the fiscal year ended February 1, 2003.
10.7(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Millard S. Drexler. Incorporated by reference to Exhibit 10.9(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.8(a)	Employment Agreement, dated January 24, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10 to the Form 10-K for the fiscal year ended February 1, 2003.
10.8(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Jeffrey Pfeifle. Incorporated by reference to Exhibit 10.10(b) to the Form 10-K for the fiscal year ended January 31, 2004.
10.9	Form of Executive Severance Agreement between the Company and certain executives thereof. Incorporated by reference to Exhibit 10.14 to Form 10-K for the fiscal year ended February 2, 2002.
10.10	Employment Agreement, dated January 23, 2004, between the Company and Tracy Gardner. Incorporated by reference to Exhibit 10.14 to the Form 10-K for the fiscal year ended January 31, 2004.
10.11	Employment Agreement, dated April 10, 2004, between the Company and Amanda Bokman. Incorporated by reference to Exhibit 10.16 to the Form 10-K for the fiscal year ended January 31, 2004.
10.12	Separation Agreement, dated June 17, 2005, between the Company and Amanda Bokman.**
10.13	Employment Agreement, dated August 16, 2005, between the Company and James Scully.**

Exhibit No.	Document
10.14	Amended and Restated Employment Agreement by and among the Company, Operating and Millard S. Drexler dated as of October 20, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 21, 2005.
10.15	Trademark License Agreement by and among the Company, Millard S. Drexler and Millard S. Drexler, Inc. dated as of October 20, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K filed on October 21, 2005.
10.16	Form of Registration Rights Agreement among TPG Partners II, L.P., TPG Parallel II, L.P., TPG Investors II, L.P., TPG 1999 Equity II, L.P. and J. Crew Group, Inc.*
10.17	Credit and Guaranty Agreement, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as guarantors therein, the lenders party thereto from time to time, Goldman Sachs Credit Partners L.P. and Bear, Stearns & Co. Inc., as joint lead arrangers and joint bookrunners, Goldman Sachs Credit Partners L.P., as administrative agent and collateral agent, Bear Stearns Corporate Lending, Inc., as syndication agent, and Wachovia Bank, National Association, as documentation agent (the “Credit and Guaranty Agreement”).†
10.18	Pledge and Security Agreement Term Loan Collateral, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as grantors therein and Goldman Sachs Credit Partners L.P., as collateral agent.†
10.19	Trademark Security Agreement, dated, as of May 15, 2006, by and among J. Crew Inc. and J. Crew International, as grantors, and Goldman Sachs Credit Partners L.P., as collateral agent. †
10.20	Copyright Security Agreement, dated as of May 15, 2006, by and between J. Crew International, as grantor, and Goldman Sachs Credit Partners L.P., as collateral agent. †
10.21	Intercreditor Agreement, dated as of May 15, 2006, by and among J. Crew Operating Corp., J. Crew Group, Inc. and certain subsidiaries of J. Crew Operating Corp. named as guarantors in the Credit and Guaranty Agreement, Goldman Sachs Credit Partners L.P., in its capacity as administrative agent and collateral agent under the Credit and Guaranty Agreement, and Wachovia Bank, National Association, in its capacity as administrative agent and collateral agent under the Credit Facility. †
	Other Exhibits
21.1	Subsidiaries of J.Crew Group, Inc.†
23.1	Consent of KPMG LLP, Independent Auditors.†
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP. Included in Exhibit 5.1.†
24.1	Power of Attorney.**

† Filed herewith.
* To be filed by amendment.
** Previously filed.

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

Item 17. *Undertakings.*

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

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or

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

The undersigned Registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 5 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on May 16, 2006.

J.Crew Group, Inc.

By: /S/ MILLARD DREXLER

Millard Drexler
Chief Executive Officer

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

Signature	Title	Date
/S/ MILLARD DREXLER **Millard Drexler**	Chairman of the Board, Chief Executive Officer and a Director (Principal Executive Officer)	May 16, 2006
/S/ JAMES SCULLY **James Scully**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	May 16, 2006
* **Richard Boyce**	Director	May 16, 2006
* **Jonathan Coslet**	Director	May 16, 2006
* **James Coulter**	Director	May 16, 2006
* **Steven Grand-Jean**	Director	May 16, 2006
* **Bridget Ryan Berman**	Director	May 16, 2006
* **Emily Scott**	Director	May 16, 2006
* **Thomas Scott**	Director	May 16, 2006
* **Stuart Sloan**	Director	May 16, 2006
* **Josh Weston**	Director	May 16, 2006

*By: /S/ NICHOLAS LAMBERTI

Nicholas Lamberti, Attorney-in-Fact

EXHIBIT INDEX

Exhibit No.	Document
1.1	Form of Underwriting Agreement.†
2.1	Agreement and Plan of Merger between J.Crew Group, Inc. (a New York corporation) and J.Crew Group, Inc. (a Delaware corporation), dated as of October 11, 2005. Incorporated by reference to Exhibit 10.1 to the Form 8-K/A filed on October 17, 2005.
2.2	Agreement of Merger between the Company and Intermediate, dated as of October 11, 2005. Incorporated by reference to Exhibit 10.2 to the Form 8-K/A filed on October 17, 2005.
3.1	Certificate of Incorporation of J.Crew Group, Inc.**
3.2	By-laws of J.Crew Group, Inc. Incorporated by reference to Exhibit 3.2 to the Form 8-K/A filed on October 17, 2005.
	Instruments Defining the Rights of Security Holders, Including Indentures
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4.8	First Supplemental Indenture, dated as of October 17, 2005, supplementing the 9 3/4% Notes Indenture. Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on October 18, 2005.
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5.1	Legal Opinion of Cleary Gottlieb Steen & Hamilton LLP.†
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10.1(d)	Amendment No. 3, dated as of May 15, 2006, to the Credit Facility by and among Operating, J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., as borrowers, Group, J. Crew International, Inc. and Madewell Inc., as guarantors, the lenders named therein and the Agent. †
10.2	Amended and Restated Credit Agreement, dated as of May 15, 2006, by an among TPG-MD Investment, LLC, J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc. and J. Crew International, Inc. †

10.3	Purchase Agreement, dated as of August 16, 2005, between the Company and TPG Partners II L.P., TPG Parallel II L.P., TPG Investors II L.P. and TPG 1999 Equity II, L.P.**
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10.7(b)	Option Surrender Agreement, dated September 25, 2003, between the Company and Millard S. Drexler. Incorporated by reference to Exhibit 10.9(b) to the Form 10-K for the fiscal year ended January 31, 2004.
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10.19	Trademark Security Agreement, dated as of May 15, 2006, by and among J. Crew Inc. and J. Crew International, as grantors, and Goldman Sachs Credit Partners L.P., as collateral agent. †
10.20	Copyright Security Agreement, dated as of May 15, 2006, by and between J. Crew International, as grantor, and Goldman Sachs Credit Partners L.P., as collateral agent. †
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Other Exhibits

21.1	Subsidiaries of J.Crew Group, Inc.†
23.1	Consent of KPMG LLP, Independent Auditors.†
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP. Included in Exhibit 5.1.†
24.1	Power of Attorney.**

† Filed herewith.
* To be filed by amendment.
** Previously filed.

Exhibit 1.1

J. Crew Group, Inc.

Common Stock, par value $0.01 per share

Underwriting Agreement

_____, 2006

Goldman, Sachs & Co.,
Bear, Stearns & Co. Inc.,
As representatives of the several Underwriters
named in Schedule I hereto,
c/o Goldman, Sachs & Co.,
85 Broad Street,
New York, New York 10004.

Ladies and Gentlemen:

J. Crew Group, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of _____ shares (the "Firm Shares") and, at the election of the Underwriters, up to _____ additional shares (the "Optional Shares") of common stock, par value $0.01 per share ("Stock") of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Shares").

Prior to the date hereof, (a) J. Crew Group, Inc., a New York Corporation ("Parent"), reincorporated in Delaware pursuant to a merger with and into the Company, with the Company as the surviving entity (the "Company Merger") in accordance with an agreement and plan of merger (the "Company Merger Documents"); (b) J. Crew Intermediate LLC, a Delaware limited liability company ("Intermediate") and a wholly-owned subsidiary of Parent merged with and into the Company, with the Company as the surviving entity (the "Intermediate Merger" and, together with the Company Merger, the "Mergers") pursuant to an agreement of merger between Intermediate and the Company (the "Intermediate Merger Agreement", and together with the Company Merger Documents, the "Merger Documents") and (c) the Company declared a stock dividend as described in the Prospectus (the "Stock Dividend"). As used in this Agreement, prior to the consummation of the Company Merger, references to "Company" shall be deemed to be references to Parent, and after the consummation of the Company Merger, references to "Company" shall be deemed to be references to J. Crew Group, Inc., a Delaware corporation.

It is understood and agreed by all parties that the Company, Parent, Intermediate and J. Crew Operating Corp., a Delaware corporation ("Operating") have prior to the date hereof or concurrently entered into a series of transactions providing for (i) the declaration of all accrued and unpaid dividends on the 14 1/2% Cumulative Series A Preferred Stock issued by Parent and on the 14 1/2% Cumulative Redeemable Series B Preferred Stock issued by Parent, and the redemption, purchase or repayment of such stock as described in the Prospectus; (ii) the redemption, purchase or repayment of the 13 1/8% Senior Discount Debentures due 2008 issued by Parent and the cancellation of such debentures held by Intermediate as described in the Prospectus; (iii) the redemption, purchase or repayment of the 9 3/4% Senior Subordinated Notes due 2014 issued by Operating as described in the Prospectus and the solicitation of the consent of the majority of the holders of such notes to amend the indenture governing such notes and to amend and terminate the security agreement relating to such notes (collectively, the

"Tender Offer") pursuant to the terms of the related offer document, a dealer manager agreement (the "Dealer Manager Agreement") and a supplemental indenture (the "Supplemental Indenture"); (iv) the conversion of Operating's 5.0% Notes Payable due 2008 held by TPG-MD Investment, LLC into Stock of the Company as described in the Prospectus (the "Conversion"); (v) the purchase by TPG Partners II, L.P. and certain of its affiliates ("TPG") of a certain amount of Stock of the Company (the "TPG Subscription") pursuant to a subscription agreement (the "TPG Subscription Agreement") and (vi) certain financing arrangements among Operating, Goldman Sachs Credit Partners L.P., Bear, Stearns & Co. Inc. and certain other financial institutions as described in the Prospectus (the "Financing") pursuant to a credit and guaranty agreement to effect such Financing (the "Senior Secured Term Loan Facility"). The transactions described in clauses (i) through (vi) above, together with the Mergers and the Stock Dividend, are hereinafter referred to as the "Transactions". The Company Merger Documents, the Intermediate Merger Documents, the Dealer Manager Agreement, the Supplemental Indenture, the TPG Subscription Agreement and the Senior Secured Term Loan Facility are hereinafter referred to as the "Transaction Documents".

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-127628) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(c) hereof) is hereinafter called the "Pricing Prospectus"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus"; and any "issuer free writing prospectus" as defined in Rule 433 under the Act relating to the Shares is hereinafter called an "Issuer Free Writing Prospectus");

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this

representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. or Bear, Sterns & Co. Inc. (Goldman, Sachs & Co. and, together with Bear, Sterns & Co. Inc., the "Representatives") expressly for use therein;

(c) For the purposes of this Agreement, the "Applicable Time" is ___:___ __p.m. (Eastern time) on the date of this Agreement; the Pricing Prospectus as supplemented by those Issuer Free Writing Prospectuses and other documents listed in Schedule II(a) hereto, taken together (collectively, the "Pricing Disclosure Package") as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II(a) or Schedule II(b) hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, as supplemented by and taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(d) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to each part of the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(e) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Pricing Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect"), otherwise than as set forth or contemplated in the Pricing Prospectus;

(f) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as would not reasonably be expected to have a Material Adverse Effect; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(g) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification except where the failure to be so qualified or in good standing would not reasonably be expected to have a Material Adverse Effect; and each subsidiary of the Company has been duly organized or incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of organization or incorporation, except where the failure to be in good standing would not reasonably be expected to have a Material Adverse Effect;

(h) The Company has an authorized capitalization as set forth in the Pricing Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and conform to the description of the Stock contained in the Pricing Prospectus and Prospectus; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and except as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(i) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Stock contained in the Prospectus;

(j) The issue and sale of the Shares and the compliance by the Company with this Agreement and the consummation of the transactions herein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except for any such conflicts, violations, breaches and defaults that would not, individually or in the aggregate, affect the validity of the Shares, the ability of the Company to consummate the transactions herein contemplated or reasonably be expected to have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(k) Neither the Company nor any of its subsidiaries is (i) in violation of its Certificate of Incorporation or By-laws or (ii) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except, in the case of (ii) above, for such defaults as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect;

(l) The statements set forth in the Pricing Prospectus and Prospectus under the caption “Description of Capital Stock”, insofar as they purport to constitute a summary of the terms of the Stock, under the caption “United States Tax Consequences to Non-United States Holders”, under the caption “Shares Eligible for Future Sale” and under the caption “Underwriting”, insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(m) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the current or future financial position, stockholders’ equity or results of operations of the Company and its subsidiaries; and, to the best of the Company’s knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(n) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be an “investment company”, as such term is defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”);

(o) KPMG LLP, who has certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm as required by the Act and the rules and regulations of the Commission thereunder;

(p) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that in all material respects (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(q) The Company is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Company as of the date hereof and expects to be in compliance with all additional provisions of the Sarbanes-Oxley Act of 2002 that will become applicable to it, including those provisions relating to internal control over financial reporting, when such provisions become applicable to the Company;

(r) Each of the Transaction Documents has been duly authorized, executed and delivered by the Company or its subsidiaries, as the case may be, and constitutes a valid and legally binding agreement of the Company or its subsidiaries, as applicable; and the consummation of the Transactions has been duly authorized by the Company’s board of directors and stockholders, as applicable, and no other corporate proceedings on the part of the Company are required to authorize the Transactions;

(s) Subject to the receipt of the waivers of certain provisions of the Amended and Restated Loan and Security Agreement necessary for the commencement and consummation of the Tender Offer (including any related borrowings or other provisions for the payment for Securities by the Company) as described in the Prospectus, the compliance by the Company with all of the provisions of the Transaction Documents and the consummation of the Transactions will not (i) conflict with or result in a

breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches, violations or defaults, liens, charges or encumbrances as are described in the Prospectus or that would not, individually or in the aggregate, affect the ability of the Company to consummate the Transactions or the transactions contemplated by this Agreement or reasonably be expected to have a Material Adverse Effect, (ii) result in any violation of any law or statute or any judgment, order, decree, rule or regulation of any court or arbitrator or governmental or regulatory authority or body having jurisdiction over the Company or any of its subsidiaries or any of their respective properties or assets, except for such violations that would not, individually or in the aggregate, affect the ability of the Company to consummate the Transactions or the transactions contemplated by this Agreement or reasonably be expected to have a Material Adverse Effect, or (iii) result in any violation of the provisions of the charter or by laws (or similar organizational documents) of the Company or any of its subsidiaries; and no consent, approval, authorization or order of, or filing, qualification or registration with, any such court or arbitrator or governmental or regulatory authority or body under any such statute, judgment, order, decree, rule or regulation is required for the consummation by the Company of the Transactions, except for (a) such consents, approvals, authorizations, registrations or qualifications as have been obtained and (b) such consents, approvals, authorizations, orders, filings, qualifications or registrations, for which the failure to obtain would not have a Material Adverse Effect.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $_____, the number of Firm Shares as set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to _____ Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder will be represented by one or more definitive global Shares in book-entry form which will be deposited by or on behalf of the Company with

The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the Shares to the Representatives, for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representatives at least forty-eight hours in advance by causing DTC to credit the Shares to the account of the Representatives at DTC. The Company will cause the certificates representing the Shares to be made available to the Representatives for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on __, 2006 or such other time and date as the Representatives and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by the Representatives in the written notice given by the Representatives of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(j) hereof, will be delivered at the offices of Sullivan & Cromwell LLP: 125 Broad Street, New York, New York, 10004 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at __p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish you with copies thereof; to file promptly all material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may reasonably

request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be reasonably necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act), is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus (the “Lock-Up Period”), not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, except as provided hereunder, of any securities of the Company that are substantially similar to the Shares, including but not limited to any options or warrants to purchase any shares of Stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than (i) pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement and (ii) the issuance of Stock in connection with the TPG Subscription and the Conversion), without your prior written consent; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or announces material news or a material event or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 15-day period following the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be automatically extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the announcement of the material news or material event, as applicable, unless the Representatives waive, in writing, such extension; the Company will provide the Representatives and each stockholder subject to the Lock-Up Period pursuant to the lockup agreements described in Section 7(i) with prior notice of any such announcement that gives rise to an extension of the Lock-up Period;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail, provided, however, that the Company may satisfy the requirements of this subsection by making any such reports, communications or information generally available on its website or by electronically filing such information with the Commission;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed, provided, however, that the Company may satisfy the requirements of this subsection by making any such reports, communications or information generally available on its website or by electronically filing such information with the Commission; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission);

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange (the "Exchange");

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act; and

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act; and

(l) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Shares (the "License"); provided, however, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

6. (a) The Company represents and agrees that, without the prior consent of the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; each Underwriter represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus; any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II(a) or Schedule II(b) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; **and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show;**

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; provided, however, that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein.

7. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey (iv) all fees and expenses in connection with listing the Shares on the Exchange; (v) the filing fees incident to, and the reasonable fees and disbursements of counsel for the Underwriters in connection with, securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (vi) the cost of preparing stock certificates; (vii) the cost and charges of any transfer agent or registrar and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 9 and 12 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

8. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of such Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; all material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433; if the Company has elected to rely upon Rule 462(b)

under the Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to you such written opinion or opinions, dated such Time of Delivery, in form and substance satisfactory to you, with respect to such matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Cleary Gottlieb Steen & Hamilton LLP, counsel for the Company, shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power to own its properties and conduct its business as described in the Prospectus;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company (including the Shares being delivered at such Time of Delivery) have been duly and validly authorized and issued and are fully paid and non-assessable;

(iii) Each subsidiary of the Company set forth on Schedule VI hereto (which includes all significant subsidiaries of the Company as such term is defined in Rule 1-02(w) of Regulation S-X, as promulgated by the Commission) (each, a “Significant Subsidiary”) is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation;

(iv) Based solely on inquiry of the General Counsel of the Company, such counsel knows of no legal or governmental proceedings to which the Company or any of its Significant Subsidiaries is a party that are currently pending before any adjudicative tribunal or that have been threatened by a written communication manifesting an intention to initiate such proceedings received by management of the Company that are required to be disclosed in the Registration Statement that are not disclosed in the Prospectus;

(v) This Agreement has been duly authorized, executed and delivered by the Company;

(vi) The execution and delivery of each of the Transaction Documents has been duly authorized by all necessary corporate action of the Company, and each of the Transaction Documents has been duly executed and delivered, and each of the Merger Documents, Supplemental Indenture, the TPG Subscription Agreement and the Senior Subordinated Loan Facility and constitutes a valid, binding and enforceable agreement of the Company;

(vii) The issue and sale of the Shares to the Underwriters pursuant to this Agreement do not, and the performance by the Company of its obligations in this Agreement will not, result in a breach of any of the terms or provisions of, or constitute a default under, any of the agreements of the Company identified in Schedule III hereto, nor will such action result in any violation of the Certificate of Incorporation or By-laws of the Company, or any judgment, decree or order identified in Schedule III hereto;

(viii) The issue and sale of the Shares to the Underwriters pursuant to this Agreement or the consummation by the Company of the Transactions do not require any consent, approval, authorization, registration or qualification of or with any governmental authority of the United States or the State of New York that in such counsel's experience normally would be applicable to general business entities with respect to such issuance, sale or performance, except such as have been obtained or effected under the Act and the Securities Exchange Act of 1934, as amended (but we express no opinion relating to any state securities or Blue Sky laws);

(ix) The statements set forth in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to summarize certain provisions of the terms of the Stock, under the caption "United States Tax Consequences to Non-United States Holders" insofar as they purport to summarize certain federal income tax laws of the United States, constitute a fair summary of those laws, under the caption "Shares Eligible for Future Sale" insofar as they purport to summarize the provisions of the laws and documents referred to therein constitute a fair summary of those laws and documents and under the caption "Underwriting" insofar as they purport to summarize the provisions of this Agreement constitute a fair summary of those provisions;

(x) The Company is not and, after giving effect to the offering and sale of the Shares and the application of proceeds as described in the Prospectus, will not be an "investment company", within the meaning of the Investment Company Act; and

(xi) The Registration Statement at the time it became effective and the Prospectus and any further amendment and supplement thereto, as applicable, as of its date, made by the Company prior to such Time of Delivery (other than the financial statements and related schedules and other financial data included therein, as to which such counsel express no opinion) appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the rules and regulations thereunder; such counsel make no representation that they have independently verified and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Pricing Prospectus or the Prospectus, except for those referred to in the opinion in subsection (ix) of this Section 8(c), nothing came to their attention that caused them to believe, (a) that any part of the Registration Statement (other than the financial statements and related schedules and other financial data included therein, as to which such counsel express no opinion), when such part or amendment became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (b) that the Pricing Disclosure Package, as of the Applicable Time when considered together with and as supplemented by the statements under the caption "Description of Securities" in the Prospectus, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) that, as of its date and as of such Time of Delivery, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules and other financial data included therein, as to which such counsel express no opinion) contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and they do not know of any amendment to the Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be described in the Registration Statement or the Prospectus which are not filed or described as required.

(d) The General Counsel for the Company, shall have furnished to you her written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company or its subsidiaries, provided that such counsel shall state that they believe that both you and they are justified in relying upon such opinions and certificates);

(ii) The Company and each Significant Subsidiary have good and marketable title in fee simple to all real property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries (in giving the opinion in this clause, such counsel may state that no examination of record titles for the purpose of such opinion has been made, and that they are relying upon a general review of the titles of the Company and its subsidiaries, upon opinions of local counsel and abstracts, reports and policies of title companies rendered or issued at or subsequent to the time of acquisition of such property by the Company or its subsidiaries and, in respect of matters of fact, upon certificates of officers of the Company or its subsidiaries, provided that such counsel shall state that they believe that both you and they are justified in relying upon such opinions, abstracts, reports, policies and certificates);

(iii) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company with all of the provisions of this Agreement and the Transaction Documents and the consummation of the Transactions will not (A) result in a breach or violation of any of the terms or provisions of, or constitute a default under, any of the Agreements listed on Schedule III hereto, except for such breaches, violations or defaults, liens, charges or encumbrances that would not, individually or in the aggregate, affect the validity of the Shares, the ability of the Company to consummate the Transactions or the issue and sale of the Shares or reasonably be expected to have a Material Adverse Effect, (B) result in any violation of any law or statute or any judgment, order, decree, rule or regulation of any court or arbitrator or governmental or regulatory authority or body of the United States or the State of New York that in the General Counsel's experience normally would be applicable to general business entities with respect to such issuance, sale or performance, except for such violations that would not, individually or in the aggregate, affect the validity of the Shares, the ability of the Company to consummate the Transactions or the issue and sale of the Shares or reasonably be expected to have a Material Adverse Effect, or (C) result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company; and no consent, approval, authorization or order of, or filing, qualification or registration with, any such court or arbitrator or governmental or regulatory authority or body under any such statute, judgment, order, decree, rule or regulation is required for the issue and sale of the Shares or the consummation by the Company of the Transactions except (i) the registration under the Act and the Exchange Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters or to list the Shares on the Exchange, (ii) such consents, approvals, authorizations, registrations or qualifications as have been obtained and (iii) such consents, approvals, authorizations, registrations or qualifications that would not, individually or in the aggregate, affect the validity of the Shares, the ability of the Company to consummate the Transactions or the issue and sale of the Shares or reasonably be expected to have a Material Adverse Effect.

(e) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, KPMG LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto (the executed copy of the letter delivered prior to the execution of this Agreement is attached as Annex I(a) hereto and a draft of the form of letter to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery is attached as Annex I(b) hereto);

(f)(i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Pricing Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(i) The Shares to be sold at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the Exchange; and

(j) The Company shall have obtained and delivered to the Underwriters executed copies of a lock-up agreement, substantially as set forth in Annex II hereto, from each executive officer and director (all of whom are listed in Schedule IV hereto) and from each stockholder of the Company listed in Schedule V hereto;

(k) The Company shall have complied with the provisions of Section 5(e) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(l) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section and to such other matters as you may reasonably request.

9. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the

indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters'

obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Act.

10. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term “Underwriter” as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Section 9 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

11. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them,

respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

12. If this Agreement shall be terminated pursuant to Section 10 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 7 and 9 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Sections 7 and 9 hereof.

13. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by the Representatives on behalf of you.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Representatives in care of Goldman, Sachs & Co., One New York Plaza, 42nd Floor, New York, New York 10004, Attention: Registration Department; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 9(d) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request; provided, however, that notices under subsection 5(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Representatives at Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Control Room. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

14. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters and the Company and, to the extent provided in Sections 9 and 11 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

15. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

16. The Company acknowledges and agrees that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement and (iv) the Company has consulted its own legal and financial advisors to the extent it deemed appropriate. The Company agrees that it will not claim that the

Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

17. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

19. The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

20. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

21. Notwithstanding anything herein to the contrary, the Company is authorized to disclose to any persons the U.S. federal and state income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, “tax structure” is limited to any facts that may be relevant to that treatment.

If the foregoing is in accordance with your understanding, please sign and return to us eight counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company for examination, upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

J. Crew Group, Inc.

By: _____
Name:
Title:

Accepted as of the date hereof at New York,
New York:

Goldman, Sachs & Co.

By: _____
(Goldman, Sachs & Co.)

Bear, Stearns & Co. Inc.

By: _____
Name:
Title:

On behalf of each of the Underwriters

SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Goldman, Sachs & Co.		
Bear, Stearns & Co. Inc.		
Banc of America Securities LLC		
Citigroup Global Markets Inc.		
Credit Suisse First Boston LLC		
J.P. Morgan Securities Inc.		
Lehman Brothers Inc		
Wachovia Capital Markets, LLC		
Total		

Schedule II(a)

(a) Materials other than the Pricing Prospectus that comprise the Pricing Disclosure Package:

(b) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package:

(c) Additional Documents Incorporated by Reference:

Schedule III

MATERIAL AGREEMENTS

Schedule IV

EXECUTIVE OFFICERS AND DIRECTORS OF J. CREW GROUP, INC.

Schedule V

LIST OF STOCKHOLDERS OF J. CREW GROUP, INC. THAT ARE SUBJECT TO THE LOCK-UP PERIOD PURSUANT TO THE LOCKUP AGREEMENTS DESCRIBED IN SECTION 7(i)

Schedule VI

SIGNIFICANT SUBSIDIARIES

J. Crew Operating Corp.
J. Crew Inc.
Grace Holmes, Inc.
H.F.D. No. 55, Inc.
J. Crew Virginia, Inc.
J. Crew International, Inc.

DESCRIPTION OF COMFORT LETTER

Pursuant to Section 8(d) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are the independent registered public accounting firm with respect to the Company and its subsidiaries within the meaning of the Act and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (United States) (PCAOB);

(ii) In their opinion, the financial statements and any supplementary financial information and schedules (and, if applicable, financial forecasts and/or pro forma financial information) examined by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the PCAOB of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been separately furnished to the Representatives;

(iii) They have made a review in accordance with standards established by the PCAOB of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus as indicated in their reports thereon copies of which have been separately furnished to the Representatives and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years which were included or incorporated by reference in the Company's Annual Reports on Form 10-K for such fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects with the disclosure requirements of Items 301, 302, 402 and 503(d), respectively, of Regulation S-K;

(vi) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the

Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of operations, stockholders' deficit and cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of operations, stockholders' deficit and income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or any decreases in consolidated net current assets or stockholders' equity or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the examination referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

ANNEX II

FORM OF LOCK-UP AGREEMENT

J. Crew Group, Inc.

Lock-Up Agreement

__, 2006

Goldman, Sachs & Co.,
Bear, Stearns & Co. Inc.,
As representatives of the several Underwriters
named in Schedule I to the Underwriting Agreement (as defined below)
c/o Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004
and
Bear, Stearns & Co. Inc.,
383 Madison Avenue
New York, NY 10179

Re: J. Crew Group, Inc.—Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that you, as representatives (the "Representatives"), propose to enter into an Underwriting Agreement (the "Underwriting Agreement") on behalf of the several Underwriters named in Schedule I to such agreement (collectively, the "Underwriters"), with J. Crew Group, Inc., a Delaware corporation (the "Company"), providing for a public offering of the Common Stock of the Company (the "Shares") pursuant to a Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission (the "SEC").

In consideration of the agreement by the Underwriters to offer and sell the Shares, and of other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period specified in the following paragraph (the "Lock-Up Period"), the undersigned will not offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of Common Stock of the Company, or any options or warrants to purchase any shares of Common Stock of the Company, or any securities convertible into, exchangeable for or that represent the right to receive shares of Common Stock of the Company, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC (collectively the "Undersigned's Shares"). The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Undersigned's Shares even if such Shares would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Undersigned's Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares.

The initial Lock-Up Period will commence on the date of this Lock-Up Agreement and continue for 180 days after the public offering date set forth on the final prospectus used to sell the Shares (the "Public Offering Date") pursuant to the Underwriting Agreement; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or announces material news or a material event or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 15-day period following the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be automatically extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the announcement of the material news or material event, as applicable, unless Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. waive, in writing, such extension.

The undersigned hereby acknowledges that the Company has agreed in the Underwriting Agreement to provide written notice of any event that would result in an extension of the Lock-Up Period pursuant to the previous paragraph to the undersigned (in accordance with Section 12 of the Underwriting Agreement) and agrees that any such notice properly delivered will be deemed to have been given to, and received by, the undersigned. The undersigned hereby further agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this Lock-Up Agreement during the period from the date of this Lock-Up Agreement to and including the 34th day following the expiration of the initial Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock-Up Period (as such may have been extended pursuant to the previous paragraph) has expired.

Notwithstanding the foregoing, the undersigned may (A) transfer the Undersigned's Shares (i) as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, or (iii) with the prior written consent of Goldman, Sachs & Co. and Bear Stearns & Co. Inc. on behalf of the Underwriters and (B) exercise any options or other rights granted under the Amended and Restated J. Crew Group, Inc. 1997 Stock Option Plan, or the J. Crew Group, Inc. 2003 Equity Incentive Plan or the 2005 Equity Incentive Plan, each as amended, modified or supplemented from time to time (collectively, the "Benefit Plans"), and outstanding on the date hereof, provided that the shares of Common Stock of the Company received by the undersigned pursuant to his, her or its exercise of such options or other rights granted under any Benefit Plan shall remain subject to the terms of this Lock-Up Agreement. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. In addition, notwithstanding the foregoing, if the undersigned is a corporation, the corporation may transfer the capital stock of the Company to any wholly-owned subsidiary of such corporation; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of this Agreement and there shall be no further transfer of such capital stock except in accordance with this Agreement, and provided further that any such transfer shall not involve a disposition for value. The undersigned now has, and, except as contemplated by clause (i), (ii), or (iii) above, for the duration of this Lock-Up Agreement will have, good and marketable title to the Undersigned's Shares, free and clear of all liens, encumbrances, and claims whatsoever. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Undersigned's Shares except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns.

Very truly yours,

_____

Exact Name of Shareholder

_____

Authorized Signature

_____

Title

Exhibit 5.1

[CLEARY GOTTLIEB STEEN & HAMILTON LLP LETTERHEAD]

Writer's Direct Dial: (212) 225-2864
E-Mail: jkarpf@cgsh.com

May 15, 2006

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

Ladies and Gentlemen:

We have acted as counsel to J. Crew Group, Inc., a Delaware corporation (the "Company"), in connection with the preparation of a registration statement on Form S-1 (No. 333-127628) (the "Registration Statement") filed with the Securities Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), for the registration of the sale by the Company of shares of the Company's Common Stock, par value $.01 per share (the "Securities").

In arriving at the opinion expressed below, we have reviewed the following documents:

(a) the Registration Statement;

(b) the Certificate of Incorporation of the Company, included as Exhibit 3.1 to the Registration Statement; and

(c) the form of underwriting agreement by and among the Company, Goldman, Sachs & Co. and Bear, Stearns & Co. Inc., included as Exhibit 1.1 to the Registration Statement.

In addition, we have reviewed the originals or copies certified or otherwise identified to our satisfaction of all such corporate records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinion expressed below.

In rendering the opinion expressed below, we have assumed the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies.

Based on the foregoing and subject to the further assumptions and qualifications set forth below, it is our opinion that the Securities have been duly authorized by all necessary corporate action of the Company and, upon (i) due action of the pricing committee of the Board of Directors of the Company; and (ii) the issuance of the Securities against payment therefor in the manner described in the Underwriting Agreement, will be validly issued by the Company and fully paid and nonassessable.

The foregoing opinion is limited to the General Corporation Law of the State of Delaware, including the applicable provisions of the Delaware Constitution and reported judicial decisions interpreting such Law.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading "Validity of Common Stock." In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Very truly yours,

CLEARY GOTTLIEB STEEN & HAMILTON LLP

By /s/ Jeffrey D. Karpf

Jeffrey D. Karpf, a Partner

Exhibit 10.1(c)

AMENDMENT NO. 2 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT
AND
AMENDMENT NO. 1 TO GUARANTEE

AMENDMENT NO. 2 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment No. 2"), dated as of May 15, 2006, by and among J. Crew Operating Corp., a Delaware corporation ("Operating"), J. Crew Inc., a New Jersey corporation ("J. Crew"), Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail ("Retail"), H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory ("Factory", and together with J. Crew, Retail and Operating, each individually a "Borrower" and collectively, "Borrowers"), J. Crew Group, Inc., a Delaware corporation ("Parent"), J. Crew International, Inc. ("JCI", and together with Parent, each individually an "Existing Guarantor" and collectively, "Existing Guarantors"), and Madewell Inc., a Delaware corporation ("Madewell", and together with Existing Guarantors, each individually a "Guarantor" and collectively, "Guarantors"), the parties from time to time to the Loan Agreement (as hereinafter defined) as lenders (each individually, a "Lender" and collectively, "Lenders") and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation, a national banking association, in its capacity as administrative agent and collateral agent for Lenders pursuant to the Loan Agreement (in such capacity, "Agent"), and AMENDMENT NO. 1 TO GUARANTEE ("Guarantee Amendment"), dated as of May 15, 2006, by the Borrowers and Guarantors in favor of Agent.

W I T N E S S E T H :

WHEREAS, Agent, Lenders, Borrowers and Guarantors have entered into financing arrangements pursuant to which Agent and Lenders have made and may make loans and advances and provide other financial accommodations to Borrowers as set forth in the Amended and Restated Loan and Security Agreement, dated December 23, 2004, by and among Agent, Lenders, Borrowers and Guarantors, as amended by Amendment No. 1 to Amended and Restated Loan and Security Agreement, dated as of October 10, 2005 (as the same is amended and supplemented hereby and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and the agreements, documents and instruments at any time executed and/or delivered in connection therewith or related thereto (collectively, together with the Loan Agreement, the "Financing Agreements"), including, without limitation, the Guarantee, dated December 23, 2002, by the Borrowers and Existing Guarantors in favor of Agent (the "Existing Guarantee", and as the same is amended and supplemented hereby and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced, the "Guarantee");

WHEREAS, Borrowers, Existing Guarantors and Madewell have requested that Agent and Lenders amend the Loan Agreement and the Guarantee to add Madewell as an additional Guarantor and make certain other amendments to the Loan Agreement and the Guarantee;

WHEREAS, Agent and Required Lenders are willing to agree to such amendments to the extent, and subject to, the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual conditions and agreements and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions.

1.1 Additional Definitions. As used herein, the following terms shall have the respective meanings given to them below and the Loan Agreement shall be deemed and is hereby amended to include, in addition and not in limitation of, each of the following definitions:

(a) "Amendment No. 2" shall mean this Amendment No. 2 to Amended and Restated Loan and Security Agreement by and among Agent, Lenders, Borrowers and Guarantors (including the Amendment No. 1 to Guarantee by Borrowers and Guarantors in favor of Agent set forth herein), as the same now exists and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced.

(b) "Madewell" shall mean Madewell Inc., a Delaware corporation, and its successors and assigns.

(c) "Madewell Supplemental Agreements" shall mean, collectively, the following (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (i) the Information Certificate of Madewell referred to in Section 1.2(d) of Amendment No. 2, (ii) Amendment No. 1 to Pledge and Security Agreement by Operating in favor of Agent and (iii) UCC financing statement by and between Madewell, as debtor, and Agent, as secured party.

(d) "9 3/4% Notes" shall mean, collectively, the 9 3/4% Senior Subordinated Notes due 2014 issued by Operating under the Black Canyon Indenture in the original aggregate principal amount of $275,000,000 and guaranteed by Parent and certain subsidiaries of Parent, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(e) "9 3/4% Note Tender Offer Closing Date" shall mean the date on which the transactions contemplated by the 9 3/4% Note Tender Offer Documents have been consummated, but in no event after May 31, 2006.

(f) "9 3/4% Note Tender Offer Documents" shall mean, collectively, (i) the Offer to Purchase for Cash Any and All Outstanding 9 3/4% Senior Subordinated Notes due 2014 (CUSIP No. 46612GAC1) and Solicitation of Consents to Amendments to the Related Indenture, dated October 3, 2005, by Operating with respect to the repurchase by Operating of the 9 3/4% Notes, (ii) the Consent and Letter of Transmittal in Respect of 9 3/4% Senior Subordinated Notes due 2014, (iii) the Black Canyon First Supplemental Indenture, and (iv) all other agreements, documents and instruments related thereto, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.2 Amendment to Definitions.

(a) As of the 9 3/4% Note Tender Offer Closing Date, all references to the term "Collateral" in the Loan Agreement or any of the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition and not in limitation, the assets and properties of Madewell at any time subject to the security interest or lien of Agent.

(b) As of the 9 3/4% Note Tender Offer Closing Date, all references to the term "Guarantor" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition, and not in limitation, Madewell as such term is defined herein.

(c) As of the date hereof, all references to the term "Financing Agreements" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition and not in limitation, this Amendment, and all other agreements documents and instruments at any time executed and/or delivered by any Borrower or Guarantor with, to or in favor of Agent, any Lender or any other person in connection with the Obligations.

(d) As of the 9 3/4% Note Tender Offer Closing Date, all references to the term "Information Certificate" in the Loan Agreement or any of the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition and not in limitation, the Information Certificate of Madewell set forth as Exhibit A to this Amendment, and such Information Certificate shall be deemed to be included as part of Exhibit B to the Loan Agreement.

1.3 Interpretation. We refer herein to Amendment No. 2 and the Guarantee Amendment collectively as this "Amendment"). For purposes of this Amendment, all terms used herein, including those terms used or defined in the recitals hereto, shall have the respective meanings assigned thereto in the Loan Agreement.

Section 2. Assumption of Obligations; Amendments to Guarantees and Financing Agreements.

2.1 Effective as of the 9 3/4% Note Tender Offer Closing Date, Madewell hereby expressly (a) agrees to perform, comply with and be bound by all terms, conditions and covenants of the Loan Agreement and the other Financing Agreements applicable to Existing Guarantors and as applied to Madewell, with the same force and effect as if Madewell had originally executed and been an original Guarantor signatory to the Loan Agreement and the other Financing Agreements, (b) is deemed to make as to itself and Existing Guarantors, and is, in all respects, bound by all representations and warranties made by Existing Guarantors to Agent and Lenders set forth in the Loan Agreement or in any of the other Financing Agreements, (c) agrees that Agent, for itself and the benefit of Lenders, shall have all rights, remedies and interests, including security interests in and liens upon the Collateral granted to Agent pursuant to Section 5.1 of the Loan Agreement, under and pursuant to the Loan Agreement and the other Financing Agreements, with respect to Madewell and its properties and assets with the same

force and effect as Agent, for itself and the benefit of Lenders, has with respect to Existing Guarantors and their respective assets and properties, as if Madewell had originally executed and had been an original Guarantor signatory to the Loan Agreement and the other Financing Agreements, and (d) assumes and agrees to be directly liable to Agent and Lenders for all Obligations under, contained in, or arising pursuant to the Loan Agreement or any of the other Financing Agreements to the same extent as if Madewell had originally executed and had been an original Guarantor signatory to the Loan Agreement and the other Financing Agreements.

2.2 Effective as of the 9 3/4% Note Tender Offer Closing Date, each Borrower, in its capacity as a guarantor of the payment and performance of the Obligations of the other Borrowers, and each Existing Guarantor hereby agrees that the Existing Guarantee is hereby amended to include Madewell as an additional guarantor party signatory thereto, and Madewell hereby agrees that the Existing Guarantee is hereby amended to include Madewell as an additional guarantor party signatory thereto. Madewell hereby expressly (a) assumes and agrees to be directly liable to Agent and Lenders, jointly and severally with Existing Guarantors and Borrowers signatories thereto, for payment and performance of all Guaranteed Obligations (as defined in the Existing Guarantee), (b) agrees to perform, comply with and be bound by all terms, conditions and covenants of the Existing Guarantee with the same force and effect as if Madewell had originally executed and been an original party signatory to the Existing Guarantee as a Guarantor, and (c) agrees that Agent and Lenders shall have all rights, remedies and interests with respect to Madewell and its assets and properties under the Existing Guarantee with the same force and effect as if Madewell had originally executed and been an original party signatory as a Guarantor to the Existing Guarantee as a Guarantor.

2.3 Effective as of the 9 3/4% Note Tender Offer Closing Date, Madewell, pursuant to Section 5.1 of the Loan Agreement, grants to and confirms its grant to Agent (for itself and the benefit of Lenders) of, a continuing security interest in, a lien upon, and a right of set off against, and assigns to Agent, for itself and the benefit of Lenders, as security for the payment and performance of all Obligations, all Collateral whether now owned or hereafter acquired or existing, and wherever located.

Section 3. Additional Representations, Warranties and Covenants. In addition to the continuing representations, warranties and covenants heretofore or hereafter made by Borrowers and Guarantors to Agent and Lenders pursuant to the other Financing Agreements, each of Borrowers and Guarantors (including Madewell), jointly and severally, hereby represents, warrants and covenants with and to Agent and Lenders as follows (which representations, warranties and covenants are continuing and shall survive the execution and delivery hereof and shall be incorporated into and made a part of the Financing Agreements):

3.1 This Amendment and each other agreement or instrument to be executed and delivered by each Borrower and Guarantor in connection herewith have been duly authorized, executed and delivered by all necessary action on the part of such Borrower or Guarantor which is a party hereto and thereto and, if necessary, its stockholders, and is in full force and effect as of the date hereof, as the case may be, and the agreements and obligations of each Borrower and Guarantor contained herein and therein constitute legal, valid and binding obligations of such Borrower or Guarantor enforceable against it in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting creditor's rights generally and by general principles of equity.

3.2 No action of, or filing with, or consent of any Governmental Authority (other than the filing of UCC financing statements), and no approval or consent of any other party, is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Amendment and the transactions contemplated hereby.

3.3 None of the transactions contemplated by this Amendment violate or will violate any applicable material law applicable to any Borrower, Guarantor or Madewell, or regulation, or do or will give rise to a default or breach under any material agreement to which any Borrower, Guarantor or Madewell is a party or by which any material property of any Borrower, Guarantor or Madewell is bound.

3.4 Borrowers and Guarantors (including Madewell) shall take such steps and execute and deliver, and cause to be executed and delivered, to Agent, such additional UCC financing statements, and other and further agreements, documents and instruments as Agent may require in order to more fully evidence, perfect and protect Agent's first priority security interest in the Collateral (including the Collateral of Madewell).

3.5 Each other representation and warranty applicable to Madewell as a Person comprising a Guarantor under the Financing Agreements is and will be true and correct as of the date hereof, excluding any representations and warranties which specifically relate to an earlier date.

Section 4. Conditions. The effectiveness of the amendments set forth in this Amendment shall be subject to the satisfaction of each of the following conditions:

4.1 Agent shall have received an original of this Amendment, duly authorized, executed and delivered by Borrowers and Guarantors;

4.2 Agent shall have received all consents of Lenders required for the consents and amendments provided for herein;

4.3 Agent shall have received evidence, in form and substance satisfactory to Agent, that Borrowers and Guarantors have obtained all necessary consents and approvals to the execution, delivery and performance of this Amendment, which are and shall remain in full force and effect;

4.4 Agent shall have received, in form and substance satisfactory to Agent, evidence that all requisite corporate or limited liability company action and proceedings in connection with this Amendment have been taken and approved, and Agent shall have received all information and copies of all documents, including records of requisite corporate or limited liability company action and proceedings which Agent may have reasonably requested in connection therewith, such documents where requested by Agent or its counsel to be certified by appropriate corporate officers;

4.5 Agent shall have received (i) a copy of the By-Laws of Madewell, (ii) a certificate from the Secretary or Assistant Secretary of Madewell dated on or about the date hereof certifying that each of the foregoing documents remains in full force and effect and has not been modified or amended, except as described therein, and (iii) good standing certificates (or its equivalent) from the Secretary of State (or comparable official) from each jurisdiction where the nature and extent of the business transacted by Madewell or ownership of assets and properties makes such qualification necessary;

4.6 Agent shall have received, in form and substance reasonably satisfactory to Agent, from Madewell, Secretary's Certificates of Directors' Resolutions, Corporate By-laws, Incumbency and Shareholder's Consent evidencing the adoption and subsistence of corporate resolutions approving the execution, delivery and performance by Madewell of this Amendment and the agreements, documents and instruments to be delivered pursuant to this Amendment;

4.7 Agent shall have received, in form and substance satisfactory to Agent, evidence that Agent will have a valid perfected first priority security interest in all of the Collateral of Madewell upon the filing of a UCC financing statement naming Agent, as secured party, and Madewell, as debtor;

4.8 Agent shall have received, in form and substance reasonably satisfactory to Agent, each of the Madewell Supplemental Agreements, as duly authorized, executed and delivered by the parties thereto; and

4.9 No Default or Event of Default shall exist or have occurred and be continuing.

Section 5. Miscellaneous.

5.1 Effect of this Amendment. Except as modified pursuant hereto, no other changes or modifications to the Financing Agreements are intended or implied, and in all other respects, the Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof. The Loan Agreement and this Amendment shall be read and construed as one agreement. To the extent of conflict between the terms of this Amendment and the other Financing Agreements, the terms of this Amendment shall control.

5.2 Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional actions as may be necessary, in the reasonable discretion of Agent, to effectuate the provisions and purposes of this Amendment.

5.3 Governing Law. The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the laws of the State of New York without regard to principals of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of New York.

5.4 Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

5.5 Counterparts. This Amendment may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. This Amendment may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic means shall have the same force and effect as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic means also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment as to such party or any other party.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the date and year first above written.

J. CREW OPERATING CORP.
J. CREW INC.
GRACE HOLMES, INC. d/b/a J. CREW RETAIL
H.F.D. NO. 55, INC. d/b/a J. CREW FACTORY
J. CREW GROUP, INC.
MADEWELL INC.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

[Signature Page to Amendment No. 2 to Amended and Restated Loan and Security Agreement and Amendment No. 1 to Guarantee]

WACHOVIA BANK, NATIONAL ASSOCIATION, successor by merger to Congress Financial Corporation, as Agent and as Lender

By: /s/ Jason Searle
Name: Jason Searle
Title: Vice President

[Signature Page to Amendment No. 2 to Amended and Restated Loan and Security Agreement and Amendment No. 1 to Guarantee]

BANK OF AMERICA N.A.

By: /s/ Kathleen Dimock
Name: Kathleen Dimock
Title: Managing Director

[Signature Page to Amendment No. 2 to Amended and Restated Loan and Security Agreement and Amendment No. 1 to Guarantee]

LASALLE RETAIL FINANCE, a division of Lasalle Business Credit, as agent for Standard Federal Bank National Association

By: /s/ Dan O'Rourke
Name: Dan O'Rourke

[Signature Page to Amendment No. 2 to Amended and Restated Loan and Security Agreement and Amendment No. 1 to Guarantee]

SIEMEN'S FINANCIAL SERVICES, INC.

By: /s/ Joseph Accardi
Name: Joseph Accardi
Title: Vice President

[Signature Page to Amendment No. 2 to Amended and Restated Loan and Security Agreement and Amendment No. 1 to Guarantee]

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Steve Schuitt
Name: Steve Schuitt
Title: Vice President

[Signature Page to Amendment No. 2 to Amended and Restated Loan and Security Agreement and Amendment No. 1 to Guarantee]

EXHIBIT A TO
AMENDMENT NO. 2 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

AND
AMENDMENT NO. 1 TO GUARANTEE

Information Certificate

See Attached.

AMENDMENT NO. 3 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 3 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment No. 3"), dated as of May 15, 2006, by and among J. Crew Operating Corp., a Delaware corporation ("Operating"), J. Crew Inc., a New Jersey corporation ("J. Crew"), Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail ("Retail"), H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory ("Factory", and together with J. Crew, Retail and Operating, each individually a "Borrower" and collectively, "Borrowers"), J. Crew Group, Inc., a Delaware corporation ("Parent"), Madewell Inc., a Delaware corporation ("Madewell") and J. Crew International, Inc., a Delaware Corporation, ("JCI", and together with Parent and Madewell, each individually a "Guarantor" and collectively, "Guarantors"), the parties from time to time to the Loan Agreement (as hereinafter defined) as lenders (each individually, a "Lender" and collectively, "Lenders") and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation, a national banking association, in its capacity as administrative agent and collateral agent for Lenders pursuant to the Loan Agreement (in such capacity, "Agent").

WITNESSETH:

WHEREAS, Agent, Lenders, Borrowers and Guarantors have entered into financing arrangements pursuant to which Agent and Lenders have made and may make loans and advances and provide other financial accommodations to Borrowers as set forth in the Amended and Restated Loan and Security Agreement, dated December 23, 2004, by and among Agent, Lenders, Borrowers and Guarantors, as amended by Consent to Amended and Restated Loan and Security Agreement dated as of May 11, 2006, Amendment No. 1 to Amended and Restated Loan and Security Agreement dated as of October 10, 2005 and Amendment No. 2 to Amended and Restated Loan and Security Agreement dated as of May 15, 2006 (as the same is amended and supplemented hereby and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and the agreements, documents and instruments at any time executed and/or delivered in connection therewith or related thereto (collectively, together with the Loan Agreement, the "Financing Agreements");

WHEREAS, Operating intends to obtain term loans under the Term Loan Credit Facility (as hereinafter defined) in the original principal amount of $285,000,000, which may be increased to $385,000,000 at Operating's option in certain circumstances;

WHEREAS, Parent intends to redeem all of the remaining balance of the Senior Discount Debentures held by third parties in the aggregate principal amount not to exceed $22,000,000, using funds available to Parent for such purpose to the extent not prohibited under the Financing Agreements and to cancel the remaining balance of the Senior Discount Debentures held by Parent in the aggregate principal amount not to exceed $121,000,000;

WHEREAS, Operating intends to repurchase all or a portion of the 9 3/4% Notes (as hereinafter defined) issued by Operating pursuant to a tender offer and consent solicitation by Operating and thereafter to redeem any 9 3/4% Notes that remain outstanding;

WHEREAS, in connection with the transactions described above, Borrowers and Guarantors have requested that Agent and Lenders consent thereto and agree to certain amendments to the Financing Agreements; and

WHEREAS, Agent and Lenders are willing to provide such consents and agree to such amendments to the extent, and subject to, the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual conditions and agreements and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions.

1.1 Additional Definitions. As used herein, the following terms shall have the respective meanings given to them below and the Loan Agreement shall be deemed and is hereby amended to include, in addition and not in limitation of, each of the following definitions:

(a) "Amendment No. 3" shall mean Amendment No. 3 to Amended and Restated Loan and Security Agreement, dated as of May 15, 2006, by and among Agent, Lenders, Borrowers and Guarantors, as the same now exists and may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced.

(b) "Black Canyon Supplemental Indentures" shall mean, collectively, (i) the First Supplemental Indenture, dated as of October 17, 2005, by and among, among Operating, as issuer, the Black Canyon Guarantors and Noteholder Collateral Agent in its capacity as trustee thereunder and (ii) the Second Supplemental Indenture, dated as October 17, 2005, by and among Operating, as issuer, the Black Canyon Guarantors and Noteholder Collateral Agent in its capacity as trustee thereunder.

(c) "Net Cash Proceeds" shall mean the aggregate cash proceeds payable to any Borrower or Guarantor as proceeds of any loans or other financial accommodations provided to any Borrower or Guarantor or as proceeds from the issuance and/or sale of any Capital Stock, in each case net of the reasonable and customary direct costs relating to such loans or other financial accommodation or issuance and/or sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements). Net Cash Proceeds shall exclude any non-cash proceeds received from any issuance and/or sale or other transaction, but shall include such proceeds when and as converted by any Borrower or Guarantor to cash or other immediately available funds.

(d) "9 3/4% Note Redemption Date" shall mean the date on which all remaining 9 3/4% Notes have been redeemed and cancelled, but in no event after June 30, 2006.

(e) "9 3/4% Note Redemption Documents" shall mean, collectively, the notices of redemption to be delivered in connection with the redemption of the 9 3/4% Notes and all other agreements, documents and instruments related thereto, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(f) "5.0% Note Credit Agreement" shall mean the Amended and Restated Credit Agreement, dated as of May 15, 2006, by and among TPG-MD, as lender, Operating, as borrower, and J. Crew, Retail, Factory and JCI, as guarantors, and Parent, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(g) "Revolving Loan Priority Collateral" shall have the meaning set forth on Schedule A to Amendment No. 3.

(h) "Senior Discount Debenture Notice Date" shall mean the date on which Parent delivers a notice of redemption relating to the outstanding Senior Discount Debentures held by Persons other than Parent, but in no event after May 31, 2006.

(i) "Senior Discount Debenture Redemption Date" shall mean the date on which all the Senior Discount Debentures have been redeemed and cancelled, but in no event after July 31, 2006.

(j) "Senior Discount Debenture Redemption Documents" shall mean, collectively, the notices of redemption to be delivered in connection with the redemption of the Senior Discount Debentures and all other agreements, documents and instruments related thereto, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(k) "Term Loan Agent" shall mean Goldman Sachs Credit Partners, L.P., a limited partnership registered in Bermuda, and any successor or replacement administrative agent under the Term Loan Documents.

(l) "Term Loan Agreement" shall mean the Credit Agreement, dated on or about the Term Loan Closing Date, between Operating, as borrower, the Term Loan Guarantors, the lenders named therein and Term Loan Agent, as administrative agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(m) "Term Loan Closing Date" shall mean the date on which the Term Loan Agreement has been executed and delivered by the parties thereto and is in full force and effect, but in no event after May 31, 2006.

(n) "Term Loan Collateral Account" shall mean the investment account which is a restricted account maintained by Operating with Term Loan Agent, an affiliate of Term Loan Agent or at a financial institution otherwise designated by Term Loan Agent into which Parent or Operating shall have deposited (i) proceeds of the Term Loan Credit Facility in an amount not less than the amount necessary to prepay or redeem any 9 3/4% Notes that shall remain

outstanding immediately following the Term Loan Closing Date and (ii) such other amounts to be utilized for such purposes as expressly permitted under this Agreement; and which investment account is established and used solely for the purpose of holding such proceeds and such other amounts and at all times shall be subject to the first priority perfected security interest of Term Loan Agent.

(o) "Term Loan Credit Facility" shall mean the financing arrangements provided to Operating under the Term Loan Documents.

(p) "Term Loan Documents" shall mean, collectively the following (as the same may now or hereafter exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (i) the Term Loan Agreement (including any loan notes and loan guarantees issued thereunder), (ii) the Term Loan Security Agreement, (iii) the Term Loan Intercreditor Agreement, and (iv) all other agreements, documents and instruments now existing or at any time hereafter executed and/or delivered by Operating, any Term Loan Guarantor or any other person in connection therewith; sometimes being referred to herein individually as a "Term Loan Document".

(q) "Term Loan Funding Date" shall mean the date of the initial funding of the term loans under the Term Loan Agreement, but in no event after May 31, 2006.

(r) "Term Loan Guarantors" shall mean, collectively, Parent, Factory, JCI, J. Crew, Retail, J. Crew Virginia, Inc. and any Restricted Subsidiary (as defined in the Term Loan Agreement) of Operating or its Subsidiaries formed after the Term Loan Closing Date, that guarantees the Indebtedness under the Term Loan Agreement, and their respective successors and assigns; sometimes being referred to individually as a "Term Loan Guarantor".

(s) "Term Loan Incremental Advance" shall mean a one-time advance of up to $100,000,000 as provided for in the Incremental Advance Commitment Letter, dated April 24, 2006, among Operating, Term Loan Agent, Bear Stearns Corporate Lending Inc. and Wachovia Bank, National Association.

(t) "Term Loan Intercreditor Agreement" shall mean the Intercreditor Agreement, dated on or about the Term Loan Closing Date, by and among Agent, Term Loan Agent, Operating, and the Term Loan Guarantors, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(u) "Term Loan Security Agreements" shall mean, collectively, (i) the Pledge and Security Agreement (Term Loan), dated on or about the Term Loan Closing Date, by Operating and the Term Loan Guarantors in favor of Term Loan Agent and (ii) any trademark, patent, copyright and any other security agreements, documents and instruments entered into in connection therewith; sometimes being referred to individually as a "Term Loan Security Agreement".

(v) "TPG-MD" shall mean TPG-MD Investment, LLC, a Delaware limited liability company, and its successors and assigns.

1.2 Amendment to Definitions.

(a) As of the date hereof, all references to the term "Agreement" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to mean the Loan Agreement as such term is defined herein.

(b) As of the date hereof, all references to the term "Black Canyon Guarantors" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition, and not in limitation, Parent.

(c) As of the Term Loan Funding Date, all references to the term "Borrowing Base" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to mean, at any time, the amount equal to:

(i) the lesser of:

(A) the sum of:

(1) the amount equal to ninety (90%) percent of Eligible Credit Card Receivables; plus

(2) the amount equal to the lesser of: (aa) ninety (90%) percent multiplied by the Value of each category of Eligible Inventory of each Borrower or (bb) during the period from September 1 of any year through and including November 30 of such year, ninety-two and one-half (92.5%) percent of the Net Recovery Percentage as to each category of Eligible Inventory of each Borrower multiplied by the Value of such category of Eligible Inventory of such Borrower, and at all other times, ninety (90%) percent of the Net Recovery Percentage as to each category of Eligible Inventory of each Borrower multiplied by the Value of such category of Eligible Inventory of such Borrower; plus

(3) the Real Property Availability, and

(B) the Maximum Credit,

minus

(ii) Reserves.

(d) As of the Term Loan Closing Date, all references to the term "Change of Control" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition, and not in limitation, a "Change of Control" as such term is defined in the Term Loan Agreement.

(e) As of the date hereof, all references to the term "Financing Agreements" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to include, in addition and not in limitation, this Amendment No. 3, and all other agreements documents and instruments at any time executed and/or delivered by any Borrower or Guarantor with, to or in favor of Agent, any Lender or any other person in connection with the Obligations.

(f) As of the Term Loan Funding Date, all references to the term "Real Property Availability" in the Loan Agreement and the other Financing Agreements shall be deemed and each such reference is hereby amended to mean $7,410,000; provided, that, the Real Property Availability shall be reduced automatically and without further action by the parties effective as of the first day of each month, commencing on June 1, 2006 by an amount equal to $88,214.

1.3 Interpretation. For purposes of this Amendment No. 3, all terms used herein, including those terms used or defined in the recitals hereto, shall have the respective meanings assigned thereto in the Loan Agreement.

Section 2. Consents.

2.1 Consent to Transactions. Subject to the terms and conditions contained herein, Agent and Lenders hereby consent to the following (collectively, the "Transactions" and individually a "Transaction"):

(a) the execution and delivery by Borrowers and Term Loan Guarantors of the Term Loan Documents and the grant of the security interests and the guaranties provided for therein and the incurrence of the obligation to pay any upfront, funding or commitment fees as provided for therein (but not for purposes of this clause (a) any Indebtedness arising pursuant to the term loans contemplated thereunder);

(b) the Indebtedness of Borrowers and Term Loan Guarantors arising pursuant to the initial funding of the term loans under the Term Loan Documents on the Term Loan Funding Date;

(c) the repurchase by Operating of the 9 3/4% Notes on the 9 3/4% Note Tender Offer Closing Date pursuant to the 9 3/4% Note Tender Offer Documents (and the cancellation of the notes so repurchased), using a portion of the Net Cash Proceeds of the Term Loan Credit Facility and other funds available to Operating for such purpose;

(d) the redemption by Operating of the 9 3/4% Notes that remain outstanding, if any (and the cancellation of the notes so redeemed), after the repurchase of the 9 3/4% Notes pursuant to the 9 3/4% Note Tender Offer Documents on the 9 3/4% Note Redemption Date pursuant to the 9 3/4% Note Redemption Documents, using a portion of the Net Cash Proceeds of the Term Loan Credit Facility and other funds available to Operating for such purpose held in the Term Loan Collateral Account;

(e) the cancellation by Parent of the Senior Discount Debentures held by Parent, as successor by merger to J. Crew Intermediate LLC;

(f) the redemption by Parent of all of the remaining balance of the Senior Discount Debentures on the Senior Discount Debenture Redemption Date pursuant to the Senior Discount Debenture Redemption Documents, using funds available to Parent for such purpose;

(g) the execution and delivery of the 5.0% Note Credit Agreement and the execution and delivery of the notes, note guarantees and any other documents provided for thereunder; and

(h) as of the Term Loan Funding Date, (i) the establishment by Operating of the Term Loan Collateral Account, (ii) the grant of a security interest thereon solely to Term Loan Agent, (iii) the deposit in the Term Loan Collateral Account by Operating of the Net Cash Proceeds from (A) the Term Loan Credit Facility and (B) other funds available to Operating for such purpose to the extent not prohibited hereunder or under the other Financing Agreements, provided, that, the aggregate amount at any time deposited into the Term Loan Collateral Account shall be equal to the amount necessary to prepay or redeem any 9 3/4% Notes that shall remain outstanding immediately following the Term Loan Funding Date and (iv) in the event that any funds remain in the Term Loan Collateral Account on the date that is forty-five (45) days after the Term Loan Funding Date that have not been applied to prepay or redeem the 9 3/4% Notes, the prepayment of principal of the Indebtedness under the Term Loan Documents with such funds.

2.2 Limitations. Nothing contained in Section 2.1 shall be construed to waive, modify or limit any of the representations, warranties and covenants with respect to any of the Transactions to the extent set forth in this Amendment No. 3.

Section 3. Amendments to Loan Agreement.

3.1 Collateral. As of the Term Loan Funding Date, Section 5.1(b) of the Loan Agreement is hereby amended to add a new subsection (b)(iii) as follows: "(iii) or the Term Loan Collateral Account".

3.2 Financial Statements and Other Information. As of the Term Loan Funding Date, Section 9.6 of the Loan Agreement is hereby amended by deleting subsection (a)(i) thereto in its entirety and substituting the following therefor:

"(i) within forty-five (45) days after the end of each fiscal quarter, quarterly unaudited consolidated financial statements (including balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and unaudited consolidating financial statements (consisting of balance sheets and statements of income and loss), all in reasonable detail, fairly presenting in accordance with GAAP the financial position and the results of the operations of Parent and its Subsidiaries as of the end of and through such fiscal quarter, certified by the chief financial officer or controller of Parent, subject to normal year-end adjustments and no footnotes and

accompanied by a compliance certificate substantially in the form of Exhibit C hereto, along with a schedule in a form satisfactory to Agent of the calculations used in determining, as of the end of such quarter, whether Borrowers and Guarantors are in compliance with the covenants set forth in Sections 9.18 and 9.19 of this Agreement for such quarter; provided, that, (A) at any time after Excess Availability is less than $20,000,000 or a Default or Event of Default exists or has occurred, upon the request of Agent, Borrowers and Guarantors shall furnish, or cause to be furnished, to Agent thereafter, within thirty (30) days after the end of each fiscal month, monthly unaudited consolidated financial statements (including balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and unaudited consolidating financial statements (consisting of balance sheets and statements of income and loss), all in reasonable detail, fairly presenting in accordance with GAAP the financial position and the results of the operations of Parent and its Subsidiaries as of the end of and through such fiscal month, certified by the chief financial officer or controller of Parent, subject to normal year-end adjustments and no footnotes and accompanied by a compliance certificate substantially in the form of Exhibit C hereto, along with a schedule in a form satisfactory to Agent of the calculations used in determining, as of the end of such month, whether Borrowers and Guarantors are in compliance with the covenants set forth in Sections 9.18 and 9.19 of this Agreement for such month and (B) Borrowers agree to furnish Agent with unaudited consolidated financial statements (including balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and unaudited consolidating financial statements (consisting of balance sheets and statements of income and loss) of Parent and its Subsidiaries at such times as such information is required to be furnished to the Term Loan Agent under the Term Loan Agreement if more frequently than quarterly."

3.3 Encumbrances.

(a) As of the 9 3/4% Note Tender Offer Closing Date, Section 9.8(n) of the Loan Agreement is hereby deleted in its entirety and the following substituted therefor: "intentionally omitted".

(b) As of the Term Loan Closing Date, Section 9.8(o) of the Loan Agreement is hereby deleted in its entirety and the following substituted therefor: "intentionally omitted".

(c) As of the Term Loan Closing Date, Section 9.8 of the Loan Agreement is hereby amended by adding the following new subsection (p) at the end thereof:

"(p) the security interests and liens of Term Loan Agent in the Collateral pursuant to any Term Loan Security Agreement to secure the Indebtedness of Operating and the Term Loan Guarantors under the Term Loan Documents to the extent such Indebtedness is permitted under Section 9.9(w) hereof, which security interests and liens of the Term Loan Agent are and shall at all times be junior and subordinate to the security interests and liens of Agent pursuant to and to the extent provided in the Term Loan Intercreditor Agreement as to the Revolving Loan Priority Collateral."

3.4 Indebtedness.

(a) As of the Senior Discount Debenture Redemption Date, Section 9.9(j) of the Loan Agreement is hereby deleted in its entirety and the following substituted therefor: “intentionally omitted”.

(b) As of the Term Loan Closing Date, Section 9.9(o) of the Loan Agreement is hereby amended by deleting the wording prior to the proviso and substituting the following therefor: “(o) Indebtedness of Parent and Operating, as the case may be, arising after the date hereof issued in exchange for, or the proceeds of which are used to extend, refinance, replace or substitute for Indebtedness permitted under Section 9.9(j), 9.9(q), 9.9(r), 9.9(s) or 9.9(w) hereof (the “Refinancing Indebtedness”);”.

(c) As of the 9 3/4% Note Redemption Date, Section 9.9(o) is hereby further amended by deleting the wording prior to the proviso and substituting the following therefor: “(o) Indebtedness of Parent or Operating, as the case may be, arising after the date hereof issued in exchange for, or the proceeds of which are used to extend, refinance, replace or substitute for Indebtedness permitted under Section 9.9(j), 9.9(q) or 9.9(w) hereof (the “Refinancing Indebtedness”);”.

(d) As of the Senior Discount Debenture Redemption Date, Section 9.9(o) is hereby further amended by deleting the wording prior to the proviso and substituting the following therefor: “(o) Indebtedness of Parent or Operating, as the case may be, arising after the date hereof issued in exchange for, or the proceeds of which are used to extend, refinance, replace or substitute for Indebtedness permitted under Section 9.9(q) or 9.9(w) hereof (the “Refinancing Indebtedness”);”.

(e) As of the 9 3/4% Note Redemption Date, Section 9.9(r) of the Loan Agreement is hereby deleted in its entirety and the following substitute therefor: “intentionally omitted”.

(f) As of the 9 3/4% Note Redemption Date, Section 9.9(s) of the Loan Agreement is hereby deleted in its entirety and the following substitute therefor: “intentionally omitted”.

(g) As of the Term Loan Closing Date, Section 9.9(t) of the Loan Agreement is hereby deleted in its entirety and the following substituted therefor: “intentionally omitted”.

(h) As of the Term Loan Closing Date, Section 9.9(u) of the Loan Agreement is hereby deleted in its entirety and the following substituted therefor: “intentionally omitted”.

(i) As of the Term Loan Closing Date, Section 9.9 of the Loan Agreement is hereby amended by adding a new Section 9.9(w) and 9.9(x) at the end thereof as follows:

“(w) Indebtedness of Operating and the Term Loan Guarantors for the upfront funding or commitment fees as provided under the Term Loan Documents and Indebtedness of Operating and the Term Loan Guarantors arising under the Term Loan Agreement, provided, that:

(i) the aggregate principal amount of such Indebtedness arising on the Term Loan Funding Date shall not exceed $285,000,000, less the aggregate amount of all repayments or redemptions, whether optional or mandatory, in respect

thereof, plus interest thereon and fees accrued thereunder as provided for in the Term Loan Agreement, except, that, at the option of Borrowers, the aggregate principal amount of such Indebtedness outstanding may be increased, provided, that, (A) Agent shall have received not less than three (3) Business Days' prior written notice of the intention of Borrowers to exercise such option, which notice shall specify the then current amounts of such Indebtedness, the amount of such increase and such other information with respect thereto as Agent may reasonably request, (B) each of the conditions to any such increase under the terms of the Term Loan Agreement as in effect on date of Amendment No. 3 have been satisfied or waived and Agent shall have received from Borrowers such evidence thereof as Agent may request, (C) such Indebtedness shall be on the same terms and conditions as the Indebtedness of Borrowers under the Term Loan Agreement or terms and conditions more favorable to Borrowers and Guarantors, (except that, an increase in the "Applicable Margin" or similar component of the interest rate of any tranche thereof by up to three (3%) percent per annum from the rate specified for the "Applicable Margin" or such component of the interest rate in the Term Loan Agreement as in effect on the date of Amendment No. 3 (excluding increases resulting from the accrual of interest at the default rate) shall be permitted) and subject in all respects to the Term Loan Intercreditor Agreement or other intercreditor agreements no less favorable to Agent in any respect, (D) Agent shall receive written confirmation from Borrower Agent that Borrowers have received the proceeds of the loans in immediately available funds giving rise to such increase in Indebtedness promptly upon the receipt thereof and the amount of such funds, (E) in no event shall the aggregate principal amount of all such increases exceed an amount equal to $100,000,000, (F) after giving effect to any such increase, Excess Availability shall be not less than $20,000,000 and (G) as of the date of such increase and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing,

(ii) Borrowers and Guarantors shall not, directly or indirectly, make any payments in respect of such Indebtedness, except (A) regularly scheduled payments of interest and fees, if any, in respect of such Indebtedness when due in accordance with the terms of the Term Loan Agreement, and any reasonable and customary fees required to be paid to lenders or holders of the Indebtedness of Operating under the Term Loan Documents, (B) regularly scheduled payments of principal, and mandatory prepayments of principal, together with accrued interest, fees and premiums, if any with respect to such mandatory prepayment of principal (including in the event that any funds remain in the Term Loan Collateral Account on the date that is forty-five (45) days after the Term Loan Funding Date and have not been applied to prepay or redeem the 9 3/4% Notes, the prepayment of principal under the Term Loan Documents

with such funds in the Term Loan Collateral Account), in respect of such Indebtedness in each case when due in accordance with the terms of the Term Loan Agreement (except that for mandatory prepayments required pursuant to the sale or other disposition of assets or as a result of insurance proceeds, Operating shall exercise its option to reinvest proceeds from such sale or other disposition or insurance rather than make a mandatory prepayment thereunder to the extent permitted under, and in accordance with, the terms of the Term Loan Agreement) and (C) payments permitted under clause (iv) below of this Section 9.9(w),

(iii) Borrowers and Guarantors shall not, directly or indirectly, amend, modify, alter or change, in each case, any terms of such Indebtedness or any of the Term Loan Documents or any related agreements, documents and instruments, so as to (A) increase the sum of the then outstanding aggregate principal amount of such Indebtedness in excess of (1) $313,500,000 in the event Operating has not exercised its option to obtain the Term Loan Incremental Advance or (2) in the event that Operating has exercised its option to obtain the Term Loan Incremental Advance, the sum of (1) $285,000,000 plus (2) the Term Loan Incremental Advance plus (3) an amount equal to ten (10%) percent of the sum of (x) 285,000,000 plus (y) the Term Loan Incremental Advance; (B) increase the "Applicable Margin" or similar component of the interest rate by more than three (3%) percent per annum (excluding increases resulting from the accrual of interest at the default rate) or increase the aggregate amount of any fees (other than one-time fees or fees charged in respect of amendments, waivers or consents) by more than $100,000 in any twelve (12) month period, or frequency of payment of any fees provided for in the Term Loan Agreement (except that Operating may increase the frequency of payment of any fees from quarterly to monthly); (C) shorten the scheduled maturity of the Term Loan Agreement or any refinancing thereof; (D) modify (or have the effect of a modification of) the terms of payment, including the regularly scheduled payments of principal or mandatory prepayment provisions of the Term Loan Agreement, in a manner that increases the amount of any of such payments or frequency of any of such payments, or requires additional mandatory prepayments or limits the rights of Borrowers and Guarantors with respect thereto or is otherwise adverse to Agent and Lenders, except that Operating may modify such terms of payment to increase the aggregate amount of regularly scheduled payments of principal in any year in respect thereof by no more than $500,000 in any year or (E) in any manner adverse to Agent and Lenders, modify (or have the effect of a modification of) the granting clauses (and the exclusions therefrom) of any Term Loan Document that is a collateral document (or the definitions of the terms contained in any such granting clauses), and

(iv) Borrowers and Guarantors shall not, directly or indirectly, voluntarily prepay, redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness other than at maturity (as set forth in the Term Loan Agreement), or set aside or otherwise deposit or invest any sums for such purpose, or otherwise make any optional prepayment in respect thereof, except that

(A) Borrowers or Guarantors may prepay, redeem, retire, defease, purchase or otherwise acquire all or any part of such Indebtedness with Refinancing Indebtedness with respect thereto to the extent permitted under Section 9.9(o) hereof,

(B) Borrowers or Guarantors may prepay, redeem, retire, defease, purchase or otherwise acquire all or any portion of such Indebtedness with the Net Cash Proceeds of the issuance and sale of Capital Stock of Parent or Operating permitted hereunder received by such Borrower or Guarantor in cash or other immediately available funds; provided, that, as of the date of any such prepayment, redemption or purchase or any other payment in respect thereof and after giving effect thereto, (1) Borrowers and Guarantors shall have complied with all of the requirements of Sections 9.7(b)(iii)(A), (B), (C) and (E) with respect to such issuance and sale of Capital Stock and in addition to such requirements, the notice provided to Agent pursuant thereto shall specify that the proceeds are to be used for the redemption, retirement, defeasance, purchase or acquisition of all or any part all of such Indebtedness (and shall specify which of the foregoing is intended), the maximum amount that Borrowers and Guarantors will pay in respect thereof and the range of the principal amount of such Indebtedness that Borrowers and Guarantors anticipate will be so redeemed, retired, defeased, purchased or otherwise acquired, (2) the prepayment, redemption, retirement, defeasance, repurchase or acquisition of all or any part of such Indebtedness shall be substantially contemporaneous with the issuance and sale of the Capital Stock of Parent or Operating subject to such notice provided to Agent, (3) as of the date of any such payment and after giving effect thereto, there shall be Excess Availability of not less than $20,000,000, and (4) as of the date of any such payment and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, and

(C) Borrowers or Guarantors may prepay, redeem or repurchase such Indebtedness in cash or other immediately available funds (other than with the Net Cash Proceeds of the issuance and sale of Capital Stock of Parent or Operating as provided in clause (B) above); provided, that, (1) Borrower Agent shall have provided to Agent not less than ten (10) Business Days' notice of the intention of such Borrower or Guarantor to redeem or repurchase such Indebtedness (specifying the amount to be paid by Borrowers or Guarantors and the principal amount of such Indebtedness that Borrowers and Guarantors anticipate will be so redeemed or repurchased), (2) for the two (2) consecutive month period immediately prior to the date of any payment in respect of such redemption or repurchase, Excess Availability shall have been not less than $30,000,000, (3) Agent shall have received, not more than ten (10) Business Days prior to such payment and not less than five (5) Business Days prior to such payment, current, updated projections of the amount of the Borrowing Base and Excess Availability for the one month period after the date of any payment in respect of such redemption or repurchase, in a form reasonably satisfactory to Agent, representing Borrowers' reasonable best estimate of the future Borrowing Base and Excess Availability for the period set forth therein as of the date not more than ten (10) days

prior to the date of the payment in respect of such redemption and repurchase, which projections shall have been prepared on the basis of the assumptions set forth therein which Borrowers believe are fair and reasonable as of the date of preparation in light of current and reasonably foreseeable business conditions, (4) the amount of the Excess Availability as set forth in such projections for such one month period shall be not less than $20,000,000, and (5) as of the date of any such payment and after giving effect thereto, no Default or Event of Default exists or has occurred and is continuing; and

(x) contingent Indebtedness arising pursuant to the guarantees existing on the Term Loan Closing Date by the Term Loan Guarantors of the Indebtedness of Operating arising under the Term Loan Documents to the extent such Indebtedness of Operating is permitted hereunder, set forth in the Term Loan Agreement."

3.5 Loans, Investments, Etc. As of the Term Loan Closing Date, Section 9.10 of the Loan Agreement is hereby amended by adding the following new subsection (m) at the end thereof:

"(m) an intercompany loan by Operating to Parent on or before the Senior Discount Debenture Redemption Date in an aggregate principal amount not to exceed $23,000,000 less the amount of any dividend paid by Operating to Parent pursuant to Section 9.11(j); provided, that, the Indebtedness arising pursuant to such loan shall be evidenced by a promissory note or other instrument, which shall, to the extent required under the terms of the Term Loan Agreement be promptly delivered to Term Loan Agent to hold on behalf of Agent subject to the terms of the Intercreditor Agreement or to Agent, and which note shall be unsecured and subordinated in right of payment to the payment in full in cash of the Obligations pursuant to the terms of such promissory note or an intercompany subordination agreement that, in any such case, is satisfactory to Agent."

3.6 Restricted Payments. As of the Term Loan Closing Date, Section 9.11 of the Loan Agreement is hereby amended by adding the following new subsection (j) at the end thereof:

"(j) Operating may, on or before the Senior Discount Debenture Redemption Date, declare and pay a dividend to Parent in an amount not to exceed $23,000,000 less the amount of any loan outstanding from Operating to Parent pursuant to Section 9.10(m)."

3.7 Limitation of Restrictions Affecting Subsidiaries. As of the Term Loan Closing Date, Section 9.17(d) of the Loan Agreement is hereby amended by deleting the term "and" prior to subsection (vi) thereto and adding a new subsection (vii) thereto at the end of subsection (vi) thereof as follows: "and (vii) the Term Loan Documents."

3.8 Events of Default.

(a) As of the Term Loan Closing Date, Section 10.1 of the Loan Agreement is hereby amended by deleting subsection (i) thereto in its entirety and substituting the following therefor:

"(i) any default by any Borrower or any Obligor under any agreement, document or instrument other than the Term Loan Documents relating to any Indebtedness owing to any person other than Lenders, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lenders, in any case in an amount in excess of $5,000,000, which default continues for more than the applicable cure period, if any, with respect thereto, or any default by any Borrower or any Obligor under any Material Contract (including, without limitation, any of the Credit Card Agreements), which default continues for more than the applicable cure period, if any, with respect thereto which default has or could reasonably be expected to have a Material Adverse Effect, or any Credit Card Issuer or Credit Card Processor (other than with a Credit Card Issuer or Credit Card Processor where the sales using the applicable card are less than ten (10%) percent of all such sales in the immediately preceding fiscal year) withholds payment of amounts otherwise payable to a Borrower to fund a reserve account or otherwise hold as collateral, or shall require a Borrower to pay funds into a reserve account or for such Credit Card Issuer or Credit Card Processor to otherwise hold as collateral, or any Borrower shall provide a letter of credit, guarantee, indemnity or similar instrument to or in favor of such Credit Card Issuer or Credit Card Processor such that in the aggregate all of such funds in the reserve account, other amounts held as collateral and the amount of such letters of credit, guarantees, indemnities or similar instruments shall exceed $2,000,000 or any such Credit Card Issuer or Credit Card Processor shall debit or deduct any amounts in excess of $50,000 in the aggregate in any fiscal year of Borrowers and Guarantors from any deposit account of any Borrower;"

(b) As of the Term Loan Closing Date, Section 10.1 of the Loan Agreement is hereby amended by adding a new Section 10.1(p) at the end thereof as follows:

"(p) (i) the failure of any Borrower or Guarantor to pay when due any principal of or interest on or any other amount payable in respect of the Term Loan Documents beyond the grace period, if any provided therefore or (ii) any other default under the Term Loan Documents shall exist beyond the grace period, if any, provided therefor (including, but not limited to, the failure of any party thereto to comply in any material respect with any of the terms thereof) if the effect of such breach or default is to cause, or to permit the holder or holders of that Indebtedness to cause, that Indebtedness to become or be declared due and payable prior to its stated maturity.

Section 4. Additional Representations, Warranties and Covenants. In addition to the continuing representations, warranties and covenants heretofore or hereafter made by Borrowers and Guarantors to Agent and Lenders pursuant to the other Financing Agreements, each of Borrowers and Guarantors, jointly and severally, hereby represents, warrants and covenants with and to Agent and Lenders as follows (which representations, warranties and covenants are continuing and shall survive the execution and delivery hereof and shall be incorporated into and made a part of the Financing Agreements):

4.1 Due Execution; Non-Contravention.

(a) As of the date hereof, this Amendment No. 3 has been duly executed and delivered by all necessary action on the part of Borrowers and Guarantors and, if necessary, their respective stockholders, and is in full force and effect as of the date hereof and the agreements and obligations of Borrowers and Guarantors contained herein constitute legal, valid and binding obligations of Borrowers and Guarantors enforceable against Borrowers and Guarantors in accordance with their respective terms.

(b) As of the Term Loan Closing Date, the execution, delivery and performance of the Term Loan Documents (i) are all within each Borrower's and Guarantor's corporate or limited liability company powers, (ii) have been duly authorized, (iii) to Borrowers' and Guarantors' knowledge, are not in contravention of law or the terms of any Borrower's or Guarantor's certificate of incorporation, certificate of formation, by-laws, membership agreement or other organizational documentation, or any indenture, agreement or undertaking to which any Borrower or Guarantor is a party or by which any Borrower or Guarantor or its property are bound and (iv) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of any Borrower or Guarantor (other than the security interests in favor of Term Loan Agent to the extent permitted under the Loan Agreement as amended hereby).

(c) As of the Term Loan Funding Date, the execution, delivery and performance of the 9 3/4% Note Tender Offer Documents, the Senior Discount Debenture Redemption Documents, the 5.0% Note Credit Agreement, and all other agreements in connection with the Transactions and all of the Transactions (i) are all within each Borrower's and Guarantor's corporate or limited liability company powers, (ii) have been duly authorized, (iii) to Borrowers' and Guarantors' knowledge, are not in contravention of law or the terms of any Borrower's or Guarantor's certificate of incorporation, certificate of formation, by-laws, membership agreement or other organizational documentation, or any indenture, agreement or undertaking to which any Borrower or Guarantor is a party or by which any Borrower or Guarantor or its property are bound and (iv) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of any Borrower or Guarantor (other than the security interests in favor of Term Loan Agent to the extent permitted under the Loan Agreement as amended hereby).

4.2 Term Loan Arrangements.

(a) As of the Term Loan Closing Date:

(i) All actions and proceedings required by the Term Loan Documents, applicable law and regulation shall have been taken and the transactions required thereunder shall have been duly and validly taken and consummated.

(ii) No court of competent jurisdiction shall have issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Term Loan Documents and no governmental action or proceeding shall have been threatened or commenced seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the Term Loan Documents.

(iii) No loans or advances have been made under the Term Loan Documents and no Indebtedness is or will be outstanding under the Term Loan Documents prior to the Term Loan Funding Date.

(iv) Borrowers shall have delivered, or caused to be delivered, to Agent, true, correct and complete copies of the Term Loan Documents.

(b) As of the Term Loan Funding Date:

(i) Operating has borrowed not less than $285,000,000 from the term loans under the Term Loan Documents.

(ii) Operating shall have deposited in the Term Loan Collateral Account the proceeds of the Term Loan Credit Facility in an amount not less than the amount necessary to prepay or redeem any 9 3/4% Notes that shall remain outstanding immediately following the Term Loan Funding Date.

(iii) All funds in the Term Loan Collateral Account shall only be used for (A) the repurchase of the 9 3/4% Notes pursuant to the 9 3/4% Note Tender Offer Documents on the 9 3/4% Note Tender Offer Closing Date and to the extent of any then remaining 9 3/4% Notes outstanding thereafter, the redemption of such 9 3/4% Notes pursuant to the 9 3/4% Notes Redemption Documents on the 9 3/4% Note Redemption Date or (B) in the event that any funds remain in the Term Loan Collateral Account on the date that is forty-five (45) days after the Term Loan Funding Date, a mandatory prepayment of principal of the Indebtedness under the Term Loan Documents.

4.3 Redemption of Senior Discount Debentures. As of the Senior Discount Debenture Notice Date, Parent has executed and delivered, or caused to be executed and delivered, a notice of redemption and any other documents that may be required under the terms of the Senior Debenture Indenture and taken such other actions as may be required thereunder in order for the Senior Discount Debentures to be redeemed on the Senior Discount Debenture Redemption Date pursuant to the Senior Discount Debentures Redemption Documents. As of the Senior Discount Debenture Redemption Date:

(a) The Senior Discount Debenture Redemption Documents and the transactions contemplated thereunder shall have been duly executed, delivered and performed in accordance with their terms by the respective parties thereto, including the fulfillment of

all conditions precedent set forth therein and after giving effect thereto on the Senior Discount Debenture Redemption Date, Parent shall have redeemed, repurchased or cancelled all of the outstanding Senior Discount Debentures in the principal amount of not more than $143,000,000 and the Indebtedness and other obligations and liabilities of Parent or any of the other Borrowers and Guarantors in respect thereof have been satisfied and performed and all of the Senior Discount Debentures shall have been cancelled.

(b) All actions and proceedings required by the Senior Discount Debenture Redemption Documents, applicable law and regulation shall have been taken and the transactions required thereunder shall have been duly and validly taken and consummated.

(c) No court of competent jurisdiction shall have issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Senior Discount Debenture Redemption Documents and no governmental action or proceeding shall have been threatened or commenced seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the Senior Discount Debenture Redemption Documents.

(d) Borrowers shall have delivered, or caused to be delivered, to Agent, true, correct and complete copies of the Senior Discount Debenture Redemption Documents, and Agent shall have received, in form and substance satisfactory to Agent, evidence that all of the Senior Discount Debentures have been repurchased or redeemed and cancelled.

4.4 9 3/4% Notes Tender Offer and Redemption.

(a) As of the Term Loan Funding Date and the 9 3/4% Tender Offer Closing Date:

(i) Operating has executed and delivered, or caused to be executed and delivered, a notice of redemption and any other documents that may be required under the terms of the Black Canyon Indenture and any other Black Canyon Documents and taken such other actions as may be required thereunder in order for all of the 9 3/4% Notes that have not been purchased by Operating pursuant to the 9 3/4% Notes Tender Offer on the 9 3/4% Note Tender Offer Closing Date to be redeemed on the 9 3/4% Note Redemption Date pursuant to the 9 3/4% Redemption Documents.

(ii) The holders of not less than a majority in aggregate principal amount of the outstanding 9 3/4% Notes shall have agreed to tender, and shall have tendered, all of their 9 3/4% Notes pursuant to the 9 3/4% Note Tender Offer Documents and consented to the amendments and supplements to the Black Canyon Indentures set forth in the Black Canyon Supplemental Indentures, dated as of October 17, 2005, true, correct and complete copies of which have been delivered to Agent prior to the date of this Amendment No. 3.

(iii) The 9 3/4% Note Tender Offer Documents and the transactions contemplated thereunder shall have been duly executed, delivered and performed in accordance with their terms by the respective parties thereto in all respects, including the fulfillment of all conditions precedent set forth therein and after giving effect thereto and including (A) the amendment of the Black Canyon Indenture pursuant to the Black Canyon Supplemental Indentures, which shall be in full force and effect, (B) the termination and release of all security interests and liens that secure the Indebtedness and other obligations and liabilities evidenced by or arising under the 9 3/4% Notes and the other Black Canyon Documents, and (C) the subordination of the Indebtedness and other obligations and liabilities evidenced by or arising under the 9 3/4% Notes and the other Black Canyon Documents to the payment in full of the Obligations on terms and conditions satisfactory to Agent.

(iv) All actions and proceedings required by the 9 3/4% Note Tender Offer Documents, applicable law and regulation shall have been taken and the transactions required thereunder shall have been duly and validly taken and consummated.

(v) No court of competent jurisdiction shall have issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the 9 3/4% Note Tender Offer Documents and no governmental action or proceeding shall have been threatened or commenced seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the 9 3/4% Note Tender Offer Documents.

(vi) Borrowers shall have delivered, or caused to be delivered, to Agent, true, correct and complete copies of the 9 3/4% Note Tender Offer Documents.

(b) As of the 9 3/4% Note Redemption Date:

(i) The 9 3/4% Note Redemption Documents and the transactions contemplated thereunder shall have been duly executed, delivered and performed in accordance with their terms by the respective parties thereto in all respects, including the fulfillment of all conditions precedent set forth therein and after giving effect thereto, Operating has acquired or redeemed all of the then outstanding 9 3/4% Notes and all of the Indebtedness and other obligations and liabilities of Operating evidenced by or arising under such 9 3/4% Notes have been satisfied and performed and all such 9 3/4% Notes have been cancelled.

(ii) All actions and proceedings required by the 9 3/4% Note Redemption Documents, applicable law and regulation shall have been taken and the transactions required thereunder had been duly and validly taken and consummated.

(iii) No court of competent jurisdiction shall have issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the 9 3/4% Note Redemption Documents and no governmental action or proceeding shall have been threatened or commenced seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the 9 3/4% Note Redemption Documents.

(iv) Borrowers shall have delivered, or caused to be delivered, to Agent, true, correct and complete copies of the 9 3/4% Note Redemption Documents, and Agent shall have received, in form and substance satisfactory to Agent, evidence that all of the 9 3/4% Notes have been repurchased or redeemed and cancelled.

Section 5. Conditions.

5.1 General. Subject to Sections 5.2 and 5.3 hereof, the effectiveness of each of the consents and amendments set forth in this Amendment No. 3 shall be subject to the satisfaction of each of the following conditions:

(a) Agent shall have received an original of this Amendment No. 3, duly authorized, executed and delivered by Borrowers and Guarantors;

(b) Agent shall have received all consents of Lenders required for the consents and amendments provided for herein;

(c) Agent shall have received evidence, in form and substance satisfactory to Agent, that Borrowers and Guarantors have obtained all necessary consents and approvals to the execution, delivery and performance of this Amendment No. 3 and to the Transactions, which are and shall remain in full force and effect;

(d) Agent shall have received, in form and substance satisfactory to Agent, an amendment to the Deed of Trust relating to the Real Property located in the Commonwealth of Virginia, duly authorized, executed and delivered by the owner of such Real Property;

(e) Agent shall have received, in form and substance satisfactory to Agent, an endorsement (or a commitment to issue an endorsement) to the existing title insurance policy relating to the Real Property located in the Commonwealth of Virginia, (i) insuring the priority and amount of the Deed of Trust (as so amended) relating to such Real Property and (ii) containing any legally available endorsements, assurances or affirmative coverage requested by Agent for the protection of its interest with respect to the Deed of Trust (as so amended);

(f) Agent shall have received, in form and substance satisfactory to Agent, an endorsement (or a commitment to issue an endorsement) to the existing title insurance policy relating to the Real Property located in the State of North Carolina, increasing the amount of coverage provided by such title insurance policy;

(g) Agent shall have received, in form and substance satisfactory to Agent, flood certifications relating to the Real Property located in the Commonwealth of Virginia and the State of North Carolina; and

(h) after giving effect to each of the consents and amendments set forth herein, no Default or Event of Default shall exist or have occurred.

5.2 Term Loan Credit Facility Closing. The effectiveness of the consent set forth in Section 2.1(a) shall be subject to the satisfaction of each of the following conditions:

(a) each of the conditions set forth in Section 5.1 hereof shall have been and shall be satisfied;

(b) Agent shall have received, in form and substance satisfactory to Agent, evidence that the Term Loan Documents (including, but not limited to, the Term Loan Intercreditor Agreement) have been duly authorized, executed and delivered by Borrowers and duly executed and delivered by the other parties thereto in accordance with their term;

(c) Agent shall have received the Term Loan Documents, which shall be in form and substance satisfactory to Agent; and

(d) each of the conditions set forth in this Section 5.2 hereof shall have been satisfied on or before May 31, 2006.

5.3 Term Loan Credit Facility; 9 3/4% Note Tender Offer Closing. The effectiveness of the consents set forth in Sections 2.1(b), 2.1(c), 2.1(d), 2.1(e), 2.1(f), 2.1(g) and 2.1(h) shall be subject to the satisfaction of each of the following conditions:

(a) each of the conditions set forth in Sections 5.1 and 5.2 hereof shall have been and shall be satisfied;

(b) the aggregate Excess Availability of Borrowers as determined by Agent (calculated based upon the Borrowing Base as in effect on the Term Loan Funding Date), as of the consummation of the initial funding of the term loans under the Term Loan Credit Facility, shall be not less than $35,000,000 after giving effect to the initial funding of the term loans under the Term Loan Credit Facility and after giving effect to all payments required under the terms of the 9 3/4% Note Tender Offer Documents and the deposit of funds in the Term Loan Collateral Account as required under Section 5.3(c) below;

(c) Agent shall have received, in form and substance satisfactory to Agent, evidence that proceeds of the initial funding of the term loans under the Term Loan Credit Facility in an amount not less than the amount necessary to repurchase, prepay or redeem any 9 3/4% Notes that shall remain outstanding immediately following the Term Loan Funding Date, shall have been deposited into the Term Loan Collateral Account or otherwise directed to repurchase, prepay or redeem the 9 3/4% Notes;

(d) Operating has borrowed not less than $285,000,000 of the loans pursuant to the Term Loan Documents;

(e) Agent shall have received, in form and substance satisfactory to Agent, evidence that the liens on and security interests in the assets of Operating and the Black Canyon Guarantors granted pursuant to the Black Canyon Security Agreement will be released and terminated (including UCC termination statements with respect to financing statements filed of record with respect to such liens and security interests) upon the initial funding of the term loans under the Term Loan Documents;

(f) Agent shall have received, in form and substance satisfactory to Agent, evidence that the 9 3/4% Note Tender Offer Documents have been duly authorized, executed and delivered by the parties thereto in accordance with their terms and as stated in the Offer to Purchase for Cash Any and All Outstanding 9 3/4% Senior Subordinated Notes due 2014 (CUSIP No. 46612GAC1) and Solicitation of Consents to Amendments to the Related Indenture, dated October 3, 2005, Operating has acquired 9 3/4% Notes in the principal amount of not less than a majority in principal amount of such 9 3/4% Notes and all 9 3/4% Notes tendered pursuant thereto shall have been cancelled;

(g) Agent shall have received, in form and substance satisfactory to Agent, evidence that the Senior Discount Debenture Redemption Documents (other than such documents that effectuate the redemption thereof) have been duly authorized, executed and delivered by the parties thereto in accordance with their terms;

(h) Agent shall have received, each in form and substance reasonably satisfactory to Agent, each of the Term Loan Documents, the Senior Discount Debenture Redemption Documents, the 9 3/4% Note Tender Offer Documents and the 5.0% Note Credit Agreement, each as duly authorized, executed and delivered by the respective parties thereto;

(i) each of the conditions set forth in this Section 5.3 shall have been satisfied by no later than May 31, 2006.

Section 6. Term Loan Intercreditor Agreement. Each Lender (a) authorizes Agent to take any action reasonably related to the termination of any Black Canyon Document to which it is a party, (b) authorizes the execution, delivery and performance of the terms and conditions of the Term Loan Intercreditor Agreement by Agent in form and substance satisfactory to Agent (including, but not limited to, the subordination of the security interests and liens of Agent with respect to Collateral other than the Revolving Loan Priority Collateral to the security interests and liens of Term Loan Agent as provided therein) and (c) agrees to perform, comply with and be bound by all terms, conditions and covenants (as a Lender) of the Term Loan Intercreditor Agreement as if it were a signatory thereto.

Section 7. Miscellaneous.

7.1 Effect of this Amendment No. 3. Except as modified pursuant hereto, no other changes or modifications to the Financing Agreements are intended or implied, and in all other respects, the Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of effective date hereof. The Loan Agreement and this Amendment No. 3 shall be read and construed as one agreement. To the extent of conflict between the terms of this Amendment and the other Financing Agreements, the terms of this Amendment No. 3 shall control.

7.2 Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional actions as may be necessary, in the reasonable discretion of Agent, to effectuate the provisions and purposes of this Amendment No. 3.

7.3 Governing Law. The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the laws of the State of New York without regard to principles of conflicts of law or other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of New York.

7.4 Binding Effect. This Amendment No. 3 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

7.5 Counterparts. This Amendment No. 3 may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment No. 3, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties thereto. This Amendment No. 3 may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment No. 3, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto. Delivery of an executed counterpart of this Amendment No. 3 by telefacsimile or other electronic means shall have the same force and effect as delivery of an original executed counterpart of this Amendment No. 3. Any party delivering an executed counterpart of this Amendment No. 3 by telefacsimile or other electronic means also shall deliver an original executed counterpart of this Amendment No. 3, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment No. 3 as to such party or any other party.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed and delivered by their authorized officers as of the date and year first above written.

J. CREW OPERATING CORP.
J. CREW INC.
GRACE HOLMES, INC. d/b/a J. CREW RETAIL
H.F.D. NO. 55, INC. d/b/a J. CREW FACTORY
J. CREW GROUP, INC.
MADEWELL INC.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

WACHOVIA BANK, NATIONAL ASSOCIATION, successor by merger to Congress Financial Corporation, as Agent and as Lender

By: /s/ Jason Searle
Name: Jason Searle
Title: Vice President

BANK OF AMERICA N.A.

By: /s/ Kathleen Dimock
Name: Kathleen Dimock
Title: Managing Director

[Signature Page to Amendment No. 3 to Amended and Restated Loan and Security Agreement]

SIEMEN'S FINANCIAL SERVICES, INC.

By: /s/ Joseph Accardi
Name: Joseph Accardi
Title: Vice President

[Signature Page to Amendment No. 3 to Amended and Restated Loan and Security Agreement]

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Steve Schuitt
Name: Steve Schuitt
Title: Vice President

[Signature Page to Amendment No. 3 to Amended and Restated Loan and Security Agreement]

LASALLE RETAIL FINANCE, a division of
Lasalle Business Credit, as agent for Standard
Federal Bank National Association

By: /s/ Dan O'Rourke
Name: Dan O'Rourke

[Signature Page to Amendment No. 3 to Amended and Restated Loan and Security Agreement]

SCHEDULE A TO

Revolving Loan Priority Collateral

The term "Revolving Loan Priority Collateral" shall mean all of the following property now owned or at any time hereafter acquired by a Borrower or Guarantor, in which Borrower or Guarantor now has or at any time in the future may acquire any right, title or interests:

(a) all present and future rights of each Borrower and Guarantor to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, and that (i) is for Inventory that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (ii) is for services rendered or to be rendered, or (iii) arises out of the use of a credit or charge card or information contained on or for use with the card (such assets described in this paragraph (a) being referred to herein as "Accounts");

(b) all of each Borrower's and Guarantor's now owned and hereafter existing or acquired goods, wherever located, which (i) are held by Borrower or Guarantor for sale or lease in the ordinary course of business or to be furnished under a contract of service in the ordinary course of business; or (ii) consist of raw materials, work in process, finished goods or materials used or consumed in its business (such assets described in this paragraph (b) being referred to herein as "Inventory");

(c) all real property, including leasehold interests, together with all buildings, structures, and other improvements located thereon and all licenses, easements and appurtenances relating thereto, wherever located, and any fixtures or equipment, such as pumps, pipes, plumbing, cleaning, call and sprinkler systems, fire extinguishing apparatuses and equipment, heating, ventilating, plumbing incinerating, electrical, air conditioning and air cooling equipment and systems, pollution control equipment, security systems, disposals, water, gas, electrical, storm and sanitary sewer facilities, utility lines and equipment, all water tanks, water supply, water power sites, fuel stations, fuel tanks, fuel supply, generators, UPS power, racks, HVAC, boilers, water heaters, light fixtures, ceiling and exhaust fans, and all other structures, together with all accessions, appurtenances, additions, replacements, betterments and substitutions for any of the foregoing;

(d) all chattel paper (including all tangible and electronic chattel paper) arising in connection with or related to any of the Accounts, Inventory or other Revolving Loan Priority Collateral, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Borrowers' and Guarantors' past practices);

(e) all instruments (including all promissory notes) arising in connection with or related to any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Borrowers' and Guarantors' past practices);

(f) all documents arising in connection with or related to any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property as defined in this Schedule A (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Borrowers' and Guarantors' past practices);

(g) all deposit accounts and investment accounts used in connection with or related to any of the Accounts, Inventory or other Revolving Loan Priority Collateral (but excluding the Term Loan Collateral Account as defined below);

(h) all letters of credit, banker's acceptances and similar instruments and including all letter of credit rights arising in connection with or related to any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Borrowers' and Guarantors' past practices);

(i) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to or part of any Inventory), including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to such Revolving Loan Priority Collateral; (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party; (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, other Revolving Loan Priority Collateral, including returned, repossessed and reclaimed goods; and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(j) all investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts, but excluding Pledged Stock as defined below and excluding investment property in the Term Loan Collateral Account as defined below) and all monies, credit balances, deposits and other property of Borrower or Guarantor now or hereafter held or received by or in transit to Agent or any Lender or its affiliates or at any other depository or other institution from or for the account of a Borrower or Guarantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(k) all commercial tort claims arising from or in connection with any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Borrowers' and Guarantors' past practices);

(l) to the extent not otherwise described above, (i) all interest, fees, late charges, penalties, collection fees and other amounts due or to become due or otherwise payable in connection with any Account; (ii) all payment intangibles of a Borrower or Guarantor; (iii) letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to a Borrower or Guarantor or otherwise in favor of or delivered to a Borrower or Guarantor in connection with any Account; (iv) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to a Borrower or Guarantor from the sale, lease or other disposition of any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, licensing of any other Revolving Loan Priority Collateral, rendition of services or otherwise relating to any Accounts, Inventory or other Revolving Loan Priority Collateral (including, without limitation, choses in action, causes of action, or other rights and claims of a Borrower or Guarantor against carriers, shippers, processors, warehouses, bailees, custom brokers, freight forwarders, or other third parties at any time in possession or control of, or using, any of the other Revolving Loan Priority Collateral or any sellers of any other Revolving Loan Priority Collateral and refunds of sales, use or excise taxes arising from the sale or other disposition of Inventory or other Revolving Loan Priority Collateral);

(m) all books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to any of the Revolving Loan Priority Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Schedule A, or any account debtor (including customer lists), together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of a Borrower or Guarantor with respect to the foregoing maintained with or by any other person); and

(n) all products and proceeds of the foregoing, in any form, including insurance proceeds and all claims against third parties for loss or damage to or destruction of or other involuntary conversion of any kind or nature of any or all of the other Revolving Loan Priority Collateral

For purposes of this Schedule A, the following terms shall have the meanings given to them below:

(i) “Intellectual Property” shall have the meaning given to such term in the Term Loan Intercreditor Agreement.

(ii) “Pledged Stock” shall mean Collateral consisting of shares of capital stock of a Borrower, Guarantor or Subsidiary of a Borrower or Guarantor (whether denominated as common stock or preferred stock), beneficial, partnership or membership interests, participations or other equivalents (regardless of how designated) of or in a Borrower, Guarantor or Subsidiary of a Borrower or Guarantor and all securities convertible into or exchangeable for any of the foregoing and all warrants, options or other rights to purchase or subscribe for any of the foregoing, whether or not presently convertible, exchangeable or exercisable.

(iii) “Term Loan Collateral Account” shall mean the investment account which is a restricted account maintained by Operating with Term Loan Agent, an affiliate of Term Loan Agent or at a financial institution otherwise designated by Term Loan Agent into which Parent or Operating shall have deposited (a) proceeds of the Term Loan Credit Facility in an amount not less than the amount necessary to prepay or redeem any 9 3/4% Notes that shall remain outstanding immediately following the Term Loan Funding Date and (b) such other amounts to be utilized for such purposes as expressly permitted under the Term Loan Intercreditor Agreement; and which investment account is established and used solely for the purpose of holding such proceeds and such other amounts and at all times shall be subject to the perfected security interest of Term Loan Agent.

Exhibit 10.2

EXECUTION VERSION

AMENDED AND RESTATED CREDIT AGREEMENT (as amended, supplemented or restated from time to time, this "Agreement"), dated as of May 15, 2006 by and among TPG-MD INVESTMENT, LLC, a Delaware limited liability company (the "Lender"), J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), J. CREW GROUP, INC., a Delaware corporation (the "Parent"), and each of GRACE HOLMES INC., a Delaware corporation doing business as J. Crew Retail, H.F.D. NO. 55, INC., a Delaware corporation doing business as J. Crew Factory, J. CREW, INC., a New Jersey corporation, and J. CREW INTERNATIONAL, INC., a Delaware corporation, as guarantors (each, a "Guarantor") and together with any subsidiary that executes a Note Guarantee (the "Guarantors").

WHEREAS, the Borrower, the Lender, the Parent and the Guarantors were parties to that certain Credit Agreement, dated as of February 4, 2003, as amended by the Amendment No. 1 to Credit Agreement dated as of November 21, 2004 (the "Original Credit Agreement");

WHEREAS, the each of the parties thereto and hereto desire to amend and restate the Original Credit Agreement in its entirety on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender, the Borrower, the Parent and the Guarantors hereby agree as follows:

ARTICLE I

THE LOANS

SECTION 1.01. The Loans. Subject to the terms and conditions of this Agreement, the Lender agrees to make (a) a Tranche A loan (the "Tranche A Loan") to the Borrower on the first Business Day following the first date on which each of the conditions set forth in Section 4.01 has been satisfied (the "Funding Date") in an aggregate principal amount of $10,000,000.00 (the "Tranche A Loan Principal Amount") and (b) a Tranche B loan (the "Tranche B Loan" and, together with the Tranche A Loan, the "Loans") to the Borrower on the Funding Date in an aggregate principal amount of $10,000,000.00 (the "Tranche B Loan Principal Amount" and, together with the Tranche A Loan Principal Amount, the "Principal Amount").

SECTION 1.02. The Notes. The obligation of the Borrower to repay the Tranche A Loan shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A (the "Tranche A Note"), payable to the order of the Lender. The obligation of the Borrower to repay the Tranche B Loan shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit B (the "Tranche B Note" and, together with the Tranche A Note, the "Notes"), payable to the order of the Lender. The Notes shall be dated the Funding Date and shall mature on the Maturity Date (as hereinafter defined). Each of the Tranche A Note and the Tranche B Note shall have an executed Note Guarantee from the Guarantors substantially in the form of Exhibit C (the "Note Guarantee") attached thereto. The Principal Amount of the Loans, the Funding Date, the payment of principal with respect thereto, and the unpaid interest accrued on the Loans, shall be determined from the records of the Lender, which records shall be presumptively conclusive as to the accuracy of such information.

SECTION 1.03. Procedure for the Loans. The Principal Amount of the Loans shall be made available to the Borrower in immediately available funds on the Funding Date to an account designated by the Borrower.

SECTION 1.04. Method of Payment.

(a) The payment or prepayment by the Borrower of the principal amount of and unpaid interest accrued on the Loans shall be made to the Lender in lawful money of the United States and in immediately available funds, to an account designated by the Lender.

(b) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of the Loans to be made in the next succeeding calendar month, such payment shall be made on the next preceding Business Day.

SECTION 1.05. Interest. The Loans shall bear interest on the Principal Amount thereof at a fixed rate per annum equal 5.0% (the "Interest Rate").

SECTION 1.06. Capitalization of Interest. Interest on the Loans shall be payable semi-annually in arrears on each January 31 and July 31 (each, an "Interest Payment Date"), commencing on July 31, 2003. Interest payable on the Loans on any Interest Payment Date, shall compound and be capitalized and added to the principal amount of the Loans on each Interest Payment Date, until the principal amount of the Loans has been repaid or prepaid, and shall be due and payable on the date of repayment or prepayment, as applicable, of the unpaid principal amount of the Loans. For the avoidance of doubt, the compounding and capitalization of interest as aforesaid shall not constitute a default for purposes of Section 5.01(a) until such interest shall fail to be paid on the date of such repayment or prepayment, as applicable.

SECTION 1.07. Computation of Interest. Interest on the Loans shall be calculated on the basis of a 365-day year for the actual number of days elapsed.

SECTION 1.08. Post Maturity Interest. After the Maturity Date or the date on which a Loan shall otherwise become due and payable, such Loan shall bear interest, payable on demand, at a rate per annum (on the basis of a 365-day year for the actual number of days elapsed) equal to the sum of (a) the Interest Rate and (b) 2.0%.

SECTION 1.09. Illegality. If the Lender determines at any time that any law or regulation or any change therein or in the interpretation or application thereof makes or will make it unlawful for the Lender to maintain the Loans or to claim or receive any amount payable to it hereunder, the Lender shall give notice of such determination to the Borrower, whereupon the obligations of the Lender hereunder shall terminate. In such event, the Borrower shall prepay the Loans by paying the outstanding principal amount of and unpaid interest accrued on the Notes within five Business Days after the date such notice is given (or on such earlier date as the Lender determines is necessary in order to enable it to comply with such law or regulation or change).

SECTION 1.10. Withholding or Deduction; Gross-Up.

(a) Each payment by the Borrower under this Agreement or under the Notes shall, except as required by law, be made without withholding or deduction for or on account of any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties and additions thereto) that are imposed by any government or other taxing authority (collectively, "Taxes") from or through which the Borrower makes payment hereunder. If any Taxes are required to be withheld or deducted from any such payment, the Borrower shall pay such additional amounts as may be necessary to ensure that the net amount actually received by the Lender after such withholding or deduction is equal to the amount that the Lender would have received had no such withholding or deduction been required, provided, however, that no such additional amounts shall be payable in respect of any Taxes imposed on the net income of the Lender and franchise taxes imposed on the Lender by the jurisdiction under the laws of which the Lender is organized or has its principal place of business.

(b) The Borrower shall pay all Taxes referred to in Section 1.10(a) before penalties are payable or interest accrues thereon, but if any such penalties are payable or interest accrues, the Borrower shall make payment thereof when due to the appropriate governmental authority within 30 days after each such payment of Taxes, and the Borrower shall deliver to the Lender an official receipt or a certified copy thereof evidencing such payment.

(c) The Lender agrees to comply with any certification, identification, information, documentation or other reporting requirement if (i) such compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of, deduction or withholding of any Taxes for which Borrower is required to pay additional amounts pursuant to Section 1.10(a) and (ii) at least 30 days prior to the first payment date with respect to which the Borrower shall apply this paragraph (c), the Borrower shall have notified the Lender that the Lender will be required to comply with such requirement, provided, however, that the exclusion set forth in this paragraph (c) shall not apply in respect of any certification, identification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the Lender than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms W-8BEN and W-9).

(d) The Borrower shall pay any present or future stamp, transfer or documentary taxes or any other excise or property taxes, charges or similar levies, and any penalties, additions to tax or interest due with respect thereto, that may be imposed by any jurisdiction in connection with the execution, delivery or registration of this Agreement and the Notes or the filing, registration, recording or perfection of any security interest contemplated by this Agreement and the Notes.

(e) If the Lender pays any Taxes or other amounts that the Borrower is required to pay pursuant to this Section 1.10, Borrower shall indemnify it on demand in full in the currency in which such Taxes or other amounts are paid together with interest thereon from and including the date of payment to but excluding the date of reimbursement at a rate per annum determined in accordance with Section 1.08.

SECTION 1.11. Increased Costs. The Borrower shall pay to the Lender on demand the amount the Lender reasonably determines to be necessary to compensate it fully for all costs incurred and reductions in amounts received or receivable that are attributable to the Loans made hereunder or the performance by the Lender of its obligations under this Agreement and that occur by reason of the adoption of, or any change in, any law, regulation or treaty or in the application or interpretation thereof or compliance by the Lender with any direction, requirement or request of any governmental authority, including, without limitation, any such cost or reduction resulting from the imposition, amendment or change in the application or basis of any Taxes other than (a) any Taxes referred to in Section 1.10 or (ii) any Taxes imposed on or measured by the net income of the Lender and imposed by the jurisdiction in which the Lender's principal office is situated.

SECTION 1.12. Register. The Borrower shall maintain a register where the Notes are registered as to both the principal and any stated interest on the Notes and such principal and stated interest shall be paid only to the registered holders of the Notes. The transfer of the Notes may be effected only by the surrender of the Notes to the Borrower and either the reissuance by the Borrower of the Notes to the new holder or the issuance by the Borrower of a new Note to the new holder.

ARTICLE II

PREPAYMENTS

SECTION 2.01. Prepayment at the Lender's Option.

(a) Upon the occurrence of the Termination Event and subject to the EBITDA (as defined in the Revolving Loan Agreement) of the Parent and its subsidiaries for the immediately preceding twelve (12) consecutive month period (treated as a single accounting period) ending on the last day of the most recent month prior to the Date of Termination (as defined in the Services Agreement) being not less than the amount set forth in Schedule 2.01 hereto with respect to such period then ending, the Lender shall have the right to require the Borrower to prepay the Tranche B Loan, in whole but not in part, without premium or penalty.

(b) In the event the Lender elects to exercise such right, the Lender shall deliver written notice to the Borrower not less than five Business Days prior to the first Prepayment Date occurring after the date of such notice. The Borrower shall prepay the principal of and interest on the Tranche B Loan on such Prepayment Date; provided that, on such Prepayment Date, (i) the Borrower has, immediately prior to making such prepayment, Excess Availability (as defined in the Revolving Loan Agreement) of not less than $30.0 million and (ii) after giving effect to such prepayment, there shall exist no default or event of default under any agreement, contract, instrument, indenture or mortgage of the Borrower or the Parent, including, without limitation, the Revolving Loan Agreement and the Term Loan Documents.

(c) In the event that the conditions specified in clauses (i) and (ii) of Section 2.01(b) above have not been satisfied, the principal of and interest on the Tranche B Loan shall be due and payable on the first Prepayment Date immediately following the date on which the conditions specified in clauses (i) and (ii) of Section 2.01(b) above have been satisfied (but in no

event later than the Maturity Date); provided that, if (A) the condition in clause (i) of Section 2.01(b) above is satisfied and (B) a portion of the principal of and interest on the Tranche B Loan could be paid on the Prepayment Date set forth in the Lender's written notice to the Borrower without causing the condition in clause (ii) of Section 2.01(b) not to be satisfied, then (x) the maximum amount of such portion (but only if such maximum amount is equal to or greater than $1.0 million) shall be due and payable on the Prepayment Date set forth in such written notice and (y) the unpaid amount of the Tranche B Loan shall become due and payable as provided in this Section 2.01(c), except that the $30.0 million of Excess Availability required pursuant to clause (i) of Section 2.01(b) above shall be reduced by the amount of any prepayment made by the Borrower to the Lender pursuant to clause (x) of this Section 2.01(c).

SECTION 2.02. Mandatory Prepayments.

(a) Upon the occurrence of a Change of Control, the Borrower shall prepay the Loans, in whole but not in part, without premium or penalty. As promptly as practicable following any Change of Control, the Borrower shall deliver written notice to the Lender describing the transaction or transactions that constitute the Change of Control and specifying the date of prepayment, which date shall be no earlier than 30 days and no later than 60 days from the date of such notice. The principal amount of the Loans shall be due and payable on the date specified in such notice, together with interest accrued thereon to such date.

(b) Upon the consummation of an IPO, the Borrower shall prepay the Loans, in whole but not in part, without premium or penalty. As promptly as practicable following any IPO, the Borrower shall deliver written notice to the Lender setting forth the date of consummation of such IPO and the date of prepayment, which date shall be no earlier than 30 days and no later than 60 days from the date of the consummation of such IPO. The principal amount of the Loans shall be due and payable on the date specified in such notice, together with interest accrued thereon to such date, provided that, on the date of such payment, the Borrower has, immediately prior to giving effect thereto, Excess Availability of not less than $30.0 million.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties.

(a) The Borrower, the Parent and the Guarantors makes to the Lender as of the date hereof and the Funding Date the representations and warranties of the Borrower, the Parent and the Guarantors contained in Section 8 (other than Section 8.14(d)) of the Congress Loan and Security Agreement. The terms of Section 8 (other than Section 8.14(d)) of the Congress Loan and Security Agreement are incorporated herein by reference (including the definitions of the terms used in such Article).

(b) Each of the Borrower and the Guarantors severally represents and warrants to the Lender as of the date hereof and the Funding Date that such Borrower or Guarantor, as the case maybe, is Solvent (as defined in the Congress Loan and the Security Agreement) and will continue to be Solvent after the creation of the obligations hereunder and the Notes.

ARTICLE IV

CONDITIONS TO FUNDING

SECTION 4.01. Conditions to Funding. The obligation of the Lender to make the Loans is subject to:

(a) The Lender having received the Tranche A Note duly executed and delivered by the Borrower with a duly executed Note Guarantee attached thereto.

(b) The Lender having received the Tranche B Note duly executed and delivered by the Borrower with a duly executed Note Guarantee attached thereto.

(c) The Boards of Directors of Operating and Parent having received an opinion or opinions in form and substance satisfactory to such Boards as to the fairness to the holders of the Subordinated Senior Notes, the holders of the Senior Discount Debentures and the shareholders (other than TPG) of Operating and Parent of the transactions contemplated by this Agreement and the Notes from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing reasonably satisfactory to such Boards.

(d) The execution of an intercreditor agreement between the Lender and the Agent (as defined in the Congress Loan and Security Agreement) pursuant to Section 9.09(i) of the Congress Loan and Security Agreement.

(e) There existing no Default or Event of Default (each as defined in the Congress Loan and Security Agreement) under the Congress Loan and Security Agreement.

(f) Each of the representations and warranties set forth in Section 3.01 being true and correct as of the date of this Agreement and as of the Funding Date.

ARTICLE V

EVENTS OF DEFAULT; ABSENCE OF RIGHT TO SET-OFF

SECTION 5.01. Events of Default. If any one or more of the following events (each, an "Event of Default") shall have occurred and be continuing:

(a) if default shall be made in the due and punctual payment of the principal amount of or the interest on the Notes, when and as the same shall become due and payable, whether on the applicable Interest Payment Date, the Maturity Date, by acceleration, by notice of prepayment or otherwise, and such default shall have continued for three Business Days;

(b) if any representation or warranty made by the Borrower, the Parent or any Guarantor in this Agreement shall prove to have been false or misleading in any material respect on the date as of which made;

(c) if an involuntary case or other proceeding shall be commenced against the Borrower or any Guarantor seeking liquidation, reorganization or other relief with respect to it or

its debts under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar law now or hereafter in effect or seeking the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed, or an order or decree approving or ordering any of the foregoing shall be entered and continued unstayed and in effect, in any such event, for a period of 60 days;

(d) if the Borrower or any Guarantor shall commence a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar law or any other case or proceeding to be adjudicated a bankrupt or insolvent, or shall consent to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or if it shall file a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of it or any substantial part of its property, or shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or shall take corporate action in furtherance of any such action;

(e) if the Borrower or any Guarantor shall default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for borrowed money by the Borrower or such Guarantor whether such Indebtedness now exists or is created after the date hereof, which default (A) is caused by a failure to pay principal of such Indebtedness after giving effect to any grace period provided in such Indebtedness (a "Payment Default") or (B) results in the acceleration of such Indebtedness prior to its stated maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $20 million or more; or

(f) if the Borrower, the Parent or any Guarantor shall fail to observe any of its respective covenants or agreements set forth herein or under any of the Notes or the Note Guarantees, as applicable (in each case, other than those described in paragraphs (a) or (b) of this Section 5.01), and such failure shall continue unremedied for five Business Days following receipt of written notice from the Lender of such failure;

then and in any such event the Lender may at its option, exercised by written notice given at any time (unless all Events of Default shall theretofore have been remedied) to the Borrower declare the Notes to be due and payable, whereupon the same shall mature and become payable, together with interest accrued thereon, without the necessity of any presentment, demand, protest or further notice, all of which are hereby waived by the Borrower; provided that upon the happening of any event specified in paragraph (c) or (d) above, all amounts owing hereunder and under the Notes shall automatically become immediately due and payable, all without declaration or any notice to the Borrower.

SECTION 5.02. Absence of Right to Set-off. The Borrower hereby waives, and agrees that it will not seek to avoid payment of the Notes in whole or in part by exercising, any right of set-off it may assert or possess whether created by contract, statute or otherwise.

ARTICLE VI

SUBORDINATION

SECTION 6.01. Subordination. The Borrower agrees, and the Lender agrees, that all Obligations evidenced by the Loans are, to the extent and in the manner provided in this Article VI, subordinated in right of payment to the prior payment in full of all Senior Debt (whether outstanding on the Funding Date or created, incurred, assumed or guaranteed thereafter), and that the subordination is for the benefit of the holders of Senior Debt.

SECTION 6.02. Liquidation; Dissolution; Bankruptcy.

(a) The holders of Senior Debt will be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate that would be applicable under the terms of the documentation governing the applicable Senior Debt and other reasonable fees, costs or charges provided for under the applicable Senior Debt which would accrue and become due under the terms of the applicable Senior Debt but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case) before the Lender will be entitled to receive any payment (by setoff or otherwise) with respect to the Loans:

(i) in a liquidation or dissolution of the Borrower;

(ii) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Borrower or its property;

(iii) in an assignment for the benefit of the Borrower's creditors; or

(iv) in any marshaling of the Borrower's assets and liabilities.

and, if any of the foregoing shall have occurred, until all Obligations with respect to Senior Debt are paid in full in cash, any payment or distribution to which the Lender would be entitled with respect to the Loans shall be made to the holders of Senior Debt.

SECTION 6.03. Default On Designated Senior Debt.

(a) The Borrower shall not make any payment (by setoff or otherwise) in respect of the Loans if (i) a default in the payment of the principal or premium, if any, or interest on any Designated Senior Debt occurs and is continuing beyond any applicable grace period or (ii) any other default occurs and is continuing with respect to Designated Senior Debt that permits holders of any Designated Senior Debt to accelerate its maturity, and the Lender receives a notice of such default (a "Payment Blockage Notice") from the holders of such Designated Senior Debt or any agent or trustee for such holders. Payments on the Loans may and shall be

resumed (x) in the case of a payment default, upon the date on which such default is cured or waived and (y) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless a payment default has occurred and is continuing (as a result of the maturity of any Designated Senior Debt having been accelerated). No new period of payment blockage (other than for a payment default) may be commenced by the holders of any Designated Senior Debt or any agent or trustee for such holders unless and until (A) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice delivered by the holders of such Designated Debt or any agent or trustee for such holders and (B) all scheduled payments of principal, premium, if any, and interest on the Loans that have come due have been paid in full in cash. No nonpayment default in respect of the applicable holder of the Designated Senior Debt that existed or was continuing on the date of delivery of any Payment Blockage Notice in respect of the applicable holder of the Designated Senior Debt to the Lender shall be, or be made, the basis for a subsequent Payment Blockage Notice in respect of the applicable holder of the Designated Senior Debt unless such default shall have been cured or waived for a period of not less than 90 days.

(b) Whenever the Borrower is prohibited from making any payment in respect of the Loans, the Borrower also shall be prohibited from making, directly or indirectly, any payment of any kind on account of the purchase or other acquisition of the Loans. If the Lender receives any payment or distribution that the Lender is not entitled to receive with respect to the Loans, the Lender shall be required to pay the same over to the holders of Designated Senior Debt, pro rata, or, in the event there are not any such holders, to the holders of Senior Debt, or any representative of such holders under the indenture or other agreement (if any) pursuant to which such Designated Senior Debt or Senior Debt, as the case may be, may have been issued (the "Representative").

SECTION 6.04. Acceleration of Loans. If payment of the Loans is accelerated because of an Event of Default, the Borrower shall promptly notify holders of Senior Debt of the acceleration.

SECTION 6.05. When Distribution Must Be Paid Over.

(a) In the event that the Lender receives any payment (including a payment by a Guarantor under its Note Guarantee) of any Obligations with respect to the Loans at a time when the Lender has actual knowledge that such payment is prohibited by Section 6.03 hereof, such payment shall be held by the Lender, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Designated Senior Debt, pari passu, or, in the event there are not any such holders, to the holders of Senior Debt, in each case as their interests may appear, or their respective Representative, as their respective interests may appear, for application to the payment of all Obligations with respect to such Designated Senior Debt, pro rata, or such Senior Debt, as the case may be, remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of such Designated Senior Debt or such Senior Debt, as the case may be.

(b) With respect to the holders of Designated Senior Debt and Senior Debt, the Lender undertakes to perform only such obligations on the part of the Lender as are specifically set forth in this Article VI, and no implied covenants or obligations with respect to the holders of Designated Senior Debt or Senior Debt shall be read into this Agreement against the Lender. The Lender shall not be deemed to owe any fiduciary duty to the holders of Designated Senior Debt.

SECTION 6.06. Notice by the Borrower. The Borrower shall promptly notify the Lender of any facts known to the Borrower that would cause a payment of any Obligations with respect to the Loans to violate this Article VI, but failure to give such notice shall not affect the subordination of the Loans to Senior Debt as provided in this Article VI.

SECTION 6.07. Subrogation. After all Senior Debt is paid in full in cash and all commitments to make loans under such Senior Debt have been terminated and until the Loans are paid in full, the Lender shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Loans) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Lender have been applied to the payment of Senior Debt. A distribution made under this Article VI to holders of Senior Debt that otherwise would have been made to Lender is not, as between the Borrower and Lender, a payment by the Borrower on the Loans.

SECTION 6.08. Relative Rights.

(a) This Article VI defines the relative rights of the Lender and holders of Senior Debt. Nothing in this Agreement shall:

(i) impair, as between the Borrower and the Lender, the obligations of the Borrower, which are absolute and unconditional, to pay principal of and interest on the Loans in accordance with their terms;

(ii) affect the relative rights of the Lender and creditors of the Borrower other than their rights in relation to holders of Senior Debt; or

(iii) prevent the Lender from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders of Senior Debt to receive distributions and payments otherwise payable to the Lender.

(b) If the Borrower fails because of this Article VI to pay principal of or interest on a Loan on the due date, the failure is still a Default or Event of Default.

SECTION 6.09. Subordination May Not Be Impaired by the Borrower. No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Loans shall be impaired by any act or failure to act by the Borrower, any Subsidiary of the Borrower, the Lender or by the failure of the Borrower, any Subsidiary of the Borrower or the Lender to comply with this Agreement.

SECTION 6.10. Distribution or Notice of Representative.

(a) Whenever a distribution is to be made or a notice given to holders of Designated Senior Debt or Senior Debt, as the case may be, the distribution may be made and the notice given to the Representative of such holders.

(b) Upon any payment or distribution of assets of the Borrower referred to in this Article VI, the Lender shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Lender for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Borrower, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article VI.

SECTION 6.11. Amendments. Any amendment to the provisions of this Article VI shall require the consent of (i) the majority of the holders of the Designated Senior Debt outstanding under the Term Loan Documents, (ii) the majority of the holders of the Designated Senior Debt outstanding under the Revolving Loan Documents and (iii) the majority of the holders of other Senior Debt, in each case if such amendment would adversely affect the rights of the holders of such Designated Senior Debt or such other Senior Debt then outstanding (or any group or representative thereof authorized to give such consent).

SECTION 6.12. Reliance by Holders of Senior Debt on Subordination Provisions. The Lender acknowledges and agrees that the foregoing subordination provisions are, and are intended to be an inducement and a consideration to each holder of any Senior Debt, whether such Senior Debt was created or acquired before or after funding of the Loans, to acquire and continue to hold, or to continue to hold, such Senior Debt and such holder of such Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt.

ARTICLE VII

EXCHANGE RIGHT

SECTION 7.01. Exchange Right.

(a) The Lender will have the right to exchange (the "Exchange Right") the Loans into the shares of common stock of Parent, par value $0.01 per share ("Common Stock"), on any Business Day (the "Exercise Date") during the period commencing the Funding Date and ending one Business Day immediately preceding to the Maturity Date (the "Exercise Period"). The Lender may exercise the Exchange Right with respect to the Tranche A Loan and the Tranche B Loan separately; provided, however, if the Lender elects to exercise the Exchange Right with respect to the Tranche A Loan or the Tranche B Loan, as the case may be, the Lender must exercise the Exchange Right with respect to the entire principal amount thereof and the unpaid interest accrued thereon.

(b) Upon the exercise of the Exchange Right, the number of shares of Common Stock to be issued to the Lender will be determined by dividing the aggregate principal amount

of and the unpaid interest accrued on the Tranche A Note and/or the Tranche B Note as of the Exercise Date divided by $6.82 (the "Exercise Price"), rounding the resulting number down to the nearest whole number of shares of the Common Stock. The Exercise Price is subject to adjustment pursuant to the provisions of Section 7.02, in which case, the "Exercise Price" shall be the Exercise Price so adjusted.

(c) In order to exercise the Exchange Right, the Lender shall deliver written notice to the Parent setting forth the aggregate principal amount of and the unpaid interest accrued on the Tranche A Note and/or the Tranche B Note as of the Exercise Date, the Exercise Price and the number of shares of Common Stock to be issued by the Parent upon the exercise of the Exchange Right, together with the Tranche A Note and/or the Tranche B Note, or, in lieu thereof, a lost Note affidavit together with an indemnity against third party claims reasonably satisfactory to Parent.

(d) Upon receipt of such notice and the Tranche A Note and/or the Tranche B Note (or, if applicable, a lost Note affidavit and indemnity as described in Section 7.01(c)), the Parent shall deliver to the Lender the share certificates evidencing such number of shares of the Common Stock relating to the exercise of the Exchange Right, in accordance to the delivery instruction of the Lender.

(e) Unless exercised during the Exercise Period, the Exchange Right shall automatically expire and be void on the Maturity Date, and all rights of the Lender under this Agreement with respect thereto shall cease.

SECTION 7.02. Adjustment of Exercise Price.

The Exercise Price will be subject to adjustment upon the occurrence of the following events:

(a) If the Parent declares a dividend or makes a distribution on the Common Stock payable in shares of its Capital Stock (whether shares of Common Stock or of Capital Stock of any other class), then the Exercise Price in effect at the opening of business on the date following the date fixed for the determination of holders of Common Stock entitled to receive such dividend or other distribution (the "Record Date") shall be reduced by multiplying such Exercise Price by a fraction, the numerator which will be the number of shares of Common Stock outstanding at the close of business on the Record Date and the denominator of which will be the sum of (x) the number of shares of Common Stock outstanding at the close of business on the Record Date and (y) the total number of shares constituting such dividend or other distribution.

(b) If the Parent (x) subdivides shares of Common Stock into a greater number of shares, (y) combines its outstanding Common Stock into a smaller number of shares or (z) issues by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Parent is the continuing corporation) other securities of the Parent; then the Exercise Price in effect immediately prior to the date on which such corporate action becomes effective will be increased or decreased (as the case may be) to a price obtained by multiplying such Exercise Price by a fraction, the numerator of which will be the

number of shares of Common Stock outstanding (exclusive of any treasury shares) on the date of, and immediately prior to, the date on which such corporate action becomes effective, and the denominator of which will be the number of shares of Common Stock outstanding (exclusive of any treasury shares) immediately after the date on which such corporate action becomes effective.

ARTICLE VIII

NOTE GUARANTEES

SECTION 8.01. Note Guarantees. Subject to Section 8.04, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to the Lender and its successors and assigns, irrespective of the validity and enforceability of this Agreement, the Notes and the obligations of the Borrower hereunder and thereunder, that: (a) the principal of and the interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal and interest on any interest, if any, on the Notes, and all other payment obligations of the Borrower to the Lender hereunder or thereunder will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise. An Event of Default under this Agreement or the Notes shall constitute an event of default under the Note Guarantees, and shall entitle the Lender to accelerate the obligations of the Guarantors hereunder in the same manner and to the same extent as the obligations of the Borrower. The Guarantors hereby agree that their obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Agreement, the absence of any action to enforce the same, any waiver or consent by the Lender with respect to any provisions hereof or thereof, the recovery of any judgment against the Borrower, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. The parties agree that the Note Guarantees are guarantees of payment and not of collection. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Borrower, any right to require a proceeding first against the Borrower, protest, notice and all demands whatsoever and covenants that the Note Guarantees will not be discharged except by complete performance of the obligations contained in the Notes and this Agreement. If the Lender is required by any court or otherwise to return to the Borrower, the Guarantors, or liquidator or other similar official acting in relation to either the Borrower or the Guarantors, any amount paid to the Lender, the Note Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to, and hereby waives, any right of subrogation in relation to the Lender in respect of any obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Lender, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article V for the purposes of the Note Guarantees, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article V, such obligations

(whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Note Guarantees. The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Lender under the Note Guarantees.

SECTION 8.02. Guarantors May Consolidate, Etc. on Certain Terms. No Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another corporation, Person or entity whether or not affiliated with such Guarantor unless, subject to the provisions of the following paragraph, (a) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of such Guarantor pursuant to a supplemental agreement in form and substance reasonably satisfactory to the Lender, under this Agreement and the Note Guarantees; and (b) immediately after giving effect to such transaction, no Default or Event of Default exists.

SECTION 8.03. Release Following Sale of Assets, Merger, Sale of Capital Stock Etc. In the event (a) of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the Capital Stock of any Guarantor, or (b) that the Borrower designates a Guarantor to be an Unrestricted Subsidiary (as defined in the Credit and Guaranty Agreement), or such Guarantor ceases to be a Subsidiary of the Borrower, then such Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the Capital Stock of such Guarantor or any such designation) or the entity acquiring the property (in the event of a sale or other disposition of all of the assets of such Guarantor) shall be released and relieved of any obligations under this Agreement and its Note Guarantees upon the assumption provided for in clause (a) of Section 8.02.

SECTION 8.04. Limitation on Guarantor Liability. For purposes hereof, each Guarantor's liability shall be limited to the lesser of (a) the aggregate amount of the obligations of the Borrower under the Notes and this Agreement and (b) the amount, if any, which would not have (i) rendered such Guarantor "insolvent" (as such term is defined in the Bankruptcy Law and in the Debtor and Creditor Law of the State of New York) or (ii) left such Guarantor with unreasonably small capital at the time its Note Guarantees of the Notes was entered into; provided that, it will be a presumption in any lawsuit or other proceeding in which a Guarantor is a party that the amount guaranteed pursuant to the Note Guarantees is the amount set forth in clause (a) above unless any creditor, or representative of creditors of such Guarantor, or debtor-in-possession or trustee in bankruptcy of the Guarantor, otherwise proves in such a lawsuit that the aggregate liability of the Guarantor is the amount set forth in clause (b) above. In making any determination as to solvency or sufficiency of capital of a Guarantor in accordance with the previous sentence, the right of such Guarantor to contribution from other Guarantors, and any other rights such Guarantor may have, contractual or otherwise, shall be taken into account.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such Person.

"Agreement" has the meaning specified in the preamble.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Borrower" has the meaning specified in the preamble.

"Business Day" means any day on which commercial banks are open for domestic and international business (including dealings in dollar deposits) in New York City.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means, (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership (whether general or limited) or membership interests and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Change of Control" means the occurrence of any of the following:

(i) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Borrower and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than Permitted Holders;

(ii) the adoption of a plan relating to the liquidation or dissolution of the Borrower; or

(iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Permitted Holders, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly, of 50% or more of the Voting Securities of the Borrower (measured by voting power rather than number of shares); provided, however, for purposes of this clause (iii), each Person will be deemed to beneficially own any Voting Securities of another Person held by one or more of its Subsidiaries.

"Common Stock" has the meaning specified in Section 7.01.

"Congress Loan and Security Agreement" means the Loan and Security Agreement dated December 23, 2002, by and among the Borrower and other borrowers named therein, the guarantors named therein, the lenders named therein and the arranger and the agent named therein.

"Control" when used with respect to any Person means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of Voting Securities, by contract or otherwise.

"Credit and Guaranty Agreement" means the Credit and Guaranty Agreement dated as of the Term Loan Closing Date, by and among Borrower as borrower, Parent, and the Term Loan Guarantors, various lenders party thereto, GSCP and Bear Sterns &Co. Inc., as joint lead arrangers and joint bookrunners, GSCP, as administrative agent and collateral agent, Bear Sterns Corporate Lending Inc., as syndication agent and Wachovia Bank, National Association, as documentation agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

"Credit Facilities" means one or more debt facilities (including, without limitation, the Revolving Loan Documents and the Term Loan Documents) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit or any other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities and including any amendment, restatement, modification, renewal, refunding, replacement or refinancing that increases the amount borrowed thereunder or extends the maturity thereof) in whole or in part from time to time, whether or not by the same or any other agent, lender or group of lenders.

"Designated Senior Debt" means (i) any Senior Debt outstanding under any Credit Facility and (ii) any other Senior Debt permitted under the Revolving Loan Agreement and the Credit and Guaranty Agreement the principal amount of which is $25.0 million or more and that has been designated as "Designated Senior Debt."

"Event of Default" has the meaning specified in Section 5.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means any of the Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Controller, Chief Administrative Officer, Principal Accounting Officer, Treasurer or General Counsel or any Executive Vice President of the Borrower.

"Exercise Date" has the meaning specified in Section 7.01.

"Exercise Period" has the meaning specified in Section 7.01.

"Exercise Price" has the meaning specified in Section 7.01.

"Funding Date" has the meaning specified in Section 1.01.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Funding Date.

"GSCP" means Goldman Sachs Credit Partners L.P.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"Guarantor" has the meanings specified in the preamble.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under (i) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; (ii) other agreements or arrangements designed to manage interest rates or interest rate risk; and (iii) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"Indebtedness" means, with respect to any specified Person, the principal and premium (if any) of any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(i) in respect of borrowed money;

(ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) (other than letters of credit issued in respect of trade payables);

(iii) in respect of banker's acceptances;

(iv) representing Capital Lease Obligations;

(v) representing the balance deferred and unpaid of the purchase price of any property or services due more than twelve months after such property is acquired or such services are completed (except any such balance that constitutes a trade payable or similar obligation to a trade creditor); or

(vi) representing the net obligations under any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"Intercreditor Agreement" means the Intercreditor Agreement, dated as of the Term Loan Closing Date, by and among GSCP as administrative agent and collateral agent, the administrative agent and the collateral agent under the Revolving Loan Agreement, the Borrower and the Term Loan Guarantors, and as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

"Interest Payment Date" has the meaning specified in Section 2.02.

"Interest Rate" has the meaning specified in Section 2.01.

"IPO" means a bona fide underwritten initial public offering of Common Stock of the Parent as a direct result of which at least $50,000,000 of proceeds, net of all investment banking, legal, accounting and other fees and commissions, costs, expenses and taxes paid or payable as a result thereof or in connection with such initial public offering, is received by Parent.

"Lender" has the meaning specified in the preamble.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any option or other agreement to sell or give a security interest therein).

"Loans" has the meaning specified in Section 1.01.

"Maturity Date" means the fifth anniversary of the Funding Date, or if such day is not a Business Day, the next succeeding day that is a Business Day.

"Notes" has the meaning specified in Section 1.02.

"Note Guarantee" has the meaning specified in Section 1.02.

"Obligations" means, with respect to any Indebtedness, any principal, interest, penalties, fees, indemnifications, reimbursements, damages, costs, expenses and other liabilities payable under the documentation governing any Indebtedness, including the payment of interest at the rate provided in such documentation that would be applicable and other reasonable fees, costs or charges which would accrue and become due but for the commencement of any case in bankruptcy, in each case as to such interest or other amounts whether or not allowed or allowable in whole or in part in such case.

"Payment Blockage Notice" has the meaning specified in Section 6.03(a).

"Payment Default" has the meaning specified in Section 5.01(e).

"Parent" has the meaning specified in the preamble.

"Permitted Holders" means, collectively, (i) TPG Partners II, L.P. and its Affiliates, (ii) Millard S. Drexler and his immediate family members and (iii) trusts for the benefit of any of the foregoing Persons, or any of their heirs, executors, successors or legal representatives.

"Person" means any individual, partnership, joint venture, corporation, limited liability company, association, trust or any other entity or any government or political subdivision or an agency, department or instrumentality thereof.

"Pledge and Security Agreement (Term Loan)" means the Pledge and Security Agreement dated as of the Term Loan Closing Date by and among Borrower and each guarantor, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

"Prepayment Date" means each of January 16, April 16, July 16 and October 16 of each year.

"Principal Amount" has the meaning specified in Section 1.01.

"Record Date" has the meaning specified in Section 7.02.

"Representative" has the meaning specified in Section 6.03(b).

"Revolving Loan Agreement" means the Amended and Restated Loan and Security Agreement, dated December 23, 2004, as amended as of October 10, 2005 by the First Amendment to the Amended and Restated Loan and Security Agreement, as amended as of the date hereof by Amendment No.2 to the Amended and Restated Loan and Security Agreement and as amended as of the date hereof by Amendment No.3 to the Amended and Restated Loan and Security Agreement, by and among the Borrower, the Parent, Guarantors, the lenders party thereto, Wachovia, National Association, as administrative agent, Congress Financial Corporation, as collateral agent and Bank of America, N.A., as syndication agent, and certain other parties, as the same may be amended, supplemented or modified from time to time in accordance with the Intercreditor Agreement.

"Revolving Loan Documents" means collectively the following (as the same may now or hereafter exist or may hereafter be amended, modified, supplemented, extended, reviewed, restated or replaced) the Revolving Loan Agreement (including any loan notes and loan guarantees issued thereunder), the Intercreditor Agreement and all other agreements documents and instruments now or at any time hereafter executed and/or delivered by the Borrower or any other person in connection therewith.

"Senior Debt" means:

(i) all Indebtedness of the Borrower or any Guarantor outstanding under the Revolving Loan Documents or the Term Loan Documents (including post-petition interest at the rate provided in the documentation with respect thereto, whether or not allowed as a claim in any bankruptcy proceeding) and all Hedging Obligations and Treasury Management Obligations with respect thereto;

(ii) any other Indebtedness of the Borrower or any Guarantor permitted to be incurred under the terms of the Revolving Loan Documents or the Term Loan Documents, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Loans; and

(iii) all Obligations with respect to the foregoing.

Notwithstanding anything to the contrary in the foregoing, Senior Debt will not include (A) the Loans and the Note Guarantees, (B) any liability for federal, state, local or other taxes owed or owing by the Borrower, (C) any Indebtedness of the Borrower to any of its Subsidiaries or other Affiliates, (D) any trade payables and (E) Indebtedness which is classified as non-recourse in accordance with GAAP or any unsecured claim arising in respect thereof by reason of the application of Section 1111(b)(1) of the Bankruptcy Law.

"Senior Discount Debentures" means Parent's 13 1/8% Senior Discount Debentures due 2008.

"Services Agreement" means the Services Agreement, dated as of January 24, 2003, among the Parent, the Borrower, Millard S. Drexler, Inc. and Millard S. Drexler.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Effective Date, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any specified Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and (ii) any partnership (A) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (B) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"Taxes" has the meaning specified in Section 1.10.

"Termination Event" means a termination of the Services (as defined in the Services Agreement) by the Borrower or the Parent without Cause (as defined in the Services Agreement), or a termination of the Services by Millard S. Drexler or Millard S. Drexler, Inc., in either case, for Good Reason (as defined in the Services Agreement).

"Term Loan Closing Date" shall mean the date of the execution of the Credit and Guaranty Agreement.

"Term Loan Documents" means collectively the following (as the same may now or hereafter exist or may hereafter be amended, modified, supplemented, extended, reviewed, restated or replaced): (i) the Credit and Guaranty Agreement (including any loan notes and loan guarantees issued thereunder), (ii) the Pledge and Security Agreement (Term Loan) (and all supplemental security agreements executed and registrations filed in conjunction therewith), (iv) the Intercreditor Agreement and (v) all other agreements, documents and instruments now or at any time hereafter executed and/or delivered by the Borrower or any other person in connection therewith.

"Term Loan Guarantors" shall mean, collectively, the guarantors and any subsidiary of the Borrower or its subsidiaries formed after the Term Loan Closing Date that guarantees the indebtedness under the Credit and Guaranty Agreement, to the extent required to do so under the terms thereof, and their respective successors and assigns, sometimes being referred to individually as a "Term Loan Guarantor".

"Tranche A Loan" has the meaning specified in Section 1.01.

"Tranche A Loan Principal Amount" has the meaning specified in Section 1.01.

"Tranche A Note" has the meaning specified in Section 1.02.

"Tranche B Loan" has the meaning specified in Section 1.01.

"Tranche B Loan Principal Amount" has the meaning specified in Section 1.01.

"Tranche B Note" has the meaning specified in Section 1.02.

"Treasury Management Obligations" means obligations under any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearing house, zero balance accounts, returned check concentration, controlled disbursement, lock box, account reconciliation and reporting and trade finance services. Treasury Management Obligations shall not constitute Indebtedness.

"Voting Securities" means securities or interests entitling the holder thereof to vote or to designate directors or individuals performing a similar function.

SECTION 9.02. No Recourse. The obligations of the Borrower hereunder are solely the obligations of the Borrower, and no recourse shall be had for the payment of any sum

hereunder against any Affiliate, member, manager, officer, employee, attorney or agent of the Borrower other than as provided in Article VIII or in the Note Guarantees.

SECTION 9.03. Expenses. The Borrower agrees, in the case of an Event of Default, to pay all reasonable expenses incurred by the Lender in connection with the enforcement of any provision of this Agreement and the collection of the Notes.

SECTION 9.04. Cumulative Rights and No Waiver. Each and every right granted to the Lender hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Lender to exercise, and no delay in exercising, any right will operate as a waiver thereof, nor will any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right.

SECTION 9.05. Notices. Any communication, demand or notice to be given hereunder or with respect to the Notes will be duly given when delivered in writing or sent by tested telex to a party at its address as indicated below.

A communication, demand or notice given pursuant to this Section 9.05 shall be addressed:

If to the Lender, at

TPG-MD Investment, LLC
c/o Corporation Trust Center
1209 Orange Street
Wilmington, County of New Castle, Delaware 19801

with a copy to: MDJC LLC
c/o Willkie Farr & Gallagher
787 Seventh Avenue
New York, New York 10019-6099
Attention: Stephen Lindo, Esq.
Telecopy: 212-728-8111

with a copy to: Willkie Farr & Gallagher
787 Seventh Avenue
New York, New York 10019-6099
Attention: Stephen Lindo, Esq.
Telecopy: 212-728-8111

with a copy to: TPG Partners II, L.P.
TPG Parallel II, L.P.
TPG Investors II, L.P.
TPG 1999 Equity II, L.P.
301 Commerce Street, Suite 3300
Fort Worth, Texas 76102

Attention: David A. Spuria, Esq.
Telecopy: 817-871-4010

with a copy to: Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopy: 212-225-3999

If to the Borrower or to the Parent, at

J. Crew Group, Inc.
770 Broadway
New York, New York 10003
Attention: Chief Financial Officer
Telephone No.: 212-209-2545

With a copy to:

J. Crew Group, Inc.
770 Broadway
New York, New York 10003
Attention: General Counsel
Telephone No.: 212-209-8254

SECTION 9.06. Amendments. This Agreement or the terms of any Note may only be amended in a writing executed by the parties hereto (which writing shall, in the case of the Lender, be executed by each member thereof).

SECTION 9.07. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Parent and the Lender and their respective successors and assigns; provided, however, that (a) the Borrower or the Parent may not assign any of its respective rights or delegate any of its respective obligations hereunder or under the Notes without the prior written consent of the Lender and (b) any assignment by the Lender of its rights or obligations hereunder shall be made only pursuant to a writing signed by each member of the Lender. Any assignment purported to be made in contravention of this Section 9.07 shall be null and void.

SECTION 9.08. **APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 9.09. Separability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 9.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, and all the counterparts shall together constitute one and the same instrument.

* * *

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

TPG-MD INVESTMENT, LLC

By: TPG Partners II, L.P., its Member
By: TPG GenPar II, L.P., as General Partner
By: TPG Advisors II, Inc.

By: /s/: John E. Viola
Name: John E. Viola
Title: Vice President

J. CREW OPERATING CORP.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW GROUP, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

GRACE HOLMES, INC. d/b/a
J. CREW RETAIL

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

H.F.D. NO 55, INC. d/b/a J. CREW FACTORY

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/: Nicholas P. Lamberti
Name: Nicholas P. Lamberi
Title: Vice President and Controller

EXHIBIT A

[FORM OF TRANCHE A NOTE]

NOTE

_____, 2006

Principal Amount: $10,000,000.00

J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), for value received, hereby promises to pay to TPG-MD INVESTMENT, LLC (the "Lender") or its registered assigns, at the office and to an account designated by the Lender, in lawful money of the United States, on the Maturity Date, the principal amount of $10,000,000.00 (Ten million United States dollars). This Note shall bear interest on the unpaid principal amount hereof at the rate set forth in the Agreement. Interest on such unpaid principal amount shall be payable and compound and be capitalized and added to such unpaid principal amount as provided for in the Agreement. Capitalized terms used herein have the same meanings given in the Agreement specified below unless otherwise indicated.

The Borrower shall maintain a register where the Note is registered as to both the principal and any stated interest on the Note and such principal and stated interest shall be paid only to the registered holder of the Note. The transfer of the Notes may be effected only by the surrender of the Notes to the Borrower and either the reissuance by the Borrower of the Notes to the new holder or the issuance by the Borrower of a new note to the new holder.

Except as provided in the Agreement, the Borrower waives presentment, demand, protest or other notice of any kind.

This Note is the Note referred to in an Amended and Restated Credit Agreement dated even date herewith by and among the Lender, the Borrower, the Parent and the Guarantors named therein (the "Agreement"), and is entitled to the benefits provided therein, including, without limitation, the Exchange Right described therein. This Note is subject to prepayment in whole but not in part and the maturity of this Note is subject to acceleration upon the terms provided for in the Agreement.

The payment of the Loan evidenced by this Note is subordinated in accordance with the provisions of Article VI of the Agreement in right of payment to the prior payment in full in cash of Senior Debt (whether outstanding on the Funding Date or created, incurred, assumed or guaranteed thereafter), and this subordination is for the benefit of the holders of Senior Debt.

J. CREW OPERATING CORP.

By: _____
Name:
Title:

EXHIBIT B

[FORM OF TRANCHE B NOTE]

NOTE

_____, 2006

Principal Amount: $10,000,000.00

J. CREW OPERATING CORP., a Delaware corporation (the "Borrower"), for value received, hereby promises to pay to TPG-MD INVESTMENT, LLC (the "Lender") or its registered assigns, at the office and to an account designated by the Lender, in lawful money of the United States, on the Maturity Date, the principal amount of $10,000,000.00 (Ten million United States dollars). This Note shall bear interest on the unpaid principal amount hereof at the rate set forth in the Agreement. Interest on such unpaid principal amount shall be payable and compound and be capitalized and added to such unpaid principal amount as provided for in the Agreement. Capitalized terms used herein have the same meanings given in the Agreement specified below unless otherwise indicated.

The Borrower shall maintain a register where the Note is registered as to both the principal and any stated interest on the Note and such principal and stated interest shall be paid only to the registered holder of the Note. The transfer of the Notes may be effected only by the surrender of the Notes to the Borrower and either the reissuance by the Borrower of the Notes to the new holder or the issuance by the Borrower of a new note to the new holder.

Except as provided in the Agreement, the Borrower waives presentment, demand, protest or other notice of any kind.

This Note is the Note referred to in an Amended and Restated Credit Agreement dated even date herewith by and among the Lender, the Borrower, the Parent and the Guarantors named therein (the "Agreement"), and is entitled to the benefits provided therein, including, without limitation, the Exchange Right described therein. This Note is subject to prepayment in whole but not in part and the maturity of this Note is subject to acceleration upon the terms provided for in the Agreement.

The payment of the Loan evidenced by this Note is subordinated in accordance with the provisions of Article VI of the Agreement to the prior payment in full of all Senior Debt (whether outstanding on the Funding Date or created, incurred, assumed or guaranteed thereafter), and that this subordination is for the benefit of the holders of Senior Debt of the Borrower.

J. CREW OPERATING CORP.

By: _____
Name:
Title:

EXHIBIT C

NOTE GUARANTEE

Each of the undersigned Guarantors hereby, jointly and severally, unconditionally guarantees to the Lender and its successors and assigns, irrespective of the validity and enforceability of the Amended and Restated Credit Agreement dated even date herewith by and among the Borrower, the Lender and the Parent (as amended, supplemented or restated from time to time the "Agreement"), the Notes and the obligations of the Borrower hereunder and thereunder, that: (a) the principal of and the interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal and interest on any interest, if any, on the Notes, and all other payment obligations of the Borrower to the Lender hereunder or thereunder will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise.

An Event of Default under the Agreement or the Notes shall constitute an event of default under this Note Guarantee, and shall entitle the Lender to accelerate the obligations of the Guarantors hereunder in the same manner and to the same extent as the obligations of the Borrower.

THE TERMS OF ARTICLES VI AND VIII OF THE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Agreement unless otherwise indicated.

Dated:

GRACE HOLMES, INC. d/b/a
J. CREW RETAIL

By: _____
Name:
Title:

H.F.D. NO 55, INC. d/b/a J. CREW
FACTORY

By: _____
Name:
Title:

J. CREW, INC.

By: _____
Name:
Title:

J. CREW INTERNATIONAL, INC.

By: _____
Name:
Title:

SCHEDULE 2.01

Date of Termination	EBITDA
Funding Date to January 31, 2004	$ 0
February 1, 2004 to January 31, 2005	$ 41,100,000
February 1, 2005 to January 31, 2006	$ 90,300,000
February 1, 2006 to January 31, 2007	$ 115,800,000
February 1, 2007 to the Maturity Date	$ 146,300,000

Exhibit 10.17

Execution Copy

CREDIT AND GUARANTY AGREEMENT

dated as of May 15, 2006
among

J. CREW OPERATING CORP.,

J. CREW GROUP, INC.,

CERTAIN SUBSIDIARIES OF J. CREW OPERATING CORP.,
as Guarantors,

VARIOUS LENDERS,

GOLDMAN SACHS CREDIT PARTNERS L.P. and
BEAR, STEARNS & CO. INC.
as Joint Lead Arrangers and Joint Bookrunners,

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Administrative Agent and Collateral Agent,

BEAR STEARNS CORPORATE LENDING INC.,
as Syndication Agent

and

WACHOVIA BANK, NATIONAL ASSOCIATION
as Documentation Agent

$285,000,000 Senior Secured Term Loan Facility

TABLE OF CONTENTS

CREDIT AND GUARANTY AGREEMENT

This **CREDIT AND GUARANTY AGREEMENT**, dated as of May 15, 2006, is entered into by and among **J. CREW OPERATING CORP.**, a Delaware corporation ("**Company**"), **J. CREW GROUP, INC.**, a Delaware corporation (together with its successors, "**Holdings**"), **CERTAIN SUBSIDIARIES OF COMPANY**, as Guarantors, the Lenders party hereto from time to time, **GOLDMAN SACHS CREDIT PARTNERS L.P.** ("**GSCP**"), as Joint Lead Arranger, Joint Bookrunner, Administrative Agent (together with its permitted successors in such capacity, "Administrative Agent") and Collateral Agent (together with its permitted successors in such capacity, "Collateral Agent"), **Bear, Stearns & Co. Inc.** ("**Bear Stearns**"), as Joint Lead Arranger and Joint Bookrunner, **Bear Stearns Corporate Lending Inc.**, as Syndication Agent (in such capacity, "**Syndication Agent**") and **WACHOVIA BANK, NATIONAL ASSOCIATION** ("**Wachovia**"), as Documentation Agent (in such capacity, "**Documentation Agent**").

RECITALS:

WHEREAS, capitalized terms used in these Recitals shall have the respective meanings set forth for such terms in Section 1.1 hereof;

WHEREAS, Lenders have agreed to extend a certain senior secured term loan facility to Company, in an aggregate principal amount not to exceed $285,000,000 of Initial Term Loans, the proceeds of which will be used for the purposes set forth herein;

WHEREAS, Company has agreed to secure all of its Obligations by granting to Collateral Agent, for the benefit of Secured Parties, a First Priority Lien or Second Priority Lien, as applicable, on substantially all of its assets; and

WHEREAS, Guarantors have agreed to guarantee the obligations of Company hereunder and to secure their respective Obligations by granting to Collateral Agent, for the benefit of Secured Parties, a First Priority Lien or Second Priority Lien, as applicable, on substantially all of its assets.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION

1.1. Definitions. The following terms used herein, including in the preamble, recitals, exhibits and schedules hereto, shall have the following meanings:

"**5.0% Notes**" means the 5.0% Notes Payable due 2008 issued by Company.

"**9 3/4% Senior Subordinated Notes**" means the 9 3/4% Senior Subordinated Notes due 2014 issued by Company.

"**13 1/8% Senior Discount Debentures**" means the 13 1/8% Senior Discount Debentures due 2008 issued by Holdings.

"**Account Pledge Agreement**" as defined in Section 3.1(w).

"**Achievement Date**" as defined in the definition of "Applicable Margin."

"**Acquired Indebtedness**" means, with respect to any specified Person, (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary that is a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary that is a Subsidiary of such specified Person, and (b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Adjusted Eurodollar Rate**" means, for any Interest Rate Determination Date with respect to an Interest Period for a Eurodollar Rate Loan, the rate per annum obtained by dividing (and rounding upward to the next whole multiple of 1/16 of 1%) (i) (a) the rate per annum (rounded to the nearest 1/100 of 1%) equal to the rate determined by Administrative Agent to be the offered rate which appears on the page of the Telerate Screen which displays an average British Bankers Association Interest Settlement Rate (such page currently being page number 3740 or 3750, as applicable) for deposits (for delivery on the first day of such period) with a term equivalent to such period in Dollars, determined as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date, or (b) in the event the rate referenced in the preceding clause (a) does not appear on such page or service or if such page or service shall cease to be available, the rate per annum (rounded to the nearest 1/100 of 1%) equal to the rate determined by Administrative Agent to be the offered rate on such other page or other service which displays an average British Bankers Association Interest Settlement Rate for deposits (for delivery on the first day of such period) with a term equivalent to such period in Dollars, determined as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date, or (c) in the event the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum (rounded to the nearest 1/100 of 1%) equal to the offered quotation rate to first class banks in the London interbank market by GSCP for deposits (for delivery on the first day of the relevant period) in Dollars of amounts in same day funds comparable to the principal amount of the applicable Term Loan of Administrative Agent, in its capacity as a Lender, for which the Adjusted Eurodollar Rate is then being determined with maturities comparable to such period as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date, by (ii) an amount equal to (a) one minus (b) the Applicable Reserve Requirement.

"**Administrative Agent**" as defined in the preamble hereto.

"**Adverse Proceeding**" means any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration (whether or not purportedly on behalf of Holdings or any of its Subsidiaries) at law or in equity, or before or by any Governmental Authority, domestic or foreign (including any Environmental Claims),

whether pending or, to the knowledge of Holdings or any of its Subsidiaries, threatened against or affecting Holdings or any of its Subsidiaries or any property of Holdings or any of its Subsidiaries.

"**Affected Lender**" as defined in Section 2.14(b).

"**Affected Loans**" as defined in Section 2.14(b).

"**Affiliate**" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power (i) to vote 10% or more of the Securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"**Agent**" means each of Administrative Agent, Syndication Agent, Collateral Agent and Documentation Agent.

"**Aggregate Amounts Due**" as defined in Section 2.13.

"**Aggregate Payments**" as defined in Section 7.2.

"**Agreement**" means this Credit and Guaranty Agreement, dated as of May 15, 2006, as it may be amended, supplemented or otherwise modified from time to time.

"**Applicable Margin**" except to the extent otherwise provided in the Joinder Agreement setting forth the "Applicable Margin" to the Incremental Term Loans in accordance with Section 2.20, means with respect to Term Loans that are Eurodollar Rate Loans or Base Rate Loans, as applicable, the percentage (per annum) determined by reference to the following table:

Applicable Margin for Base Rate Loans	Applicable Margin for Eurodollar Loans
1.25%	2.25%

provided that, subject to Section 2.20, if Administrative Agent receives a Compliance Certificate (delivered in accordance with Section 5.1(e)) evidencing a Leverage/Preferred Stock Ratio of 3.25:1.00 or less (the date on which such conditions are met, the "**Achievement Date**"), the Applicable Margin shall be adjusted prospectively on one and only one occasion (and shall remain as such, from and after such date) by reference to the following table:

Rating Agencies' Ratings of the Initial Term Loans as of the Achievement Date	Applicable Margin for Base Rate Loans	Applicable Margin for Eurodollar Loans
(A) Either (X) Ba3 or greater (stable or positive outlook) by Moody's and B+ or greater (stable or positive outlook) by S&P; or (Y) B1 or greater (stable or positive outlook) by Moody's and BB+ or greater (stable or positive outlook) by S&P	0.75%	1.75%
(B) B1 (stable or positive outlook) by Moody's and B+ (stable or positive outlook) by S&P (but clause (A) above in this table is not applicable)	1.00%	2.00%

For purposes of determining whether the Achievement Date has occurred on or after the Incremental Term Loan Closing Date, Consolidated Total Debt and Consolidated Adjusted EBITDA shall be determined on a pro forma basis, effective as of the date such calculation is made, giving effect to (I) the Subsequent Refinancing if and only to the extent that each such portion of such Subsequent Refinancing either has been consummated or funds have been deposited into the Restricted Account for such consummation in accordance with terms and conditions of this Agreement and any Joinder Agreement and (II) the Subsequent Transactions on the relevant date of calculation.

"**Applicable Reserve Requirement**" means, at any time, for any Eurodollar Rate Loan, the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any basic marginal, special, supplemental, emergency or other reserves) are required to be maintained with respect thereto against "Eurocurrency liabilities" (as such term is defined in Regulation D) under regulations issued from time to time by the Board of Governors or other applicable banking regulator. Without limiting the effect of the foregoing, the Applicable Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the applicable Adjusted Eurodollar Rate or any other interest rate of a Term Loan is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Rate Loans. A Eurodollar Rate Loan shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credit for proration, exceptions or offsets that may be available from time to time to the applicable Lender. The rate of interest on Eurodollar Rate Loans shall be adjusted automatically on and as of the effective date of any change in the Applicable Reserve Requirement to give effect to such change.

"**Asset Sale**" means a sale, lease or sub-lease (as lessor or sublessor), Sale and Leaseback Transaction, assignment, conveyance, transfer or other disposition to, or any

exchange of property with, any Person (other than Company or any Guarantor Subsidiary), in one transaction or a series of transactions, of all or any part of Holdings' or any of its Subsidiaries' businesses, assets or properties of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired, including, without limitation, the Capital Stock of any of Company or its Restricted Subsidiaries (each referred to herein as a "disposition"), other than (i) inventory (or other assets) sold or leased in the ordinary course of business (excluding any such sales by operations or divisions discontinued or to be discontinued); (ii) the grant by Holdings, Company or any of its Restricted Subsidiaries in the ordinary course of business after the date hereof of an exclusive or a non-exclusive license to any Person for the use of any trademarks owned by Holdings, Company or such Restricted Subsidiary; (iii) the disposition of all or substantially all of the assets of any Guarantor Subsidiary if (A) Company or such Guarantor Subsidiary, as applicable, is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than Company or such Guarantor Subsidiary) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (Company, such Guarantor Subsidiary or such Person, as the case may be, being herein called the "**Successor Entity**"), (B) the Successor Entity (if other than Company or such Guarantor Subsidiary) expressly assumes all the obligations of such Guarantor Subsidiary under the Credit Documents to which it is a party pursuant to supplements or other documents or instruments in form reasonably satisfactory to Administrative Agent and (C) immediately after such transaction, no Default exists; (iv) the making of any Restricted Junior Payment that is not prohibited by Section 6.5, (v) the making of any Investment not prohibited by Section 6.7 and the sale or disposition of such Investment; (vi) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to Company or by Company to any Restricted Subsidiary other than an Inactive Subsidiary; (vii) any issuance or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary; (viii) the unwinding of any derivative instruments or agreements, (ix) the sublease of any real or personal property in the ordinary course of business; (x) disposals of obsolete, worn out or surplus property; (xi) sales or other dispositions by Company or any of its Restricted Subsidiaries of assets in connection with the closing or sale of a retail store location of such Person in the ordinary course of such Person's business which consist of leasehold interests in the premises of such store, the equipment and fixtures located at such premises and the books and records relating exclusively and directly to the operations of such store; provided that, as to each and all such sales and closings, (A) on the date of, and after giving effect to, any such closing or sale, the aggregate number of retail store locations operated by Retail and Factory closed or sold by Company and its Restricted Subsidiaries in any Fiscal Year minus the number of retail stores operated by Retail and Factory opened by Company and its Restricted Subsidiaries in such Fiscal Year, shall not exceed the amount equal to twenty (20%) percent of the number of retail store locations of Company and its Restricted Subsidiaries operated by Retail and Factory, as of the end of the immediately preceding fiscal year, (B) Administrative Agent shall have received not less than ten (10) Business Days prior written notice of such sale or closing, which notice shall set forth in reasonable detail satisfactory to Administrative Agent, the parties to such sale or other disposition, the assets to be sold or otherwise disposed of, the purchase price and the manner of payment thereof and such other information with respect thereto as Administrative Agent may

request, (C) after giving effect thereto, no Event of Default shall exist or have occurred and be continuing, (D) such sale shall be on commercially reasonable prices and terms in a bona fide arm's length transaction, and (E) any and all proceeds payable or delivered to Company or such of its Restricted Subsidiaries in respect of such sale or other disposition shall be paid or delivered, or caused to be paid or delivered, to Administrative Agent in accordance with the terms of this Agreement (except to the extent such proceeds reflect payment in respect of Indebtedness secured by a properly perfected security interest in the assets sold, in which case, such proceeds shall be applied to such indebtedness secured thereby); and (xii) any sale or disposition of other assets or issuance or sale of Equity Interest of any Restricted Subsidiary for aggregate consideration of less than $2,000,000 with respect to any transaction or series of related transactions during any Fiscal Year.

"**Assignment Agreement**" means an Assignment and Assumption Agreement substantially in the form of Exhibit E, with such amendments or modifications as may be approved by Administrative Agent.

"**Assignment Effective Date**" as defined in Section 10.6(b).

"**Attributable Debt**" in respect of a Sale and Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate then borne by the Term Loans, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended); provided, however, that if such Sale and Leaseback Transaction results in a Capital Lease, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease".

"**Authorized Officer**" means, as applied to any Person, any individual holding the position of chairman of the board (if an officer), chief executive officer, president, executive vice president, senior vice president, vice president, chief financial officer, secretary, controller or treasurer (or the equivalent of any thereof).

"**Available Amount**" shall mean, on any date (the "**Reference Date**"), an amount equal at such time to (a) the sum of (i) the aggregate amount of 50% of the Consolidated Net Income for each Fiscal Year ending after the Closing Date and prior to the Reference Date, (ii) the aggregate amount of any capital contributions or other equity issuances (other than Disqualified Stock) made or received by Holdings or Company after the Closing Date (excluding from the definition of Available Amount proceeds received pursuant to the IPO and the other Subsequent Transactions but including in the definition of Available Amount proceeds from the issuance of any equity issued in conjunction with the exercise of any "overallotment" right or "green shoe" option by Company following the IPO to the extent such proceeds are not applied to repay any Term Loans) and on or prior to the Reference Date, (iii) the aggregate amount of all Cash dividends and other Cash distributions received by Holdings, Company or the Restricted Subsidiaries from any Unrestricted Subsidiary after the Closing Date and on or prior to the Reference Date (other than the portion of any such Cash dividends and other Cash distributions that is used by Holdings, Company or any Restricted Subsidiary to pay taxes), (iv) the aggregate amount of all Cash repayments of principal received by Holdings, Company or the Restricted

Subsidiaries from any Unrestricted Subsidiary in respect of Indebtedness permitted hereunder after the Closing Date and on or prior to the Reference Date (other than the portion of any such Cash prepayments that are used by Holdings, Company or any Restricted Subsidiary to pay taxes) and (v) the aggregate amount of all net Cash proceeds received by Holdings or any of its Restricted Subsidiaries in connection with the sale, transfer or other disposition of its ownership interest in any Unrestricted Subsidiary after the Closing Date and on or prior to the Reference Date, reduced by (b) the sum of (i) the aggregate amount of any Restricted Junior Payments made by the Credit Parties pursuant to Section 6.5(h) after the Closing Date and on or prior to the Reference Date; (ii) the aggregate amount of any Investments made by the Credit Parties pursuant to Section 6.7(l) after the Closing Date and on or prior to the Reference Date and (iii) the aggregate amount of any Permitted Acquisitions made by the Credit Parties pursuant to Section 6.9(e) after the Closing Date and on or prior to the Reference Date.

"**Available Liquidity**" means, as of any date, "Excess Availability" as such term is defined under the Revolving Loan Agreement.

"**Bank Facilities**" means this Agreement and the Revolving Loan Agreement.

"**Bankruptcy Code**" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

"**Base Rate**" means, for any day, a rate per annum equal to the greater of (i) the Prime Rate in effect on such day and (ii) the Federal Funds Effective Rate in effect on such day plus $^1/_2$ of 1%. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"**Base Rate Loan**" means a Term Loan bearing interest at a rate determined by reference to the Base Rate.

"**Bear Stearns**" as defined in the preamble hereto.

"**Beneficiary**" means each Agent, Lender and Lender Counterparty.

"**Board of Governors**" means the Board of Governors of the Federal Reserve System of the United States of America, or any successor thereto.

"**Business Day**" means (i) any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close and (ii) with respect to all notices, determinations, fundings and payments in connection with the Adjusted Eurodollar Rate or any Eurodollar Rate Loans, the term "**Business Day**" shall mean any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"**Capital Lease**" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including, without limitation, partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

"**Cash**" means money, currency or a credit balance in any Deposit Account.

"**Cash Equivalents**" means, as at any date of determination, (i) marketable securities (a) issued or directly and unconditionally guaranteed as to interest and principal by the government of the United States of America or (b) issued by any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America, in each case maturing within one year after the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after the date of acquisition thereof and having, at the time of the acquisition thereof, a rating of at least A-2 from S&P or at least P-2 from Moody's; (iii) commercial paper maturing no more than one year after the date of acquisition thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances maturing within one year after the date of acquisition thereof and issued or accepted by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (b) has Tier 1 capital (as defined in such regulations) of not less than $100,000,000; and (v) shares of any money market mutual funds that (a) have substantially all of its assets invested continuously in the types of investments referred to in clauses (i) and (ii) above, (b) have net assets of not less than $500,000,000, and (c) have the highest rating obtainable from either S&P or Moody's.

"**Certificate re Non-Bank Status**" means a certificate substantially in the form of Exhibit F.

"**Change of Control**" means, at any time, (i) any Person or "group" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) other than TPG (a) shall at any time have acquired direct or indirect beneficial ownership of 30% or more on a fully diluted basis of the voting and/or economic interest in the Capital Stock of Holdings or (b) shall have obtained the power (whether or not exercised) to elect a majority of the members of the board of directors (or similar governing body) of Holdings; (ii) Holdings shall cease to directly or indirectly beneficially own and control 100% on a fully diluted basis of the economic and voting interest in the capital stock of Company; (iii) the majority of the seats (other than vacant seats) on the board of directors (or similar governing body) of Holdings cease to be occupied by Persons who either (a) were members of the board of directors of Holdings on the Closing Date or (b) were

nominated for election by the board of directors of Holdings, a majority of whom were directors on the Closing Date or whose election or nomination for election was previously approved by a majority of such directors; (iv) any "change of control" or similar event under the Revolving Loan Agreement (or any Permitted Refinancing thereof); or (v) any "change of control" or other similar event under any other Existing Indebtedness or the Series A or Series B Preferred Stock (in each case, if and for so long as the same shall not be repaid in Cash in full).

"**Class**" means (i) with respect to Lenders, each of the following classes of Lenders: (a) Lenders having Initial Term Loan Exposure and (b) Lenders having Incremental Term Loan Exposure, and (ii) with respect to Term Loans, each of the following classes of Term Loans: (a) Initial Term Loans and (b) Incremental Term Loans.

"**Closing Date**" means the date on which the Initial Term Loans are made.

"**Closing Date Certificate**" means a Closing Date Certificate substantially in the form of Exhibit G-1.

"**Closing Date Mortgaged Property**" as defined in Section 3.1(h)(i).

"**Closing Date Related Agreements**" means, collectively, the Tender Offer Documents and the Revolving Loan Agreement.

"**Closing Date Transaction Costs**" means the fees, costs and expenses payable by Holdings, Company or any of Company's Subsidiaries on or before the Closing Date in connection with the transactions contemplated by the Credit Documents and the Closing Date Related Agreements.

"**Closing Date Transactions**" means the Bank Facilities and the Tender Offer.

"**Collateral**" means, collectively, all of the real, personal and mixed property (including Capital Stock) in which Liens are purported to be granted pursuant to the Collateral Documents as security for the Obligations.

"**Collateral Agent**" as defined in the preamble hereto.

"**Collateral Documents**" means the Pledge and Security Agreement (Term Loan), the Collateral Questionnaire, the Mortgages, the Landlord Personal Property Collateral Access Agreements, if any, Intellectual Property Security Agreements, and all other instruments, documents and agreements delivered by any Credit Party pursuant to this Agreement or any of the other Credit Documents in order to grant to Collateral Agent, for the benefit of Secured Parties, a Lien on any real, personal or mixed property of that Credit Party as security for the Obligations.

"**Collateral Questionnaire**" means a certificate in form satisfactory to Collateral Agent that provides information with respect to the personal or mixed property of each Credit Party.

"**Commitment Letter**" means the Commitment Letter dated April 24, 2006, by and among Company, GSCP, Bear Stearns, Bear Stearns Corporate Lending Inc. and Wachovia with respect to the term loan credit facilities contemplated by this Agreement.

"**Company**" as defined in the preamble hereto.

"**Compliance Certificate**" means a Compliance Certificate substantially in the form of Exhibit C which shall include, in the case of any Compliance Certificate delivered pursuant to Section 5.1(c), Company's calculation of the Available Amount, as of the end of the applicable Fiscal Year.

"**Consolidated Adjusted EBITDA**" means, for any four consecutive Fiscal Quarter period, an amount determined for Holdings, Company and its Restricted Subsidiaries, on a consolidated basis, equal to Consolidated Net Income,

(i) plus the sum, without duplication and to the extent deducted in determining such Consolidated Net Income, of the amounts for such period of:

(a) Consolidated Interest Expense;

(b)consolidated income tax expense;

(c) consolidated depreciation expense;

(d) consolidated amortization expense (including the amortization of deferred financing fees);

(e) Closing Date Transaction Costs and the fees, costs and expenses payable by Holdings, Company and its Restricted Subsidiaries in connection with the Subsequent Transactions and Subsequent Refinancing contemplated by the Subsequent Related Agreements;

(f) any non-recurring out-of-pocket expenses or charges relating to any offering of Capital Stock by Holdings, Company or any of its Restricted Subsidiaries (including charges taken by Company in the fourth quarter of 2005 in connection with the proposed IPO), any Asset Sale, Investment or Permitted Acquisition made by Holdings, Company or any of its Restricted Subsidiaries, or any Indebtedness incurred by Holdings, Company or any of its Restricted Subsidiaries permitted to be incurred hereunder including any refinancing thereof (in each case, whether or not successful);

(g) any non-Cash impairment charges during such period related to goodwill or other assets;

(h) extraordinary losses and unusual or non-recurring charges, severance, relocation costs and curtailments or modifications to pension and post-retirement employee benefit plans;

(i) amounts charged in respect of discontinued operations or restructuring activities including the termination of related employees and/or related operating lease contracts and the closing of any stores or distribution centers;

(j) realized or unrealized non-Cash exchange losses other than those arising in respect of transactions entered into in the ordinary course of business (including, without limitation, currency exchange transactions) the purpose of which is to hedge exchange rate risk in respect of such transactions.

(k) any deductions attributable to minority interests;

(l) any non-Cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights to officers, directors or employees;

(m) any losses from early extinguishment of Indebtedness or Interest Rate Agreements of Holdings, Company or any of its Restricted Subsidiaries;

(n) the amount of net cost savings associated with the implementation of specified costs savings actions in connection with that certain capabilities assessment and cost savings identification project conducted by Accenture, to be realized as a result of specified actions taken during such period (calculated on a pro forma basis as though such cost savings had been realized on the first day of such period), net of the amount of actual benefits realized during such period from such actions, provided, that (x) such cost savings are reasonably identifiable and factually supportable, (y) such actions are taken within 24 months after the Closing Date and (z) the aggregate amount of cost savings added pursuant to this clause (n) shall not exceed $10,000,000 in the aggregate from and after the Closing Date; and

(o) other non-Cash items reducing Consolidated Net Income (excluding any such non-Cash item to the extent that it represents an accrual or reserve for potential Cash items in any future period or amortization of a prepaid Cash item that was paid in a prior period);

(ii) minus, the sum, without duplication and to the extent included in determining such Consolidated Net Income of the amounts for such period:

(a) any extraordinary and unusual or non-recurring gains;

(b) realized or unrealized non-Cash exchange gains other than those arising in respect of transactions entered into in the ordinary course of business (including, without limitation, currency exchange transactions) the purpose of which is to hedge exchange rate risk in respect of such transactions;

(c) any gains from early extinguishment of Indebtedness or Interest Rate Agreements of Holdings, Company or any of its Restricted Subsidiaries; and

(d) other non-Cash items increasing Consolidated Net Income for such period (excluding any such non-Cash item (x) relating to landlord or developer contributions to fixed or capital assets and (y) to the extent it represents the reversal of an accrual or reserve for potential Cash item in any prior period).

"**Consolidated Adjusted EBITDAR**" means, for any four consecutive Fiscal Quarter period, an amount determined for Holdings, Company and its Restricted Subsidiaries, on a consolidated basis, equal to Consolidated Net Income,

(i) plus the sum, without duplication and to the extent deducted in determining such Consolidated Net Income, of the amounts for such period of:

(a) Consolidated Interest Expense;

(b)consolidated income tax expense;

(c) consolidated depreciation expense;

(d) consolidated amortization expense (including the amortization of deferred financing fees);

(e) Closing Date Transaction Costs and the fees, costs and expenses payable by Holdings, Company and its Restricted Subsidiaries in connection with the Subsequent Transactions and Subsequent Refinancing contemplated by the Subsequent Related Agreements;

(f) any non-recurring out-of-pocket expenses or charges relating to any offering of Capital Stock by Holdings, Company or any of its Restricted Subsidiaries (including charges taken by Company in the fourth quarter of 2005 in connection with the proposed IPO), any Asset Sale, Investment or Permitted Acquisition made by Holdings, Company or any of its Restricted Subsidiaries, or any Indebtedness incurred by Holdings, Company or any of its Restricted Subsidiaries permitted to be incurred hereunder including any refinancing thereof (in each case, whether or not successful);

(g) any non-Cash impairment charges during such period related to goodwill or other assets;

(h) extraordinary losses and unusual or non-recurring charges, severance, relocation costs and curtailments or modifications to pension and post-retirement employee benefit plans;

(i) amounts charged in respect of discontinued operations or restructuring activities including the termination of related employees and/or related operating lease contracts and the closing of any stores or distribution centers;

(j) realized or unrealized non-Cash exchange losses other than those arising in respect of transactions entered into in the ordinary course of business (including, without

limitation, currency exchange transactions) the purpose of which is to hedge exchange rate risk in respect of such transactions;

(k) any deductions attributable to minority interests;

(l) any non-Cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights to officers, directors or employees;

(m) any losses from early extinguishment of Indebtedness, or Interest Rate Agreements of Holdings, Company or any of its Restricted Subsidiaries;

(n) the amount of net cost savings associated with the implementation of specified costs savings actions in connection with that certain capabilities assessment and cost savings identification project conducted by Accenture, to be realized as a result of specified actions taken during such period (calculated on a pro forma basis as though such cost savings had been realized on the first day of such period), net of the amount of actual benefits realized during such period from such actions, provided, that (x) such cost savings are reasonably identifiable and factually supportable, (y) such actions are taken within 24 months after the Closing Date and (z) the aggregate amount of cost savings added pursuant to this clause (n) shall not exceed $10,000,000 in the aggregate from and after the Closing Date;

(o) other non-Cash items reducing Consolidated Net Income (excluding any such non-Cash item to the extent that it represents an accrual or reserve for potential Cash items in any future period or amortization of a prepaid Cash item that was paid in a prior period); and

(p) Rent Expense.

(ii) minus, the sum, without duplication and to the extent included in determining such Consolidated Net Income of the amounts for such period:

(a) any extraordinary and unusual or non-recurring gains;

(b) realized or unrealized non-Cash exchange gains other than those arising in respect of transactions entered into in the ordinary course of business (including, without limitation, currency exchange transactions) the purpose of which is to hedge exchange rate risk in respect of such transactions;

(c) any gains from early extinguishment of Indebtedness, or Interest Rate Agreements of Holdings, Company or any of its Restricted Subsidiaries; and

(d) other non-Cash items increasing Consolidated Net Income for such period (excluding any such non-Cash item (x) relating to landlord or developer contributions to fixed or

capital assets and (y) to the extent it represents the reversal of an accrual or reserve for potential Cash item in any prior period).

"**Consolidated Capital Expenditures**" means, for any period, the aggregate of all expenditures (whether paid in Cash or accrued as liabilities, and including in all events all amounts expended or capitalized under Capital Leases) of Holdings, Company and its Restricted Subsidiaries during such period determined on a consolidated basis that, in accordance with GAAP, are or should be included in "purchase of property and equipment" or similar items reflected in the consolidated statement of cash flows of Holdings, Company and its Restricted Subsidiaries.

"**Consolidated Current Assets**" means, as at any date of determination, the total assets of Holdings, Company and its Restricted Subsidiaries on a consolidated basis that may properly be classified as current assets in conformity with GAAP, excluding Cash and Cash Equivalents.

"**Consolidated Current Liabilities**" means, as at any date of determination, the total liabilities of Holdings, Company and its Restricted Subsidiaries on a consolidated basis that may properly be classified as current liabilities in conformity with GAAP, excluding the current portion of long term debt.

"**Consolidated Excess Cash Flow**" means, for any period, an amount (if positive) equal to the:

(i) the sum, without duplication, of the amounts for such period of:

(a) Consolidated Net Income;

(b) all non-Cash items to the extent deducted in arriving at such Consolidated Net Income (including depreciation, amortization, non-Cash interest and the net amount of non-Cash losses on the disposition of assets (other than sales in the ordinary course of business)) to the extent deducted in calculating such Consolidated Net Income (other than any such non-Cash items to the extent representing an accrual or reserve for potential Cash items in any future period or amortization of a prepaid Cash item that was paid in a prior period); and

(c) Consolidated Working Capital Adjustment;

minus

(ii) the sum, without duplication, of the amounts for such period of:

(a) non-Cash gains and credits to the extent added in calculating Consolidated Net Income (other than any such non-Cash item to the extent representing an accrual or reserve for potential Cash items in any future period);

(b) voluntary and scheduled repayments of principal or repurchases of Consolidated Total Debt to the extent financed with internally generated cash flow (excluding repayments of Revolving Loans to the extent the commitments under the Revolving Loan Agreement are permanently reduced in connection with such repayments), together with any prepayment fees accompanying such prepayments;

(c) Consolidated Capital Expenditures to the extent financed with internally generated cash flow;

(d) the aggregate net non-Cash gain on the sale, lease, transfer or other disposition of assets by Holdings, Company and its Restricted Subsidiaries during such period (other than sales in the ordinary course of business) to the extent not deducted in calculating Consolidated Net Income;

(e) to the extent not deducted in calculating Consolidated Net Income, taxes paid in Cash by Company and its Subsidiaries (including distributions by Company in respect of taxes paid by Holdings to the extent not included in clause (d) above) on a consolidated basis during such period or that will be paid within six months after the close of such period (provided that any amount so deducted that will be paid after the close of such period shall not be deducted again in a subsequent period) and for which reserves have been established, including income tax expense and withholding tax expense incurred in connection with cross-border transactions involving the Foreign Subsidiaries;

(f) payments made in Cash or Cash Equivalents by Holdings and its Subsidiaries in respect of Permitted Acquisitions and other Investments permitted by Section 6.7, in each case, to the extent financed with internally generated cash flow (excluding Investments in Cash or Cash Equivalents) and to the extent not deducted in calculating Consolidated Net Income;

(g) payments made in Cash or Cash Equivalents by Company and its Subsidiaries in respect of pension funding obligations to the extent not deducted in calculating Consolidated Net Income;

(h) payments made in Cash or Cash Equivalents by Company and its Subsidiaries in respect of penalties, make-wholes and premiums required in connection with the prepayment of Indebtedness to the extent not deducted in calculating Consolidated Net Income; and

(i) other expenditures made in Cash or Cash Equivalents permitted by this Agreement by Company and its Subsidiaries to the extent not deducted in calculating Consolidated Net Income in any period.

"**Consolidated Interest Expense**" means, for any period, total interest expense (including that portion attributable to Capital Leases in accordance with GAAP and capitalized interest) of Holdings, Company and its Restricted Subsidiaries on a consolidated basis with

respect to all outstanding Indebtedness of Holdings, Company and its Restricted Subsidiaries, including all commissions, discounts and other fees and charges owed with respect to letters of credit and net costs under Interest Rate Agreements.

"**Consolidated Net Income**" means, for any period, (i) the net income (or loss) of Holdings, Company and its Restricted Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP, minus (ii) (a) the income (or loss) of any Person (other than a Restricted Subsidiary) in which any other Person (other than Holdings, Company or any of its Restricted Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to Holdings, Company or any of its Restricted Subsidiaries by such Person during such period, (b) the income (or loss) of any Person accrued prior to the date on which it becomes a Restricted Subsidiary or is merged into or consolidated with Holdings, Company or any of its Restricted Subsidiaries or that Person's assets are acquired by Holdings, Company or any of its Restricted Subsidiaries, (c) the income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary, (d) any after-tax gains or losses attributable to Asset Sales or returned surplus assets of any Pension Plan, and (e) (to the extent not included in clauses (a) through (d) above) any net extraordinary gains or net extraordinary losses; provided, that there shall be excluded from Consolidated Net Income for any period the net income (or loss) of all Unrestricted Subsidiaries for such period to the extent otherwise included in Consolidated Net Income, except to the extent actually received in Cash by Company or its Restricted Subsidiaries during such period through dividends or other distributions other than intercompany loans.

"**Consolidated Total Company Debt**" means, as of any date of determination, the aggregate stated balance sheet amount of all Indebtedness of Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP (net of any Cash on the balance sheet of Company that has been deposited into (and remains in the Restricted Account as of any date of determination) the Restricted Account for purposes of application to prepay or to redeem any such Indebtedness in accordance with this Agreement and any Joinder Agreement).

"**Consolidated Total Debt**" means, as at any date of determination, the aggregate stated balance sheet amount of all Indebtedness of Holdings, Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP (net of any Cash on the balance sheet of Company that has been deposited into (and remains in the Restricted Account as of any date of determination) the Restricted Account for purposes of application to prepay or to redeem any such Indebtedness in accordance with this Agreement and any Joinder Agreement).

"**Consolidated Working Capital**" means, as at any date of determination, the excess of Consolidated Current Assets over Consolidated Current Liabilities.

"**Consolidated Working Capital Adjustment**" means, for any period on a consolidated basis, the amount (which may be a negative number) by which Consolidated Working Capital as of the beginning of such period exceeds (or is less than) Consolidated Working Capital as of the end of such period.

"**Contractual Obligation**" means, as applied to any Person, any provision of any Security issued by that Person or of any indenture, mortgage, deed of trust, contract, license, covenant, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"**Contributing Guarantors**" as defined in Section 7.2.

"**Conversion/Continuation Date**" means the effective date of a continuation or conversion, as the case may be, as set forth in the applicable Conversion/Continuation Notice.

"**Conversion/Continuation Notice**" means a Conversion/Continuation Notice substantially in the form of Exhibit A-2.

"**Copyright Security Agreement**" means a Copyright Security Agreement substantially in the form of Exhibit M.

"**Counterpart Agreement**" means a Counterpart Agreement substantially in the form of Exhibit H delivered by a Credit Party pursuant to Section 5.10.

"**Credit Card Agreements**" means all agreements now or hereafter entered into by Company or any of its Subsidiaries (and, to the extent permitted by Sections 6.1(e) and (g), Holdings) for the benefit of Company or any such Subsidiary, in each case with any Credit Card Issuer or any Credit Card Processor, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, including, but not limited to, the agreements set forth on Schedule 4.28 hereto.

"**Credit Card Issuer**" means any person (other than Holdings or any of its Subsidiaries) who issues or whose members issue credit cards, including, without limitation, MasterCard or VISA bank credit or debit (including pre-paid debit) cards or other bank credit or debit (including pre-paid debit) cards issued through MasterCard International, Inc., VISA, U.S.A., Inc. or Visa International and American Express, Discover, Diners Club, Carte Blanche and other non-bank credit or debit (including pre-paid debit) cards, including, without limitation, credit or debit (including pre-paid debit) cards issued by or through American Express Travel Related Services Company, Inc., Novus Services, Inc. and the J. Crew Credit Card.

"**Credit Card Processor**" means any servicing or processing agent or any factor or financial intermediary who facilitates, services, processes or manages the authorization or settlement with respect to any of Company's or its Subsidiaries' sales transactions involving credit card or debit card purchases by customers using credit cards or debit (including pre-paid debit) cards issued by any Credit Card Issuer.

"**Credit Date**" means the date of a Credit Extension.

"**Credit Document**" means any of this Agreement, the Notes, if any, the Collateral Documents, the Intercreditor Agreement, the Joinder Agreement and all other documents, instruments or agreements executed and delivered by a Credit Party for the benefit of any Agent or any Lender in connection herewith.

"**Credit Extension**" means the making of Initial Term Loans on the Closing Date or Incremental Term Loans on the Incremental Term Loan Closing Date.

"**Credit Party**" means each Person (other than any Agent, any Lender, any other representative thereof or any depositary bank or securities intermediary) from time to time party to a Credit Document.

"**Currency Agreement**" means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement, each of which is for the purpose of hedging the foreign currency risk associated with Holdings', Company's and any Guarantor Subsidiary's operations and not for speculative purposes.

"**Default**" means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

"**Deposit Account**" means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a negotiable certificate of deposit.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable (other than solely for Capital Stock that is not Disqualified Stock), other than as a result of a change of control or asset sale, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, other than as a result of a change of control or asset sale, in whole or in part, in each case prior to the date that is ninety-one (91) days after the earlier of the Initial Term Loan Maturity Date, the Incremental Term Loan Maturity Date and the date on which the Term Loans are no longer outstanding (and all commitments hereunder have been terminated); provided that if such Capital Stock is issued to any plan for the benefit of employees of Company or its Subsidiaries or pursuant to any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by Company or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or in accordance with the terms of any such plan.

"**Documentation Agent**" as defined in the preamble hereto.

"**Dollars**" and the sign "**$**" mean the lawful money of the United States of America.

"**Domestic Subsidiary**" means any Subsidiary organized under the laws of the United States of America, any State thereof or the District of Columbia.

"**Domestic Restricted Subsidiary**" means any Domestic Subsidiary that is a Restricted Subsidiary.

"**Eligible Assignee**" means (i) any Lender, any Affiliate of any Lender and any Related Fund (any two or more Related Funds being treated as a single Eligible Assignee for all purposes hereof), and (ii) any commercial bank, insurance company, investment or mutual fund or other entity that is an "accredited investor" (as defined in Regulation D under the Securities Act) and which extends credit or buys loans as one of its businesses; provided that in any event, Eligible Assignee shall not include (w) any natural person, (x) Holdings or any Affiliate thereof or (y) TPG or any Affiliate thereof.

"**Employee Benefit Plan**" means any "employee benefit plan" as defined in Section 3(3) of ERISA which is or was sponsored, maintained or contributed to by, or required to be contributed by, Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company.

"**Environmental Claim**" means any investigation, notice, notice of violation, claim, action, suit, proceeding, demand, abatement order or other order or directive (conditional or otherwise), by any Governmental Authority or any other Person, arising (i) pursuant to or in connection with any actual or alleged violation of any Environmental Law; (ii) in connection with any Hazardous Material or any actual or alleged Hazardous Materials Activity; or (iii) in connection with any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

"**Environmental Laws**" means any and all current or future foreign or domestic, federal or state (or any subdivision of either of them), statutes, ordinances, orders, rules, regulations, judgments, Governmental Authorizations, or any other requirements of Governmental Authorities relating to (i) environmental matters, including those relating to any Hazardous Materials Activity; (ii) the generation, use, storage, transportation or disposal of Hazardous Materials; or (iii) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health or welfare, in any manner applicable to Holdings or any of its Subsidiaries or any Facility.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor thereto.

"**ERISA Affiliate**" means, as applied to any Person, (i) any corporation which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of which that Person is a member; (ii) any trade or business (whether or

not incorporated) which is a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Internal Revenue Code of which that Person is a member; and (iii) any member of an affiliated service group within the meaning of Section 414(m) or (o) of the Internal Revenue Code of which that Person, any corporation described in clause (i) above or any trade or business described in clause (ii) above is a member. Any former ERISA Affiliate of Holdings or Company shall continue to be considered an ERISA Affiliate of Holdings or Company within the meaning of this definition with respect to the period such entity was an ERISA Affiliate of Holdings or Company and with respect to liabilities arising after such period and for which Holdings or Company could be liable under the Internal Revenue Code or ERISA.

"**ERISA Event**" means (i) a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Pension Plan (excluding those for which the provision for 30-day notice to the PBGC has been waived by regulation); (ii) the failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code with respect to any Pension Plan (whether or not waived in accordance with Section 412(d) of the Internal Revenue Code) or the failure to make by its due date a required installment under Section 412(m) of the Internal Revenue Code with respect to any Pension Plan or the failure to make any required contribution to a Multiemployer Plan; (iii) the provision by the administrator of any Pension Plan pursuant to Section 4041(a)(2) of ERISA of a notice of intent to terminate such plan in a distress termination described in Section 4041(c) of ERISA; (iv) the withdrawal by Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company from any Pension Plan with two or more contributing sponsors or the termination of any such Pension Plan resulting in liability to Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company pursuant to Section 4063 or 4064 of ERISA; (v) the institution by the PBGC of proceedings to terminate any Pension Plan, or the occurrence of any event or condition which constitutes grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (vi) the imposition of liability on Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (vii) the withdrawal of Holdings, any of its Subsidiaries, or any ERISA Affiliate of Holdings or Company in a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any potential liability therefor, or the receipt by Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA; (viii) the occurrence of an act or omission which could give rise to the imposition on Holdings, any of its Subsidiaries, or any ERISA Affiliate of Holdings or Company of fines, penalties, taxes or related charges under Chapter 43 of the Internal Revenue Code or under Section 409, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Employee Benefit Plan; (ix) the making of a material claim (other than a routine claim for benefits) against any Employee Benefit Plan other than a Multiemployer Plan or the assets thereof, or against Holdings, any of its Subsidiaries, or any ERISA Affiliate of Holdings or Company in connection with any Employee Benefit Plan; (x) receipt from the Internal Revenue Service of notice of the failure of any Pension Plan (or any other Employee Benefit Plan intended to be qualified under

Section 401(a) of the Internal Revenue Code) to qualify under Section 401(a) of the Internal Revenue Code, or the failure of any trust forming part of any Pension Plan to qualify for exemption from taxation under Section 501(a) of the Internal Revenue Code; or (xi) the imposition of a Lien pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code or pursuant to ERISA with respect to any Pension Plan.

"**Eurodollar Rate Loan**" means a Term Loan bearing interest at a rate determined by reference to the Adjusted Eurodollar Rate.

"**Event of Default**" means each of the conditions or events set forth in Section 8.1.

"**Excluded Taxes**" means, with respect to Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of the Credit Parties hereunder or under any of the Credit Documents (i) Taxes on the overall net income of any Lender and franchise taxes imposed in lieu thereof, (ii) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which a Credit Party is located, (iii) Taxes that are imposed by any Governmental Authority solely by reason of a current or former connection between Administrative Agent or any Lender, as the case may be, and the taxing jurisdiction (other than such connection arising solely from the execution or delivery of, the receipt of payments pursuant to, or the enforcement of this Agreement or any other Credit Document), (iv) any withholding tax that (x) would have been imposed on amounts payable to such Lender as of the date hereof (in the case of each Lender listed on the signature pages hereof on the Closing Date), as of the Assignment Effective Date (in the case of each other Lender other than an assignee pursuant to a request by Company under Section 2.18), or at the time such Lender designated a new lending office other than a designation of a new lending office in accordance with Section 2.17, or (y) is attributable to such Lender's failure or inability (other than as a result of a change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof) to comply with its obligations under Section 2.16(c), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts with respect to such withholding tax pursuant to Section 2.16(b).

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"**Existing Indebtedness**" means (i) the 5.0% Notes, (ii) the 9 3/4% Senior Subordinated Notes, (iii) the 13 1/8% Senior Discount Debentures, and (iv) Indebtedness outstanding under the Revolving Loan Agreement.

"**Facility**" means any real property (including all buildings, fixtures or other improvements located thereon) now, hereafter or heretofore owned, leased, operated or used by Company, any of its Subsidiaries or any of their respective predecessors or Affiliates.

"**Factory**" means H.F.D. No. 55, Inc., a Delaware corporation doing business as J. Crew Factory.

"**Fair Share**" as defined in Section 7.2.

"**Fair Share Contribution Amount**" as defined in Section 7.2.

"**FDIC**" means the Federal Deposit Insurance Corporation.

"**Federal Funds Effective Rate**" means for any day, the rate per annum (expressed, as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Administrative Agent, in its capacity as a Lender, on such day on such transactions as determined by Administrative Agent.

"**Fee Letter**" means the Fee Letter dated April 24, 2006, by and among Company, GSCP, Bear Stearns, Bear Stearns Corporate Lending Inc. and Wachovia with respect to the term loan credit facilities contemplated by this Agreement.

"**Financial Officer Certification**" means, with respect to the financial statements for which such certification is required, the certification of the chief financial officer of Holdings that such financial statements fairly present, in all material respects, the financial condition of Holdings, Company and its Restricted Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments.

"**Financial Plan**" as defined in Section 5.1(j).

"**First Priority**" means, with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document, that such Lien is the only Lien to which such Collateral is subject, other than any Permitted Lien.

"**Fiscal Quarter**" means a fiscal quarter of any Fiscal Year.

"**Fiscal Year**" means the fiscal year of Holdings and its Subsidiaries ending on January 31 of each calendar year.

"**Flood Hazard Property**" means any Real Estate Asset subject to a mortgage in favor of Collateral Agent, for the benefit of the Secured Parties, and located in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards.

"**Foreign Subsidiary**" means any Subsidiary that is not a Domestic Subsidiary.

"**Funding Guarantors**" as defined in Section 7.2.

"**Funding Notice**" means a notice substantially in the form of Exhibit A-1.

"**GAAP**" means, subject to the limitations on the application thereof set forth in Section 1.2, United States of America generally accepted accounting principles in effect as of the date of determination thereof.

"**Governmental Acts**" means any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

"**Governmental Authority**" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States, or a foreign entity or government.

"**Governmental Authorization**" means any permit, license, authorization, plan, directive, consent order or consent decree of or from any Governmental Authority.

"**Grantor**" as defined in the Pledge and Security Agreement (Term Loan).

"**GSCP**" as defined in the preamble hereto.

"**Guaranteed Obligations**" as defined in Section 7.1.

"**Guarantor**" means each of Holdings and each Domestic Restricted Subsidiary of Holdings (other than Company).

"**Guarantor Subsidiary**" means each Guarantor other than Holdings.

"**Guaranty**" means the guaranty of each Guarantor set forth in Section 7.

"**Hazardous Materials**" means any chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority with jurisdiction over any Facility or which may or could pose a hazard to the health and safety of the owners, occupants or any Persons in the vicinity of any Facility or to the indoor or outdoor environment.

"**Hazardous Materials Activity**" means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Materials, including the use, manufacture, possession, storage, holding, presence, existence, location, Release, threatened Release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Materials, and any corrective action or response action with respect to any of the foregoing.

"**Headquarters Lease**" means the lease agreement, with respect to 770 Broadway, New York, NY 10003, dated June 28, 1996, as amended as of December 31, 1996, by and between New York Equities Company and Holdings, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof.

"**Hedge Agreement**" means an Interest Rate Agreement or a Currency Agreement entered into with a Lender Counterparty.

"**Highest Lawful Rate**" means the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under the laws applicable to any Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

"**Historical Financial Statements**" means as of the Closing Date, (i) the audited financial statements of Holdings and its Subsidiaries for the three most recent Fiscal Years completed at least 90 days prior to the Closing Date, consisting of balance sheets and the related consolidated statements of income, stockholders' equity and cash flows for such Fiscal Years, and (ii) the unaudited financial statements of Holdings and its Subsidiaries as at the most recently ended Fiscal Quarter completed at least 30 days prior to the Closing Date, consisting of a balance sheet and the related consolidated statements of income, stockholders' equity and cash flows for the three-, six-or nine-month period, as applicable, ending on such date, and, in the cases of clauses (i) and (ii), certified by the chief financial officer of Company that such financial statements fairly present, in all material respects, the consolidated financial condition of Holdings and its Subsidiaries as at the dates indicated and the consolidated results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments.

"**Holdings**" as defined in the preamble hereto.

"**Inactive Subsidiary**" means any Subsidiary, direct or indirect, that (a) has total assets not in excess of $50,000; (b) conducts no business; (c) has no Indebtedness and (d) generates no Consolidated Adjusted EBITDA and no Consolidated Adjusted EBITDAR; provided, that, if more than one Subsidiary is deemed an Inactive Subsidiary pursuant to this definition, all Inactive Subsidiaries shall be considered to be a single consolidated subsidiary for purposes of determining whether the conditions specified above are satisfied.

"**Increased-Cost Lenders**" as defined in Section 2.18.

"**Incremental Designated Principal Balance**" means the principal balance of the Incremental Term Loans outstanding as of the Incremental Term Loan Closing Date.

"**Incremental Term Loans**" as defined in Section 2.20(b).

"**Incremental Term Loan Closing Date**" as defined in Section 2.20(a).

"**Incremental Term Loan Commitments**" as defined in Section 2.20(a).

"**Incremental Term Loan Exposure**" means, with respect to any Lender, as of any date of determination, the outstanding principal amount of the Incremental Term Loans of such Lender.

"**Incremental Term Loan Lender**" means each financial institution or investors listed on the signature pages of the Joinder Agreement, if any, as an Incremental Term Loan Lender, and any other Person that becomes a party hereto as an Incremental Term Loan Lender pursuant to an Assignment Agreement.

"**Incremental Term Loan Maturity Date**" means the earlier of (i) the Incremental Term Loan Maturity Date set forth in the Joinder Agreement executed and delivered in accordance with Section 2.20, and (ii) the date that any Term Loan shall become due and payable in full hereunder, whether by acceleration or otherwise.

"**Incremental Term Loan Note**" means a promissory note evidencing an Incremental Term Loan in the form attached as an exhibit to the Joinder Agreement, as it may be amended, supplemented or otherwise modified from time to time.

"**Indebtedness**", as applied to any Person, means, without duplication, (i) all indebtedness for borrowed money; (ii) that portion of obligations with respect to Capital Leases that is properly classified as a liability on a balance sheet in conformity with GAAP; (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money; (iv) any obligation owed for all or any part of the deferred purchase price of property or services (excluding any such obligations incurred under ERISA), which purchase price is (a) due more than six months from the date of incurrence of the obligation in respect thereof or (b) evidenced by a note or similar written instrument (except, in each case, any such balance that constitutes an account payable to a trade creditor (whether or not an Affiliate) created, incurred, assumed or guaranteed by such Person in the ordinary course of business of such Person in connection with obtaining goods, materials or services that is not overdue by more than ninety (90) days, unless the trade payable is being contested in good faith); (v) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person; (vi) the face amount of any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (vii) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another; (viii) any liability of such Person for an obligation of another through any agreement (contingent or otherwise) (a) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (b) to maintain the solvency or any balance sheet item, level of income or financial condition of another if, in the case of any agreement described under subclauses (a) or (b) of this clause (viii), the primary purpose or intent of which is to provide assurance to an obligee that the obligation of the obligor thereof will be paid or

discharged, or any agreement relating thereto will be complied with, or the holders thereof will be protected (in whole or in part) against loss in respect thereof; (ix) Attributable Debt in respect of Sale and Leaseback Transactions; and (x) all obligations of such Person in respect of any exchange traded or over the counter derivative transaction, including, without limitation, any Interest Rate Agreement, Currency Agreement or any Other Permitted Derivative Transaction, whether entered into for hedging or speculative purposes; provided that, (A) in no event shall obligations with respect to any Interest Rate Agreement, Currency Agreement or any Other Permitted Derivative Transaction be deemed "Indebtedness" for any purpose except as provided in the following clause (B), and (B) all Indebtedness referred to in the preceding clause (A) of any Person shall be zero unless and until any such Indebtedness shall be terminated, in which case, for purposes of Section 8.1(b)(ii), the amount of such Indebtedness shall be the termination payment due thereunder by such Person.

"**Indemnified Liabilities**" means, collectively, any and all liabilities, obligations, losses, damages (including natural resource damages), penalties, claims (including Environmental Claims), costs (including the costs of any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any Hazardous Materials Activity), expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, whether or not any such Indemnitee shall be designated as a party or a potential party thereto, and any fees or expenses incurred by Indemnitees in enforcing this indemnity), whether direct, indirect or consequential and whether based on any federal, state or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations and Environmental Laws), on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by, or asserted against any such Indemnitee, in any manner relating to or arising out of (i) this Agreement or the other Credit Documents or the transactions contemplated hereby or thereby (including the Lenders' agreement to make any Term Loans or the use or intended use of the proceeds thereof, or any enforcement of any of the Credit Documents (including any sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Guaranty)); (ii) the statements contained in the commitment letter delivered by any Lender to Company with respect to the transactions contemplated by this Agreement; or (iii) any Environmental Claim or any Hazardous Materials Activity relating to or arising from, directly or indirectly, any past or present activity, operation, land ownership, or practice of Holdings or any of its Subsidiaries.

"**Indemnitee**" as defined in Section 10.3.

"**Initial Designated Principal Balance**" means the principal balance of the Initial Term Loans outstanding as of the Closing Date.

"**Initial Term Loans**" means the Initial Term Loans made by the Initial Term Lenders to Company pursuant to Section 2.1(a)(i).

"**Initial Term Loan Commitment**" means the commitment of an Initial Term Loan Lender to make or otherwise fund an Initial Term Loan and **"Initial Term Loan**

Commitments" means such commitments of all Lenders in the aggregate. The amount of each Initial Term Loan Lender's Initial Term Loan Commitment, if any, is set forth on Appendix A or in the applicable Assignment Agreement, subject to any adjustment or reduction pursuant to the terms and conditions hereof. The aggregate amount of the Initial Term Loan Commitments as of the Closing Date is $285,000,000.

"**Initial Term Loan Exposure**" means, with respect to any Initial Term Loan Lender, as of any date of determination, the outstanding principal amount of the Initial Term Loans of such Initial Term Loan Lender; provided that at any time prior to the making of the Initial Term Loans, the Initial Term Loan Exposure of any Initial Term Loan Lender shall be equal to such Initial Term Loan Lender's Initial Term Loan Commitment.

"**Initial Term Loan Lender**" means each financial institution or investors listed on the signature pages hereto as an Initial Term Loan Lender, and any other Person that becomes a party hereto as an Initial Term Loan Lender pursuant to an Assignment Agreement.

"**Initial Term Loan Maturity Date**" means the earliest of (a) the seven-year anniversary of the Closing Date, (b) the date which is six months prior to the maturity date or mandatory redemption date applicable to either of the 13 1/8% Senior Discount Debentures or the Preferred Stock, (c) the date which is six months prior to the maturity date or mandatory redemption date (as the same may be extended in accordance with the terms thereof) of the 5.0% Notes (other than a mandatory redemption date of the 5.0% Notes resulting from the IPO); and (d) the date on which any Term Loan shall become due and payable in full hereunder, whether by acceleration or otherwise.

"**Initial Term Loan Note**" means a promissory note evidencing an Initial Term Loan in the form of Exhibit B, as it may be amended, supplemented or otherwise modified from time to time.

"**Installment**" as defined in Section 2.8.

"**Intellectual Property Security Agreements**" means the Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement, collectively.

"**Intercreditor Agreement**" means an Intercreditor Agreement to be executed by Administrative Agent, Collateral Agent, Revolving Collateral Agent, Revolving Administrative Agent, Company and each Guarantor, in substantially the form of Exhibit L, as it may be amended, supplemented or otherwise modified from time to time.

"**Interest Expense**" means, for any period, total interest expense (including that portion attributable to Capital Leases in accordance with GAAP and capitalized interest) of Company and its Restricted Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of Company and its Restricted Subsidiaries, including all commissions, discounts and other fees and charges owed with respect to letters of credit and net costs under Interest Rate Agreements.

"**Interest Payment Date**" means with respect to (i) any Base Rate Loan, each March 31, June 30, September 30 and December 31 of each year (commencing, with respect to Initial Term Loans, on the first such date to occur after the Closing Date and, with respect to Incremental Term Loans, on the first such date to occur after the Incremental Term Loan Closing Date) and the applicable Maturity Date of such Class of Term Loans; (ii) any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Term Loan; provided that in the case of each Interest Period of longer than three months "Interest Payment Date" shall also include each date that is three months, or an integral multiple thereof, after the commencement of such Interest Period.

"**Interest Period**" means, in connection with a Eurodollar Rate Loan, an interest period of one-, two-, three-, six-, nine- or twelve-months (in the case of nine- or twelve-months, to the extent available to all applicable Lenders), as selected by Company in the applicable Funding Notice or Conversion/Continuation Notice, (i) initially, commencing on the Closing Date or the Incremental Term Loan Closing Date (as applicable) or the Conversion/Continuation Date thereof, as the case may be; and (ii) thereafter, commencing on the day on which the immediately preceding Interest Period expires; provided that (a) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day unless no further Business Day occurs in such month, in which case such Interest Period shall expire on the immediately preceding Business Day; (b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c), of this definition, end on the last Business Day of a calendar month; and (c) no Interest Period shall extend beyond the applicable Maturity Date of such Class.

"**Interest Rate Agreement**" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement, each of which is for the purpose of hedging the interest rate exposure associated with Holdings' and its Subsidiaries' operations and not for speculative purposes.

"**Interest Rate Determination Date**" means, with respect to any Interest Period, the date that is two Business Days prior to the first day of such Interest Period.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter, and any successor statute.

"**International**" means J. Crew International, Inc.

"**Investment**" means (i) any direct or indirect purchase or other acquisition by Holdings or any of its Subsidiaries of any of the Securities (or a beneficial interest therein) of any other Person (other than a Guarantor Subsidiary); (ii) any direct or indirect redemption, retirement, purchase or other acquisition for value, by any Subsidiary of Holdings from any Person (other than Holdings or any Guarantor Subsidiary), of any Capital Stock of such Person; and (iii) any direct or indirect loan, advance (but excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case, in the ordinary course of business) or capital contributions by Holdings or any of its

Subsidiaries to any other Person (other than Holdings, Company or any Guarantor Subsidiary), including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment. For purposes of the definition of "Unrestricted Subsidiary" and Section 6.7, (a) "Investments" shall include the portion (proportionate to Company's or the investing Restricted Subsidiary's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided that upon a redesignation of such Subsidiary as a Restricted Subsidiary, Company or each investing Restricted Subsidiary shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (i) Company's or such investing Restricted Subsidiary's "Investment" in such Subsidiary at the time of such redesignation, less (ii) the portion (proportionate to Company's or such investing Restricted Subsidiary's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation, and (b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by Company.

"**IPO**" means an underwritten initial public offering of Holdings of its Capital Stock pursuant to a registration statement that has been declared effective by the SEC with net proceeds, together with the proceeds from the other Subsequent Transactions, Cash available on the Incremental Tranche Closing Date and advances under the Revolving Loan Agreement sufficient to complete the Subsequent Refinancing.

"**IPO Documents**" means those documents necessary to commence and close the IPO.

"**Joinder Agreement**" means the joinder agreement, if any, by and among Company, each Incremental Term Loan Lender and Administrative Agent, executed in accordance with Section 2.20, which shall set forth the terms and conditions for the making of the Incremental Term Loans by the Incremental Term Loan Lenders.

"**Joint Bookrunner**" as defined in the preamble hereto.

"**Joint Lead Arranger**" as defined in the preamble hereto.

"**Joint Venture**" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form; provided that in no event shall any Subsidiary of any Person be considered to be a Joint Venture to which such Person is a party.

"**Landlord Consent and Estoppel**" means, with respect to any Leasehold Property, a letter, certificate or other instrument in writing from the lessor under the related lease, pursuant to which, among other things, the landlord consents to the granting of a Mortgage on such Leasehold Property by the Credit Party tenant, such Landlord Consent and Estoppel to be in

form and substance acceptable to Collateral Agent in its reasonable discretion, but in any event sufficient for Collateral Agent to obtain a Title Policy with respect to such Mortgage.

"**Landlord Personal Property Collateral Access Agreement**" means a Landlord Waiver and Consent Agreement substantially in the form of Exhibit K with such amendments or modifications as may be approved by Collateral Agent.

"**Leasehold Property**" means any leasehold interest of any Credit Party as lessee under any lease of real property, other than any such leasehold interest (i) with respect to retail store locations or (ii) that has been designated from time to time by Collateral Agent in its sole discretion as not being required to be included in the Collateral.

"**Lender**" means each Initial Term Loan Lender and each Incremental Term Loan Lender.

"**Lender Counterparty**" means each Lender or any Affiliate of a Lender counterparty to a Hedge Agreement (including any Person who is an Initial Term Loan Lender (and any Affiliate thereof) as of the Closing Date or any Person who is an Incremental Term Loan Lender (and any Affiliate thereof) as of the Incremental Term Loan Closing Date, but, in each case, subsequently, whether before or after entering into a Hedge Agreement, ceases to be a Lender) including, without limitation, each such Affiliate that enters into a joinder agreement with Collateral Agent.

"**Leverage Ratio**" means the ratio as of the last day of any Fiscal Quarter or other date of determination of (i) Consolidated Total Debt as of such day (or if such date of determination is not the last day of a Fiscal Quarter, as of the last day of the most recently ended Fiscal Quarter to (ii) Consolidated Adjusted EBITDA for the four-Fiscal Quarter period ending on such date (or if such date of determination is not the last day of a Fiscal Quarter, for the four-Fiscal Quarters period ending as of the most recently concluded Fiscal Quarter).

"**Leverage/Preferred Stock Ratio**" means the ratio as of the last day of any Fiscal Quarter or other date of determination of (i) the sum of (a) the Consolidated Total Debt, as of such day (or if such date of determination is not the last day of a Fiscal Quarter, as of the last day of the most recently ended Fiscal Quarter) plus (b) the redemption value of any Preferred Stock of Holdings or its Subsidiaries held by any Person other than Holdings and its wholly-owned Subsidiaries as of such day (or if such date of determination is not the last day of a Fiscal Quarter, as of the last day of the most recently ended Fiscal Quarter) to (ii) Consolidated Adjusted EBITDA for the four-Fiscal Quarter period ending on such date (or if such date of determination is not the last day of a Fiscal Quarter, for the four-Fiscal Quarters period ending as of the most recently concluded Fiscal Quarter).

"**License Agreement**" as defined in Section 5.16.

"**Lien**" means (i) any lien, mortgage, pledge, assignment (whether absolute, conditional or contingent), security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement,

and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing and (ii) in the case of Securities, any purchase option, call or similar right of a third party with respect to such Securities; provided that in no event shall an operating lease be deemed to constitute a Lien.

"**Margin Stock**" as defined in Regulation U.

"**Material Adverse Effect**" means a material adverse effect on (i) the business, operations, properties, assets or condition (financial or otherwise) of Holdings and its Subsidiaries taken as a whole; (ii) the ability of Holding and the other Credit Parties, taken as a whole, to perform their Obligations under this Agreement and any other Credit Document; (iii) the legality, validity, binding effect or enforceability against a Credit Party of a Credit Document to which it is a party; or (iv) the rights, remedies and benefits available to, or conferred upon, any Agent and any Lender or any Secured Party under any Credit Document.

"**Material Contract**" means any contract, license, covenant or other arrangement to which Holdings or any of its Subsidiaries is a party (other than the Credit Documents) and of which breach, nonperformance, cancellation, expiration or failure to renew could reasonably be expected to have a Material Adverse Effect.

"**Material Real Estate Asset**" means (a) each fee-owned Real Estate Asset having a fair market value in excess of $2,000,000 as of the date of the acquisition thereof and (b) all Leasehold Properties other than those with respect to which the aggregate payments under the term of the lease are less than $1,000,000 per annum.

"**Maturity Date**" means the Initial Term Loan Maturity Date, the Incremental Term Loan Maturity Date, or both, as applicable.

"**Moody's**" means Moody's Investor Services, Inc. and any successor to its rating agency business

"**Mortgage**" means a Mortgage substantially in the form of Exhibit J, as it may be amended, supplemented or otherwise modified from time to time.

"**Multiemployer Plan**" means any Employee Benefit Plan which is a "multiemployer plan" as defined in Section 3(37) of ERISA.

"**NAIC**" means The National Association of Insurance Commissioners, and any successor thereto.

"**Narrative Report**" means, with respect to the financial statements for which such narrative report is required, a narrative report describing the operations of Holdings and its Subsidiaries in the form prepared for inclusion in Holdings' Annual Report on Form 10-K and Quarterly Report on Form 10-Q, as applicable, filed with the SEC for the applicable Fiscal Quarter or Fiscal Year and for the period from the beginning of the then current Fiscal Year to the end of such period to which such financial statements relate.

"**Net Asset Sale Proceeds**" means, with respect to any Asset Sale, an amount equal to: (i) Cash payments (including any Cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) received by Holdings, Company or any of its Restricted Subsidiaries from such Asset Sale, minus (ii) any bona fide direct costs incurred in connection with such Asset Sale, including (a) income or gains taxes payable by the seller as a result of any gain recognized in connection with such Asset Sale, (b) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Term Loan) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof as a result of such Asset Sale and (c) a reasonable reserve for any indemnification payments (fixed or contingent) attributable to seller's indemnities and representations and warranties to purchaser in respect of such Asset Sale undertaken by Holdings, Company or any of its Restricted Subsidiaries in connection with such Asset Sale.

"**Net Insurance/Condemnation Proceeds**" means an amount equal to: (i) any Cash payments or proceeds received by Holdings, Company or any of its Restricted Subsidiaries (a) under any casualty insurance policy in respect of a covered loss thereunder or (b) as a result of the taking of any assets of Holdings, Company or any of its Restricted Subsidiaries by any Person pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking, minus (ii) (a) any actual and reasonable costs incurred by Holdings, Company or any of its Restricted Subsidiaries in connection with the adjustment or settlement of any claims of Holdings, Company or such Restricted Subsidiary in respect thereof (including any legal, accounting and advisory fees, and brokerage and sales commissions), and (b) any bona fide direct costs (including any legal, accounting and advisory fees, and brokerage and sales commissions) incurred in connection with any sale of such assets as referred to in clause (i)(b) of this definition, including income taxes payable as a result of any gain recognized in connection therewith.

"**Non-Consenting Lender**" as defined in Section 2.18.

"**Nonpublic Information**" means information which has not been disseminated in a manner making it available to investors generally, within the meaning of Regulation FD.

"**Non-US Lender**" as defined in Section 2.16(c).

"**Notice**" means a Funding Notice or a Conversion/Continuation Notice.

"**Obligations**" means all obligations of every nature of each Credit Party under the Credit Documents, including obligations from time to time owed to the Agents (including former Agents), the Lenders or any of them and Lender Counterparties, under any Credit Document or Hedge Agreement whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to such Credit Party, would have accrued on any Obligation, whether or not a claim is allowed against such Credit Party for such interest in the related bankruptcy proceeding), payments for early termination of Hedge Agreements, fees, expenses, indemnification or otherwise.

"**Obligee Guarantor**" as defined in Section 7.7.

"**OID**" as defined in Section 2.20(d).

"**Organizational Documents**" means (i) with respect to any corporation, its certificate or articles of incorporation or organization, as amended, and its by-laws, as amended, (ii) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended, (iii) with respect to any general partnership, its partnership agreement, as amended, and (iv) with respect to any limited liability company, its certificate or articles of formation or organization, as amended, and its operating agreement, as amended. In the event any term or condition of this Agreement or any other Credit Document requires any Organizational Document to be certified by a secretary of state or similar governmental official, the reference to any such "Organizational Document" shall only be to a document of a type customarily certified by such governmental official.

"**Other Permitted Derivative Transaction**" means any paper or utility commodities hedging arrangement designed to hedge against fluctuations in pricing.

"**Patent Security Agreement**" means the Patent Security Agreement substantially in the form of Exhibit N.

"**PBGC**" means the Pension Benefit Guaranty Corporation or any successor thereto.

"**Pension Plan**" means any Employee Benefit Plan, Title IV or other than a Multiemployer Plan, which is subject to Section 412 of the Internal Revenue Code, Title IV or Section 302 of ERISA.

"**Permitted Acquisition**" means any acquisition by Company or any of its wholly-owned Restricted Subsidiaries, whether by purchase, merger or otherwise, of all or substantially all of the assets of, all of the Capital Stock of, or a business line or unit or a division of, any Person; provided that:

(i) immediately prior to, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(ii) all transactions in connection therewith shall be consummated, in all material respects, in accordance with all applicable laws and in conformity with all applicable Governmental Authorizations;

(iii) in the case of the acquisition of Capital Stock, all of the Capital Stock (except for any such Securities in the nature of directors' qualifying shares required pursuant to applicable law) acquired or otherwise issued by such Person or any newly formed Subsidiary of Company in connection with such acquisition shall be owned 100% by Company or a Guarantor Subsidiary thereof, and Company shall have taken, or caused

to be taken, as of the date such Person becomes a Restricted Subsidiary of Company, each of the actions set forth in Sections 5.10 and/or 5.11, as applicable;

(iv) Company shall have delivered to Administrative Agent (A) at least five (5) Business Days prior to the consummation of such proposed acquisition, a Compliance Certificate evidencing compliance with Section 6.9, together with all relevant financial information with respect to such acquired assets, including, without limitation, the aggregate consideration for such acquisition and any other information required to demonstrate compliance with Section 6.9; and

(v) any Person, assets or division as acquired in accordance herewith shall be engaged in a Permitted Business.

"**Permitted Business**" means any business or line of business engaged in by Company or any of its Subsidiaries on the Closing Date and any business reasonably related, ancillary or complimentary to the business in which Company of any of its Subsidiaries is engaged on the Closing Date.

"**Permitted Liens**" means each of the Liens permitted pursuant to Section 6.2.

"**Permitted Refinancing**" means extensions, renewals, refinancings or replacements of any Indebtedness; provided that such extensions, renewals, refinancings or replacements (i) are on terms and conditions (including the terms and conditions of any guarantees of or other credit support for such Indebtedness and including, in the case of the Revolving Loan Agreement, the terms and conditions of the Intercreditor Agreement) not materially less favorable taken as a whole to Company and its Subsidiaries, the Agents and the Lenders than the terms and conditions of the Indebtedness being extended, renewed, refinanced or replaced, (ii) do not add as an obligor any Person that would not have been an obligor under the Indebtedness being extended, renewed replaced or refinanced, (iii) do not result in a greater principal amount or shorter remaining average life to maturity than the Indebtedness being extended, renewed replaced or refinanced, (iv) are not effected at any time when a Default or Event of Default has occurred and is continuing or would result therefrom, (v) are secured (if and only if the related initial Indebtedness was secured) by only the assets securing the related initial Indebtedness, (vi) in the case of the Revolving Loan Agreement, do not contain any other modifications or changes compared to the refinanced Indebtedness prohibited by Section 6.15(a) and (vii) in the case of the Subordinated Indebtedness, do not contain any modifications or changes compared to the refinanced Indebtedness otherwise prohibited by Section 6.16.

"**Person**" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, Joint Ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and Governmental Authorities.

"**Phase I Report**" means, with respect to any Facility, a report that (i) conforms to the ASTM Standard Practice for Environmental Site Assessments: Phase I Environmental

Site Assessment Process, E 1527, (ii) was conducted no more than six months prior to the date such report is required to be delivered hereunder, by one or more environmental consulting firms reasonably satisfactory to Administrative Agent, (iii) includes an assessment of asbestos-containing materials at such Facility, (iv) is accompanied by (a) an estimate of the reasonable worst-case cost of investigating and remediating any Hazardous Materials Activity identified in the Phase I Report as giving rise to an actual or potential material violation of any Environmental Law or as presenting a material risk of giving rise to a material Environmental Claim, and (b) a current compliance audit setting forth an assessment of Holdings', its Subsidiaries' and such Facility's current and past compliance with Environmental Laws and an estimate of the cost of rectifying any non-compliance with current Environmental Laws identified therein and the cost of compliance with reasonably anticipated future Environmental Laws identified therein.

"**Platform**" as defined in Section 5.1(r).

"**Pledge and Security Agreement (Term Loan)**" means the Pledge and Security Agreement to be executed by Company and each Guarantor substantially in the form of Exhibit I, as it may be amended, supplemented or otherwise modified from time to time.

"**Preferred Stock**" means any Equity Interest with preferential rights of payment of dividends or upon liquidation, dissolution, or winding up.

"**Prepayment Restrictions**" as defined in Section 3.1(d)(iii).

"**Prime Rate**" means the rate of interest quoted in *The Wall Street Journal*, Money Rates Section as the Prime Rate (currently defined as the base rate on corporate loans posted by at least 75% of the nation's thirty (30) largest banks), as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Administrative Agent or any other Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

"**Principal Office**" means such Person's "Principal Office" as set forth on Appendix B, or such other office or office of a third party or sub-agent, as appropriate, as such Person may from time to time designate in writing to Company and each Lender.

"**Pro Rata Share**" means (i) with respect to all payments, computations and other matters relating to the Initial Term Loan of any Initial Term Loan Lender, the percentage obtained by dividing (a) the Initial Term Loan Exposure of such Initial Term Loan Lender by (b) the aggregate Initial Term Loan Exposure of all Initial Term Loan Lenders; and (ii) with respect to all payments, computations and other matters relating to the Incremental Term Loan of any Incremental Term Loan Lender, the percentage obtained by dividing (a) the Incremental Term Loan Exposure of such Incremental Term Loan Lender by (b) the aggregate Incremental Term Loan Exposure of all Incremental Term Loan Lenders. For all other purposes with respect to each Lender, "Pro Rata Share" means the percentage obtained by dividing (A) an amount equal to the sum of the Initial Term Loan Exposure and the Incremental Term Loan Exposure of

that Lender, by (B) an amount equal to the sum of the aggregate Initial Term Loan Exposure and the aggregate Incremental Term Loan Exposure of all Lenders.

"**Public Accountant**" means KPMG LLP or another independent certified public accounting firm of nationally recognized standing selected by Holdings and reasonably satisfactory to Administrative Agent.

"**Rating Agencies**" means S&P and Moody's.

"**Real Estate Asset**" means, at any time of determination, any interest (fee, leasehold or otherwise) then owned by any Credit Party in any real property.

"**Record Document**" means, with respect to any Leasehold Property, (i) the lease evidencing such Leasehold Property or a memorandum thereof, executed and acknowledged by the owner of the affected real property, as lessor, or (ii) if such Leasehold Property was acquired or subleased from the holder of a Recorded Leasehold Interest, the applicable assignment or sublease document (or in either case a memorandum thereof), executed and acknowledged by such holder, in each case in form sufficient to give such constructive notice upon recordation and otherwise in form reasonably satisfactory to Collateral Agent.

"**Recorded Leasehold Interest**" means a Leasehold Property with respect to which a Record Document has been recorded in all places necessary or desirable, in Administrative Agent's reasonable judgment, to give constructive notice of such Leasehold Property to third-party purchasers and encumbrances of the affected real property.

"**Reference Date**" as defined in the definition of Available Amount.

"**Register**" as defined in Section 2.4(b).

"**Regulation D**" means Regulation D of the Board of Governors, as in effect from time to time.

"**Regulation FD**" means Regulation FD as promulgated by the SEC under the Securities Act and Exchange Act as in effect from time to time.

"**Regulation S-X**" means Regulation S-X as promulgated by the SEC under the Securities Act as in effect from time to time and as interpreted by the staff of the SEC.

"**Regulation T**" means Regulation T of the Board of Governors, as in effect from time to time.

"**Regulation U**" means Regulation U of the Board of Governors, as in effect from time to time.

"**Regulation X**" means Regulation X of the Board of Governors, as in effect from time to time.

"**Related Agreements**" means, collectively, the Closing Date Related Agreements and the Subsequent Related Agreements.

"**Related Fund**" means, with respect to any Lender that is an investment fund, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"**Release**" means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of any Hazardous Material into the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Material), including the movement of any Hazardous Material through the air, soil, surface water or groundwater.

"**Rent Adjusted Leverage Ratio**" means the ratio, as of the last day of any Fiscal Quarter or other date of determination, of (i) the sum of (a) Consolidated Total Company Debt as of such day (or if such date of determination is not the last day of a Fiscal Quarter, as of the last day of the most recently ended Fiscal Quarter) and (b) the product of (x) eight (8) multiplied by (y) the Rent Expense as of such day (or if such date of determination is not the last day of a Fiscal Quarter, as of the last day of the most recently ended Fiscal Quarter) to (ii) the Consolidated Adjusted EBITDAR for the four-Fiscal Quarter period ending on such day (or if such date of determination is not the last day of a Fiscal Quarter, for the four-Fiscal Quarter period ending as of the most recently ended Fiscal Quarter.

"**Rent Expense**" means, for any four consecutive Fiscal Quarter period, an amount equal to all Cash rent expenses for such period of Company and its Restricted Subsidiaries on a consolidated basis minus (i) Cash rent expense in connection with the Headquarters Lease, (ii) without duplication, cash sublease income and (iii) the amortization of deferred landlord or developer contributions to fixed or capital assets.

"**Replacement Lender**" as defined in Section 2.18.

"**Required Prepayment Date**" as defined in Section 2.11(c).

"**Requisite Class Lenders**" means, at any time of determination, (i) for the Class of Lenders having Initial Term Loan Exposure, Initial Term Loan Lenders holding more than 50% of the aggregate Initial Term Loan Exposure of such Class; and (ii) for each Class of Lenders having Incremental Term Loan Exposure, Incremental Term Loan Lenders holding more than 50% of the aggregate Incremental Term Loan Exposure of such Class.

"**Requisite Lenders**" means one or more Lenders having or holding Initial Term Loan Exposure and/or Incremental Term Loan Exposure and representing more than 50% of the sum of (i) the aggregate Initial Term Loan Exposure of all Initial Term Loan Lenders and (ii) the aggregate Incremental Term Loan Exposure of all Incremental Term Loan Lenders.

"**Restricted Account**" as defined in Section 3.1(w).

"**Restricted Junior Payment**" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of Capital Stock of Holdings or any of its Subsidiaries now or hereafter outstanding, except a dividend payable solely in shares of that Capital Stock to the holders of that class; (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of Holdings or any of its Subsidiaries now or hereafter outstanding; (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock of Holdings or Company now or hereafter outstanding; and (iv) any payment or prepayment of principal of, premium, if any, or interest (whether Cash or payment-in-kind) on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund or similar payment with respect to, any Subordinated Indebtedness.

"**Restricted Subsidiary**" means, at any time, any direct or indirect Subsidiary of Company (including any Foreign Subsidiary) that is not then an Unrestricted Subsidiary; provided that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary".

"**Retail**" means Grace Holmes, Inc., a Delaware corporation doing business as J. Crew Retail.

"Revolving Administrative Agent" means the administrative agent (or Person acting in a similar capacity) under the Revolving Loan Documents, together with its permitted successors in such capacity.

"**Revolving Collateral Agent**" means the collateral agent (or Person acting in a similar capacity) under the Revolving Loan Documents, together with its permitted successors in such capacity.

"**Revolving Loan Agreement**" means the Amended and Restated Loan and Security Agreement, dated December 23, 2004, as amended as of October 10, 2005 by the First Amendment to the Amended and Restated Loan and Security Agreement, as amended as of May 15, 2006 by the Second Amendment to the Amended and Restated Loan and Security Agreement and First Amendment to Guarantee and as amended as of the date hereof by the Third Amendment to the Amended and Restated Loan and Security Agreement, by and among Company, Retail, Factory and J. Crew Inc., as borrowers, Holdings and International, as guarantors, the lenders party thereto, Wachovia, as administrative agent, Congress Financial Corporation, as collateral agent and Bank of America, N.A., as syndication agent, and certain other parties, as the same may be amended, supplemented or modified from time to time in accordance with the Intercreditor Agreement and Section 6.15.

"**Revolving Loan Collateral**" has the meaning assigned to the term "Revolving Credit Primary Collateral" in the Intercreditor Agreement.

"**Revolving Loan Documents**" means the Revolving Loan Agreement and all schedules, exhibits and annexes thereto and all side agreements affecting the terms thereof or entered into in connection therewith.

"**Revolving Loans**" means the loans outstanding from time to time under the Revolving Loan Agreement.

"**Sale and Leaseback Transaction**" means any arrangement with any Person providing for the leasing by Holdings, Company or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by Holdings, Company or such Restricted Subsidiary to such Person in contemplation of such leasing.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and any successor to its rating agency business.

"**SEC**" means the Securities and Exchange Commission of the United States of America.

"**Second Amendment to the Revolving Loan Agreement**" means the amendment to the Revolving Loan Agreement and amendment to guarantee, dated May 15, 2006.

"**Second Priority**" means, with respect to any Lien purported to be created in the Revolving Loan Collateral pursuant to any Collateral Document, that such Lien is subordinated solely to the Liens on such Collateral created by the Revolving Loan Documents and any Permitted Lien.

"**Secured Parties**" has the meaning assigned to that term in the Pledge and Security Agreement (Term Loan).

"**Securities**" means any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"**Securities Act**" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"**Series A Preferred Stock**" means Holdings' 14 1/2% Series A Cumulative Preferred Stock.

"**Series B Preferred Stock**" means Holdings' 14 1/2% Series B Cumulative Redeemable Preferred Stock.

"**Series A and Series B Preferred Stock**" means Series A Preferred Stock and Series B Preferred Stock.

"**Solvency Certificate**" means a Solvency Certificate of the chief financial officer of Company substantially in the form of Exhibit G-2.

"**Solvent**" means, with respect to any Credit Party, that as of the date of determination, both (i) (a) the sum of such Credit Party's debt (including contingent liabilities) does not exceed the present fair saleable value of such Credit Party's present assets; (b) such Credit Party's capital is not unreasonably small in relation to its business as contemplated on the Closing Date and reflected in the projections delivered to the Lenders on or prior to the Closing Date or with respect to any transaction contemplated or undertaken after the Closing Date; and (c) such Person has not incurred and does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due (whether at maturity or otherwise); and (ii) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

"**Subject Transaction**" as defined in Section 6.8(c).

"**Subordinated Indebtedness**" means the 5.0% Notes, the 13 1/8% Senior Discount Debentures and the Series A and Series B Preferred Stock.

"**Subsequent Refinancing**" shall mean (i) the purchase (and cancellation) and/or redemption in full of all or a portion of any of the 9 3/4% Senior Subordinated Notes remaining outstanding after the Closing Date, if any; (ii) the redemption or cancellation in full of all of the 13 1/8% Senior Discount Debentures remaining outstanding after the Closing Date, if any; (iii) the redemption in full all of the Series A and Series B Preferred Stock; and (iv) the payment of all premiums, fees, commissions and expenses related to the foregoing and the Subsequent Transactions.

"**Subsequent Related Agreements**" means, collectively, the IPO Documents, the TPG Stock Sale Documents and the TPG-MD Conversion Documents.

"**Subsequent Transactions**" shall mean each of the IPO, the TPG-MD Conversion, the TPG Stock Sale and the Incremental Term Loans.

"**Subsidiary**" means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than

50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided that, in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a "qualifying share" of the former Person shall be deemed to be outstanding.

"**Successor Entity**" as defined in the definition of "Asset Sale."

"**Syndication Agent**" as defined in the preamble hereto.

"**Tax**" means any present or future tax, levy, impost, duty, assessment, charge, fee, deduction or withholding of any nature and whatever called, by whomsoever, on whomsoever and wherever imposed, levied, collected, withheld or assessed; provided that "Tax on the overall net income" of a Person shall be construed as a reference to a tax imposed by the jurisdiction in which that Person is organized or in which that Person's applicable principal office (and/or, in the case of a Lender, its lending office) is located or in which that Person (and/or, in the case of a Lender, its lending office) is deemed to be doing business on all or part of the net income, profits or gains (whether worldwide, or only insofar as such income, profits or gains are considered to arise in or to relate to a particular jurisdiction, or otherwise) of that Person (and/or, in the case of a Lender, its applicable lending office).

"**Tender Offer**" means the offer by Company to purchase any and all of the outstanding 9 3/4% Senior Subordinated Notes substantially on the terms and conditions referred to in the Tender Offer Documents.

"**Tender Offer Documents**" means Company's Offer to Purchase and Consent Solicitation Statement relating to the 9 3/4% Senior Subordinated Notes, dated October 3, 2005 (as amended or supplemented from time to time), together with all agreements, instruments and documents related thereto.

"**Term Loan**" means an Initial Term Loan made by an Initial Term Loan Lender to Company pursuant to Section 2.1(a)(i) and an Incremental Term Loan made by an Incremental Term Loan Lender to Company pursuant to Section 2.20.

"**Term Loan Collateral**" means all Collateral other than the Revolving Loan Collateral.

"**Term Loan Commitment**" means the Initial Term Loan Commitment or the Incremental Term Loan Commitment of a Lender, or both, as applicable, and "**Term Loan Commitments**" means such commitments of all Lenders.

"**Term Loan Note**" means an Initial Term Loan Note or an Incremental Term Loan Note, or both, as applicable.

"**Terminated Lender**" as defined in Section 2.18.

"**Third Amendment to the Revolving Loan Agreement**" means the amendment to the Revolving Loan Agreement, dated the date hereof.

"**Title Policy**" as defined in Section 3.1(h)(iv).

"**TPG**" means TPG Partners II, L.P. and certain of its Affiliates.

"**TPG Stock Sale**" means the sale of Holding's common stock with an aggregate purchase price equal to approximately $73,500,000 to TPG.

"**TPG Stock Sale Documents**" means that certain Purchase Agreement, dated August 16, 2005, by and among Holdings and TPG, pursuant to which the TPG Stock Sale shall be effected, together with all agreements, instruments and other documents related thereto.

"**TPG-MD Conversion**" means the conversion of all outstanding principal amount of and accrued and unpaid interest on the 5.0% Notes to common stock of Holdings at a conversion price of $6.82 per share, subject to customary anti-dilution adjustments, together with any amendment, restatement or other modification or replacement thereof.

"**TPG-MD Conversion Documents**" means that certain Letter Agreement, dated August 16, 2005, by and between Holdings and TPG-MD Investment, LLC, pursuant to which the TPG-MD Conversion shall be effected, together with all agreements, instruments and other documents related thereto.

"**Trademark Security Agreement**" means a Trademark Security Agreement substantially in the form of Exhibit O.

"**Transactions**" means the Closing Date Transactions and the Subsequent Transactions.

"**Type of Loan**" means, with respect to a Term Loan, a Base Rate Loan or a Eurodollar Rate Loan, as applicable.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"**Unrestricted Subsidiary**" means (a) any Subsidiary of Company that at the time of determination is an Unrestricted Subsidiary (as designated by Company, as provided below) and (b) any Subsidiary of an Unrestricted Subsidiary.

Company may designate any Subsidiary of Company (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary

unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on, any property of, Company or any Subsidiary of Company (other than any Subsidiary of the Subsidiary to be so designated); provided that (i) any Unrestricted Subsidiary must be an entity of which shares of the Capital Stock or other equity interests (including partnership interests) entitled to cast at least a majority of the votes that may be cast by all shares or equity interests having ordinary voting power for the election of directors or other governing body are owned, directly or indirectly, by Company, (ii) such designation complies with Section 6.7 and (iii) each of (A) the Subsidiaries to be so designated and (B) the Subsidiaries thereof has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which any lender has recourse to any of the assets of Company or any Restricted Subsidiary.

Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that, immediately after giving effect to such designation (a) such Restricted Subsidiary shall become a Credit Party and shall comply with the provisions of Section 5.10 and (b) no Default shall have occurred and be continuing, and Company could incur at least $1.00 of additional Indebtedness pursuant to the Leverage/Preferred Stock Ratio test described in Section 6.1(a) immediately prior to such designation, in each case on a pro forma basis taking into account such designation.

Any such designation by Company shall be notified by Company by promptly delivering to Administrative Agent a copy of any applicable resolutions of Company's board of directors giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing provisions. Notwithstanding the foregoing, as of the Closing Date, all of the Subsidiaries of Company will be Restricted Subsidiaries.

"**USA PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)), as amended from time to time.

"**Wachovia**" as defined in preamble hereto.

"**Waivable Mandatory Prepayment**" as defined in Section 2.11(c).

1.2. Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP. Financial statements and other information required to be delivered by Holdings to Lenders pursuant to Section 5.1(b) and 5.1(c) shall be prepared in accordance with GAAP as in effect at the time of such preparation (and delivered together with the reconciliation statements provided for in Section 5.1(f), if applicable). Subject to the foregoing, calculations in connection with the definitions, covenants and other provisions hereof shall utilize accounting principles and policies in conformity with those used to prepare the Historical Financial Statements.

1.3. Interpretation, etc. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. References

herein to any Section, Appendix, Schedule or Exhibit shall be to a Section, an Appendix, a Schedule or an Exhibit, as the case may be, hereof unless otherwise specifically provided. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not no limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The term "license" shall include "sublicense" and likewise in the case of variations thereof.

SECTION 2. INITIAL TERM LOAN

2.1. Initial Term Loan.

(a) Loan Commitments. Subject to the terms and conditions hereof, each Initial Term Loan Lender severally agrees to make, on the Closing Date, an Initial Term Loan to Company in an amount equal to such Lender's Initial Term Loan Commitment. Company may make only one borrowing under the Initial Term Loan Commitment which shall be on the Closing Date. Any amount borrowed under this Section 2.1(a) and subsequently repaid or prepaid may not be reborrowed. Subject to Sections 2.9(a) and 2.10, all amounts owed hereunder with respect to the Initial Term Loans shall be paid in full no later than the Initial Term Loan Maturity Date. Each Initial Term Loan Lender's Initial Term Loan Commitment shall terminate immediately and without further action on the Closing Date after giving effect to the funding of such Lender's Initial Term Loan Commitment on such date.

(b) Borrowing Mechanics for Initial Term Loans.

(i) Company shall deliver to Administrative Agent a fully executed Funding Notice no later than 11:00 a.m. (New York City time) on the Closing Date. Promptly upon receipt by Administrative Agent of such Funding Notice, Administrative Agent shall notify each Lender of the proposed borrowing.

(ii) Each Initial Term Loan Lender shall make its Initial Term Loans available to Administrative Agent not later than 12:00 p.m. (New York City time) on the Closing Date, by wire transfer of same day funds in Dollars, at the Principal Office designated by Administrative Agent. Upon satisfaction or waiver of the conditions precedent specified herein, Administrative Agent shall make the proceeds of the Initial Term Loans available to Company on the Closing Date by causing an amount of same day funds in Dollars equal to the proceeds of all such Initial Term Loans received by Administrative Agent from Initial Term Loan Lenders to be credited to the account of Company at the Principal Office designated by Administrative Agent or to such other account as may be designated by Company in writing to Administrative Agent.

2.2. Pro Rata Shares

(a) Pro Rata Shares. All Initial Term Loans shall be made, and all participations purchased, by Initial Term Loan Lenders simultaneously and proportionately to their respective Pro Rata Shares and all Incremental Term Loans shall be made, and all participations purchased, by Incremental Term Loan Lenders simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Lender shall be responsible for any default by any other Lender in such other Lender's obligation to make a Term Loan requested hereunder or purchase a participation required hereby nor shall any Term Loan Commitment of any Lender be increased or decreased as a result of a default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby.

(b) Availability of Funds. Unless Administrative Agent shall have been notified by any Lender prior to the applicable Credit Date that such Lender does not intend to make available to Administrative Agent the amount of such Lender's Term Loans requested on such Credit Date, Administrative Agent may assume that such Lender has made such amount available to Administrative Agent on such Credit Date and Administrative Agent may, in its sole discretion, but shall not be obligated to, make available to Company a corresponding amount on such Credit Date. If such corresponding amount is not in fact made available to Administrative Agent by such Lender, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon, for each day from such Credit Date until the date on which such amount is paid to Administrative Agent, at the customary rate set by Administrative Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent shall promptly notify Company and Company shall immediately pay such corresponding amount to Administrative Agent together with interest thereon, for each day from such Credit Date until the date such amount is paid to Administrative Agent, at the rate payable hereunder for Base Rate Loans for such Class of Term Loans. Nothing in this Section 2.2(b) shall be deemed to relieve any Lender from its obligation to fulfill its Term Loan Commitments hereunder or to prejudice any rights that Company may have against any Lender as a result of any default by such Lender hereunder.

2.3. Use of Proceeds. The proceeds of the Initial Term Loans shall be applied by Company: (a) to purchase (and cancel) and/or to redeem in full all or a portion of the 9 3/4% Senior Subordinated Notes pursuant to the Tender Offer and (b) to pay all premiums, fees, commissions and expenses related to the foregoing. Such proceeds shall have been so applied, except, in the case of clause (a), to the extent restricted from being so applied on the Closing Date pursuant to the Prepayment Restrictions. No portion of the proceeds of the Initial Term Loans shall be used in any manner that causes or might cause such Initial Term Loans or the application of such proceeds to violate Regulation U or Regulation X (other than Section 224.3(a)(1) thereof) or any other regulation of the Board of Governors (other than Regulation T, as to which the following sentence shall apply) or to violate the Exchange Act (other than pursuant to a violation of Regulation T or Section 224.3(a)(1) of Regulation X, as to which the following sentence shall apply). No portion of the proceeds of the Initial Term Loans shall be used in any manner that causes or might cause such Initial Term Loans or the application of such proceeds to violate, as of the initial funding of the Initial Term Loans on the Closing

Date, Regulation T or Section 224.3(a)(1) of Regulation X or to violate the Exchange Act (pursuant to a violation of Regulation T or Section 224.3(a)(1) of Regulation X).

2.4. Evidence of Debt; Register; Lenders' Books and Records; Notes.

(a) Lenders' Evidence of Debt. Each Lender shall maintain on its internal records an account or accounts evidencing the Obligations of Company to such Lender, including the amounts of the Term Loans made by it and each repayment and prepayment in respect thereof. Any such recordation shall be conclusive and binding on Company, absent manifest error; provided that the failure to make any such recordation, or any error in such recordation, shall not affect Company's Obligations in respect of any applicable Loans; and provided further that, in the event of any inconsistency between the Register and any Lender's records, the recordations in the Register shall govern.

(b) Register. Administrative Agent (or its agent or sub-agent appointed by it) shall maintain at its Principal Office a register for the recordation of the names and addresses of Lenders and the Term Loans of each Lender from time to time (the "**Register**"). The Register, as in effect at the close of business on the preceding Business Day, shall be available for inspection by Company or any Lender at any reasonable time and from time to time upon reasonable prior notice. Administrative Agent shall record, or shall cause to be recorded, in the Register the Term Loans in accordance with the provisions of Section 10.6, and each repayment or prepayment in respect of the principal amount of the Term Loans, and any such recordation shall be conclusive and binding on Company and each Lender, absent manifest error; provided that failure to make any such recordation, or any error in such recordation, shall not affect Company's Obligations in respect of any Term Loans. Company hereby designates Administrative Agent to serve as Company's agent solely for purposes of maintaining the Register as provided in this Section 2.4, and Company hereby agrees that, to the extent Administrative Agent serves in such capacity, Administrative Agent and its officers, directors, employees, agents, sub-agents and affiliates shall constitute "Indemnitees."

(c) Notes. If so requested by any Lender by written notice to Company (with a copy to Administrative Agent) at least two Business Days prior to the applicable Credit Date, or at any time thereafter, Company shall execute and deliver to such Lender (and/or, if applicable and if so specified in such notice, to any Person who is an assignee of such Lender pursuant to Section 10.6) on the applicable Credit Date (or, if such notice is delivered after the applicable Credit Date, promptly after Company's receipt of such notice) a Note or Notes to evidence such Lender's Initial Term Loans or Incremental Term Loans, as the case may be.

2.5. Interest on Term Loans.

(a) Except as otherwise set forth herein, each Class of Term Loans shall bear interest on the unpaid principal amount thereof from the date made through repayment (whether by acceleration or otherwise) thereof as follows: (i) if a Base Rate Loan, at the Base Rate plus the Applicable Margin; or (ii) if a Eurodollar Rate Loan, at the Adjusted Eurodollar Rate plus the Applicable Margin;

(b) The basis for determining the rate of interest with respect to the Term Loans, and the Interest Period with respect to any Eurodollar Rate Loan, shall be selected by Company and notified to Administrative Agent and Lenders pursuant to the Funding Notice or Conversion/Continuation Notice, as the case may be; provided that the Initial Term Loans and the Incremental Term Loans initially shall be made as Base Rate Loans until the date which is five (5) Business Days following the Closing Date or the Incremental Term Loan Closing Date, as applicable. If on any day Term Loans are outstanding with respect to which a Funding Notice or Conversion/Continuation Notice has not been delivered to Administrative Agent in accordance with the terms hereof specifying the applicable basis for determining the rate of interest, then for that day such Term Loans shall be Base Rate Loans.

(c) In connection with Eurodollar Rate Loans there shall be no more than five (5) Interest Periods outstanding at any time. In the event Company fails to specify between a Base Rate Loan or a Eurodollar Rate Loan in the Funding Notice or the applicable Conversion/Continuation Notice, such Term Loans (if outstanding as Eurodollar Rate Loans) will be automatically converted into a Base Rate Loans on the last day of the then-current Interest Period for such Term Loans (or if outstanding as Base Rate Loans will remain as, or (if not then outstanding) will be made as, Base Rate Loans). In the event Company fails to specify an Interest Period for any Eurodollar Rate Loan in the Funding Notice or the applicable Conversion/Continuation Notice, Company shall be deemed to have selected an Interest Period of one month. As soon as practicable after 10:00 a.m. (New York City time) on each Interest Rate Determination Date, Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the Eurodollar Rate Loans for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Company and each Lender.

(d) Interest payable pursuant to Section 2.5(a) shall be computed (i) in the case of a Base Rate Loan, on the basis of a 365-day or 366-day year, as the case may be, and (ii) in the case of a Eurodollar Rate Loan, on the basis of a 360-day year, in each case for the actual number of days elapsed in the period during which it accrues. In computing interest on a Term Loan, the date of the making of such Term Loan or the first day of an Interest Period applicable to such Term Loan or the last Interest Payment Date with respect to such Term Loan or, with respect to a Base Rate Loan being converted from a Eurodollar Rate Loan, the date of conversion of such Eurodollar Rate Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Term Loan or the expiration date of an Interest Period applicable to such Term Loan or, with respect to a Base Rate Loan being converted to a Eurodollar Rate Loan, the date of conversion of such Base Rate Loan to such Eurodollar Rate Loan, as the case may be, shall be excluded; provided that if a Term Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Term Loan.

(e) Except as otherwise set forth herein, interest on each Class of Term Loans (i) shall accrue on a daily basis and shall be payable in arrears on each Interest Payment Date with respect to interest accrued on and to each such payment date; (ii) shall accrue on a daily basis and shall be payable in arrears upon any prepayment of that Class of Term Loans, whether

voluntary or mandatory, to the extent accrued on the amount being prepaid; and (iii) shall accrue on a daily basis and shall be payable in arrears at maturity, including final maturity; provided, however, that with respect to any voluntary prepayment of a Base Rate Loan, accrued interest shall instead be payable on the applicable Interest Payment Date.

2.6. Conversion/Continuation.

(a) Subject to Section 2.14 and so long as no Default or Event of Default shall have occurred and then be continuing, Company shall have the option:

(i) to convert at any time all or any part of any Term Loan equal to $5,000,000 and integral multiples of $1,000,000 in excess of that amount from one Type of Loan to another Type of Loan; provided that a Eurodollar Rate Loan may only be converted on the expiration of the Interest Period applicable to such Eurodollar Rate Loan unless Company shall pay all amounts due under Section 2.14 in connection with any such conversion; or

(ii) upon the expiration of any Interest Period applicable to any Eurodollar Rate Loan, to continue all or any portion of such Eurodollar Rate Loan equal to $5,000,000 and integral multiples of $1,000,000 in excess of that amount as a Eurodollar Rate Loan.

(b) Company shall deliver a Conversion/Continuation Notice to Administrative Agent no later than 10:00 a.m. (New York City time) at least one (1) Business Day in advance of the proposed conversion date (in the case of a conversion to a Base Rate Loan) and at least three (3) Business Days in advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan). Except as otherwise provided herein, a Conversion/Continuation Notice for conversion to, or continuation of, any Eurodollar Rate Loans (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and Company shall be bound to effect a conversion or continuation in accordance therewith.

2.7. Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 8.1(a), the principal amount of all Term Loans outstanding and, to the extent permitted by applicable law, any interest payments on the Term Loans or any fees or other amounts owed hereunder, shall thereafter bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) payable on demand at a rate that is 2% per annum in excess of the interest rate otherwise payable hereunder with respect to the applicable Term Loans (or, in the case of any such fees and other amounts, at a rate which is 2% per annum in excess of the interest rate otherwise payable hereunder for Base Rate Loans); provided that in the case of Eurodollar Rate Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective such Eurodollar Rate Loans shall thereupon become Base Rate Loans and shall thereafter bear interest payable upon demand at a rate which is 2% per annum in excess of the interest rate otherwise payable hereunder for the applicable Base Rate Loans. Payment or acceptance of the increased rates of interest provided for in this Section 2.7 is not a permitted alternative to timely payment and shall

not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Administrative Agent or any Lender.

2.8. Repayment. The principal amount of the Initial Term Loans shall be repaid in consecutive quarterly installments equal to 1.0% per annum of the Initial Designated Principal Balance on each quarterly scheduled Interest Payment Date applicable to Term Loans, commencing September 30, 2006; provided that in the event any Incremental Term Loans are made, such Incremental Term Loans shall be repaid on the four scheduled quarterly Interest Payment Dates in each year, commencing on the first such date following the Incremental Term Loan Closing Date, in an amount equal to (i) the Incremental Designated Principal Balance, times (ii) the ratio (expressed as a percentage) of (a) the amount of the Initial Term Loans being repaid on such Interest Payment Date pursuant to this Section 2.8 to (b) the total aggregate principal amount of all other Term Loans outstanding on the Incremental Term Loan Closing Date (each such payment of an Initial Term Loan and an Incremental Term Loan, an "**Installment**"). Notwithstanding the foregoing, (x) such Installments shall be reduced in connection with any voluntary or mandatory prepayments of the Term Loans in accordance with Section 2.11; and (y) the Term Loans, together with all other amounts owed hereunder with respect thereto, shall, in any event, be paid in full no later than the applicable Maturity Date.

2.9. Voluntary Prepayments.

(a) Any time and from time to time:

(i) with respect to Base Rate Loans, Company may prepay any such Base Rate Loans on any Business Day in whole or in part, in an aggregate minimum amount of $1,000,000 and integral multiples of $500,000 in excess of that amount; and

(ii) with respect to Eurodollar Rate Loans, Company may prepay any such Eurodollar Rate Loans: on any Business Day in whole or in part in an aggregate minimum amount of $2,000,000 and integral multiples of $1,000,000 in excess of that amount.

(b) All such prepayments shall be made:

(i) upon not less than one (1) Business Day's prior written or telephonic notice in the case of Base Rate Loans; and

(ii) upon not less than three (3) Business Days' prior written or telephonic notice in the case of Eurodollar Rate Loans;

in each case given to Administrative Agent, by 12:00 p.m. (New York City time) on the date required and, if given by telephone, promptly confirmed in writing to Administrative Agent (and Administrative Agent will promptly transmit such telephonic or original notice for prepayment, by telefacsimile or telephone to each applicable Lender), as the case may be. Upon the giving of any such notice, the principal amount of the Term Loans specified in such notice shall become

due and payable on the prepayment date specified therein. Any such voluntary prepayment shall be applied as specified in Section 2.11(a).

2.10. Mandatory Prepayments.

(a) Asset Sales. No later than the third Business Day following the date of receipt by Holdings, Company or any of its Restricted Subsidiaries of any Net Asset Sale Proceeds, Company shall prepay the Term Loans as set forth in Section 2.11(b) in an aggregate amount equal to such Net Asset Sale Proceeds; provided that so long as no Default or Event of Default shall have occurred and be continuing, Company shall have the option, directly or through one or more of its Restricted Subsidiaries, to invest Net Asset Sale Proceeds within three hundred and sixty days of receipt thereof in long-term productive assets of the general type used in the business of Company and its Restricted Subsidiaries; provided further that Company or the applicable Restricted Subsidiary thereof shall have an additional one hundred and eighty (180) days to complete such reinvestment if (w) the intended purchase or improvement cannot be completed within such three hundred and sixty-day period after its receipt of such Net Asset Sale Proceeds, (x) Company or the applicable Restricted Subsidiary thereof shall have entered into binding commitments with third parties to complete such reinvestment, (y) Company or the applicable Restricted Subsidiary diligently pursues the completion of such reinvestment as soon as is reasonably practicable and (z) Company, during such three hundred and sixty-day period, delivers a certificate of an Authorized Officer to Administrative Agent certifying as to compliance with clauses (w) through (z) hereof; and provided further that pending any such reinvestment, all such Net Asset Sale Proceeds may be applied to prepay Revolving Loans to the extent outstanding (without a reduction in commitments under the Revolving Loan Agreement).

(b) Insurance/Condemnation Proceeds. No later than the third Business Day following the date of receipt by Holdings, Company or any of its Restricted Subsidiaries, or Administrative Agent as loss payee, of any Net Insurance/Condemnation Proceeds, Company shall prepay the Term Loans as set forth in Section 2.11(b) in an aggregate amount equal to such Net Insurance/Condemnation Proceeds; provided that so long as no Default or Event of Default shall have occurred and be continuing, Company shall have the option, directly or through one or more of its Restricted Subsidiaries to invest such Net Insurance/Condemnation Proceeds within three hundred and sixty days of receipt thereof in long term productive assets of the general type used in the business of Company and its Restricted Subsidiaries, which investment may include the repair, restoration or replacement of the applicable assets thereof; provided further that Company or the applicable Restricted Subsidiary thereof shall have an additional one hundred and eighty (180) days to complete such reinvestment if (w) the intended purchase or improvement cannot be completed within such three hundred and sixty-day period after its receipt of such Net Insurance/Condemnation Proceeds, (x) Company or the applicable Restricted Subsidiary thereof shall have entered into binding commitments with third parties to complete such reinvestment, (y) Company or the applicable Restricted Subsidiary diligently pursues the completion of such reinvestment as soon as is reasonably practicable and (z) Company, during such three hundred and sixty-day period, delivers a certificate of an Authorized Officer to Administrative Agent certifying as to compliance with clauses (w) through (z) hereof; and provided further that pending any such reinvestment, all such Net Insurance/Condemnation

Proceeds may be applied to prepay Revolving Loans to the extent outstanding (without a reduction in commitments under the Revolving Loan Agreement).

(c) Consolidated Excess Cash Flow. In the event that there shall be Consolidated Excess Cash Flow for any Fiscal Year (commencing with Fiscal Year 2006), Company shall, no later than ninety (90) days after the end of such Fiscal Year, prepay the Term Loans as set forth in Section 2.11(b) in an aggregate amount equal to 50% of such Consolidated Excess Cash Flow; provided that during any Fiscal Year in which the Leverage/Preferred Stock Ratio (determined for any such Fiscal Year by reference to the Compliance Certificate delivered pursuant to Section 5.1(e) calculating the Leverage/Preferred Stock Ratio as of the last day of such Fiscal Year) shall be 2.00:1.00 or less, Company shall not be required to make the prepayments and/or reductions otherwise required hereby.

(d) Prepayment Certificate. Concurrently with any prepayment of the Term Loans pursuant to Sections 2.10(a) through 2.10(c), Company shall deliver to Administrative Agent a certificate of an Authorized Officer demonstrating the calculation of the amount of the applicable Net Asset Sale Proceeds, Net Insurance/Condemnation Proceeds or Consolidated Excess Cash Flow, as the case may be. In the event that Company shall subsequently determine that the actual amount received exceeded the amount set forth in such certificate, Company shall promptly make an additional prepayment of the Term Loans in an amount equal to such excess, and Company shall concurrently therewith deliver to Administrative Agent a certificate of an Authorized Officer demonstrating the derivation of such excess.

2.11. Application of Prepayments.

(a) Application of Voluntary Prepayments. Any prepayment of any Term Loan pursuant to Section 2.9 shall be applied among Initial Term Loans and Incremental Term Loans, on a pro rata basis. Any prepayment of the Term Loans pursuant to Section 2.9 shall be further applied to reduce the scheduled Installments due within the next twelve months (in chronological order) in accordance with the respective outstanding principal amounts thereof; and further applied on a pro rata basis to reduce the scheduled remaining Installments of principal (including payments on the applicable Maturity Date) on such Term Loans.

(b) Application of Mandatory Prepayments. Any prepayment of any Loan pursuant to Section 2.10(a) through 2.10(c) shall be applied among Initial Term Loans and Incremental Term Loans, on a pro rata basis. Any amount required to be paid pursuant to Sections 2.10(a) through 2.10(c) shall be further applied to reduce the scheduled Installments due within the next twelve months (in chronological order) in accordance with the respective outstanding principal amounts thereof; and further applied on a pro rata basis to reduce the scheduled remaining Installments of principal (including payments on the applicable Maturity Date) on such Term Loans.

(c) Waivable Mandatory Prepayment. Anything contained herein to the contrary notwithstanding, so long as any Term Loan is outstanding, in the event that Company is required to make any mandatory prepayment pursuant to Section 2.10 (a "**Waivable Mandatory Prepayment**") of the Term Loans, not less than three (3) Business Days prior to the date on

which Company is required to make such Waivable Mandatory Prepayment (the "**Required Prepayment Date**"), Company shall notify Administrative Agent of the amount of such prepayment, and Administrative Agent shall promptly thereafter notify each Lender holding any outstanding Term Loans of the amount of such Lender's Pro Rata Share of such Waivable Mandatory Prepayment and such Lender's option to refuse such amount. Each such Lender may exercise such option by giving written notice to Company and Administrative Agent of its election to do so on or before the first Business Day prior to the Required Prepayment Date (it being understood that any Lender which does not notify Company and Administrative Agent of its election to exercise such option on or before the first Business Day prior to the Required Prepayment Date shall be deemed to have elected, irrevocably, not to exercise such option). On the Required Prepayment Date, Company shall pay to Administrative Agent such portion of the amount of the Waivable Mandatory Prepayment as is equal to the portion of the Waivable Mandatory Prepayment payable to those Lenders that have elected, or are deemed, not to exercise such option, which payment shall be applied to prepay the Term Loans of such Lenders (which prepayment shall be further applied to reduce the scheduled Installments in accordance with Section 2.11(b)). Company may retain an amount equal to that portion of the Waivable Mandatory Prepayment otherwise payable to those Lenders that have elected to exercise such option.

(d) Application of Prepayments of Term Loans to Base Rate Loans and Eurodollar Rate Loans. Considering each Class of Term Loans being prepaid separately, any prepayment of Term Loans shall be applied first to Base Rate Loans to the full extent thereof before being applied to Eurodollar Rate Loans, in each case in a manner which minimizes the amount of any payments required to be made by Company pursuant to Section 2.14(c).

2.12. General Provisions Regarding Payments.

(a) All payments by Company of principal, interest, fees and other Obligations shall be made in Dollars in same day funds, without defense, setoff or counterclaim, free of any restriction or condition, and delivered to Administrative Agent not later than 12:00 p.m. (New York City time) on the date due at the Principal Office designated by Administrative Agent for the account of Lenders; for purposes of computing interest and fees, funds received by Administrative Agent after that time on such due date shall be deemed to have been paid by Company on the next succeeding Business Day.

(b) All payments in respect of the principal amount of any Term Loans shall be accompanied by payment of accrued interest on the principal amount being repaid or prepaid.

(c) Administrative Agent (or its agent or sub-agent appointed by it) shall promptly distribute to each Lender at such address as such Lender shall indicate in writing, such Lender's applicable Pro Rata Share of all payments and prepayments of principal and interest due hereunder, together with all other amounts due thereto, including, without limitation, all fees payable with respect thereto, to the extent received by Administrative Agent.

(d) Notwithstanding the foregoing provisions hereof, if any Conversion/Continuation Notice is withdrawn as to any Affected Lender or if any Affected Lender

makes Base Rate Loans in lieu of its Pro Rata Share of any Eurodollar Rate Loans, Administrative Agent shall give effect thereto in apportioning payments received thereafter.

(e) Subject to the provisos set forth in the definition of "Interest Period", whenever any payment to be made hereunder with respect to any Term Loan shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of the payment of interest hereunder.

(f) Company hereby authorizes Administrative Agent to charge Company's accounts with Administrative Agent in order to cause timely payment to be made to Administrative Agent of all principal, interest, fees and expenses due hereunder (subject to sufficient funds being available in its accounts for that purpose).

(g) Administrative Agent shall deem any payment by or on behalf of Company hereunder that is not made in same day funds prior to 12:00 p.m. (New York City time) to be a non-conforming payment. Any such non-conforming payment shall not be deemed to have been received by Administrative Agent until the later of (i) the time when such funds become available funds, and (ii) the applicable next Business Day. Administrative Agent shall give prompt telephonic notice to Company and each applicable Lender (confirmed in writing) if any payment is non-conforming. Any non-conforming payment may constitute or become a Default or Event of Default in accordance with the terms of Section 8.1(a). Interest shall continue to accrue on any principal as to which a non-conforming payment is made until such funds become available funds (but in no event less than the period from the date of such payment to the next succeeding applicable Business Day) at the rate determined pursuant to Section 2.7 from the date on which such amount was due and payable until the date on which such amount is paid in full.

(h) If an Event of Default shall have occurred and not otherwise been waived, and the maturity of the Obligations shall have been accelerated pursuant to Section 8.1, all payments or proceeds received by Agents hereunder in respect of any of the Obligations, shall be applied in accordance with the application arrangements described in Section 7.2 of the Pledge and Security Agreement (Term Loan).

(i) All prepayments hereunder may be made without penalty or premium except as otherwise provided in Sections 2.14, 2.15 and 2.16.

2.13. Ratable Sharing. Lenders hereby agree among themselves that, except as otherwise provided in the Collateral Documents with respect to amounts realized from the exercise of rights with respect to Liens on the Collateral, if any of them shall, whether by voluntary payment (other than a voluntary prepayment of the Term Loans made and applied in accordance with the terms hereof), through the exercise of any right of set-off or banker's lien, by counterclaim or cross action or by the enforcement of any right under the Credit Documents or otherwise, or as adequate protection of a deposit treated as Cash collateral under the Bankruptcy Code, receive payment or reduction of a proportion of the aggregate amount of principal, interest, fees and other amounts then due and owing to such Lender hereunder or under the other Credit Documents (collectively, the "**Aggregate Amounts Due**" to such Lender) which

is greater than the proportion received by any other Lender in respect of the Aggregate Amounts Due to such other Lender, then the Lender receiving such proportionately greater payment shall (a) notify Administrative Agent and each other Lender of the receipt of such payment and (b) apply a portion of such payment to purchase participations (which it shall be deemed to have purchased from each seller of a participation simultaneously upon the receipt by such seller of its portion of such payment) in the Aggregate Amounts Due to the other Lenders so that all such recoveries of Aggregate Amounts Due shall be shared by all Lenders in proportion to the Aggregate Amounts Due to them; provided that if all or part of such proportionately greater payment received by such purchasing Lender is thereafter recovered from such Lender upon the bankruptcy or reorganization of Company or otherwise, those purchases shall be rescinded and the purchase prices paid for such participations shall be returned to such purchasing Lender ratably to the extent of such recovery, but without interest. Company expressly consents to the foregoing arrangement and agrees that any holder of a participation so purchased may exercise any and all rights of banker's lien, set-off or counterclaim with respect to any and all monies owing by Company to that holder with respect thereto as fully as if that holder were owed the amount of the participation held by that holder.

2.14. Making or Maintaining Eurodollar Rate Loans.

(a) Inability to Determine Applicable Interest Rate. In the event that Administrative Agent shall have reasonably determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any Eurodollar Rate Loans, that by reason of circumstances affecting the London interbank market adequate and fair means do not exist for ascertaining the interest rate applicable to such Term Loans on the basis provided for in the definition of Adjusted Eurodollar Rate, Administrative Agent shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to Company and each Lender of such determination, whereupon (i) no Term Loans may be made as, or converted to, Eurodollar Rate Loans until such time as Administrative Agent notifies Company and Lenders that the circumstances giving rise to such notice no longer exist, and (ii) any Funding Notice or Conversion/Continuation Notice given by Company with respect to the Term Loans in respect of which such determination was made shall be deemed to be rescinded by Company.

(b) Illegality or Impracticability of Eurodollar Rate Loans. In the event that on any date any Lender shall have determined (which determination shall be final and conclusive and binding upon all parties hereto but shall be made only after consultation with Company and Administrative Agent) that the making, maintaining or continuation of its Eurodollar Rate Loans (i) has become unlawful as a result of compliance by such Lender in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or (ii) has become impracticable, as a result of contingencies occurring after the date hereof which materially and adversely affect the London interbank market or the position of such Lender in that market, then, and in any such event, such Lender shall be an "**Affected Lender**" and it shall on that day give notice (by telefacsimile or by telephone confirmed in writing) to Company and Administrative Agent of

such determination together with a reasonably detailed description of the basis therefor (which notice Administrative Agent shall promptly transmit to each other Lender). Thereafter (1) the obligation of such Affected Lender to make the applicable Term Loans as, or to convert the Term Loans to, Eurodollar Rate Loans shall be suspended until such notice shall be withdrawn by such Affected Lender, (2) to the extent such determination by the Affected Lender relates to a Eurodollar Rate Loan then being requested by Company pursuant to the Funding Notice or a Conversion/Continuation Notice, such Affected Lender shall make such Term Loans as (or continue such Term Loans as or convert such Term Loans to, as the case may be) a Base Rate Loan, (3) the Affected Lender's obligation to maintain its outstanding Eurodollar Rate Loans (the "**Affected Loans**") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Loans or when required by law, and (4) the Affected Loans shall automatically convert into Base Rate Loans on the date of such termination. Notwithstanding the foregoing, to the extent a determination by an Affected Lender as described above relates to a Eurodollar Rate Loan then being requested by Company pursuant to a Funding Notice or a Conversion/Continuation Notice, Company shall have the option, subject to the provisions of Section 2.14(c), to rescind the Funding Notice or Conversion/Continuation Notice as to all Lenders by giving notice (by telefacsimile or by telephone confirmed in writing) to Administrative Agent of such rescission on the date on which the Affected Lender gives notice of its determination as described above (which notice of rescission Administrative Agent shall promptly transmit to each other Lender). Except as provided in the immediately preceding sentence, nothing in this Section 2.14(b) shall affect the obligation of any Lender other than an Affected Lender to make or maintain Term Loans as, or to convert the Term Loans to, Eurodollar Rate Loans in accordance with the terms hereof.

(c) Compensation for Breakage or Non-Commencement of Interest Periods. Company shall compensate each Lender, upon written request by such Lender (which request shall set forth the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including any interest paid by such Lender to Lenders of funds borrowed by it to make or carry its Eurodollar Rate Loans and any loss, expense or liability sustained by such Lender in connection with the liquidation or re-employment of such funds but excluding loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by such Lender) a borrowing of any Eurodollar Rate Loan does not occur on a date specified therefor in a Funding Notice or a telephonic request for borrowing, or a conversion to or continuation of any Eurodollar Rate Loan does not occur on a date specified therefor in a Conversion/Continuation Notice or a telephonic request for such conversion or continuation; (ii) if any prepayment or other principal payment of, or any conversion of, any of its Eurodollar Rate Loans occurs on a date prior to the last day of an Interest Period applicable to those Term Loans; or (iii) if any prepayment of any of its Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by Company.

(d) Booking of Eurodollar Rate Loans. Any Lender may make, carry or transfer Eurodollar Rate Loans at, to, or for the account of any of its branch offices or the office of an Affiliate of such Lender.

(e) Assumptions Concerning Funding of Eurodollar Rate Loans. Calculation of all amounts payable to a Lender under this Section 2.14 and under Section 2.15 shall be made as though such Lender had actually funded each of its relevant Eurodollar Rate Loans through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to clause (i) of the definition of Adjusted Eurodollar Rate in an amount equal to the amount of such Eurodollar Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of such Lender to a domestic office of such Lender in the United States of America; provided, however, that each Lender may fund each of its Eurodollar Rate Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section 2.14 and under Section 2.15.

2.15. Increased Costs; Capital Adequacy.

(a) Compensation For Increased Costs and Taxes. Subject to the provisions of Section 2.16 (which shall be controlling with respect to the matters covered thereby), in the event that any Lender shall reasonably determine (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto) that any law, treaty or governmental rule, regulation or order, or any change therein or in the interpretation, administration or application thereof (including the introduction of any new law, treaty or governmental rule, regulation or order), or any determination of a court or Governmental Authority, in each case that becomes effective after the date hereof (or in the case of any Lender that becomes a party after the Closing Date, the date that such Lender becomes a party hereto), or compliance by such Lender with any guideline, request or directive issued or made after the date hereof by any central bank or other governmental or quasi-governmental authority (whether or not having the force of law): (i) subjects such Lender (or its applicable lending office) to any additional Tax (other than any Tax (A) in respect of which additional amounts are payable pursuant to Section 2.16, or (B) on the overall net income of such Lender) with respect to this Agreement or any of the other Credit Documents or any of its obligations hereunder or thereunder or any payments to such Lender (or its applicable lending office) of principal, interest, fees or any other amount payable hereunder; (ii) imposes, modifies or holds applicable any reserve (including any marginal, emergency, supplemental, special or other reserve), special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits or other liabilities in or for the account of, or advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender (other than any such reserve or other requirements with respect to Eurodollar Rate Loans that are reflected in the definition of Adjusted Eurodollar Rate); or (iii) imposes any other condition (other than with respect to a Tax matter) on or affecting such Lender (or its applicable lending office) or its obligations hereunder or the London interbank market; and the result of any of the foregoing is to increase the cost to such Lender of agreeing to make, making or maintaining the Term Loans hereunder or to reduce any amount received or receivable by such Lender (or its applicable lending office) with respect thereto; then, in any such case, Company shall promptly pay to such Lender, upon receipt of the statement referred to in the next sentence, such additional amount or amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as may be necessary to compensate such Lender for any such increased cost or

reduction in amounts received or receivable hereunder. Such Lender shall deliver to Company (with a copy to Administrative Agent) a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to such Lender under this Section 2.15(a), which statement shall be conclusive and binding upon all parties hereto absent manifest error.

(b) Capital Adequacy Adjustment. In the event that any Lender shall have reasonably determined that the adoption, effectiveness, phase-in or applicability after the Closing Date (or in the case of any Lender that becomes a party after the Closing Date, the date that such Lender becomes a party hereto) of any law, rule or regulation (or any provision thereof) regarding capital adequacy, or any change therein or in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its applicable lending office) with any guideline, request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of, or with reference to, such Lender's Term Loans, or participations therein or other obligations hereunder with respect to the Term Loans to a level below that which such Lender or such controlling corporation could have achieved but for such adoption, effectiveness, phase-in, applicability, change or compliance (taking into consideration the policies of such Lender or such controlling corporation with regard to capital adequacy), then from time to time, within five Business Days after receipt by Company from such Lender of the statement referred to in the next sentence, Company shall pay to such Lender such additional amount or amounts as will compensate such Lender or such controlling corporation on an after-tax basis for such reduction. Such Lender shall deliver to Company (with a copy to Administrative Agent) a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to Lender under this Section 2.15(b), which statement shall be conclusive and binding upon all parties hereto absent manifest error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.15 shall not constitute a waiver of such Lender's right to demand such compensation; provided that Company shall not be required to compensate a Lender pursuant to this Section 2.15 for any increased costs or reductions incurred more than 180 days prior to the date that such Lender notifies Company of such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided, further, that, if the law, treaty or governmental rule, regulation or order, or any change therein or in the interpretation, administration or application thereof (including the introduction of any new law, treaty or governmental rule, regulation or order), or any determination of a court or Governmental Authority giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

2.16. Taxes; Withholding, etc.

(a) Payments to Be Free and Clear. All sums payable by any Credit Party hereunder and under the other Credit Documents shall (except to the extent required by law) be paid free and clear of, and without any deduction or withholding on account of, any Tax imposed, levied, collected, withheld or assessed by or within the United States of America or any

political subdivision in or of the United States of America or any other jurisdiction from or to which a payment is made by or on behalf of any Credit Party or by any federation or organization of which the United States of America or any such jurisdiction is a member at the time of payment (other than any Excluded Tax).

(b) Withholding of Taxes. If any Credit Party or any other Person is required by law, rule or regulation to make any deduction or withholding on account of any such Tax from any sum paid or payable by any Credit Party to Administrative Agent or any Lender under any of the Credit Documents: (i) Company shall notify Administrative Agent of any such requirement or any change in any such requirement as soon as Company becomes aware of it; (ii) Company shall pay any such Tax before the date on which penalties attach thereto, such payment to be made (if the liability to pay is imposed on any Credit Party) for its own account or (if that liability is imposed on Administrative Agent or such Lender, as the case may be) on behalf of and in the name of Administrative Agent or such Lender; (iii) the sum payable by such Credit Party in respect of which the relevant deduction, withholding or payment is required shall be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, Administrative Agent or such Lender, as the case may be, receives on the due date a net sum equal to what it would have received had no such deduction, withholding or payment been required or made; and (iv) as soon as practicable after the due date of payment of any Tax which it is required by clause (ii) above to pay, Company shall deliver to Administrative Agent evidence reasonably satisfactory to the other affected parties of such deduction, withholding or payment and of the remittance thereof to the relevant taxing or other authority; provided that no such additional amount shall be required to be paid to any Lender under clause (iii) above with respect to Excluded Taxes.

(c) Evidence of Exemption From U.S. Withholding Tax. Each Lender that is not a United States Person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code) for U.S. federal income tax purposes (a "**Non-US Lender**") shall deliver to Administrative Agent for transmission to Company, on or prior to the Closing Date (in the case of each Lender listed on the signature pages hereof on the Closing Date) or on or prior to the date of the Assignment Agreement or the Joinder Agreement, as applicable, pursuant to which it becomes a Lender (in the case of each other Lender), and at such other times as may be necessary in the determination of Company or Administrative Agent (each in the reasonable exercise of its discretion), (i) two original copies of Internal Revenue Service Form W-8BEN or W-8ECI (or any successor forms), properly completed and duly executed by such Lender, and such other documentation required under the Internal Revenue Code and reasonably requested by Company to establish that such Lender is not subject to deduction or withholding of United States federal income tax or, in the case of a Lender to whom payments under the Credit Documents are not eligible for a complete exemption, to establish that such Lender is eligible for a reduced rate of deduction or withholding in respect of United States federal income tax, with respect to any payments to such Lender of principal, interest, fees or other amounts payable under any of the Credit Documents, (ii) if such Lender is not a "bank" or other Person described in Section 881(c)(3) of the Internal Revenue Code and cannot deliver Internal Revenue Service Form W-8ECI pursuant to clause (i) above, a Certificate re Non-Bank Status together with two original copies of Internal Revenue Service Form W-8BEN (or any successor form), properly

completed and duly executed by such Lender or (iii) two original copies of Internal Revenue Service Form W-8IMY (or any successor form), properly completed and duly executed by such Lender (together with forms listed under clauses (i) or (ii) hereof, as may be required), and such other documentation required under the Internal Revenue Code and reasonably requested by Company to establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to any payments to such Lender of interest payable under any of the Credit Documents. Each Lender required to deliver any forms, certificates or other evidence with respect to United States federal income tax withholding matters pursuant to this Section 2.16(c) hereby agrees, from time to time after the initial delivery by such Lender of such forms, certificates or other evidence, whenever a lapse in time or change in circumstances renders such forms, certificates or other evidence obsolete or inaccurate in any material respect, that such Lender shall promptly deliver to Administrative Agent for transmission to Company two new original copies of Internal Revenue Service Form W-8BEN or W-8ECI , or a Certificate re Non-Bank Status and two original copies of Internal Revenue Service Form W-8BEN (or any successor form) or two new original copies of Internal Revenue Service Form W-8IMY (or any successor form) (together with forms listed under clauses (i) or (ii) hereof, as may be required), as the case may be, properly completed and duly executed by such Lender, and such other documentation required under the Internal Revenue Code and reasonably requested by Company to confirm or establish that such Lender is not subject to deduction or withholding of United States federal income tax or, in the case of a Lender to whom payments under the Credit Documents are not eligible for a complete exemption, to establish that such Lender is eligible for a reduced rate of deduction or withholding in respect of United States federal income tax, with respect to payments to such Lender under the Credit Documents, or notify Administrative Agent and Company of its inability to deliver any such forms, certificates or other evidence. Notwithstanding anything to the contrary in this Agreement, if a Lender shall have satisfied the requirements of this Section 2.16(c) on the Closing Date or on the date of the Assignment Agreement or Joinder Agreement pursuant to which it became a Lender, as applicable, Company shall not be relieved of its obligation to pay any additional amounts pursuant this Section 2.16 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender is not subject to withholding or is subject to a reduced rate of withholding as described herein. Each Lender that is a United States Person agrees to complete and deliver to Company a statement signed by an authorized signatory of the Lender to the effect that it is a United States Person together with a duly completed and executed copy of Internal Revenue Service Form W-9 or successor form establishing that the Lender is not subject to U.S. backup withholding tax. Company shall not be required to pay any additional amount to any U.S. Lender under Section 2.16(b)(iii) if such Lender shall have failed to deliver such form.

(d) Evidence of Exemption From or Reduction in Non-U.S. Withholding Tax. Each Lender agrees to comply with any certification, identification, information, documentation or other reporting requirement if such compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to, exemption from, or reduction in the rate of deduction or withholding of any Taxes imposed by a jurisdiction outside the United States for

which Company is required to pay additional amounts pursuant to this Section 2.16, provided that (i) such Lender is legally entitled to complete, execute and deliver such documentation; (ii) in such Lender's reasonable judgment such completion, execution or submission would not be a material administrative burden to such Lender; and (iii) at least 30 days prior to the first payment date with respect to which Company shall apply this clause (d), Company shall have notified a Lender that such Lender will be required to comply with such requirement.

2.17. Obligation to Mitigate. Each Lender agrees that, as promptly as practicable after the officer of such Lender responsible for administering its Term Loans becomes aware of the occurrence of an event or the existence of a condition that would cause such Lender to become an Affected Lender or that would entitle such Lender to receive payments under Section 2.14, 2.15 or 2.16, it will, to the extent not inconsistent with the internal policies of such Lender and any applicable legal or regulatory restrictions, use reasonable efforts to (a) make, issue, fund or maintain its Term Loans, including any Affected Loans, through another lending office of such Lender, or (b) take such other measures as such Lender may deem reasonable, if (A) as a result, the circumstances which would cause such Lender to be an Affected Lender would cease to exist or the additional amounts which would otherwise be required to be paid to such Lender pursuant to Section 2.14, 2.15 or 2.16 would be avoided or materially reduced, and (B) if such Lender determines in its sole discretion, the making, issuing, funding or maintaining of such Term Loans through such other lending office or in accordance with such other measures, as the case may be, would not otherwise adversely affect such Term Loans or the interests of such Lender; provided that such Lender will not be obligated to utilize such other office pursuant to this Section 2.17 unless Company agrees to pay all incremental expenses incurred by such Lender as a result of utilizing such other office as described above. A certificate as to the amount of any such expenses payable by Company pursuant to this Section 2.17 (setting forth in reasonable detail the basis for requesting such amount) submitted by such Lender to Company (with a copy to Administrative Agent) shall be conclusive absent manifest error.

2.18. Removal or Replacement of a Lender. Anything contained herein to the contrary notwithstanding, in the event that: (a) (i) any Lender (an "**Increased-Cost Lender**") shall give notice to Company that such Lender is an Affected Lender or that such Lender is entitled to receive payments under Section 2.14, 2.15 or 2.16, (ii) the circumstances which have caused such Lender to be an Affected Lender or which entitle such Lender to receive such payments shall remain in effect, and (iii) such Lender shall fail to withdraw such notice within five Business Days after Company's request for such withdrawal; or (b) in connection with any proposed amendment, modification, termination, waiver or consent with respect to any of the provisions hereof as contemplated by Section 10.5(b), the consent of Requisite Lenders shall have been obtained but the consent of one or more of such other Lenders (each a "**Non-Consenting Lender**") whose consent is required shall not have been obtained; then, with respect to each such Increased-Cost Lender or Non-Consenting Lender (the "**Terminated Lender**"), Company may, by giving written notice to Administrative Agent and any Terminated Lender of its election to do so, elect to cause such Terminated Lender (and such Terminated Lender hereby irrevocably agrees) to assign its outstanding Term Loans in full to one or more Eligible Assignees (each a "**Replacement Lender**") in accordance with the provisions of Section 10.6 and such Terminated Lender shall pay any fees payable thereunder in connection with such

assignment; provided that (1) on the date of such assignment, the Replacement Lender shall pay to such Terminated Lender an amount equal to the principal of, and all accrued interest on, all outstanding Term Loans of the Terminated Lender; (2) on the date of such assignment, Company shall pay any amounts payable to such Terminated Lender pursuant to Section 2.14(c), 2.15 or 2.16; or otherwise as if it were a prepayment and (3) in the event such Terminated Lender is a Non-Consenting Lender, each Replacement Lender shall consent, at the time of such assignment, to each matter in respect of which such Terminated Lender was a Non-Consenting Lender. Upon the prepayment of all amounts owing to any Terminated Lender, such Terminated Lender shall no longer constitute a "Lender" for purposes hereof; provided that any rights of such Terminated Lender to indemnification hereunder shall survive as to such Terminated Lender.

2.19. Fees. Company agrees to pay Agents such fees in the amounts and at the times separately agreed upon in writing.

2.20. Incremental Facility.

(a) At any time on or prior to the earlier of December 31, 2006 and the closing of an IPO, Company may by written notice to Administrative Agent elect, on a one-time basis, to request the establishment of new term loan commitments (the "**Incremental Term Loan Commitments**") in an aggregate amount not in excess of $100,000,000. Such notice shall specify (A) the date (the "**Incremental Term Loan Closing Date**") on which Company proposes that the Incremental Term Loan Commitments shall be effective, which shall be a date not less than ten (10) Business Days after the date on which such notice is delivered to Administrative Agent and (B) the identity of each Incremental Term Loan Lender that is an Eligible Assignee to whom Company proposes any portion of such Incremental Term Loan Commitments be allocated and the amounts of such allocations; provided that any Lender approached to provide all or a portion of the Incremental Term Loan Commitments may elect or decline, in its sole discretion, to provide any Incremental Term Loan Commitment. Such Incremental Term Loan Commitments shall become effective as of such Incremental Term Loan Closing Date; provided that (1) no Default or Event of Default shall exist on such Incremental Term Loan Closing Date before or after giving effect to such Incremental Term Loan Commitments; (2) both before and after giving effect to the making of the Incremental Term Loans, each of the conditions set forth in the Joinder Agreement shall be satisfied; (3) Holdings and its Subsidiaries shall be in pro forma compliance with each of the covenants set forth in Section 6.8 as of the last day of the most recently ended Fiscal Quarter for which financial statements are required to be delivered hereunder after giving effect to such Incremental Term Loan Commitments; (4) the Incremental Term Loan Commitment shall be effected pursuant to the Joinder Agreement, which shall be recorded in the Register and each Incremental Term Loan Lender shall be subject to the requirements set forth in Section 2.16(c); (5) Company shall deliver or cause to be delivered any legal opinions or other documents reasonably requested by Administrative Agent in connection with any such transaction related to the Incremental Term Loan Commitments or the Incremental Term Loans; (6) the IPO shall have been consummated or shall be consummated concurrently with the making of the Incremental Term Loans, and the proceeds of the Incremental Term Loans, together with the proceeds of the other Subsequent Transactions, Cash available on the Incremental Tranche Closing Date and advances under the

Revolving Loan Agreement, if any, shall be used on the Incremental Term Loan Closing Date to effect the Subsequent Refinancing; and (7) immediately upon consummation of the Subsequent Transactions, there shall be Available Liquidity under the Revolving Loan Agreement in an amount not less than $35,000,000. Company may make only one borrowing under the Incremental Term Loan Commitment which shall be on the Incremental Term Loan Closing Date.

(b) On the Incremental Term Loan Closing Date, subject to the satisfaction of the foregoing terms and conditions, (i) each Incremental Term Loan Lender shall make a Term Loan to Company (an "**Incremental Term Loan**") in an amount equal to its Incremental Term Loan Commitment, and (ii) each Incremental Term Loan Lender shall become a Lender hereunder with respect to the Incremental Term Loan Commitment and the Incremental Term Loans made pursuant thereto.

(c) Administrative Agent shall notify Lenders promptly upon receipt of Company's notice of the Incremental Term Loan Closing Date and in respect thereof the Incremental Term Loan Commitments and the Incremental Term Loan Lenders, subject to the assignments contemplated by this Section 2.20.

(d) The terms and provisions of the Incremental Term Loans and Incremental Term Loan Commitments shall be, except otherwise set forth herein or in the Joinder Agreement, identical to those of the Initial Term Loans. In any event (i) the Incremental Term Loan Maturity Date shall not be earlier than the Initial Term Loan Maturity Date and (ii) the Applicable Margin for the Incremental Term Loans shall be determined by Company and the Incremental Term Loan Lenders and shall be set forth in the Joinder Agreement; provided, however, that if the Applicable Margin for the Incremental Terms Loans at any given date shall exceed the Applicable Margin that is then applicable to the Initial Term Loans by at least 0.25% per annum (it being understood that any such excess margin may take the form of original issue discount ("**OID**"), with OID being equated to the interest rates in a manner determined by Administrative Agent based on an assumed four-year life to maturity), the Applicable Margin for the Initial Term Loans shall be increased from and after such date by an amount equal to the Applicable Margin for the Incremental Term Loans from and after such date less 0.25% (giving effect to any OID issued in connection with such Term Loans). The Joinder Agreement may, without the consent of any Initial Term Loan Lenders, effect such amendments to this Agreement and the other Credit Documents as the parties thereto may agree to, increase the percentage of Consolidated Excess Cash Flow required to be prepaid to all Classes of Term Loans pursuant to Section 2.10(c), introduce prepayment premiums for optional prepayments of all Classes of Term Loans, and tighten or reduce any Rent Adjusted Leverage Ratio required to be met pursuant to Section 6.8(b), or make such technical or administrative changes as may be necessary or appropriate, in the reasonable judgment of Administrative Agent, to implement the provisions of this Section 2.20.

SECTION 3. CONDITIONS PRECEDENT

3.1. Closing Date. The obligation of any Lender to make the Initial Term Loan on the Closing Date is subject to the satisfaction, or waiver in accordance with Section 10.5, of the following conditions on or before the Closing Date:

(a) Credit Documents. Administrative Agent shall have received sufficient copies of counterparts of each Credit Document originally executed and delivered by an Authorized Officer on behalf of each applicable Credit Party (or facsimiles thereof, followed promptly by originals) for each Lender listed on the signature page herefor.

(b) Organizational Documents; Incumbency. Administrative Agent shall have received (i) a copy of each Organizational Document of each Credit Party, as applicable, and, to the extent applicable, certified as of a recent date by the appropriate governmental official; (ii) signature and incumbency certificates of the Authorized Officer(s) of each Credit Party executing the Credit Documents; (iii) a copy of resolutions of the board of directors or similar governing body of each Credit Party approving and authorizing the execution, delivery and performance of this Agreement, the other Credit Documents and the Closing Date Related Agreements to which it is a party or by which it or its assets may be bound as of the Closing Date, certified as of the Closing Date by its secretary or assistant secretary as being in full force and effect without modification or amendment; (iv) a good standing certificate from the applicable Governmental Authority of each Credit Party's jurisdiction of incorporation, organization or formation and in each material jurisdiction in which it is qualified as a foreign corporation or other entity to do business, each dated a recent date prior to the Closing Date; and (v) such other documents as Administrative Agent may reasonably request.

(c) Organizational and Capital Structure. The organizational structure and capital structure of Holdings and its Subsidiaries shall be as set forth on Schedules 4.1 and 4.2.

(d) Consummation of Closing Date Transactions Contemplated by Closing Date Related Agreements.

(i) (A) All conditions to the Closing Date Transactions set forth in the Closing Date Related Agreements shall have been satisfied or the fulfillment of any such conditions shall have been waived with the consent of Administrative Agent and (B) the Closing Date Transactions shall have become effective in accordance with the terms of the Closing Date Related Agreements.

(ii) Administrative Agent shall have received a fully executed or conformed copy of each Closing Date Related Agreement and any documents executed in connection therewith, together with copies of each of the opinions of counsel delivered to the parties thereto under the Closing Date Related Agreements, accompanied by a letter from each such counsel (to the extent not inconsistent with such counsel's established internal policies) authorizing Lenders to rely upon such opinion to the same extent as though it were addressed to Lenders. Each Closing Date Related Agreement shall be in full force and effect, shall include terms and provisions reasonably satisfactory to Administrative Agent and no provision thereof shall have been modified or waived in any

respect determined by Administrative Agent to be material, in each case without the consent of Administrative Agent.

(iii) The proceeds of the Closing Date Transactions, together with Cash available on the Closing Date, shall be sufficient: (A) to purchase (and cancel) and/or to redeem in full all of the 9 3/4% Senior Subordinated Notes and (B) to pay all premiums, fees, commissions and expenses related to the foregoing and the Closing Date Transactions, and such proceeds shall have been so applied, except in the case of clause (A) to the extent restricted from being so applied on the Closing Date pursuant to notice restrictions relating to prepayment or redemptions, as applicable, set forth in the documentation governing such indebtedness (the "**Prepayment Restrictions**").

(iv) The loan and collateral documents governing the Revolving Loan Agreement shall have been amended pursuant to the Second Amendment to the Revolving Loan Agreement and the Third Amendment to the Revolving Loan Agreement in form and substance acceptable to the Initial Term Loan Lenders.

(v) To the extent not purchased (and cancelled) or repaid in full, the definitive documents governing the 9 3/4% Senior Subordinated Notes shall have been amended, in each case in form and substance satisfactory to the Initial Term Loan Lenders, (A) to permit the incurrence and performance by Company and the Guarantors of the Term Loans and the other Obligations hereunder, (B) to release all Liens over any collateral securing the 9 3/4% Senior Subordinated Notes, (C) to permit the incurrence of the Liens of Collateral Agent on the Loan Collateral, and (D) to subordinate (on customary terms, reasonably acceptable to Administrative Agent and Collateral Agent) all obligations under the 9 3/4% Senior Subordinated Notes to the Obligations of Company and each Guarantor hereunder.

(vi) The definitive documents governing the 5.0% Notes shall have been amended, in form and substance satisfactory to the Initial Term Loan Lenders, to subordinate (on customary terms, reasonably acceptable to Administrative Agent and Collateral Agent) all obligations under the 5.0% Notes to the obligations of Company and each Guarantor hereunder.

(vii) A notice of redemption shall have been issued and delivered by Company to the holders (other than Holdings) of the 13 1/8% Senior Discount Debentures, in accordance with (and within the most immediate time periods permitted by) Sections 3.03 and 3.07 of the indenture (as supplemented and amended as of the date hereof) governing the 13 1/8% Senior Discount Debentures.

(viii) All Indebtedness of Company to Holdings outstanding under the 13 1/8% Senior Discount Debentures shall have been cancelled.

(e) Existing Indebtedness. On the Closing Date, (i) there shall be no indebtedness of Holdings or any of its subsidiaries other than as acceptable to the Initial Term Loan Lenders (and other than (w) the Initial Term Loans, (x) indebtedness under the Revolving

Loan Agreement, (y) indebtedness outstanding under the Existing Indebtedness (other than the 9 3/4% Subordinated Notes) and the Series A and Series B Preferred Stock and (z) indebtedness outstanding under the 9 3/4% Subordinated Notes, if any, up to an amount, in the case of clause (z), equal to the amount of funds deposited into a Restricted Account, if required to be established); and (ii) all other pre-existing indebtedness for borrowed money of Holdings and its subsidiaries (excluding, for the avoidance of doubt, trade payables incurred in the ordinary course of business) shall have been repaid or repurchased in full, all commitments related thereto shall have been terminated (other than the indebtedness described in clauses (w), (x), (y) and (z) above), and all Liens related thereto shall have been terminated or released, in each case on terms satisfactory to the Initial Term Loan Lenders (other than Liens in connection with the Revolving Loan Agreement, as amended or otherwise modified as required above and in accordance with the terms hereof). Holdings and its Subsidiaries shall have delivered to Administrative Agent all documents or instruments necessary to release all Liens securing Existing Indebtedness (other than Indebtedness under the Revolving Loan Agreement) or other obligations of Holdings and its Subsidiaries thereunder being repaid on the Closing Date.

(f) Closing Date Transaction Costs. On or prior to the Closing Date, Company shall have delivered to Administrative Agent (i) Company's reasonable best estimate of the Closing Date Transaction Costs (other than fees payable to any Agent) and (ii) a funds flow memorandum with respect to the transactions contemplated hereby reasonably acceptable to Administrative Agent.

(g) Governmental Authorizations and Consents. Each Credit Party shall have obtained all Governmental Authorizations and all necessary consents of other Persons in connection with the consummation of the Closing Date Transactions and the transactions contemplated by the Credit Documents and the Closing Date Related Agreements, and each of such Governmental Authorizations and consents shall be in full force and effect and in form and substance reasonably satisfactory to Administrative Agent and Syndication Agent. All applicable waiting periods shall have expired without any action being taken or threatened by any competent Government Authority which would restrain, prevent or otherwise impose adverse conditions on the Closing Date Transactions and the transactions contemplated by the Credit Documents or the Closing Date Related Agreements or the financing thereof, and no action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable Government Authority to take action to set aside the related Governmental Authorizations on its own motion shall have expired.

(h) Real Estate Assets. In order to create in favor of Collateral Agent, for the benefit of Secured Parties, a valid and, subject to any filing and/or recording referred to herein, perfected Second Priority security interest in certain Material Real Estate Assets, Collateral Agent shall have received from Company and each applicable Guarantor:

(i) fully executed and notarized Mortgages, in proper form for recording in all appropriate places in all applicable jurisdictions, encumbering each Real Estate Asset listed in Schedule 3.1(h)(i) (each, a "**Closing Date Mortgaged Property**");

(ii) an opinion of counsel (which counsel shall be reasonably satisfactory to Collateral Agent) in each state in which a Closing Date Mortgaged Property is located with respect to the enforceability of the form(s) of Mortgages to be recorded in such state and such other matters as Collateral Agent may reasonably request, in each case in form and substance reasonably satisfactory to Collateral Agent;

(iii) in the case of each Leasehold Property, if any, that is a Closing Date Mortgaged Property, (A) a Landlord Consent and Estoppel and (B) evidence that such Leasehold Property is a Recorded Leasehold Interest;

(iv) (A) ALTA mortgagee title insurance policies or unconditional commitments therefor issued by one or more title companies reasonably satisfactory to Collateral Agent with respect to each Closing Date Mortgaged Property (each, a "**Title Policy**"), in amounts not less than the fair market value of each Closing Date Mortgaged Property, together with a title report issued by a title company with respect thereto, dated not more than thirty days prior to the Closing Date and copies of all recorded documents listed as exceptions to title or otherwise referred to therein, each in form and substance reasonably satisfactory to Collateral Agent and (B) evidence satisfactory to Collateral Agent that such Credit Party has paid to the title company or to the appropriate governmental authorities all expenses and premiums of the title company and all other sums required in connection with the issuance of each Title Policy and all recording and stamp taxes (including mortgage recording and intangible taxes) payable in connection with recording the Mortgages for each Closing Date Mortgaged Property in the appropriate real estate records;

(v) evidence of flood insurance with respect to each Flood Hazard Property that is located in a community that participates in the National Flood Insurance Program, in each case in compliance with any applicable regulations of the Board of Governors, in form and substance reasonably satisfactory to Collateral Agent; and

(vi) Surveys of all Closing Date Mortgaged Properties, in form and substance reasonably satisfactory to Collateral Agent, which are not Leasehold Properties, certified to Collateral Agent and dated not more than thirty days prior to the Closing Date.

(i) Personal Property Collateral. In order to create in favor of Collateral Agent, for the benefit of Lenders, a valid, perfected First Priority security interest in the personal property Term Loan Collateral and a Second Priority security interest in the personal property Revolving Loan Collateral, Collateral Agent shall have received:

(i) evidence satisfactory to Collateral Agent of the compliance by each Credit Party of their obligations under the Pledge and Security Agreement (Term Loan) and the other Collateral Documents (including, without limitation, their obligations to file UCC financing statements and execute and deliver originals of securities, instruments and chattel paper and any agreements governing deposit and/or securities accounts as provided therein);

(ii) A completed Collateral Questionnaire dated the Closing Date and executed by an Authorized Officer of each Credit Party, together with all attachments contemplated thereby, including (A) the results of a recent search, by a Person satisfactory to Collateral Agent, of all effective UCC financing statements (or equivalent filings) made with respect to any personal or mixed property of any Credit Party in the jurisdictions specified in the Collateral Questionnaire, together with copies of all such filings disclosed by such search, and (B) UCC termination statements (or similar documents) duly executed or authorized by all applicable Persons for filing in all applicable jurisdictions as may be necessary to terminate any effective UCC financing statements (or equivalent filings) disclosed in such search (other than any such financing statements in respect of Permitted Liens);

(iii) opinions of counsel (which counsel shall be reasonably satisfactory to Collateral Agent) with respect to the creation and perfection of the security interests in favor of Collateral Agent in such Collateral and such other matters governed by the laws of each jurisdiction in which any Credit Party is located (within the meaning of Section 9-307 of the UCC) as Collateral Agent may reasonably request, in each case in form and substance reasonably satisfactory to Collateral Agent; and

(iv) evidence that each Credit Party shall have taken or caused to be taken any other action, executed and delivered or caused to be executed and delivered any other agreement, document and instrument (including without limitation, (A) a Landlord Personal Property Collateral Access Agreement executed by the landlord of any Leasehold Property and by the applicable Credit Party and (B) any intercompany notes evidencing Indebtedness permitted to be incurred pursuant to Section 6.1(c)) and made or caused to be made any other filing and recording (other than as set forth herein) reasonably required by Collateral Agent.

(j) Environmental Reports. Administrative Agent shall have received reports and other information, in form, scope and substance satisfactory to Administrative Agent, regarding environmental matters relating to the Facilities, which reports shall include a Phase I Report for each of the Facilities specified by Administrative Agent.

(k) Financial Statements. At least 2 days prior to the Closing Date, the Initial Term Loan Lenders shall have received from Company a copy of each of (i) the Historical Financial Statements, and (ii) the pro forma consolidated balance sheet of Company and its Subsidiaries as at the Closing Date, which shall reflect the pro forma consummation of the Closing Date Transactions to occur on or prior to the Closing Date, which pro forma financial statements shall meet the requirements of Regulation S-X for Form S-1 registration statements (as modified by any waiver of such requirements obtained from the SEC) and be in form and substance reasonably satisfactory to Administrative Agent and Syndication Agent.

(l) Evidence of Insurance. Collateral Agent shall have received a certificate from Company's insurance broker or other evidence reasonably satisfactory to it that all insurance required to be maintained pursuant to Section 5.5 is in full force and effect, together

with endorsements naming Collateral Agent, for the benefit of the Secured Parties, as additional insured and loss payee thereunder to the extent required under Section 5.5.

(m) Opinions of Counsel to the Credit Parties. Administrative Agent shall have received sufficient copies of originally executed opinions of counsel for each Lender (and each Credit Party hereby instructs such counsels to deliver such opinions to Administrative Agent, which shall forward such opinions to each Lender) as follows: (i) Cleary Gottlieb Steen & Hamilton LLP, as special Delaware corporate and New York counsel to the Credit Parties, in the form of Exhibit D-1, (ii) Arlene Hong, as General Counsel of Holdings with respect to Delaware corporate and New York law, in the form of Exhibit D-2, (iii) Gibbons, Del Deo, Dolan, Griffinger & Vecchione, as special New Jersey counsel to J. Crew Inc., in the form of Exhibit D-3, and (iv) Richards, Layton & Finger, P.A., as special Delaware UCC counsel to the Credit Parties, in the form of Exhibit D-4, each dated as of the Closing Date.

(n) Solvency Certificate; Solvency Appraisal. On the Closing Date, the Initial Term Loan Lenders shall have received a Solvency Certificate from Company dated the Closing Date and addressed to Agents and such Initial Term Loan Lenders, and in form, scope and substance satisfactory to Lenders, with appropriate attachments and demonstrating that after giving effect to the consummation of the Closing Date Transactions and the related transactions contemplated by the Credit Documents and the Revolving Loan Agreement to occur on or prior to the Closing Date, Company is and will be Solvent.

(o) Closing Date Certificate. Holdings and Company shall have delivered to Administrative Agent and Syndication Agent an originally executed Closing Date Certificate, together with appropriate attachments thereto.

(p) [Reserved]

(q) No Litigation. There shall not exist any action, suit, investigation, litigation or proceeding pending or threatened in any court of competent jurisdiction or before any arbitrator or Governmental Authority (including, without limitation, with respect to any environmental matters) that, in the reasonable opinion of Administrative Agent and Syndication Agent, singly or in the aggregate, restrains, prevents or otherwise imposes materially adverse conditions on the transactions contemplated by the Credit Documents and the Revolving Loan Documents, or that could reasonably be expected to have a Material Adverse Effect.

(r) [Reserved]

(s) "Know-Your-Customer" Documents. Each of GSCP, Wachovia and Bear Stearns Corporate Lending Inc. shall have received all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act.

(t) Consolidated Total Debt. On the Closing Date, and after giving *pro forma* effect to the Closing Date Transactions and the use of proceeds described herein, the total amount of Consolidated Total Debt plus the redemption value of any Preferred Stock of

Holdings or its Subsidiaries held by any Person other than Holdings and its wholly-owned Subsidiaries (net of any Cash on the balance sheet of Company that has been deposited into the Restricted Account for purposes of application to prepay or redeem any such Indebtedness as described under Section 3.1(w)) shall not exceed $750,000,000.

(u) Revolving Loans. Immediately upon consummation of the Closing Date Transactions, there shall be Available Liquidity under the Revolving Loan Agreement in an amount not less than $35,000,000.

(v) Performance of Obligations. All fees and reasonable, documented and out-of-pocket costs and expenses (including, without limitation, reasonable legal fees and expenses of a single law firm acting as counsel to all Lenders (as well as and documented, reasonable legal fees and expenses of local counsel, not to exceed one in each applicable jurisdiction), title premiums, survey charges and recording taxes and fees) and other compensation contemplated by the Commitment Letter and the Fee Letter payable to Agents and the Lenders shall have been paid to the extent due and Company shall have complied in all material respects with all of its other obligations under the Commitment Letter and the Fee Letter.

(w) Restricted Funds. To the extent, in light of the Prepayment Restrictions described in Section 3.1(d)(iii) (and following the consummation of the Tender Offer), any portion of the proceeds from the Closing Date Transactions, in Company's reasonable judgment, cannot be applied as set forth in clause (A) of Section 3.1(d)(iii) on the Closing Date, (A) Company shall have delivered any requisite notices to prepay all remaining outstanding 9 3/4% Senior Subordinated Notes (and such notices shall be irrevocable and unconditional) and (B) proceeds from the Closing Date Transactions in an amount not less than (1) the amount necessary to prepay the 9 3/4% Senior Subordinated Notes that shall remain outstanding immediately following the Closing Date shall have been deposited into a restricted account (the "**Restricted Account**") at GSCP, or an Affiliate thereof (or otherwise at an account with a financial institution designated by the Administrative Agent), governed by a collateral account pledge and control agreement (the "**Account Pledge Agreement**") and (x) such Restricted Account and the Cash contained therein shall have been pledged as collateral solely for the benefit of the Secured Parties, (y) such Account Pledge Agreement and related collateral documents shall be in form and substance satisfactory to Administrative Agent, or an Affiliate thereof and (z) such Account Pledge Agreement shall provide, among other things, that the funds contained therein shall be released (other than to Collateral Agent for the benefit of the Lenders on a *pro rata* basis) only (I) in the absence of any Default or Event of Default, or a default or event of default under any other material Indebtedness of Company or its Subsidiaries, including, without limitation, the Existing Indebtedness and the Series A and Series B Preferred Stock, to fund directly on behalf of Company and Holdings the uses of such proceeds set forth in clause (A) under Section 3.1(d)(iii) (and, from and after the date of the funding of the Incremental Term Loans, set forth in clauses (i), (ii) and (iii) of the definition of Subsequent Refinancing) on the dates on which Company and Holdings are first able to make such prepayments or redemptions or (II) in the event that any such funds remain in the Restricted Account forty-five (45) days following the Closing Date (or, if the funding of the Incremental Term Loans shall have occurred, forty-five (45) days following such funding) and have not been so applied, to prepay

the Initial Term Loans and the Incremental Term Loans on a *pro rata* basis. Notwithstanding the foregoing and for the avoidance of doubt, neither Company nor Holdings shall have been required to deliver any notice of optional or mandatory prepayment or redemption in respect of the 9 3/4% Senior Subordinated Notes prior to the Closing Date in order to satisfy this condition precedent.

(x) Administrative Agent shall have received a fully executed and delivered Funding Notice;

(y) the representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects on and as of the Closing Date;

(z) no event shall have occurred and be continuing or would result from the consummation of the Closing Date Transactions that would constitute an Event of Default or a Default or any default or event of default under any other material Indebtedness of Company or its Subsidiaries, including, without limitation, the Revolving Loan Agreement, the Existing Indebtedness or the Series A and Series B Preferred Stock.

SECTION 4. REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Agreement and to make each Credit Extension to be made thereby, Holdings, Company and each other Credit Party represent and warrant to each Lender, on the Closing Date and the Incremental Term Loan Closing Date, that the following statements are true and correct; provided that those representations and warranties that specifically relate to the Closing Date, the Incremental Term Loan Closing Date or an earlier date shall be made only as of the Closing Date, the Incremental Term Loan Closing Date, or such earlier date, as applicable:

4.1. Organization; Requisite Power and Authority; Qualification. Each of Holdings and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in Schedule 4.1, except in the case of Subsidiaries of Company, where the failure to be so duly organized, validly existing and in good standing could not reasonably be expected to have a Material Adverse Effect, (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted, to enter into the Credit Documents to which it is a party and to carry out the transactions contemplated thereby, except in the case of Subsidiaries of Company, where the failure to have such power and authority could not reasonably be expected to have a Material Adverse Effect, and (c) is qualified to do business and in good standing in every jurisdiction where its assets are located and wherever necessary to carry out its business and operations, except in jurisdictions where the failure to be so qualified or in good standing has not had, and could not reasonably be expected to have, a Material Adverse Effect.

4.2. Capital Stock and Ownership. The Capital Stock of each of Holdings and its Subsidiaries has been duly authorized and validly issued and is fully paid and non-assessable. Except as set forth on Schedule 4.2, as of the date hereof, there is no existing option, warrant,

call, right, commitment or other agreement to which Holdings or any of its Subsidiaries is a party requiring, and there is no membership interest or other Capital Stock of Holdings or any of its Subsidiaries outstanding which upon conversion or exchange would require, the issuance by Holdings or any of its Subsidiaries of any additional membership interests or other Capital Stock of Holdings or any of its Subsidiaries or other Securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase, a membership interest or other Capital Stock of Holdings or any of its Subsidiaries. Schedule 4.2 correctly sets forth the ownership interest of Holdings and each of its Subsidiaries in their respective Subsidiaries as of the Closing Date both before and after giving effect to the Closing Date Transactions.

4.3. Due Authorization. The execution, delivery and performance of the Credit Documents have been duly authorized by all necessary action on the part of each Credit Party that is a party thereto.

4.4. No Conflict. The execution, delivery and performance by the Credit Parties of the Credit Documents to which they are parties and the consummation of the transactions contemplated by the Credit Documents do not and will not (a) violate any provision of any law or any governmental rule or regulation applicable to Holdings or any of its Subsidiaries, any of the Organizational Documents of Holdings or any of its Subsidiaries, or any order, judgment or decree of any court of competent jurisdiction or any other Governmental Authority binding on Holdings or any of its Subsidiaries except to the extent that any such violation could not either individually or in the aggregate be reasonably expected to have a Material Adverse Effect; (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Holdings or any of its Subsidiaries, except to the extent that such conflict, breach or default could not either individually or in the aggregate reasonably be expected to have a Material Adverse Effect; (c) result in or require the creation or imposition of any Lien upon any of the properties or assets of Holdings or any of its Subsidiaries (other than any Liens created under any of the Credit Documents in favor of Collateral Agent, on behalf of the Secured Parties); or (d) require any approval of stockholders, members or partners or any approval or consent of any Person under any Contractual Obligation of Holdings or any of its Subsidiaries, except for such approvals or consents which will be obtained on or before the Closing Date and disclosed in writing to Lenders and except for any such approvals or consents the failure of which to obtain will not have a Material Adverse Effect.

4.5. Governmental Authorizations. The execution, delivery and performance by the Credit Parties of the Credit Documents to which they are parties and the consummation of the transactions contemplated by the Credit Documents do not and will not require any Governmental Authorization (or any other action with or by any Governmental Authority), except for (a) filings and recordings with respect to the Collateral to be made, or otherwise delivered to Collateral Agent for filing and/or recordation, as of the Closing Date and (b) other filings that could not reasonably be expected to have a Material Adverse Effect.

4.6. Binding Obligation. Each Credit Document has been duly executed and delivered by each Credit Party that is a party thereto and is the legally valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws

relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.7. Historical Financial Statements. The Historical Financial Statements were prepared in conformity with GAAP and fairly present, in all material respects, the financial position, on a consolidated basis, of the Persons described in such Historical Financial Statements as at the respective dates thereof and the results of operations and cash flows, on a consolidated basis, of the entities described therein for each of the periods then ended, subject, in the case of any such unaudited Historical Financial Statements, to the absence of footnotes and to changes resulting from audit and normal year-end adjustments. As of the Closing Date, neither Holdings nor any of its Subsidiaries has any contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the Historical Financial Statements or the notes thereto and which in any such case is material in relation to the business, operations, properties, assets, condition (financial or otherwise) or prospects of Holdings and any of its Subsidiaries taken as a whole.

4.8. Inactive Subsidiaries. Each of ERL, Inc., a New Jersey corporation, C&W Outlet Inc., a New York corporation, and J. Crew Virginia, Inc., a Virginia corporation, is an Inactive Subsidiary. Each of ERL, Inc., a New Jersey corporation, C&W Outlet Inc., a New York corporation, and J. Crew Virginia, Inc., a Virginia corporation, and any future Inactive Subsidiary does not and will not engage in any business or commercial activities and each does and will not own or hold any assets or properties (unless and until such Subsidiary is no longer an Inactive Subsidiary and has either been designated a Restricted Subsidiary in accordance with the terms hereof or has become a Subsidiary Guarantor in accordance with Section 5.10 hereof).

4.9. No Material Adverse Change. Since January 31, 2005, no event, circumstance or change has occurred that has caused, either individually or in the aggregate, a Material Adverse Effect.

4.10. [Reserved].

4.11. Adverse Proceedings, etc. There are no Adverse Proceedings, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries (a) is in violation of any applicable laws (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, or (b) is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

4.12. Payment of Taxes. Except as otherwise permitted under Section 5.3, all tax returns and reports of Holdings and its Subsidiaries required to be filed by any of them have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon Holdings and its Subsidiaries and upon their

respective properties, assets, income, businesses and franchises which are due and payable have been paid when due and payable except (a) Taxes that are being contested in good faith by appropriate proceedings and for which Holdings or such Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. Holdings knows of no proposed tax assessment against Holdings, Company or any of its Subsidiaries which is not being actively contested by Holdings, Company or such Subsidiary in good faith and by appropriate proceedings; provided, that such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

4.13. Properties.

(a) Title. Each of Holdings and its Subsidiaries has (i) good, sufficient and legal title to (in the case of fee interests in real property), (ii) valid leasehold interests in (in the case of leasehold interests in real or personal property), (iii) licensed rights (in the case of licensed interests in intellectual property); and (iv) good title to (in the case of all other personal property), all of their respective properties and assets reflected in their respective Historical Financial Statements referred to in Section 4.7 and in the most recent financial statements delivered pursuant to Section 5.1, in each case except (A) for assets disposed of since the date of such financial statements in the ordinary course of business or as otherwise permitted under Section 6.9 and (B) where the failure to have such good title could not reasonably be expected to have a Material Adverse Effect. Except as permitted by this Agreement, all such properties and assets are free and clear of Liens.

(b) Real Estate. As of the Closing Date, Schedule 4.13 contains a true, accurate and complete list of (i) all Real Estate Assets, and (ii) all leases, subleases or assignments of leases (together with all amendments, modifications, supplements, renewals or extensions of any thereof) affecting each Real Estate Asset of any Credit Party, regardless of whether such Credit Party is the landlord or tenant (whether directly or as an assignee or successor in interest) under such lease, sublease or assignment. All Real Estate Assets listed in clause (i) are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities (including compliance with all applicable zoning and subdivision ordinances, building codes, Environmental Laws and the requirements of any permits issued under such Environmental Laws), except for such non-compliance that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Each agreement listed in clause (ii) of the immediately preceding sentence is in full force and effect and Company does not have knowledge of any default that has occurred and is continuing thereunder, and each such agreement constitutes the legally valid and binding obligation of each applicable Credit Party, enforceable against such Credit Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles.

4.14. Environmental Matters. Neither Holdings nor any of its Subsidiaries nor any of their respective Facilities or operations are subject to any outstanding written order, consent decree or settlement agreement with any Person relating to any Environmental Law, any

Environmental Claim, or any Hazardous Materials Activity that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries has received any letter or request for information under Section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9604) or any comparable state law. There are and, to each of Holdings' and its Subsidiaries' knowledge, have been, no conditions, occurrences, or Hazardous Materials Activities which could reasonably be expected to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries nor, to any Credit Party's knowledge, any predecessor of Holdings or any of its Subsidiaries has filed any notice under any Environmental Law indicating past or present treatment of Hazardous Materials at any Facility, and none of Holdings' or any of its Subsidiaries' operations involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 or any state equivalent that, in either case, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Compliance with all current or reasonably foreseeable future requirements pursuant to or under Environmental Laws could not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. No event or condition has occurred or is occurring with respect to Holdings or any of its Subsidiaries relating to any Environmental Law, any Release of Hazardous Materials, or any Hazardous Materials Activity which individually or in the aggregate has had, or could reasonably be expected to have, a Material Adverse Effect.

4.15. No Defaults. Neither Holdings nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any of its Contractual Obligations, and no condition exists which, with the giving of notice or the lapse of time or both, could constitute such a default, except where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect.

4.16. Material Contracts. Schedule 4.16 contains a true, correct and complete list of all the Material Contracts in effect on the Closing Date, and except as described thereon, all such Material Contracts are in full force and effect and no defaults currently exist thereunder.

4.17. Governmental Regulation. Neither Holdings nor any of its Subsidiaries is subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. Neither Holdings nor any of its Subsidiaries is a "registered investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

4.18. Margin Stock. Neither Holdings nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Term Loans made to such Credit Party will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any

purpose that violates, or is inconsistent with, the provisions of Regulation U or Regulation X (other than Section 224.3(a)(1) thereof). No part of the proceeds of the Term Loans made to such Credit Party will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that, as of the initial funding of the Initial Term Loans on the Closing Date, violates, or is inconsistent with, the provisions of Regulation T or Section 224.3(a)(1) of Regulation X.

4.19. Employee Matters. Neither Holdings nor any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a Material Adverse Effect. Except as could not reasonably be expected to have a Material Adverse Effect, there is (a) no unfair labor practice complaint pending against Holdings or any of its Subsidiaries, or to the best knowledge of Holdings and Company, threatened against any of them before the National Labor Relations Board and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement that is so pending against Holdings or any of its Subsidiaries or to the best knowledge of Holdings and Company, threatened against any of them, (b) no strike or work stoppage in existence or threatened involving Holdings or any of its Subsidiaries and (c) to the best knowledge of Holdings and Company, no union representation question existing with respect to the employees of Holdings or any of its Subsidiaries and, to the best knowledge of Holdings and Company, no union organization activity that is taking place.

4.20. Employee Benefit Plans. Except as could not reasonably be expected to have a Material Adverse Effect, (a) Holdings, each of its Subsidiaries and each ERISA Affiliate of Holdings and Company are in compliance with all applicable provisions and requirements of ERISA and the Internal Revenue Code and the regulations and published interpretations thereunder with respect to each Employee Benefit Plan, and have performed all their obligations under each Employee Benefit Plan, (b) each Employee Benefit Plan which is intended to qualify under Section 401(a) of the Internal Revenue Code has received a favorable determination letter from the Internal Revenue Service indicating that such Employee Benefit Plan is so qualified and nothing has occurred subsequent to the issuance of such determination letter which would cause such Employee Benefit Plan to lose its qualified status, (c) no liability to the PBGC (other than required premium payments), the Internal Revenue Service, any Employee Benefit Plan or any trust established under Title IV of ERISA has been or is expected to be incurred by Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company, (d) no ERISA Event has occurred or is reasonably expected to occur, (e) except to the extent required under Section 4980B of the Internal Revenue Code or similar state laws, no Employee Benefit Plan provides health or welfare benefits (through the purchase of insurance or otherwise) for any retired or former employee of Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company, (f) the present value of the aggregate benefit liabilities under each Pension Plan sponsored, maintained or contributed to by Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company (determined as of the end of the most recent plan year on the basis of the actuarial assumptions specified for funding purposes in the most recent actuarial valuation for such Pension Plan), did not exceed the aggregate current value of the assets of such Pension Plan, (g) as of the most recent valuation date for each Multiemployer Plan for which the actuarial report is available, the potential liability of Holdings, any of its Subsidiaries and each ERISA Affiliate of Holdings or Company for a complete withdrawal from such Multiemployer

Plan (within the meaning of Section 4203 of ERISA), when aggregated with such potential liability for a complete withdrawal from all Multiemployer Plans, based on information available pursuant to Section 4221(e) of ERISA is zero, and (h) Holdings, each of its Subsidiaries and each ERISA Affiliate of Holdings and Company have complied with the requirements of Section 515 of ERISA with respect to each Multiemployer Plan and are not in material "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan.

4.21. [Reserved].

4.22. Solvency. Each of the Company and the Guarantor Subsidiaries is and, upon the incurrence of any Obligation by such Credit Party on any date on which this representation and warranty is made, will be, Solvent.

4.23. Related Agreements.

(a) Delivery. Holdings and Company have delivered to Administrative Agent and Syndication Agent complete and correct copies of each Closing Date Related Agreement and all exhibits and schedules thereto as of the date hereof. From the Closing Date, Holdings and Company shall have delivered copies of any material amendment, restatement, supplement or other modification to or waiver of any Closing Date Related Agreement entered into after the date hereof. From and after the Incremental Term Loan Closing Date, Holdings and Company shall have delivered to Administrative Agent and Syndication Agent complete and correct copies of (i) each Subsequent Related Agreement and of all exhibits and schedules thereto as of the date hereof and (ii) copies of any material amendment, restatement, supplement or other modification to or waiver of each Closing Date Subsequent Related Agreement entered into after the Incremental Term Loan Closing Date.

(b) Representations and Warranties. Except to the extent otherwise expressly set forth herein or in the schedules hereto, and subject to the qualifications set forth therein, (i) each of the representations and warranties given by any Credit Party in any Closing Date Related Agreement is true and correct in all material respects as of the Closing Date (or as of any earlier date to which such representation and warranty specifically relates) and (ii) from and after the Incremental Term Loan Closing Date, each of the representations and warranties given by any Credit Party in any Subsequent Related Agreement shall be true and correct in all material respects as of the Incremental Term Loan Closing Date. Notwithstanding anything in the Related Agreement to the contrary, the representations and warranties of each Credit Party set forth in this Section 4.23 shall, solely for purposes hereof, survive the Closing Date and the Incremental Term Loan Closing Date for the benefit of the Lenders.

(c) Governmental Approvals. All Governmental Authorizations and all other authorizations, approvals and consents of any other Person required by the Closing Date Related Agreements or necessary for the consummation of the Closing Date Transactions have been obtained and are in full force and effect. From and after the Incremental Term Loan Closing Date, all Governmental Authorizations and all other authorizations, approvals and consents of any other Person required by the Subsequent Related Agreements or to consummate the Subsequent Transactions have been obtained and shall be in full force and effect.

(d) Conditions Precedent. On the Closing Date, (i) all of the conditions to effecting or consummating the Closing Date Transactions set forth in the Closing Date Related Agreements have been duly satisfied or, with the consent of Administrative Agent and Syndication Agent, waived, and (ii) the Closing Date Transactions have been consummated in accordance with the Closing Date Related Agreements and all applicable laws. From and after the Incremental Term Loan Closing Date, (i) all of the conditions to effecting or consummating Subsequent Transactions set forth in the Subsequent Related Agreements shall have been duly satisfied or, with the consent of Administrative Agent and Syndication Agent, waived, and (ii) the Subsequent Transactions shall have been consummated in accordance with the Subsequent Related Agreements and all applicable laws.

4.24. Compliance with Statutes, etc. Each of Holdings and its Subsidiaries is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities, in respect of the conduct of its business and the ownership of its property (including compliance with all applicable Environmental Laws with respect to any Real Estate Asset or governing its business, and the requirements of any permits issued under such Environmental Laws with respect to any such Real Estate Asset or the operations of Holdings or any of its Subsidiaries), except for such non-compliance that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

4.25. Disclosure. No representation or warranty of any Credit Party contained in any Credit Document or in any other documents, certificates or written statements furnished to the Lenders by or on behalf of Holdings or any of its Subsidiaries for use in connection with the transactions contemplated hereby, when taken as a whole, contains any untrue statement of a material fact or omits to state a material fact (known to Holdings or Company, in the case of any document not furnished by either of them) necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. Any projections and pro forma financial information contained in such materials are based upon good faith estimates and assumptions believed by Holdings or Company to be reasonable at the time made, it being recognized by Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results.

4.26. USA PATRIOT Act. To the extent applicable, each Credit Party is in compliance, in all material respects, with the (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) the USA PATRIOT Act. No part of the proceeds of the Term Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4.27. Indebtedness. Holdings and its Subsidiaries have no Indebtedness on the Closing Date other than that permitted (as of the Closing Date) under Section 6.1. Schedule 6.1 sets

forth, as of the Closing Date, all Indebtedness for borrowed money of each of the Credit Parties and their Subsidiaries, other than the Existing Indebtedness.

4.28. Credit Card Agreements. Set forth on Schedule 4.28 hereto is a correct and complete list of all of the Credit Card Agreements and all other agreements, documents and instruments existing as of the date hereof between or among Company or any of its Affiliates, on the one hand, and the Credit Card Issuers, the Credit Card Processors and any of their respective Affiliates, on the other hand. The Credit Card Agreements constitute all of such agreements necessary for Company and each of its Subsidiaries to operate its business as presently conducted with respect to credit cards and debit (including prepaid debit) cards and no Receivables (as defined in the Pledge and Security Agreement (Term Loan)) of Company or any of its Subsidiaries arise from purchases by customers of Inventory (as defined in the Pledge and Security Agreement (Term Loan)) with credit cards or debit (including prepaid debit) cards, other than those which are issued by Credit Card Issuers with whom Company or its Subsidiary has entered into one of the Credit Card Agreements. Each of the Credit Card Agreements constitutes the legal, valid and binding obligations of Company and each of its Subsidiaries that is a party thereto and, to the best knowledge of Company and such Subsidiaries, the other parties thereto, and is enforceable in accordance with its terms and is in full force and effect. No material default or material event of default, or act, condition or event which with the giving of notice or the passage of time or both, would constitute a material default or a material event of default under any of the Credit Card Agreements (other than any Credit Card Agreement with a Credit Card Issuer or Credit Card Processor where the sales using the applicable cards are less than ten percent (10%) of all such sales in the immediately preceding Fiscal Year) exists or has occurred that would entitle the other party thereto to suspend, withhold or reduce amounts that would otherwise be payable to Company or any of its Subsidiaries or to increase the amount of any required reserve or deposit account or increase the fees charged thereunder. Each of Company and its Subsidiaries has complied in all material respects with all of the terms and conditions of the Credit Card Agreements (other than any Credit Card Agreement with a Credit Card Issuer or Credit Card Processor where the sales using the applicable cards are less than then ten percent (10%) of all such sales in the immediately preceding Fiscal Year) to which it is a party to the extent necessary for Company or such Subsidiary, as applicable, to be entitled to receive all payments thereunder. The Credit Parties have delivered, or caused to be delivered, true, correct and complete copies of all of the Credit Card Agreements to Administrative Agent.

SECTION 5. AFFIRMATIVE COVENANTS

Each of Holdings and Company covenants and agrees that, so long as the Term Loan Commitments are in effect and until payment in full of all Obligations, Holdings, Company and each other Credit Party shall perform, and shall cause each of their respective Subsidiaries to perform, all covenants in this Section 5.

5.1. Financial Statements and Other Reports. Company shall deliver to Administrative Agent for further distribution to each Joint Arranger and each Lender:

(a) [Reserved]

(b) Quarterly Financial Statements. As soon as available, and in any event within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such Fiscal Quarter and the related consolidated statements of income, stockholders' equity and cash flows of Holdings and its Subsidiaries for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth in each case in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year, all in reasonable detail, together with a Financial Officer Certification and a Narrative Report with respect thereto. Notwithstanding the foregoing, the obligations in this clause (b) may be satisfied with respect to financial information of Holdings and its Subsidiaries by furnishing Holdings' Form 10-K or 10-Q, as applicable, filed with the SEC;

(c) Annual Financial Statements. As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, (i) the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flows of Holdings and its Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year, in reasonable detail, together with a Financial Officer Certification and a Narrative Report with respect thereto; and (ii) with respect to such consolidated financial statements, a report thereon of the Public Accountant, and reasonably satisfactory to Administrative Agent (which report shall be unqualified as to going concern and scope of audit, and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of Holdings and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements) and that the examination by such Public Accountant in connection with such consolidated financial statements has been made in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States)) together with a written statement by such Public Accountant stating whether it obtained knowledge during the cause of its examination of such financial statements of any Default or Event of Default under Section 6.8 (Financial Covenants). Notwithstanding the foregoing, the obligations in this Section 5.1(c) may be satisfied with respect to financial information of Holdings and its Subsidiaries by furnishing Holdings' Form 10-K or 10-Q, as applicable, filed with the SEC;

(d) Additional Reports and Financial Statements. Concurrently with any delivery of consolidated financial statements under Section 5.1(b) or 5.1(c) above, the related unaudited consolidating financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) from such consolidated financial statements;

(e) Compliance Certificate. Together with each delivery of financial statements of Holdings and its Subsidiaries pursuant to Sections 5.1(b) and 5.1(c), a duly executed and completed Compliance Certificate;

(f) Statements of Reconciliation after Change in Accounting Principles. If, as a result of any change in accounting principles and policies from those used in the preparation of the Historical Financial Statements, the consolidated financial statements of Holdings and its

Subsidiaries delivered pursuant to Section 5.1(b) or 5.1(c) will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such subdivisions had no such change in accounting principles and policies been made, then, together with the first delivery of such financial statements after such change, one or more statements of reconciliation for all such prior financial statements in form and substance reasonably satisfactory to Administrative Agent;

(g) Notice of Default. Promptly upon any Authorized Officer of Holdings or Company obtaining knowledge (i) of any condition or event that constitutes a Default or an Event of Default or that notice has been given to Holdings or Company with respect thereto; (ii) that any Person has given any notice to Holdings or any of its Subsidiaries or taken any other action with respect to any event or condition set forth in Section 8.1(b); or (iii) of the occurrence of any event or change that has caused or evidenced, either individually or in the aggregate, a Material Adverse Effect, a certificate of its Authorized Officer specifying the nature and period of existence of such condition, event or change, or specifying the notice given and action taken by any such Person and the nature of such claimed Event of Default, Default, default, event or condition, and what action Company has taken, is taking and proposes to take with respect thereto;

(h) Notice of Litigation. Promptly upon any Authorized Officer of Holdings or Company obtaining knowledge of (i) the institution of, or non-frivolous threat of, any Adverse Proceeding not previously disclosed in writing by Company to Lenders, or (ii) any material development in any Adverse Proceeding that, in the case of either clause (i) or (ii), if adversely determined could be reasonably expected to have a Material Adverse Effect, or seeks to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated hereby, written notice thereof together with such other information as may be reasonably available to Holdings or Company to enable Lenders and their counsel to evaluate such matters;

(i) ERISA. (i) Promptly upon becoming aware of the occurrence of or reasonably likely forthcoming occurrence of any ERISA Event, a written notice specifying the nature thereof, what action Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company has taken, is taking or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto; and (ii) upon the reasonable request of Administrative Agent and with reasonable promptness, copies of (1) each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company with the Internal Revenue Service with respect to each Pension Plan; (2) all notices received by Holdings, any of its Subsidiaries or any ERISA Affiliate of Holdings or Company from a Multiemployer Plan sponsor concerning the occurrence or possible occurrence of an ERISA Event; and (3) copies of any other documents or governmental reports or filings relating to the incurrence or possible incurrence of material liability any Employee Benefit Plan;

(j) Financial Plan. At such time as available, but in no event later than thirty (30) days after the beginning of each Fiscal Year, projected consolidated financial statements (including in each case, balance sheets and statements of income and loss, statements of cash

flow, and statements of shareholders' equity) of Holdings and its consolidated Subsidiaries for such Fiscal Year (including forecasted income statements, cash flow statements and balance sheets and statements of income and loss), all in reasonable detail, together with such supporting information as Administrative Agent may reasonably request (the "**Financial Plan**"). Such projected financial statements shall include statements of income and cash flows of Holdings and its Subsidiaries presented on a quarterly basis for such Fiscal Year.

(k) Insurance Report. As soon as practicable and in any event by the last day of each Fiscal Year, a report in form and substance reasonably satisfactory to Administrative Agent, outlining all material insurance coverage maintained as of the date of such report by Holdings and its Subsidiaries and all material insurance coverage planned to be maintained by Holdings and its Subsidiaries in the immediately succeeding Fiscal Year;

(l) Notice of Change in Board of Directors. With reasonable promptness, written notice of any change in the board of directors (or similar governing body) of Holdings and Company;

(m) Notice Regarding Material Contracts. Promptly, and in any event within ten Business Days (i) after any Material Contract of Holdings or any of its Subsidiaries is terminated or amended in a manner that is materially adverse to Holdings or such Subsidiary, as the case may be, or (ii) any new Material Contract is entered into, a written statement describing such event, with copies of such material amendments or new contracts, delivered to Administrative Agent (to the extent such delivery is permitted by the terms of any such Material Contract, provided, that no such prohibition on delivery shall be effective if it were bargained for by Holdings or its applicable Subsidiary with the intent of avoiding the compliance with this Section 5.1(m)), and an explanation of any actions being taken with respect thereto;

(n) Environmental Reports and Audits. As soon as practicable following the receipt thereof, copies of all environmental audits and reports with respect to environmental matters at any Facility or which relate to any environmental liabilities of Holdings or its Subsidiaries which, in any such case, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(o) Information Regarding Collateral. (a) Company shall furnish to Collateral Agent prompt written notice of any change (i) in any Credit Party's corporate name, (ii) in any Credit Party's identity or corporate structure or (iii) in any Credit Party's Federal Taxpayer Identification Number. Company agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the UCC or otherwise that are required in order for Collateral Agent to continue at all times following such change to have a valid, legal and perfected security interest in all Collateral and for the Collateral at all times following such change to have a valid, legal and perfected security interest as contemplated in the Collateral Documents. Company also agrees to promptly notify Collateral Agent if any material portion of the Collateral is damaged or destroyed;

(p) Annual Collateral Verification. Each year, at the time of delivery of the annual financial statements with respect to the preceding Fiscal Year pursuant to Section 5.1(c),

Company shall deliver to Collateral Agent a certificate of its Authorized Officer (i) either confirming that there has been no change in such information since the date of the Collateral Questionnaire delivered on the Closing Date or the date of the most recent certificate delivered pursuant to this Section and/or identifying such changes, or (ii) certifying that all UCC financing statements (including fixtures filings, as applicable) and all appropriate supplemental intellectual property security agreements have been recorded or other appropriate filings, recordings or registrations, have been filed of record in each governmental, municipal or other appropriate public recording office in each jurisdiction identified pursuant to clause (i) above to the extent necessary to effect, reflect, protect and perfect the security interests as may be required under the Collateral Documents for a period of not less than 18 months after the date of such certificate (except as noted therein with respect to any continuation statements to be filed within such period);

(q) Other Information. (A) Promptly upon their publicly becoming available, copies of (i) all financial statements, reports, notices and proxy statements sent or made available generally by Holdings to its security holders acting in such capacity or by any Subsidiary of Holdings to its security holders other than Holdings or another Subsidiary of Holdings (but only to the extent not already provided pursuant to Section 5.1(b) and Section 5.1(c)), (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by Holdings or any of its Subsidiaries with any securities exchange or with the SEC, any other Governmental Authority, any self-regulatory organization and any private regulatory authority, (iii) all press releases and other statements made available generally by Holdings or any of its Subsidiaries to the public concerning material developments in the business of Holdings or any of its Subsidiaries, and (B) reasonably promptly, such other information and data with respect to Holdings or any of its Subsidiaries as from time to time may be reasonably requested by Administrative Agent or any Lender; and

(r) Certification of Public Information. Concurrently with the delivery of any document or notice required to be delivered pursuant to this Section 5.1, Holdings shall indicate in writing whether such document or notice contains Nonpublic Information. Any document or notice required to be delivered pursuant to this Section 5.1 shall be deemed to contain Nonpublic Information unless Holdings specifies otherwise. Holdings and each Lender acknowledges that certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to Holdings, its Subsidiaries or their securities) and, if documents or notices required to be delivered pursuant to this Section 5.1 or otherwise are being distributed through IntraLinks/IntraAgency or another relevant website (the "**Platform**"), any document or notice which contains Nonpublic Information (or is deemed to contain Nonpublic Information) shall not be posted on that portion of the Platform designated for such public side Lenders.

Documents required to be delivered pursuant to Section 5.1(b), (c), (d), (l), (m) or (q) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically (in "scanned" format, including any duly executed signature pages thereto) and if so delivered, shall be deemed to have been delivered on the date such documents are received by Administrative Agent at the email address of Administrative Agent set forth in

Appendix B; provided that upon written request by Administrative Agent, Company shall deliver paper copies of such documents to Administrative Agent for further distribution to each Lender until a written request to cease delivering paper copies is given to Company by Administrative Agent.

5.2. Existence. Except as otherwise permitted under Section 6.9 or 6.10, each Credit Party shall, and shall cause each of its Subsidiaries to, at all times preserve and keep in full force and effect its legal existence under the laws of the jurisdiction of its organization and all rights and franchises, licenses and permits material to its business, except as if such Person's board of directors (or similar governing body) shall determine that the preservation of any such existence, right or franchise, licenses and permits is no longer desirable in the conduct of the business of such Person, and that the loss thereof is not disadvantageous in any material respect to such Person or to the Lenders.

5.3. Payment of Taxes and Claims. Each Credit Party shall, and shall cause each of its Subsidiaries to, pay all Taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before any penalty or fine accrues thereon, and all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided that no such Tax or claim need be paid if it is being contested in good faith through appropriate proceedings promptly instituted and diligently conducted, so long as (a) adequate reserve or other appropriate provision, as shall be required in conformity with GAAP shall have been made therefor, and (b) in the case of a Tax or claim which has or may become a Lien against any of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral to satisfy such Tax or claim. No Credit Party shall, nor shall it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person (other than Holdings or any of its Subsidiaries).

5.4. Maintenance of Properties. Each Credit Party shall, and shall cause each of its Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties and equipment used or useful in the business of Holdings and its Subsidiaries, as applicable, and from time to time shall make or cause to be made all appropriate repairs, renewals and replacements thereof, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.5. Insurance. Holdings shall maintain or cause to be maintained, with financially sound and reputable insurers, such public liability insurance, third party property damage insurance, business interruption insurance and casualty insurance with respect to liabilities, losses or damage in respect of the assets, properties and businesses of Holdings and its Subsidiaries, as applicable, as may customarily be carried or maintained under similar circumstances by Persons of established reputation operating in the same or similar location and engaged in similar businesses, in each case in such amounts (giving effect to self-insurance), with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for such Persons. Without limiting the generality of the foregoing, Holdings shall maintain or cause to be maintained (a) flood insurance with respect to each Flood Hazard

Property that is located in a community that participates in the National Flood Insurance Program, in each case in compliance with any applicable regulations of the Board of Governors, and (b) replacement value casualty insurance on the Collateral under such policies of insurance, with such insurance companies, in such amounts, with such deductibles, and covering such risks as are at all times carried or maintained under similar circumstances by Persons of established reputation engaged in similar businesses. Each such policy of insurance shall (i) name Collateral Agent, on behalf of the Secured Parties as an additional insured (with respect to Collateral only) thereunder as its interests may appear; and (ii) in the case of each casualty insurance policy, contain a loss payable clause or endorsement (with respect to Collateral only), satisfactory in form and substance to Collateral Agent, that names Collateral Agent, on behalf of the Lenders, as the loss payee thereunder and provides for at least thirty days' prior written notice to Collateral Agent of any modification or cancellation of such policy.

5.6. Inspections. Each Credit Party shall, and shall cause each of its Subsidiaries to, permit any authorized representatives designated by any Lender to visit and inspect any of the properties of any Credit Party and any of its respective Subsidiaries, to inspect, copy and take extracts from its and their financial and accounting records, and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may reasonably be requested.

5.7. Lenders Meetings. Holdings and Company shall, upon the request of Administrative Agent or Requisite Lenders, participate in a meeting of Administrative Agent and the Lenders once during each Fiscal Year to be held at Company's Principal Office (or at such other location as may be agreed to by Company and Administrative Agent) at such time as may be agreed to by Company and Administrative Agent.

5.8. Compliance with Laws. Each Credit Party shall comply, and shall cause each of its Subsidiaries and all other Persons, if any, on or occupying any Facilities to comply, with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including all Environmental Laws), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.9. Environmental.

(a) Environmental Disclosure. Holdings shall deliver to Administrative Agent and Lenders:

(i) as soon as practicable following receipt thereof, copies of all environmental audits, investigations, analyses and reports of any kind or character, whether prepared by personnel of Holdings or any of its Subsidiaries or by independent consultants, governmental authorities or any other Persons, with respect to significant environmental matters at any Facility or with respect to any Environmental Claims that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(ii) promptly upon the occurrence thereof, written notice describing in reasonable detail (1) any Release required to be reported to any federal, state or local governmental or regulatory agency under any applicable Environmental Laws, (2) any remedial action taken by Holdings or any other Person in response to (A) any Hazardous Materials Activities the existence of which has a reasonable possibility of resulting in one or more Environmental Claims having, individually or in the aggregate, a Material Adverse Effect, or (B) any Environmental Claims that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and (3) Holdings or Company's discovery of any occurrence or condition on any real property adjoining or in the vicinity of any Facility that could cause such Facility or any part thereof to be subject to any material restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Laws;

(iii) as soon as practicable following the sending or the receipt thereof by Holdings or any of its Subsidiaries, a copy of any and all written communications with respect to (1) any Environmental Claims that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (2) any Release required to be reported to any federal, state or local governmental or regulatory agency, and (3) any request for information from any Governmental Authority that suggests such Governmental Authority is investigating whether Holdings or any of its Subsidiaries may be potentially responsible for any Hazardous Materials Activity;

(iv) prompt written notice describing in reasonable detail (1) any proposed acquisition of stock, assets, or property by Holdings or any of its Subsidiaries that could reasonably be expected to (A) expose Holdings or any of its Subsidiaries to, or result in, Environmental Claims that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or (B) affect the ability of Holdings or any of its Subsidiaries to maintain in full force and effect all material Governmental Authorizations required under any Environmental Laws for their respective operations and (2) any proposed action to be taken by Holdings or any of its Subsidiaries to modify current operations in a manner that could reasonably be expected to subject Holdings or any of its Subsidiaries to any additional material obligations or requirements under any Environmental Laws that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and

(v) with reasonable promptness, such other documents and information as from time to time may be reasonably requested by Administrative Agent in relation to any matters disclosed pursuant to this Section 5.9(a).

(b) Hazardous Materials Activities, Etc. Each Credit Party shall promptly take, and shall cause each of its Subsidiaries promptly to take, any and all actions necessary to (i) cure any violation of applicable Environmental Laws by such Credit Party or its Subsidiaries that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (ii) make an appropriate response to any Environmental Claim against such Credit Party or any of its Subsidiaries and discharge any obligations it may have to any Person

thereunder where failure to do so could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.10. Subsidiaries. In the event that any Person becomes a Domestic Subsidiary (other than any Unrestricted Subsidiary) of Company, or, after the date hereof, any Inactive Subsidiary that is a Domestic Subsidiary no longer meets the definition of Inactive Subsidiary, Company shall (a) promptly cause such Domestic Subsidiary to become a Guarantor hereunder and a Grantor under the Pledge and Security Agreement (Term Loan) by executing and delivering to Administrative Agent and Collateral Agent a Counterpart Agreement, and (b) take all such actions and execute and deliver, or cause to be executed and delivered, all such documents, instruments, agreements, and certificates as are similar to those described in Sections 3.1(b), 3.1(h), 3.1(i), 3.1(j) (with respect to Material Real Estate Assets) and 3.1(m). In the event that any Person becomes a Foreign Subsidiary of Company (other than any Unrestricted Subsidiary) (or after the date hereof, any Inactive Subsidiary that is a Foreign Subsidiary no longer meets the definition of Inactive Subsidiary), and the ownership interests of such Foreign Subsidiary are owned by Company or by any Domestic Subsidiary thereof, Company shall, or shall cause such Domestic Subsidiary to, deliver, all such documents, instruments, agreements, and certificates as are similar to those described in Section 3.1(b), and Company shall take, or shall cause such Domestic Subsidiary to take, all of the actions referred to in Section 3.1(i)(i) necessary to grant and to perfect a First Priority Lien in favor of Collateral Agent, for the benefit of the Secured Parties, under the Pledge and Security Agreement (Term Loan) in 65% of such ownership interests. With respect to each such Restricted Subsidiary, Company shall promptly send to Administrative Agent written notice setting forth with respect to such Person (i) the date on which such Person became a Subsidiary of Company, and (ii) all of the data required to be set forth in Schedules 4.1 and 4.2 with respect to all Subsidiaries of Company; provided that such written notice shall be deemed to supplement Schedules 4.1 and 4.2 for all purposes hereof.

5.11. Additional Material Real Estate Assets. In the event that any Credit Party acquires a Material Real Estate Asset or a Real Estate Asset owned or leased on the Closing Date becomes a Material Real Estate Asset and such interest has not otherwise been made subject to the Lien of the Collateral Documents in favor of Collateral Agent, for the benefit of Secured Parties, then such Credit Party shall promptly take all such actions and execute and deliver, or cause to be executed and delivered, all such mortgages, documents, instruments, agreements, opinions and certificates similar to those described in Sections 3.1(h), 3.1(i) and 3.1(j) with respect to each such Material Real Estate Asset that Collateral Agent shall reasonably request to create in favor of Collateral Agent, for the benefit of Secured Parties, a valid and, subject to any filing and/or recording referred to herein, perfected Second Priority security interest in such Material Real Estate Assets. In addition to the foregoing, Company shall, at the request of Requisite Lenders, deliver, from time to time, to Administrative Agent such appraisals as are required by law or regulation of Real Estate Assets with respect to which Collateral Agent has been granted a Lien.

5.12. Real Estate Assets. All Real Estate Assets shall comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities (including compliance with all applicable zoning and subdivision ordinances,

building codes, Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect. If any Credit Party receives written notice from any Governmental Authority that a Real Estate Asset is not in compliance with any such statute, regulation or order and such non-compliance could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, such Credit Party will provide Collateral Agent with a copy of such notice promptly. Each Credit Party, at its own cost and expense, shall procure and continuously maintain in full force and effect all permits required for the construction of improvements, for any permitted use of a Real Estate Asset or any part thereof then being made and for the lawful and proper installation, operation and maintenance of the Real Estate Asset, except where failure to maintain such permits in full force and effect could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.13. Further Assurances. At any time or from time to time upon the request of Administrative Agent, each Credit Party shall, at its expense, promptly execute, acknowledge and deliver such further documents and do such other acts and things as Administrative Agent or Collateral Agent may reasonably request in order to effect fully the purposes of the Credit Documents. In furtherance and not in limitation of the foregoing, each Credit Party shall take such actions as Administrative Agent or Collateral Agent may reasonably request from time to time to ensure that the Obligations are guarantied by the Guarantors and are secured by substantially all of the assets of Holdings, Company, its Restricted Subsidiaries and all of the outstanding Capital Stock of Company and its Restricted Subsidiaries (subject, in each case, to limitations contained in the Credit Documents with respect to the Foreign Subsidiaries).

5.14. Miscellaneous Business Covenants. Unless otherwise consented to by the Agents or the Requisite Lenders:

(a) Non-Consolidation. Holdings shall and shall cause each of its Subsidiaries to: (i) maintain entity records and books of account separate from those of any other entity which is an Affiliate of such entity; (ii) not commingle its funds or assets with those of any other entity which is an Affiliate of such entity; and (iii) provide that its board of directors or other analogous governing body will hold all appropriate meetings to authorize and approve such entity's actions, which meetings shall be separate from those of other entities.

(b) Trade Accounts Payable. Each Credit Party shall pay all trade accounts payable before the same become more than sixty (60) days past due, except (a) trade accounts payable contested in good faith or (b) trade accounts payable in an aggregate amount not to exceed $1,000,000 at any time outstanding and with respect to which no proceeding to enforce collection has been commenced or, to the knowledge of such Credit Party, threatened.

(c) Cash Management Systems. Holdings and its Subsidiaries shall establish and maintain cash management systems reasonably acceptable to the Agents.

5.15. Credit Card Agreements. Each of Company and its Subsidiaries shall (a) observe and perform all material terms, covenants, conditions and provisions of the Credit

Card Agreements to be observed and performed by it at the times set forth therein; and (b) at all times maintain in full force and effect the Credit Card Agreements and not terminate, cancel, surrender, modify, amend, waive or release any of the Credit Card Agreements, or consent to or permit to occur any of the foregoing; except that, Company may terminate or cancel any of the Credit Card Agreements in the ordinary course of the business of Company or such Subsidiary; provided that Company or such Subsidiary thereof shall give Collateral Agent not less than fifteen (15) days prior written notice of its intention to so terminate or cancel any of the Credit Card Agreements; (c) not enter into any new Credit Card Agreements with any new Credit Card Issuer unless (i) Collateral Agent shall have received not less than thirty (30) days prior written notice of the intention of Company or such Subsidiary thereof to enter into such Credit Card Agreement (together with such other information with respect thereto as Collateral Agent may request) and (ii) Company or such Subsidiary delivers, or causes to be delivered to Collateral Agent, immediate written notice of any Credit Card Agreement entered into by Company or such Subsidiary after the date hereof, together with a true, correct and complete copy thereof and such other information with respect thereto as Collateral Agent may request; and (d) furnish to Collateral Agent, promptly upon the request of Collateral Agent, such information and evidence as Collateral Agent may reasonably require from time to time concerning the observance, performance and compliance by Company or such Subsidiary thereof or the other party or parties thereto with the terms, covenants or provisions of the Credit Card Agreements and all operating rules and regulations related thereto.

5.16. License Agreements. With respect to the Copyright Licenses, the Patent Licenses, the Trademark Licenses and the Trade Secret Licenses (each as defined in the Pledge and Security Agreement (Term Loan), and, collectively, the "**License Agreements**" and each a "**License Agreement**") applicable to Intellectual Property (as defined in the Pledge and Security Agreement (Term Loan)) that is owned by a third party and licensed to Company or a Subsidiary thereof and that is affixed to or otherwise used in connection with the manufacture, sale or distribution of any Inventory, each of Company and such Subsidiaries shall (a) give Collateral Agent not less than ninety (90) days prior written notice of its intention not to renew or terminate, cancel, surrender or release its rights under any such License Agreement, or its intention to amend any such License Agreement or related arrangements to limit the scope of the right of Company or such Subsidiary with respect to the Intellectual Property subject to such License Agreement, either with respect to product, territory, channel of distribution, exclusivity, right to mortgage or transfer, term or otherwise, or to increase the amounts to be paid by Company or such Subsidiary party thereto thereunder or in connection therewith, (b) give Collateral Agent prompt written notice of any such License Agreement entered into by Company or such Subsidiary after the date hereof, or any material amendment to any such License Agreement existing on the date hereof, in each case together with a true, correct and complete copy thereof and such other information with respect thereto as Collateral Agent may, in good faith request, (c) give Collateral Agent prompt written notice of any material breach of any obligation, representation or warranty or any default, by any party under such License Agreement, and deliver to Collateral Agent (promptly upon the receipt thereof by Company or any of its Subsidiaries in the case of a notice to any such Credit Party and concurrently with the sending thereof in the case of a notice from such Credit Party) a copy of each notice of default and any other notice received or delivered by such Credit Party in connection with any such a

License Agreement that relates to the scope of the right, or the continuation of the right, of Company or such Guarantor, as applicable, with respect to the Intellectual Property subject to such License Agreement or the amounts required to be paid thereunder.

SECTION 6. NEGATIVE COVENANTS

Each of Holdings and Company covenants and agrees that, so long as any Term Loan Commitment is in effect and until payment in full of all Obligations, Holdings, Company and each other Credit Party shall perform, and shall cause each of their respective Subsidiaries to perform, all covenants in this Section 6.

6.1. Indebtedness. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(a) from and after the Achievement Date, so long as no Default or Event of Default shall have occurred and be continuing or shall be caused thereby, Company may incur Indebtedness (including any Acquired Indebtedness) or issue shares of Disqualified Stock, if the Leverage/Preferred Stock Ratio on a consolidated basis for Holdings', Company's and its Restricted Subsidiaries' most recently ended four full Fiscal Quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would not have been greater than 3.25 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock had been issued, as the case may be, and the application of the proceeds therefrom had occurred at the beginning of such four Fiscal-Quarter period;

(b) the Obligations;

(c) Indebtedness of any Guarantor Subsidiary to Company or to any other Guarantor Subsidiary, or of Company to any Guarantor Subsidiary, or of Company to Holdings with respect to any advance in an aggregate amount not to exceed $23,000,000, the proceeds of which shall be used to purchase (and cancel) and/or redeem 13 1/8% Senior Discount Debentures in accordance with Section 6.5(b)(ii); provided, in each case, that (i) all such Indebtedness shall be evidenced by promissory notes and all such notes shall be subject to a First Priority Lien pursuant to the Pledge and Security Agreement (Term Loan), (ii) all such Indebtedness shall be unsecured and subordinated in right of payment to the payment in full of the Obligations pursuant to the terms of any applicable promissory notes or an intercompany subordination agreement that in any such case, is reasonably satisfactory to Administrative Agent, and (iii) any payment by any such Guarantor Subsidiary under any guaranty of the Obligations shall result in a pro tanto reduction of the amount of any Indebtedness owed by such Restricted Subsidiary to Company or to any of its Restricted Subsidiaries for whose benefit such payment is made;

(d) Indebtedness incurred by Holdings, Company or any of its Restricted Subsidiaries arising from agreements providing for indemnification, adjustment of purchase

price or similar obligations, or from guaranties or letters of credit, surety bonds or performance bonds securing the performance of Company or any such Restricted Subsidiary pursuant to such agreements, in connection with Permitted Acquisitions or permitted dispositions of any business, assets or Restricted Subsidiary;

(e) Indebtedness which may be deemed to exist pursuant to any guaranties, performance, surety, statutory, appeal or similar obligations incurred in the ordinary course of business (and, in the case of Holdings, limited to those consistent with past practice);

(f) Indebtedness in respect of netting services, overdraft protections and otherwise in connection with deposit accounts;

(g) guaranties in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of Holdings, Company and its Restricted Subsidiaries (and, in the case of Holdings, limited to those consistent with past practice);

(h) guaranties by Company of Indebtedness of a Guarantor Subsidiary or guaranties by a Restricted Subsidiary of Company of Indebtedness of Company or a Guarantor Subsidiary with respect, in each case, to Indebtedness otherwise permitted to be incurred pursuant to this Section 6.1;

(i) other Indebtedness existing on the Closing Date and described in Schedule 6.1;

(j) Indebtedness under the Revolving Loan Documents and any Permitted Refinancing thereof, in an aggregate principal amount not to exceed $250,000,000;

(k) (A) Indebtedness with respect to (i) Capital Leases and (ii) purchase money Indebtedness (including any Indebtedness acquired in connection with a Permitted Acquisition); provided that any such Indebtedness under this clause (A), (x) shall be secured only by the asset subject to such Capital Lease or acquired in connection with the incurrence of such Indebtedness, (y) shall constitute not less than 80% of the aggregate consideration paid with respect to such asset, and (z) shall not exceed at any time, in an aggregate amount of $20,000,000 and (B) additional Indebtedness with respect to Capital Leases relating solely to distribution equipment or equipment relating to information technology infrastructure; provided that such Indebtedness under this clause (B), (x) shall be secured only by the asset subject to such Capital Lease and (y) shall not exceed at any time an additional $20,000,000 in the aggregate;

(l) Indebtedness outstanding under the 9 3/4% Senior Subordinated Notes; provided that such Indebtedness shall be prepaid or redeemed in full on the Closing Date

(m) Indebtedness outstanding under the 13 1/8% Senior Discount Debentures held by Persons other than Holdings, in an aggregate principal amount not to exceed $22,500,000; provided that such Indebtedness shall be prepaid or redeemed in full on or prior to the date that is 60 days following the Closing Date, in accordance with the notice of redemption delivered pursuant to Section 3.1(d)(vii) hereof; and provided further that from and after the

Incremental Term Loan Closing Date, the aggregate principal amount of all Indebtedness under this Section 6.1(m), together with the redemption value of the Series A and Series B Preferred Stock, and together with, in each case, any other amounts payable in connection with the prepayment, purchase or redemption thereof (including any premiums, fees, commissions and expenses related to the foregoing), shall not exceed the amount of Cash deposited into the Restricted Account in accordance with Section 3.1(w) and the terms of the Joinder Agreement;

(n) Indebtedness outstanding under the 5.0% Notes in an aggregate principal amount, not to exceed $24,500,000, together with payment-in-kind or other capitalized interest, in each case which accrues in accordance with the terms of the 5.0% Notes as of the Closing Date; provided that the outstanding principal amount of and accrued and unpaid interest on such 5.0% Notes shall be converted into to common stock of Holdings pursuant to and in accordance with the TPG-MD Conversion on or prior to the Incremental Tranche Closing Date;

(o) Indebtedness representing deferred compensation to employees of Company and the Restricted Subsidiaries incurred in the ordinary course of business;

(p) Indebtedness arising from agreements of Company or any Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with Permitted Acquisitions and the disposition of any business, assets or Capital Stock permitted hereunder, other than obligations described in clauses (vi) and (vii) of the definition of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; provided, that (i) such Indebtedness is not reflected on the balance sheet of Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (i)) and (ii) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including non-Cash proceeds (the fair market value of such non-Cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received by Company and the Restricted Subsidiaries in connection with such disposition;

(q) Indebtedness incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by Company or any Restricted Subsidiary in the ordinary course of business;

(r) Indebtedness of Company or any Restricted Subsidiary pursuant to a Hedge Agreement entered into in the ordinary course of business;

(s) Indebtedness of Company and any Restricted Subsidiary arising in connection with any Other Permitted Derivative Transaction; provided that (i) such Indebtedness shall be unsecured and (ii) the amount hedged by any such Other Permitted Derivative Transaction shall not exceed $25,000,000 in the aggregate at any time;

(t) unsecured guarantees by Company or a Restricted Subsidiary of the obligations of a Restricted Subsidiary arising pursuant to a lease or license by a third party in a

bona fide arm's length transaction of real property for use as a retail store location in the ordinary course of the business of such Restricted Subsidiary; provided that, (i) the person issuing such guarantee is permitted hereunder to incur directly the obligation that is being guaranteed and (ii) as of the date on which such guarantee is issued no Event of Default exists or has occurred and is continuing; and

(u) other Indebtedness of Company and its Subsidiaries and any Permitted Refinancing thereof in an aggregate amount not to exceed at any time $5,000,000.

6.2. Liens. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of any kind (including any document or instrument in respect of goods or accounts receivable) of Holdings, Company or any of the Restricted Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any Lien with respect to any such property, asset, income or profits under the UCC of any State or under any similar recording or notice statute, except:

(a) Liens in favor of Collateral Agent for the benefit of the Secured Parties granted pursuant to any Credit Document;

(b) Liens for Taxes not yet delinquent or Liens for Taxes if obligations with respect to such Taxes are being contested in good faith through appropriate proceedings promptly instituted and diligently conducted;

(c) statutory Liens of landlords, banks (and rights of set-off), carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other like Liens imposed by law (other than any such Lien imposed pursuant to Section 401 (a)(29) or 412(n) of the Internal Revenue Code or by ERISA), in each case incurred in the ordinary course of business (i) for amounts not yet overdue or (ii) for amounts that are overdue and that (in the case of any such amounts overdue for a period of more than thirty (30) days) which are being contested in good faith through appropriate proceedings, so long as such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made;

(d) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money or other Indebtedness), so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof;

(e) encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, restrictions, encroachments, and other defects or irregularities in title, in each case which do not

and will not interfere in any material respect with the ordinary conduct of the business of Holdings, Company or any of its Restricted Subsidiaries;

(f) any interest or title of a lessor or sublessor under any lease of real estate permitted hereunder;

(g) Liens solely on any Cash earnest money deposits made by Holdings, Company or any of the Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;

(h) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(j) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any real property;

(k) out-bound licenses of patents, copyrights, trademarks and other intellectual property rights granted by Holdings, Company or any of the Restricted Subsidiaries in the ordinary course of business and not interfering in any material respect with the ordinary conduct of the business of Company or such Restricted Subsidiary;

(l) Liens described in Schedule 6.2 or on a title report delivered in connection with a Real Estate Asset subject to a Mortgage;

(m) Liens securing Indebtedness permitted pursuant to Section 6.1(k)(ii); provided that any such Lien shall encumber only the asset acquired with the proceeds of such Indebtedness;

(n) Liens securing Indebtedness permitted pursuant to Section 6.1(j); provided that Revolving Collateral Agent shall have a First Priority Lien with respect to the Revolving Loan Collateral and a Second Priority Lien with respect to the Term Loan Collateral;

(o) Liens arising out of a conditional sale, title retention, consignment or similar arrangement for sale of goods entered into by Company or any Restricted Subsidiary in the ordinary course of business permitted by this Agreement;

(p) any Lien existing on any property or asset prior to the acquisition thereof by Company or any Restricted Subsidiary or existing on any property or asset of any Person that becomes a Restricted Subsidiary after the date hereof prior to the time such Person becomes a Restricted Subsidiary; provided that (i) such Liens are not created in contemplation or in connection with such Person becoming a Restricted Subsidiary, (ii) such Lien shall not apply to any other property or assets of Company or any of its Restricted Subsidiaries and (iii) such Lien

shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Restricted Subsidiary and any Permitted Refinancing thereof; and

(q) liens or rights of setoff against credit balances of Company or any of its Subsidiaries with Credit Card Issuers or Credit Card Processors or amounts owing by such Credit Card Issuers or Credit Card Processors to Company or any of its Subsidiaries in the ordinary course of business, but not liens on or rights of setoff against any other property or assets of Company or any of its Subsidiaries, pursuant to the Credit Card Agreements (as in effect on the date hereof) to secure the obligations of Company or any of its Subsidiaries to the Credit Card Issuers or Credit Card Processors as a result of fees and chargebacks;

(r) deposits of Cash with the owner or lessor of premises leased and operated by Company or any of its Subsidiaries in the ordinary course of the business of Company or any of its Subsidiaries to secure the performance by Company or any of its Subsidiaries of their respective obligations under the terms of the lease for such premises;

(s) judgments and other similar liens arising in connection with court proceedings that do not constitute an Event of Default, provided, that, (i) such liens are being contested in good faith and by appropriate proceedings diligently pursued and available to Company and any of its Restricted Subsidiaries, (ii) adequate reserves or other appropriate provision, if any, as are required by GAAP have been made therefor and (iii) a stay of enforcement of any such liens is in effect; and

(t) other Liens securing obligations of Company or any Restricted Subsidiary incurred in the ordinary course of business which obligations do not exceed $10,000,000 at any one time outstanding.

6.3. Equitable Lien. If Holdings, Company or any of the Restricted Subsidiaries shall create or assume any Lien upon any of its properties or assets, whether now owned or hereafter acquired, other than Permitted Liens, it shall make or cause to be made effective provisions whereby the Obligations will be secured by such Lien equally and ratably with any and all other Indebtedness secured thereby as long as any such Indebtedness shall be so secured; provided that notwithstanding the foregoing, this covenant shall not be construed as a consent by Requisite Lenders to the creation or assumption of any such Lien not otherwise permitted hereby.

6.4. No Further Negative Pledges. Except with respect to (a) specific property encumbered to secure payment of particular Indebtedness or to be sold pursuant to an executed agreement with respect to a permitted Asset Sale, (b) restrictions by reason of customary provisions restricting assignments, subletting or other transfers contained in leases, licenses and similar agreements entered into in the ordinary course of business (provided that such restrictions are limited to the property or assets secured by such Liens or the property or assets subject to such leases, licenses or similar agreements, as the case may be), (c) restrictions or agreements evidencing Indebtedness permitted by Section 6.1(k)(ii) that impose restrictions solely on the property so acquired, and (d) Existing Indebtedness, none of Holdings, Company nor any of the Restricted Subsidiaries shall enter into any agreement prohibiting the creation or assumption of any Lien upon any of its properties or assets, whether now owned or hereafter acquired.

6.5. Restricted Junior Payments. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries through any manner or means or through any other Person to, directly or indirectly, declare, order, pay, make or set apart, or agree to declare, order, pay, make or set apart, any sum for any Restricted Junior Payment except that:

(a) Holdings and Company may make (and, in the case of Company, make Restricted Junior Payments to Holdings to enable Holdings to make) regularly scheduled payments of interest (whether Cash or payment-in-kind) in respect of any Subordinated Indebtedness in accordance with the terms of, and only to the extent required by, and subject to the subordination provisions contained in, the indenture or other agreement pursuant to which such Subordinated Indebtedness was issued;

(b) (i) in connection with the Closing Date Transactions, Company may purchase (and cancel) and/or redeem all of the 9 3/4% Senior Subordinated Notes with the proceeds of the Closing Date Transactions and Cash available on the Closing Date; (ii) in connection with the Closing Date Transactions, Holdings may, on or prior to 60 days after the Closing Date, purchase (and cancel) and/or redeem (and the Company may make Restricted Junior Payments to Holdings to enable Holdings to so purchase or redeem) all of the 13 1/8% Senior Discount Debentures with the proceeds of the Closing Date Transactions and Cash available on the date of such purchase or redemption; (iii) in connection with the Subsequent Transactions, Holdings may convert the outstanding principal amount of and accrued and unpaid interest on the 5.0% Notes to common stock of Holdings pursuant to and in accordance with the TPG-MD Conversion; and (iv) in connection with the Subsequent Transactions, Holdings may purchase (and cancel) and/or redeem all of the Series A and Series B Preferred Stock and otherwise make Restricted Junior Payments in respect of unpaid dividends accrued in accordance with the terms of the Series A and Series B Preferred Stock (and the Company may make Restricted Junior Payments to Holdings to enable Holdings to make such Restricted Junior Payments) with the proceeds of the Subsequent Transactions, Cash available on the Incremental Tranche Closing Date and advances under the Revolving Loan Agreement (in the case of clause (iv), either directly or with such proceeds as have been deposited into the Restricted Account in accordance with any Joinder Agreement and provided that, concurrently with such Restricted Junior Payments the TPG Stock Sale shall be consummated);

(c) so long as no Default or Event of Default shall have occurred and be continuing or shall be caused thereby, Company may make Restricted Junior Payments to Holdings (i) in an aggregate amount not to exceed $1,500,000 in any Fiscal Year, to the extent necessary to permit Holdings to pay franchise taxes and other fees, general administrative costs and expenses required to maintain its corporate existence and (ii) to the extent necessary to permit Holdings to discharge the consolidated tax liabilities of Holdings, Company and its Restricted Subsidiaries, in each case so long as Holdings applies the amount of any such Restricted Junior Payment for such purpose;

(d) Restricted Junior Payments may be made for repurchases of Equity Interests in Holdings deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(e) Subsidiaries of Company may make Restricted Junior Payments to Company and to wholly-owned Subsidiaries of Company (other than Unrestricted Subsidiaries and other than any Inactive Subsidiaries) and may declare and pay dividends ratably with respect to their common stock;

(f) Restricted Junior Payments may be made to repurchase Equity Interests (other than Disqualified Capital Stock) held by employees pursuant to any stock option or other equity incentive plan upon the termination, retirement, disability or death of any such employee in accordance with the provisions of such plan, provided that, as to any such repurchase, each of the following conditions is satisfied: (i) as of the date of the payment for such repurchase and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing, (ii) such repurchase shall be paid with funds legally available therefor, (iii) such repurchase shall not violate any law or regulation or the terms of any indenture, agreement or undertaking to which Company or any Restricted Subsidiary is a party or by which Company or any Restricted Subsidiary or the property of Company or such Restricted Subsidiary are bound, and (iv) the aggregate amount of all payments for such repurchases in any Fiscal Year shall not exceed $500,000;

(g) Holdings and Company may make Restricted Junior Payments in an aggregate amount not to exceed $5,000,000 in any Fiscal Year; and

(h) each Credit Party shall be allowed to make Restricted Junior Payments in addition to those set forth in clauses (a) through (g), inclusive; provided that (A) the Leverage/Preferred Stock Ratio on a consolidated basis for Company's and its Restricted Subsidiaries' most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Restricted Junior Payment is made would have been greater than 3.25 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the Restricted Junior Payment had been made; (B) such Restricted Junior Payments are not made or occurring while a Default exists and no Default shall result therefrom; and (C) the aggregate amount of such Restricted Junior Payment paid pursuant to this clause (h) shall not exceed the Available Amount at the time of such Restricted Junior Payment.

6.6. Restrictions on Subsidiary Distributions. Except as provided herein and in the Revolving Loan Agreement, neither Holdings nor Company shall, nor shall they permit any of the respective Restricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Restricted Subsidiary to (a) pay dividends or make any other distributions on any of such Restricted Subsidiary's Capital Stock owned by Holdings, Company or any of the Restricted Subsidiaries, (b) repay or prepay any Indebtedness owed by such Restricted Subsidiary to Holdings, Company or any of the Restricted Subsidiaries, (c) make loans or advances to Holdings, Company or any of the Restricted Subsidiaries, or (d) transfer any of its property or assets to Holdings, Company or any of the Restricted Subsidiaries other than restrictions (i) in agreements evidencing Indebtedness permitted by Section 6.1(j) that impose restrictions on the property so acquired and (ii) by reason of customary provisions restricting assignments, subletting or other transfers contained in leases, licenses, Joint Venture agreements and similar

agreements entered into in the ordinary course of business, and (iii) that are or were created by virtue of any transfer of, agreement to transfer or option or right with respect to any property, assets or Capital Stock not otherwise prohibited under this Agreement.

6.7. Investments. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, directly or indirectly, make or own any Investment in any Person, including without limitation any Joint Venture, except:

(a) Investments in Cash and Cash Equivalents;

(b) equity Investments owned as of the Closing Date in any Restricted Subsidiary and Investments made after the Closing Date in Company or any wholly-owned Restricted Subsidiary of Company (other than any Inactive Subsidiary);

(c) Investments (i) in any Securities received in satisfaction or partial satisfaction thereof from financially troubled account debtors and (ii) deposits, prepayments and other credits to suppliers made in the ordinary course of business consistent with the past practices of Holdings, Company and its Restricted Subsidiaries and (iii) Investments received upon the foreclosure with respect to any secured Investment of any Credit Party or any Subsidiary thereof or other transfer of title with respect to any secured Investment of any Credit Party or any Subsidiary thereof;

(d) intercompany loans to the extent permitted under Section 6.1(c);

(e) Consolidated Capital Expenditures permitted by Section 6.8;

(f) loans or advances to employees of Holdings, Company and its Restricted Subsidiaries made in the ordinary course of business in an aggregate principal amount not to exceed $3,000,000 in the aggregate at any time outstanding;

(g) Investments made by Company and its Restricted Subsidiaries in connection with Permitted Acquisitions permitted pursuant to Section 6.9;

(h) Investments described in Schedule 6.7; and

(i) loans and advances to Holdings (or any direct or indirect parent thereof) in lieu of, and not in excess of the amount of (after giving effect to any other loans, advances or Restricted Payments in respect thereof), Restricted Payments to the extent permitted to be made to Holdings (or such parent) in accordance with Sections 6.5;

(j) Investments made as a result of the receipt of non-Cash consideration from an Asset Sale permitted hereunder;

(k) Other Investments in any aggregate amount not to exceed $3,000,000 at any one time outstanding; and

(l) other Investments by Company and its Restricted Subsidiaries (including Investments in any Unrestricted Subsidiaries) in an aggregate amount that, at the time such Investment is made, would not exceed the Available Amount at such time; provided that the Leverage/Preferred Stock Ratio on a consolidated basis for Company's and its Restricted Subsidiaries' most recently ended four full Fiscal Quarters for which internal financial statements are available immediately preceding the date on which such additional Investments are made would not have been greater than 3.25 to 1.00, determined on a pro forma basis as if the additional Investments had been made at the beginning of such four Fiscal-Quarter period.

Notwithstanding the foregoing, in no event shall any Credit Party make any Investment which results in or facilitates in any manner any Restricted Junior Payment not otherwise permitted under the terms of Section 6.5.

Notwithstanding the foregoing, neither Company nor Holdings shall permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the penultimate paragraph of the definition of "Unrestricted Subsidiary". For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by Holdings, Company and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated shall be deemed to be Investments in an amount determined as set forth in the last sentence of the definition of "Investment". Such designation shall be permitted only if an Investment in such amount would be permitted at such time, pursuant to paragraph (i) of this Section 6.7, and only if such Subsidiary otherwise meets the definition of an "Unrestricted Subsidiary."

6.8. Financial Covenants.

(a) Maximum Capital Expenditures. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, make or incur (other than with respect to reinvestments permitted by Section 2.10(a) and 2.10(b)) Consolidated Capital Expenditures, in any Fiscal Year indicated below, in an aggregate amount for Holdings, Company and its Restricted Subsidiaries in excess of the corresponding amount set forth below opposite such Fiscal Year; provided that such amount for any Fiscal Year shall be increased by an amount equal to the excess, if any, (but in no event more than 50% of the amount for such previous Fiscal Year) of such amount for the previous Fiscal Year (as adjusted in accordance with this proviso) over the actual amount of Consolidated Capital Expenditures for such previous Fiscal Year:

Fiscal Year	Consolidated Capital Expenditures
January 31, 2007	$70,000,000
January 31, 2008	$80,000,000
January 31, 2009	$90,000,000

Fiscal Year	Consolidated Capital Expenditures
January 31, 2010	$100,000,000
January 31, 2011	$105,000,000
January 31, 2012	$110,000,000
January 31, 2013	$110,000,000
January 31, 2014	$110,000,000

(b) Rent Adjusted Leverage Ratio. Until the later of the Achievement Date and the closing of an IPO, neither Holdings nor Company shall permit the Rent Adjusted Leverage Ratio as of the last day of any Fiscal Quarter, beginning with the Fiscal Quarter ending July 31, 2006, to exceed the correlative ratio indicated below, as applicable:

Fiscal Quarter	Rent Adjusted Leverage Ratio
Each Fiscal Quarter in the Fiscal Year ended January 31, 2007	5.25:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2008	5.25:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2009	5.00:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2010	4.50:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2011	4.50:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2012	4.25:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2013	4.25:1.00
Each Fiscal Quarter in the Fiscal Year ended January 31, 2014	4.00:1.00

(c) Certain Calculations. With respect to any period during which a Permitted Acquisition or an Asset Sale has occurred (each, a "**Subject Transaction**"), for purposes of determining compliance with the financial covenants set forth in this Section 6.8 (but not for any

other purpose herein, including, without limitation, for determining the Applicable Margin or for calculating any ratios for purposes of Section 6.1(a), Section 6.5(h), Section 6.7(l) or Section 6.9(e)), Consolidated Adjusted EBITDAR shall be calculated with respect to such period on a pro forma basis (including pro forma adjustments arising out of events which are directly attributable to a specific transaction, are factually supportable and are expected to have a continuing impact, in each case determined on a basis consistent with Article 11 of Regulation S-X, which would include cost savings resulting from head count reduction, closure of facilities and similar restructuring charges, which pro forma adjustments shall be certified by the chief financial officer of Holdings) using the historical audited financial statements of any business so acquired or to be acquired or sold or to be sold and the consolidated financial statements of Holdings and its Subsidiaries which shall be reformulated as if such Subject Transaction, and any Indebtedness incurred or repaid in connection therewith had been consummated or incurred or repaid at the beginning of such period (and assuming that such Indebtedness bears interest during any portion of the applicable measurement period prior to the relevant acquisition at the weighted average of the interest rates applicable to outstanding Loans incurred during such period).

6.9. Fundamental Changes; Disposition of Assets; Mergers and Acquisitions. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease or sub-lease (as lessor or sublessor), exchange, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, assets or property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, whether now owned or hereafter acquired, or acquire by purchase or otherwise (other than purchases or other acquisitions of inventory, materials and equipment and Capital Expenditures in the ordinary course of business) the business, property or fixed assets of, or stock or other evidence of beneficial ownership of, any Person or any division or line of business or other business unit of any Person, except:

(a) any Restricted Subsidiary of Company may be merged with or into Company or any Guarantor Subsidiary, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to Company or any Guarantor Subsidiary; provided that, in the case of such a merger, Company or such Guarantor Subsidiary, as applicable shall be the continuing or surviving Person;

(b) sales or other dispositions of assets that do not constitute Asset Sales;

(c) Asset Sales, the proceeds of which (valued at the principal amount thereof in the case of non-Cash proceeds consisting of notes or other debt Securities and valued at fair market value in the case of other non-Cash proceeds) when aggregated with the proceeds of all other Asset Sales made within the same Fiscal Year, are less than $15,000,000; provided that (1) the consideration received for such assets shall be in an amount at least equal to the fair market value thereof (determined in good faith by the board of directors of Company (or similar governing body)), (2) no less than 75% thereof shall be paid in Cash, and (3) the Net Asset Sale Proceeds thereof shall be applied as required by Section 2.10(a); provided further that in no event

may any intellectual property material to the business of Holdings, Company and its Restricted Subsidiaries be sold without the prior written consent of the Requisite Lenders.

(d) [Reserved];

(e) other Permitted Acquisitions by Company and its Restricted Subsidiaries in an aggregate amount that, at the time such Permitted Acquisition is made, would not exceed the Available Amount at such time; provided that, the Leverage/Preferred Stock Ratio on a consolidated basis for Company's and its Restricted Subsidiaries' most recently ended four full Fiscal Quarters for which internal financial statements are available immediately preceding the date on which such Permitted Acquisition is made would not have been greater than 3.25 to 1.00, determined on a pro forma basis as if the Permitted Acquisition had been made at the beginning of such four Fiscal-Quarter period;

(f) Investments made in accordance with Section 6.7;

(g) any Subsidiary that is not a Credit Party may merge or consolidate with or into any other Subsidiary that is not a Credit Party and (ii) any Subsidiary (other than Company) may liquidate or dissolve or change its legal form if Holdings determines in good faith that such action is in the best interests of Holdings and its Subsidiaries and if not materially disadvantageous to the Lenders (for the avoidance of doubt, the liquidation or dissolution of any Subsidiary that is an Inactive Subsidiary at the time of liquidation or dissolution shall not be materially disadvantageous to the Lenders);

(h) any Restricted Subsidiary may dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to Company or to another Restricted Subsidiary; provided that if the transferor in such a transaction is a Guarantor, then (i) the Restricted Subsidiary that is the transferee must be a Guarantor or (ii) to the extent such disposition constitutes an Investment, such Investment must be a permitted Investment in or Indebtedness of a Restricted Subsidiary which is not a Credit Party in accordance with Section 6.7 or 6.1, as applicable;

(i) the issuance of Capital Stock of Holdings, Company or any Restricted Subsidiary consisting of common stock pursuant to an employee stock option or grant or similar equity plan or 401(k) plans of Holdings, Company or such Restricted Subsidiary for the benefit of its employees, directors and consultants, provided that, in no event shall Holdings, Company or such Restricted Subsidiary be required to issue, or shall Holdings, Company or such Restricted Subsidiary issue, Capital Stock pursuant to such stock option, grant or similar equity plans or 401(k) plans which would result in a Change of Control or other Event of Default;

(j) [Reserved]; and

(k) other Permitted Acquisitions by Company and its Restricted Subsidiaries in an aggregate amount not to exceed $10,000,000 from and after the Closing Date.

6.10. Disposal of Subsidiary Interests. Except for any sale or other disposition of all of its interests in the Capital Stock of any of its Restricted Subsidiaries in compliance with the provisions of Section 6.9, neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, directly or indirectly sell, assign, pledge or otherwise encumber or dispose of any Capital Stock of any of the Restricted Subsidiaries, except (a) to qualify directors if required by applicable law, (b) in connection with the Lien in favor of Collateral Agent for the benefit of Secured Parties granted pursuant to the Credit Documents and (c) in connection with the Lien in favor of Revolving Collateral Agent granted pursuant to the Revolving Loan Documents.

6.11. Sales and Lease-Backs. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, directly or indirectly, become or remain liable as lessee or as a guarantor or other surety with respect to any lease of any property (whether real, personal or mixed), whether now owned or hereafter acquired, which such Person (a) has sold or transferred or is to sell or to transfer to any other Person (other than Holdings, Company or any of its Restricted Subsidiaries), or (b) intends to use for substantially the same purpose as any other property which has been or is to be sold or transferred by such Credit Party to any Person (other than Holdings, Company or any of its Restricted Subsidiaries) in connection with such lease.

6.12. Transactions with Shareholders and Affiliates. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of Holdings on terms that are less favorable to Holdings, Company or that Restricted Subsidiary, as the case may be, than those that might be obtained at the time from a Person who is not such a holder or Affiliate; provided that the foregoing restriction shall not apply to (a) any transaction between Company and any Guarantor Subsidiary; (b) reasonable and customary fees paid to members of the board of directors (or similar governing body) of Holdings, Company and its Restricted Subsidiaries; (c) compensation, benefits and incentive arrangements for directors, officers and other employees of Holdings, Company and its Restricted Subsidiaries as determined in good faith by the governing body of Holdings or Company; (d) loans or advances to employees permitted by Section 6.7(f);(e) any management, financial advisory, financing, underwriting or placement services or any other investment banking services involving Holdings or any of its Subsidiaries (including, without limitation, any payments in Cash, Capital Stock or other considerations made by Holdings or any of its Subsidiaries in connection therewith and otherwise in accordance herewith) on the one hand and TPG on the other hand, which services (and payments and other transactions in connection therewith) are approved by a majority of the disinterested members of the governing body of Holdings or Company in good faith; and (f) transactions described in Schedule 6.12.

6.13. Conduct of Business. From and after the Closing Date, neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, engage in any business other than (i) the Permitted Business and (ii) such other business or lines of business as may be consented to by the Requisite Lenders.

6.14. Permitted Activities of Holdings. Holdings shall not (a) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than the Indebtedness and obligations under the Related Agreements and any Indebtedness permitted under Sections 6.1(e) and (g) hereof; (b) create or suffer to exist any Lien upon any property or assets now owned or hereafter acquired by it other than the Liens created under the Collateral Documents to which it is a party or permitted pursuant to Section 6.2; (c) engage in any business or activity or own any assets other than (i) holding 100% of the Capital Stock of Company, (ii) performing its obligations and activities incidental thereto under the Credit Documents, and to the extent not inconsistent therewith, the Related Agreements; and (iii) making Restricted Junior Payments and Investments to the extent permitted by this Agreement; (d) consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person; (e) sell or otherwise dispose of any Capital Stock of Company; (f) create or acquire any Subsidiary or make or own any Investment in any Person other than Company; or (g) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

6.15. Amendments or Waivers of Revolving Loan Documents, Organizational Documents and Related Agreements.

(a) Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, amend or otherwise change the terms of the Revolving Loan Documents (or any Permitted Refinancing thereof), or make any payment consistent with an amendment thereof or change thereto, if the effect of such amendment or change is to (i) increase the sum of the then outstanding aggregate principal amount of the Revolving Loan Agreement in excess of the Revolving Credit Cap Amount (as defined in the Intercreditor Agreement); (ii) increase the "Applicable Margin" or similar component of any interest rate by more than 3% per annum (excluding increases resulting from the accrual of interest at the default rate) or increase the aggregate amount of any fees (other than one-time fees or fees charged in respect of amendments, waivers or consents) by more than $100,000 in any twelve (12) month period), or frequency of payments (except that the Company may increase the frequency of payment of any fees from quarterly to monthly), of any fees provided for the in the Revolving Loan Documents (or any Permitted Refinancing thereof); (iii) shorten the scheduled maturity of the Revolving Loan Document (or any Permitted Refinancing thereof); (iv) modify (or have the effect of a modification of) the terms of payment, including the regularly scheduled payments of principal or mandatory prepayment provisions of the Revolving Loan Documents (or any Permitted Refinancing thereof), in a manner that increases the amount or frequency of any such payments, or requires additional mandatory prepayments or limits the rights of Grantors with respect thereto or is otherwise adverse to the Lenders, except that Company may modify such terms of payment to increase the aggregate amount of regularly scheduled payments of principal in any year in respect thereof by no more than $500,000 in any year; or (v) in any manner adverse to the Lenders, Agent and other Secured Parties, modify (or have the effect of a modification of) the granting clauses (and the exclusions therefrom) of any Revolving Credit Collateral Document (as defined in the Intercreditor Agreement) (or the definitions of the terms contained in any such granting clauses); provided, however, that nothing in this Section 6.15 shall prevent Holdings, Company or the Restricted Subsidiaries from consummating the Transactions.

(b) Except as set forth in Section 6.15(a) and Section 6.16, neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, agree to any amendment, restatement, supplement or other modification to, or waiver of, any of its material rights under any Organizational Document or Closing Date Related Agreement from and after the Closing Date, or under any Subsequent Related Agreement from and after the Incremental Term Loan Closing Date, without in each case obtaining the prior written consent of Requisite Lenders to such amendment, restatement, supplement or other modification or waiver, other than any amendment, restatement, supplement or other modification or waiver that does not materially adversely affect the interests of the Lenders; provided, however, that nothing in this Section 6.15 shall prevent Holdings, Company or the Restricted Subsidiaries from consummating the Transactions.

6.16. Amendments or Waivers of with respect to the Subordinated Indebtedness. Neither Holdings nor Company shall, nor shall Company permit any of the Restricted Subsidiaries to, amend or otherwise change the terms of the Subordinated Indebtedness, or make any payment consistent with an amendment thereof or change thereto, if the effect of such amendment or change is to increase the interest rate on such the Subordinated Indebtedness, change (to earlier dates) any dates upon which payments of principal or interest are due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate any such event of default or increase any grace period related thereto), change the redemption, prepayment or defeasance provisions thereof (to earlier dates), change the subordination provisions of such Subordinated Indebtedness (or of any guaranty thereof), or if the effect of such amendment or change, together with all other amendments or changes made, is to increase materially the obligations of the obligor thereunder or to confer any additional rights on the holders of such Subordinated Indebtedness (or a trustee or other representative on their behalf) which would be materially adverse to any Credit Party or Lenders; provided, however, that nothing in this Section 6.16 shall prevent Holdings, Company or the Restricted Subsidiaries from consummating the Transactions.

6.17. Fiscal Year. Neither Holdings nor Company shall, nor shall they permit any of the Restricted Subsidiaries to, change its or their Fiscal Year-end from January 31.

6.18. Permitted Activities of J. Crew International, Inc. J. Crew International, Inc. shall not (a) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than the Indebtedness permitted pursuant to Section 6.1 hereof; (b) create or suffer to exist any Lien upon any property or assets now owned or hereafter acquired by it other than the Liens created under the Collateral Documents to which it is a party or permitted pursuant to Section 6.2; or (c) engage in any business or activity or own any assets other than (i) owning its Intellectual Property, (ii) performing its obligations and activities incidental thereto under the Credit Documents and (iii) performing any activities and properties incidental to the foregoing clauses (i) and (ii).

SECTION 7. GUARANTY

7.1. Guaranty of the Obligations. Subject to the provisions of Section 7.2, Guarantors jointly and severally hereby irrevocably and unconditionally guaranty to Administrative Agent for the ratable benefit of the Beneficiaries the due and punctual payment in full of all Obligations when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)) (collectively, the "**Guaranteed Obligations**"); provided, however, that if any court of competent jurisdiction shall enter a judgment that any obligation of any Guarantor under this Agreement would be subject to avoidance as a fraudulent conveyance, fraudulent transfer or the like under Section 48 of Title 11 of the United States Code or any comparable applicable provisions of state law, the "Guaranteed Obligations" of such Guarantor under this Guaranty shall equal the Guaranteed Obligations, determined as initially provided in this sentence, minus the amount that would be subject to avoidance. Each Guarantor confirms that this Guaranty is not being executed or delivered nor are the Guaranteed Obligations being incurred by such Guarantor with actual intent to hinder, delay or defraud any Person to whom such Guarantor is or may hereafter be indebted.

7.2. Contribution by Guarantors. All Guarantors desire to allocate among themselves (collectively, the "**Contributing Guarantors**"), in a fair and equitable manner, their obligations arising under this Guaranty. Accordingly, in the event any payment or distribution is made or a loss is suffered as a result of any realization upon any Collateral granted by such Guarantor on any date by a Guarantor (a "**Funding Guarantor**") under this Guaranty such that its Aggregate Payments exceeds its Fair Share as of such date, such Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in an amount sufficient to cause each Contributing Guarantor's Aggregate Payments to equal its Fair Share as of such date. "**Fair Share**" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (a) the ratio of (i) the Fair Share Contribution Amount with respect to such Contributing Guarantor to (ii) the aggregate of the Fair Share Contribution Amounts with respect to all Contributing Guarantors multiplied by (b) the aggregate amount paid or distributed on or before such date by all Funding Guarantors under this Guaranty in respect of the obligations Guaranteed. "**Fair Share Contribution Amount**" means, with respect to a Contributing Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under this Guaranty that would not render its obligations hereunder

or thereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any comparable applicable provisions of state law; provided that solely for purposes of calculating the "**Fair Share Contribution Amount**" with respect to any Contributing Guarantor for purposes of this Section 7.2, any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "**Aggregate Payments**" means, with respect to a Funding Guarantor as of any date of determination, an amount equal to (1) the aggregate amount of all payments and distributions made on or before such date by such Funding Guarantor in respect of this Guaranty (including, without limitation, in respect of this Section 7.2) and any loss suffered as a result of any realization upon any Collateral granted by such Guarantor, minus (2) the aggregate amount of all payments received on or before such date by such Contributing Guarantor from the other Contributing Guarantors as contributions under this Section 7.2. The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Contributing Guarantors of their obligations as set forth in this Section 7.2 shall not be construed in any way to limit the liability of any Contributing Guarantor hereunder. Each Guarantor is a third party beneficiary to the contribution agreement set forth in this Section 7.2.

7.3. Payment by Guarantors. Subject to Section 7.2, Guarantors hereby jointly and severally agree, in furtherance of the foregoing and not in limitation of any other right which any Beneficiary may have at law or in equity against any Guarantor by virtue hereof, that upon the failure of Company to pay any of the Guaranteed Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), Guarantors will upon demand pay, or cause to be paid, in Cash, to Administrative Agent for the benefit of Beneficiaries (in accordance with order of payments set forth in Section 7.3 of the Pledge and Security Agreement (Term Loan)), an amount equal to the sum of the unpaid principal amount of all Guaranteed Obligations then due as aforesaid, accrued and unpaid interest on such Guaranteed Obligations (including interest which, but for Company's becoming the subject of a case under the Bankruptcy Code, would have accrued on such Guaranteed Obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy case) and all other Guaranteed Obligations then owed to Beneficiaries as aforesaid.

7.4. Liability of Guarantors Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:

(a) this Guaranty is a guaranty of payment when due and not of collectability. This Guaranty is a primary obligation of each Guarantor and not merely a contract of surety;

(b) Administrative Agent may enforce this Guaranty upon the occurrence of an Event of Default notwithstanding the existence of any dispute between Company and any Beneficiary with respect to the existence of such Event of Default;

(c) the obligations of each Guarantor hereunder are independent of the obligations of Company and the obligations of any other guarantor (including any other Guarantor) of the obligations of Company, and a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against Company or any of such other guarantors and whether or not Company is joined in any such action or actions;

(d) payment by any Guarantor of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge any Guarantor's liability for any portion of the Guaranteed Obligations which has not been paid. Without limiting the generality of the foregoing, if Administrative Agent is awarded a judgment in any suit brought to enforce any Guarantor's covenant to pay a portion of the Guaranteed Obligations, such judgment shall not be deemed to release such Guarantor from its covenant to pay the portion of the Guaranteed Obligations that is not the subject of such suit, and such judgment shall not, except to the extent satisfied by such Guarantor, limit, affect, modify or abridge any other Guarantor's liability hereunder in respect of the Guaranteed Obligations;

(e) any Beneficiary, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability hereof or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor's liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guaranteed Obligations; (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guaranteed Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations; (iii) request and accept other guaranties of the Guaranteed Obligations and take and hold security for the payment hereof or the Guaranteed Obligations; (iv) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guaranteed Obligations, any other guaranties of the Guaranteed Obligations, or any other obligation of any Person (including any other Guarantor) with respect to the Guaranteed Obligations; (v) enforce and apply any security now or hereafter held by or for the benefit of such Beneficiary in respect hereof or the Guaranteed Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that such Beneficiary may have against any such security, in each case as such Beneficiary in its discretion may determine consistent herewith or the applicable Hedge Agreement and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and even though such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against Company or any security for the Guaranteed Obligations; and (vi) exercise any other rights available to it under the Credit Documents or the Hedge Agreements; and

(f) this Guaranty and the obligations of Guarantors hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guaranteed Obligations), including the occurrence of any of the following, whether or not any Guarantor shall have had notice or knowledge of any of them: (i) any failure or omission to assert or enforce or agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under the Credit Documents or the Hedge Agreements, at law, in equity or otherwise) with respect to the Guaranteed Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Guaranteed Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including provisions relating to events of default) hereof, any of the other Credit Documents, any of the Hedge Agreements or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guaranteed Obligations, in each case whether or not in accordance with the terms hereof or such Credit Document, such Hedge Agreement or any agreement relating to such other guaranty or security; (iii) the Guaranteed Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the application of payments received from any source (other than payments received pursuant to the other Credit Documents or any of the Hedge Agreements or from the proceeds of any security for the Guaranteed Obligations, except to the extent such security also serves as collateral for indebtedness other than the Guaranteed Obligations) to the payment of indebtedness other than the Guaranteed Obligations, even though any Beneficiary might have elected to apply such payment to any part or all of the Guaranteed Obligations; (v) any Beneficiary's consent to the change, reorganization or termination of the corporate structure or existence of Company or any of its Subsidiaries or any Guarantor and to any corresponding restructuring of the Guaranteed Obligations; (vi) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guaranteed Obligations; (vii) any defenses, set-offs or counterclaims which Company may allege or assert against any Beneficiary in respect of the Guaranteed Obligations, including failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; (viii) any law, regulation, decree or order of any jurisdiction or any event affecting any term of a Guaranteed Obligation; and (ix) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of any Guarantor as an obligor in respect of the Guaranteed Obligations.

7.5. Waivers by Guarantors.

(a) General Waivers. Each Guarantor hereby waives to the fullest extent permitted by law, for the benefit of Beneficiaries: (a) any right to require any Beneficiary, as a condition of payment or performance by such Guarantor, to (i) proceed against Company, any other guarantor (including any other Guarantor) of the Guaranteed Obligations or any other Person, (ii) proceed against or exhaust any security held from Company, any such other guarantor or any other Person, (iii) proceed against or have resort to any balance of any Deposit Account or credit on the books of any Beneficiary in favor of Company or any other Person, or (iv) pursue any other remedy in the power of any Beneficiary whatsoever; (b) any defense

arising by reason of the incapacity, lack of authority or any disability or other defense of Company or any other Guarantor including any defense based on or arising out of the lack of validity or the unenforceability of the Guaranteed Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of Company or any other Guarantor from any cause other than payment in full of the Guaranteed Obligations; (c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (d) any defense based upon any Beneficiary's errors or omissions in the administration of the Guaranteed Obligations, except behavior which amounts to bad faith; (e) (i) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms hereof and any legal or equitable discharge of such Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that any Beneficiary protect, secure, perfect or insure any security interest or lien or any property subject thereto; (f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance hereof, notices of default hereunder, the Hedge Agreements or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guaranteed Obligations or any agreement related thereto, notices of any extension of credit to Company and notices of any of the matters referred to in Section 7.4 and any right to consent to any thereof; and (g) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms hereof.

(b) Waivers Concerning Liens. Each Guarantor waives all rights and defenses that it may have because the Obligations are secured by real property. This means, among other things: (i) the Beneficiaries may collect from any Guarantor without first foreclosing on any real or personal property Collateral pledged by Company or any other Guarantor; and (ii) if the Beneficiaries foreclose on any real property Collateral pledged by Company or any Guarantor: (A) the amount of the Obligations may be reduced only by the price for which that Collateral is sold at the foreclosure sale, even if the Collateral is worth more than the sale price; and (B) the Beneficiaries may collect from the other Guarantors even if the Beneficiaries, by foreclosing on the real property Collateral, have destroyed any right the Guarantors may have to collect from Company or any other Guarantor. This is an unconditional and irrevocable waiver of any rights and defenses the Guarantors may have because the Obligations are secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure. In the event that all or any part of the Guaranteed Obligations at any time are secured by any one or more deeds of trust, security deeds or mortgages creating or granting Liens on any interests in Real Estate Assets, each of the Guarantors authorizes the Beneficiaries, upon the occurrence of and during the continuance of any Event of Default, at their sole option, without notice or demand and without affecting any Obligations, the enforceability of the Guaranteed Obligations under this Guaranty, or the validity or enforceability of any Liens of the Beneficiaries on any Collateral securing the Guaranteed Obligations, to foreclose any or all of such deeds of trust, security deeds or mortgages by judicial or nonjudicial sale. Insofar as the Liens created by the Collateral Documents secure the Guaranteed Obligations of other Persons, each of the Guarantors expressly

waives any defenses to the enforcement of this Guaranty or the other Credit Documents or any Liens created or granted hereby or by the other Credit Documents or to the recovery by the Beneficiaries against Company, any Guarantor or any other Person liable therefore of any deficiency after a judicial or nonjudicial foreclosure or sale, even though such a foreclosure or sale may impair the subrogation rights of such Guarantor and may preclude any of them from obtaining reimbursement or contribution from any other Person.

7.6. Guarantors' Rights of Subrogation, Contribution, etc. Until the Guaranteed Obligations shall have been indefeasibly paid in full, each Guarantor hereby waives any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against Company or any other Guarantor or any of its assets in connection with this Guaranty or the performance by such Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (a) any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter have against Company with respect to the Guaranteed Obligations, (b) any right to enforce, or to participate in, any claim, right or remedy that any Beneficiary now has or may hereafter have against Company, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Beneficiary. In addition, until the Guaranteed Obligations shall have been indefeasibly paid in full, each Guarantor shall withhold exercise of any right of contribution such Guarantor may have against any other guarantor (including any other Guarantor) of the Guaranteed Obligations, including, without limitation, any such right of contribution as contemplated by Section 7.2. Each Guarantor further agrees that, to the extent the waiver or agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification such Guarantor may have against Company or against any collateral or security, and any rights of contribution such Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights any Beneficiary may have against Company, to all right, title and interest any Beneficiary may have in any such collateral or security, and to any right any Beneficiary may have against such other guarantor. If any amount shall be paid to any Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guaranteed Obligations shall not have been finally and indefeasibly paid in full, such amount shall be held in trust for Administrative Agent on behalf of Beneficiaries and shall forthwith be paid over to Administrative Agent for the benefit of Beneficiaries to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms hereof.

7.7. Subordination of Other Obligations. Any Indebtedness of Company or any Guarantor now or hereafter held by any Guarantor (the "**Obligee Guarantor**") is hereby subordinated in right of payment to the Guaranteed Obligations, and any such indebtedness collected or received by the Obligee Guarantor after an Event of Default has occurred and is continuing shall be held in trust for Administrative Agent on behalf of Beneficiaries and shall forthwith be paid over to Administrative Agent for the benefit of Beneficiaries to be credited and applied against the Guaranteed Obligations but without affecting, impairing or limiting in any manner the liability of the Obligee Guarantor under any other provision hereof.

7.8. Continuing Guaranty. This Guaranty is a continuing guaranty and shall remain in effect until all of the Guaranteed Obligations shall have been paid in full. Each Guarantor hereby irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guaranteed Obligations.

7.9. Authority of Guarantors or Company. It is not necessary for any Beneficiary to inquire into the capacity or powers of any Guarantor or Company or the officers, directors or any agents acting or purporting to act on behalf of any of them.

7.10. Financial Condition of Company. The Term Loans may be made to Company or continued from time to time, and any Hedge Agreements may be entered into from time to time, in each case without notice to or authorization from any Guarantor regardless of the financial or other condition of Company at the time of any such grant or continuation or at the time such Hedge Agreement is entered into, as the case may be. No Beneficiary shall have any obligation to disclose or discuss with any Guarantor its assessment, or any Guarantor's assessment, of the financial condition of Company. Each Guarantor has adequate means to obtain information from Company on a continuing basis concerning the financial condition of Company and its ability to perform its obligations under the Credit Documents and the Hedge Agreements, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of Company and of all circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations. Each Guarantor hereby waives and relinquishes any duty on the part of any Beneficiary to disclose any matter, fact or thing relating to the business, operations or conditions of Company now known or hereafter known by any Beneficiary.

7.11. Bankruptcy, etc. (a) So long as any Guaranteed Obligations remain outstanding, no Guarantor shall, without the prior written consent of Administrative Agent acting pursuant to the instructions of Requisite Lenders, commence or join with any other Person in commencing any bankruptcy, reorganization or insolvency case or proceeding of or against Company or any other Guarantor. The obligations of Guarantors hereunder shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any case or proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Company or any other Guarantor or by any defense which Company or any other Guarantor may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(b) Each Guarantor acknowledges and agrees that any interest on any portion of the Guaranteed Obligations which accrues after the commencement of any case or proceeding referred to in clause (a) above (or, if interest on any portion of the Guaranteed Obligations ceases to accrue by operation of law by reason of the commencement of such case or proceeding, such interest as would have accrued on such portion of the Guaranteed Obligations if such case or proceeding had not been commenced) shall be included in the Guaranteed Obligations because it is the intention of Guarantors and Beneficiaries that the Guaranteed Obligations which are guaranteed by Guarantors pursuant hereto should be determined without regard to any rule of law or order which may relieve Company of any portion of such Guaranteed Obligations. Guarantors will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar Person to pay Administrative Agent, or allow the claim of

Administrative Agent in respect of, any such interest accruing after the date on which such case or proceeding is commenced.

(c) In the event that all or any portion of the Guaranteed Obligations are paid by Company, the obligations of Guarantors hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from any Beneficiary as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guaranteed Obligations for all purposes hereunder.

7.12. Release of Guarantor. Notwithstanding anything in Section 10.5(b) to the contrary (a) a Guarantor shall automatically be released from its obligations hereunder and this Guaranty shall be automatically released upon the consummation of any transaction permitted hereunder as a result of which such Guarantor ceases to be a Subsidiary of Company or Holdings and (b) so long as no Event of Default has occurred and is continuing, if a Guarantor is or becomes an Unrestricted Subsidiary in accordance with the provisions hereof, then such Guarantor, or its successor, as applicable, shall be automatically released from its obligations hereunder and under the Collateral Documents and the Intercreditor Agreement and this Guaranty shall be automatically released upon notification thereof from Company to Administrative Agent. In connection with any such release, Administrative Agent shall execute and deliver to any Guarantor and Company, at such Guarantor's expense, all documents that such Guarantor shall reasonably request to evidence such termination and release. Any execution and delivery of documents pursuant to the preceding sentence of this Section 7.12 shall be without recourse to or warranty by Administrative Agent.

SECTION 8. EVENTS OF DEFAULT

8.1. Events of Default. If any one or more of the following conditions or events shall occur:

(a) Failure to Make Payments When Due. Failure by Company to pay (i) when due any installment of principal of any Term Loan, whether at stated maturity, by acceleration, by notice of voluntary prepayment, by mandatory prepayment or otherwise; or (ii) any interest on any Term Loan or any fee or any other amount due hereunder within five days after the date due; or

(b) Default in Other Agreements.

(i) (A) Failure of any Credit Party or any of the Restricted Subsidiaries to pay when due any principal of or interest on or any other amount payable in respect of the Revolving Loan Documents beyond the grace period, if any provided therefor; or (B) breach or default by any Credit Party or any Restricted Subsidiary with respect to any other term of the Revolving Loan Documents beyond the grace period, if any provided therefor, if the effect of such breach or default is to cause, or to permit the holder or holders of that Indebtedness to cause, that Indebtedness to become or be declared due and

payable prior to its stated maturity; or (C) any such Indebtedness shall become or be declared to be due and payable, or be required to be prepaid or repurchased (other than by a regularly scheduled or required prepayment), prior to the stated maturity thereof; or

(ii) (A) Failure of any Credit Party or any of the Restricted Subsidiaries to pay when due any principal of or interest on or any other amount payable in respect of one or more items of Indebtedness (other than Indebtedness referred to in Section 8.1(a) or other Indebtedness referred to in Section 8.1(b)(i)) in an aggregate principal amount of $15,000,000 or more, in each case beyond the grace period, if any, provided therefor; (B) breach or default by any Credit Party or any of the Restricted Subsidiaries with respect to any other material term of (1) such Indebtedness in the aggregate principal amounts referred to in clause (A) above or (2) any loan agreement, mortgage, indenture or other agreement relating to such Indebtedness, in each case beyond the grace period, if any, provided therefor, if the effect of such breach or default is to cause, or to permit the holder or holders of that Indebtedness (or a trustee on behalf of such holder or holders), to cause, that Indebtedness to become or be declared due and payable (or redeemable) prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be; or (C) any such Indebtedness shall become or be declared to be due and payable, or be required to be prepaid or repurchased (other than by a regularly scheduled or required prepayment), prior to the stated maturity thereof; or

(c) Breach of Certain Covenants. Failure of any Credit Party or any of its Subsidiaries to perform or comply with the Commitment Letter or any term or condition contained in Section 2.3, Section 5.1(g), Section 5.2 or Section 6; or

(d) Breach of Representations, etc. Any representation, warranty, certification or other statement made or deemed made by any Credit Party in any Credit Document or in any statement or certificate at any time given by any Credit Party or any of the Restricted Subsidiaries in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect as of the date made or deemed made; or

(e) Other Defaults Under Credit Documents. Any Credit Party shall default in the performance of or compliance with any term contained herein or any of the other Credit Documents, other than any such term referred to in any other Section of this Section 8.1, and such default shall not have been remedied or waived within thirty days after receipt by Company of notice from Administrative Agent or any Lender of such default; or

(f) Involuntary Bankruptcy; Appointment of Receiver, etc. (i) A court of competent jurisdiction shall enter a decree or order for relief in respect of any Credit Party or any of the Restricted Subsidiaries in an involuntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (ii) an involuntary case shall be commenced against of any Credit Party or any of the Restricted Subsidiaries under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee,

custodian or other officer having similar powers over of any Credit Party or any of the Restricted Subsidiaries, or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of any Credit Party or any of the Restricted Subsidiaries for all or a substantial part of its property; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of any Credit Party or any of the Restricted Subsidiaries, and any such event described in this clause (ii) shall continue for sixty days without having been dismissed, bonded or discharged; or

(g) Voluntary Bankruptcy; Appointment of Receiver, etc. (i) Any Credit Party or any of the Restricted Subsidiaries shall have an order for relief entered with respect to it or shall commence a voluntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or any Credit Party or any of the Restricted Subsidiaries shall make any assignment for the benefit of creditors; or (ii) any Credit Party or any of the Restricted Subsidiaries shall be unable, or shall fail generally, or shall admit in writing its inability, to pay its debts as such debts become due; or the board of directors (or similar governing body) of any Credit Party or any of the Restricted Subsidiaries (or any committee thereof) shall adopt any resolution or otherwise authorize any action to approve any of the actions referred to herein or in Section 8.1(f); or

(h) Judgments and Attachments. Any money judgment, writ or warrant of attachment or similar process involving in the aggregate at any time an amount in excess of $15,000,000 (in either case to the extent not adequately covered by insurance as to which a solvent and unaffiliated insurance company has acknowledged coverage) shall be entered or filed against any Credit Party or any of the Restricted Subsidiaries or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of sixty days (or in any event later than five days prior to the date of any proposed sale thereunder); or

(i) Dissolution. Any order, judgment or decree shall be entered against any Credit Party or any of the Restricted Subsidiaries decreeing the dissolution or split up of such Credit Party or any Restricted Subsidiary and such order shall remain undischarged or unstayed for a period in excess of thirty (30) days; or

(j) ERISA. (i) There shall occur one or more ERISA Events which, individually or when taken together with other ERISA Events that have occurred and are continuing, results in or could reasonably be expected to result in a Material Adverse Effect; or (ii) there exists any fact or circumstance that reasonably could be expected to result in the imposition of a Lien or security interest under Section 412(n) of the Internal Revenue Code or under ERISA with respect to any Pension Plan; or

(k) Change of Control. A Change of Control shall occur; or

(l) Guaranties, Collateral Documents and other Credit Documents. At any time after the execution and delivery thereof, (i) the Guaranty for any reason, other than the satisfaction in full of all Obligations, shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void or any Guarantor shall repudiate its obligations thereunder, (ii) this Agreement or any Collateral Document ceases to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms hereof or thereof or the satisfaction in full of the Obligations in accordance with the terms hereof) or shall be declared null and void, or Collateral Agent shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the Collateral Documents with the priority required by the relevant Collateral Document, in each case for any reason other than the failure of Collateral Agent or any Secured Party to take any action within its control, or (iii) any Credit Party shall contest the validity or enforceability of any Credit Document in writing or deny in writing that it has any further liability, including with respect to future advances by Lenders, under any Credit Document to which it is a party;

THEN, (1) upon the occurrence of any Event of Default described in Section 8.1(f) or 8.1(g), automatically, and (2) upon the occurrence of any other Event of Default, at the request of (or with the consent of) Requisite Lenders, upon notice to Company by Administrative Agent, (A) each of the following shall immediately become due and payable, in each case without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by each Credit Party: (I) the unpaid principal amount of and accrued interest on the Term Loans, and (II) all other Obligations; and (B) Administrative Agent may cause Collateral Agent to enforce any and all Liens and security interests created pursuant to the Collateral Documents.

SECTION 9. AGENTS

9.1. Appointment of Agents. GSCP is hereby appointed Administrative Agent and Collateral Agent hereunder, and each Lender hereby authorizes GSCP to act as Administrative Agent and Collateral Agent in accordance with the terms hereof and the other Credit Documents. Bear Stearns Corporate Lending Inc. is hereby appointed Syndication Agent hereunder, and each Lender hereby authorizes Bear Stearns Corporate Lending Inc. to act as Syndication Agent in accordance with the terms hereof and the other Credit Documents. Wachovia Bank, National Association is hereby appointed Documentation Agent hereunder, and each Lender hereby authorizes Wachovia to act as Documentation Agent in accordance with the terms hereof and the other Credit Documents. Each Agent hereby agrees to act in its capacity as such upon the express conditions contained herein and the other Credit Documents, as applicable. The provisions of this Section 9 are solely for the benefit of Agents and Lenders and no Credit Party shall have any rights as a third party beneficiary of any of the provisions thereof. In performing its functions and duties hereunder, each Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Holdings or any of its Subsidiaries. Each of Syndication Agent and Documentation Agent, without consent of or notice to any party hereto, may assign any and all of its rights or obligations hereunder to any of its Affiliates. As of the Closing Date, neither Bear Stearns Corporate Lending Inc., in its capacity as Syndication Agent, nor Wachovia, in its

capacity as Documentation Agent, shall have any obligations but shall be entitled to all benefits of this Section 9.

9.2. Powers and Duties. Each Lender irrevocably authorizes each Agent to take such action on such Lender's behalf and to exercise such powers, rights and remedies hereunder and under the other Credit Documents as are specifically delegated or granted to such Agent by the terms hereof and thereof, together with such powers, rights and remedies as are reasonably incidental thereto. Each Lender irrevocably authorizes each Agent to execute and deliver any additional documents (including without limitation an intercreditor agreement) and/or amendments to any existing Credit Documents requested by the Company in connection with a Permitted Refinancing of the Revolving Loan Agreement and to take such action on such Lender's behalf and to exercise such powers, rights and remedies thereunder as are specifically delegated or granted to such Agent by the terms thereof, together with such powers, rights and remedies as are reasonably incidental thereto. Each Agent shall have only those duties and responsibilities that are expressly specified herein and the other Credit Documents. Each Agent may exercise such powers, rights and remedies and perform such duties by or through its agents or employees. No Agent shall have, by reason hereof or any of the other Credit Documents, a fiduciary relationship in respect of any Lender; and nothing herein or any of the other Credit Documents, expressed or implied, is intended to or shall be so construed as to impose upon any Agent any obligations in respect hereof or any of the other Credit Documents except as expressly set forth herein or therein.

9.3. General Immunity.

(a) No Responsibility for Certain Matters. No Agent shall be responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency hereof or any other Credit Document or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by any Agent to Lenders or by or on behalf of any Credit Party or any Lender or for the financial condition or business affairs of any Credit Party or any other Person liable for the payment of any Obligations, nor shall any Agent be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Credit Documents or as to the use of the proceeds of the Term Loans or as to the existence or possible existence of any Event of Default or Default or to make any disclosures with respect to the foregoing. Anything contained herein to the contrary notwithstanding, Administrative Agent shall not have any liability arising from confirmations of the amount of outstanding Term Loans.

(b) Exculpatory Provisions. No Agent nor any of its officers, partners, directors, employees or agents shall be liable to Lenders for any action taken or omitted by any Agent under or in connection with any of the Credit Documents except to the extent caused by such Agent's gross negligence or willful misconduct. Each Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection herewith or any of the other Credit Documents or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until such Agent shall have received instructions

in respect thereof from Requisite Lenders (or such other Lenders as may be required to give such instructions under Section 10.5) and, upon receipt of such instructions from Requisite Lenders (or such other Lenders, as the case may be), such Agent shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such instructions. Without prejudice to the generality of the foregoing, (i) each Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for Holdings and its Subsidiaries), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against any Agent as a result of such Agent acting or (where so instructed) refraining from acting hereunder or any of the other Credit Documents in accordance with the instructions of Requisite Lenders (or such other Lenders as may be required to give such instructions under Section 10.5).

(c) Delegation of Duties. Administrative Agent may perform any and all of its duties and exercise its rights and powers under this Agreement or under any other Credit Document by or through any one or more sub-agents appointed by Administrative Agent. Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates. The exculpatory, indemnification and other provisions of this Section 9.3 and of Section 9.6 shall apply to any the Affiliates of Administrative Agent and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. All of the rights, benefits, and privileges (including the exculpatory and indemnification provisions) of this Section 9.3 and of Section 9.6 shall apply to any such sub-agent and to the Affiliates of any such sub-agent, and shall apply to their respective activities as sub-agent as if such sub-agent and Affiliates were named herein. Notwithstanding anything herein to the contrary, with respect to each sub-agent appointed by Administrative Agent, (i) such sub-agent shall be a third party beneficiary under this Agreement with respect to all such rights, benefits and privileges (including exculpatory rights and rights to indemnification) and shall have all of the rights and benefits of a third party beneficiary, including an independent right of action to enforce such rights, benefits and privileges (including exculpatory rights and rights to indemnification) directly, without the consent or joinder of any other Person, against any or all of the Credit Parties and the Lenders, (ii) such rights, benefits and privileges (including exculpatory rights and rights to indemnification) shall not be modified or amended without the consent of such sub-agent, and (iii) such sub-agent shall only have obligations to Administrative Agent and not to any Credit Party, Lender or any other Person and no Credit Party, Lender or any other Person shall have any rights, directly or indirectly, as a third party beneficiary or otherwise, against such sub-agent.

9.4. Agents Entitled to Act as Lender. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, any Agent in its individual capacity as a Lender hereunder. With respect to its participation in the Term Loans, each Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as if it were not performing the duties and functions delegated to it

hereunder, and the term "Lender" shall, unless the context clearly otherwise indicates, include each Agent in its individual capacity. Any Agent and its Affiliates may accept deposits from, lend money to, own securities of, and generally engage in any kind of banking, trust, financial advisory or other business with Holdings, Company or any of their respective Affiliates as if it were not performing the duties specified herein, and may accept fees and other consideration from Company for services in connection herewith and otherwise without having to account for the same to Lenders.

9.5. Lenders' Representations, Warranties and Acknowledgment.

(a) Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of Holdings and its Subsidiaries in connection with the Term Loans made hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of Holdings and its Subsidiaries. No Agent shall have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Term Loans or at any time or times thereafter, and no Agent shall have any responsibility with respect to the accuracy of or the completeness of any information provided to Lenders.

(b) Each Lender, by delivering its signature page to this Agreement, an Assignment Agreement or the Joinder Agreement and by funding its Initial Term Loans on the Closing Date or by the funding of any Incremental Term Loans on the Incremental Term Loan Closing Date, as the case may be, shall be deemed to have acknowledged the receipt of, and consented to and approved, each Credit Document and each other document required to be approved by any Agent, any Requisite Lender and/or such Lender, as applicable, on the Closing Date or the Incremental Term Loan Closing Date, as the case may be.

9.6. Right to Indemnity. Each Lender, in proportion to its Pro Rata Share, severally agrees to indemnify each Agent, to the extent that such Agent shall not have been reimbursed by any Credit Party, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Agent in exercising its powers, rights and remedies or performing its duties hereunder or under the other Credit Documents or otherwise in its capacity as such Agent in any way relating to or arising out of this Agreement or the other Credit Documents; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. If any indemnity furnished to any Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished; provided that in no event shall this sentence require any Lender to indemnify any Agent against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement in excess of such Lender's Pro Rata Share thereof; and provided further, that this sentence shall not be deemed to require any Lender to indemnify

any Agent against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement described in the proviso in the immediately preceding sentence.

9.7. Successor Administrative Agent and Collateral Agent. Administrative Agent may resign at any time by giving thirty (30) days' prior written notice thereof to Lenders and Company, and Administrative Agent may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to Company and Administrative Agent and signed by Requisite Lenders. Upon any such notice of resignation or any such removal, Requisite Lenders shall have the right, with the consent of Company (which consent shall only be required at any time a Default or an Event of Default is not in existence, and such consent shall not be unreasonably withheld or delayed), to appoint a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative Agent and the retiring or removed Administrative Agent shall promptly (i) transfer to such successor Administrative Agent all sums, Securities and other items of Collateral held under the Collateral Documents, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Administrative Agent under the Credit Documents, and (ii) execute and deliver to such successor Administrative Agent such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Administrative Agent of the security interests created under the Collateral Documents, whereupon such retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring or removed Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent hereunder.

9.8. Collateral Documents and Guaranty.

(a) Agents under Collateral Documents and Guaranty. Each Lender hereby further authorizes Administrative Agent or Collateral Agent, as applicable, on behalf of and for the benefit of Secured Parties, to be the agent for and representative of Lenders with respect to the Guaranty, the Collateral and the Collateral Documents. Subject to Section 10.5, without further written consent or authorization from Lenders, Administrative Agent or Collateral Agent, as applicable may execute any documents or instruments necessary to (i) release any Lien encumbering any item of Collateral that is the subject of a sale or other disposition of assets permitted hereby or to which Requisite Lenders (or such other Lenders as may be required to give such consent under Section 10.5) have otherwise consented or (ii) release any Guarantor from the Guaranty pursuant to Section 7.12 or with respect to which Requisite Lenders (or such other Lenders as may be required to give such consent under Section 10.5) have otherwise consented.

(b) Right to Realize on Collateral and Enforce Guaranty. Anything contained in any of the Credit Documents to the contrary notwithstanding, Company, Administrative Agent, Collateral Agent and each Lender hereby agree that (i) no Lender shall have any right individually to realize upon any of the Collateral or to enforce the Guaranty, it being understood

and agreed that all powers, rights and remedies hereunder may be exercised solely by Administrative Agent, on behalf of Lenders in accordance with the terms hereof and all powers, rights and remedies under the Collateral Documents may be exercised solely by Collateral Agent, and (ii) in the event of a foreclosure by Collateral Agent on any of the Collateral pursuant to a public or private sale, Collateral Agent or any Lender may be the purchaser of any or all of such Collateral at any such sale and Collateral Agent, as agent for and representative of Secured Parties (but not any Lender or Lenders in its or their respective individual capacities unless Requisite Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by Collateral Agent at such sale.

SECTION 10. MISCELLANEOUS

10.1. Notices.

(a) Notices Generally. Any notice or other communication herein required or permitted to be given to a Credit Party, Syndication Agent, Collateral Agent, Administrative Agent or Documentation Agent, shall be sent to such Person's address as set forth on Appendix B or in the other relevant Credit Document, and in the case of any Lender, the address as indicated on Appendix B or otherwise indicated to Administrative Agent in writing. Except as otherwise set forth in paragraph (b) below, each notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed; provided that no notice to any Agent shall be effective until received by such Agent; provided further, that any such notice or other communication shall at the request of Administrative Agent be provided to any sub-agent appointed pursuant to Section 9.3(c) hereto as designated by Administrative Agent from time to time.

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Section 2 if such Lender, as applicable, has notified Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. Administrative Agent or Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed

to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

10.2. Expenses. Whether or not the transactions contemplated hereby shall be consummated, Company agrees to pay promptly (a) all the actual and reasonable costs and expenses incurred for the preparation of the Credit Documents and any consents, amendments, waivers or other modifications thereto; (b) all the costs of furnishing all opinions of counsel to Company and the other Credit Parties; (c) the reasonable fees, expenses and disbursements of one counsel (and such additional local and foreign counsel deemed necessary and desirable by the Agents acting reasonably) to Agents (in each case excluding allocated costs of internal counsel) in connection with the negotiation, preparation, execution and administration of the Credit Documents and any consents, amendments, waivers or other modifications thereto and any other documents or matters requested by Company; (d) all the actual costs and reasonable expenses incurred for creating and perfecting Liens in favor of Collateral Agent, for the benefit of the Lenders pursuant hereto, including filing and recording fees, expenses and taxes, stamp or documentary taxes, search fees, title insurance premiums and reasonable fees, expenses and disbursements of counsel to each Agent and of counsel providing any opinions that any Agent or Requisite Lenders may request in respect of the Collateral or the Liens created pursuant to the Collateral Documents; (e) all the actual costs and reasonable fees, expenses and disbursements of any auditors, accountants, consultants or appraisers; (f) all the actual costs and reasonable expenses (including the reasonable fees, expenses and disbursements of any appraisers, consultants, advisors and agents employed or retained by Collateral Agent and its counsel) in connection with the custody or preservation of any of the Collateral; (g) all other actual and reasonable costs and expenses incurred by each Agent in connection with the syndication of the Term Loans and Term Loan Commitments and the negotiation, preparation and execution of the Credit Documents and any consents, amendments, waivers or other modifications thereto and the transactions contemplated thereby; and (h) after the occurrence of a Default or an Event of Default, all costs and expenses, including reasonable attorneys' fees (excluding allocated costs of internal counsel) and costs of settlement, incurred by any Agent and Lenders in enforcing any Obligations of or in collecting any payments due from any Credit Party hereunder or under the other Credit Documents by reason of such Default or Event of Default (including in connection with the sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Guaranty) or in connection with any refinancing or restructuring of the credit arrangements provided hereunder in the nature of a "work-out" or pursuant to any insolvency or bankruptcy cases or proceedings.

10.3. Indemnity.

(a) In addition to the payment of expenses pursuant to Section 10.2, whether or not the transactions contemplated hereby shall be consummated, each Credit Party agrees to defend, indemnify, pay and hold harmless, each Agent and each Lender and the officers, partners, directors, trustees, employees, agents, sub-agents and Affiliates of each Agent and each

Lender (each, an "**Indemnitee**"), from and against any and all Indemnified Liabilities; provided that no Credit Party shall have any obligation to any Indemnitee hereunder with respect to any Indemnified Liabilities to the extent such Indemnified Liabilities arise from the gross negligence or willful misconduct of that Indemnitee. To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in this Section 10.3 may be unenforceable in whole or in part because they are violative of any law or public policy, the applicable Credit Party shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

(b) To the extent permitted by applicable law, no Credit Party shall assert, and each Credit Party hereby waives, any claim against Lenders, Agents and their respective Affiliates, directors, employees, attorneys, agents or sub-agents, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) (whether or not the claim therefor is based on contract, tort or duty imposed by any applicable legal requirement) arising out of, in connection with, arising out of, as a result of, or in any way related to, this Agreement or any Credit Document or any agreement or instrument contemplated hereby or thereby or referred to herein or therein, the transactions contemplated hereby or thereby, Term Loans or the use of the proceeds thereof or any act or omission or event occurring in connection therewith, and Holdings and Company hereby waives, releases and agrees not to sue upon any such claim or any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

10.4. Set-Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default each Lender (or any Affiliate) is hereby authorized by each Credit Party at any time or from time to time subject to the consent of Administrative Agent (such consent not to be unreasonably withheld or delayed), without notice to any Credit Party or to any other Person (other than Administrative Agent), any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Indebtedness at any time held or owing by such Lender (or any Affiliate) to or for the credit or the account of any Credit Party against and on account of the obligations and liabilities of any Credit Party to such Lender hereunder, and under the other Credit Documents, including all claims of any nature or description arising out of or connected hereto, or with any other Credit Document, irrespective of whether or not (a) such Lender shall have made any demand hereunder or (b) the principal of or the interest on the Term Loans or any other amounts due hereunder shall have become due and payable pursuant to Section 2 and although such obligations and liabilities, or any of them, may be contingent or unmatured.

NOTWITHSTANDING THE FOREGOING, AT ANY TIME THAT ANY OF THE OBLIGATIONS SHALL BE SECURED BY REAL PROPERTY LOCATED IN CALIFORNIA, NO LENDER SHALL EXERCISE A RIGHT OF SETOFF, LENDER'S LIEN OR COUNTERCLAIM OR TAKE ANY COURT OR ADMINISTRATIVE ACTION OR INSTITUTE ANY PROCEEDING TO ENFORCE ANY PROVISION OF THIS AGREEMENT OR ANY CREDIT DOCUMENT UNLESS IT IS TAKEN WITH THE CONSENT OF THE

LENDERS REQUIRED BY SECTION 10.5 OF THIS AGREEMENT, IF SUCH SETOFF OR ACTION OR PROCEEDING WOULD OR MIGHT (PURSUANT TO SECTIONS 580a, 580b, 580d AND 726 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE OR SECTION 2924 OF THE CALIFORNIA CIVIL CODE, IF APPLICABLE, OR OTHERWISE) AFFECT OR IMPAIR THE VALIDITY, PRIORITY, OR ENFORCEABILITY OF THE LIENS GRANTED TO THE COLLATERAL AGENT PURSUANT TO THE COLLATERAL DOCUMENTS OR THE ENFORCEABILITY OF THE OBLIGATIONS HEREUNDER, AND ANY ATTEMPTED EXERCISE BY ANY LENDER OR ANY SUCH RIGHT WITHOUT OBTAINING SUCH CONSENT OF THE PARTIES AS REQUIRED ABOVE, SHALL BE NULL AND VOID. THIS PARAGRAPH SHALL BE SOLELY FOR THE BENEFIT OF EACH OF THE LENDERS.

10.5. Amendments and Waivers.

(a) Requisite Lenders' Consent. Subject to Sections 10.5(b), 10.5(c) and 10.5(d), no amendment, modification, termination or waiver of any provision of the Credit Documents, or consent to any departure by any Credit Party therefrom, shall in any event be effective without the written concurrence of the Requisite Lenders.

(b) Affected Lenders' Consent. Without the written consent of each Lender that would be affected thereby, no amendment, modification, termination, or consent shall be effective if the effect thereof would:

(i) extend the scheduled final maturity of any Term Loan or Note;

(ii) waive, reduce or postpone any scheduled repayment (but not prepayment);

(iii) reduce the rate of interest on any Term Loan (other than any waiver of any increase in the interest rate applicable to any Term Loan pursuant to Section 2.7) or any fee or any premium payable hereunder;

(iv) extend the time for payment of any such interest or fees;

(v) reduce the principal amount of any Term Loan; or

(vi) increase any Term Loan Commitment of any Lender over the amount thereof then in effect; provided that no amendment, modification or waiver of any condition precedent, covenant, Default or Event of Default shall constitute an increase in any Term Loan Commitment of any Lender

(vii) amend, modify, terminate or waive any provision of this Section 10.5(b) or Section 10.5(c).

(c) All Lenders' Consent. Without the written consent of each Lender, no amendment, modification, termination, or consent shall be effective if the effect thereof would:

(i) amend, modify, terminate or waive any provision of Section 10.5(b), Section 10.5(c), Section 10.5(d) or any other provisions of this Agreement specifying the percentage of Lenders needed to take action under this Agreement;

(ii) amend or modify the definition of "**Requisite Lenders**" or "**Pro Rata Share**"; provided that with consent of the Requisite Lenders, additional extensions of credit pursuant hereto may be included in the determination of "**Requisite Lenders**" or "**Pro Rata Share**" on substantially the same basis as the Term Loan Commitments and the Term Loans, are included on the Closing Date;

(iii) release all or substantially all of the Collateral or all or substantially all of the Guarantors from the Guaranty except as expressly provided in the Credit Documents; or

(iv) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under any Credit Document.

(d) Other Consents. No amendment, modification, termination or waiver of any provision of the Credit Documents, or consent to any departure by any Credit Party therefrom, shall:

(i) alter the required application of any repayments or prepayments as between Classes pursuant to Section 2.11 without the consent of Requisite Class Lenders of each Class which is being allocated a lesser repayment or prepayment as a result thereof; provided that Requisite Lenders may waive, in whole or in part, any prepayment so long as the application, as between Classes, of any portion of such prepayment which is still required to be made is not altered;

(ii) amend the definition of "**Requisite Class Lenders**" without the consent of Requisite Class Lenders of each Class; provided that with the consent of the Requisite Lenders, additional extensions of credit pursuant hereto may be included in the determination of such "**Requisite Class Lenders**" on substantially the same basis as the Term Loan Commitments and the Term Loans are included on the Closing Date; and

(iii) amend, modify, terminate or waive any provision of Section 9 as the same applies to any Agent, or any other provision hereof as the same applies to the rights or obligations of any Agent, in each case without the consent of such Agent.

(e) Execution of Amendments, etc. Administrative Agent may, but shall have no obligation to, with the concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of such Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 10.5 shall be binding upon each Lender at the time outstanding, each future Lender and, if signed by a Credit Party, on such Credit Party.

(f) Foreign Subsidiaries. Notwithstanding anything to the contrary contained in this Section 10.5, guarantees, collateral security documents and related documents executed by Foreign Subsidiaries in connection with this Agreement may be in a form reasonably determined by Administrative Agent and may be amended and waived with the consent of Administrative Agent at the request of Company without the need to obtain the consent of any other Lenders if such amendment or waiver is delivered in order (i) to comply with local law or advice of local counsel, (ii) to cure ambiguities or defects or (iii) to cause such guarantee, collateral security document or other document to be consistent with this Agreement and the other Credit Documents.

10.6. Successors and Assigns; Participations.

(a) Generally. This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and assigns of Lenders. No Credit Party's rights or obligations hereunder nor any interest therein may be assigned or delegated by any Credit Party without the prior written consent of all Lenders. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, Affiliates of each of the Agents and Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Register. Company, Administrative Agent and Lenders shall deem and treat the Persons listed as Lenders in the Register as the holders and owners of the corresponding Term Loan Commitments and Term Loans listed therein for all purposes hereof, and no assignment or transfer of any such Commitment or Term Loan shall be effective, in each case, unless and until recorded in the Register following receipt of an Assignment Agreement effecting the assignment or transfer thereof, in each case, as provided in Section 10.6(d). Each assignment shall be recorded in the Register on the Business Day the Assignment Agreement is received by Administrative Agent, if received by 12:00 noon New York City time, and on the following Business Day if received after such time, prompt notice thereof shall be provided to Company and a copy of such Assignment Agreement shall be maintained, as applicable. The date of such recordation of a transfer shall be referred to herein as the "**Assignment Effective Date**." Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, assignee or transferee of the corresponding Term Loan Commitments or Term Loans.

(c) Right to Assign. Each Lender shall have the right at any time to sell, assign or transfer all or a portion of its rights and obligations under this Agreement, including, without limitation, all or a portion of its Term Loan Commitment or Term Loans owing to it or other Obligations (provided, however, that each such assignment shall be of a uniform, and not varying, percentage of all rights and obligations under and in respect of the Term Loans and Term Loan Commitments):

(i) to any Person meeting the criteria of clause (i) of the definition of the term of "Eligible Assignee" upon the giving of notice to Company and Administrative Agent; and

(ii) to any Person meeting the criteria of clause (ii) of the definition of the term of "Eligible Assignee" upon giving of notice to Company and Administrative Agent (except in the case of assignments made by or to GSCP), consented to by each of Company and Administrative Agent (each such consent not to be unreasonably withheld or delayed); provided, further, that each such assignment pursuant to this Section 10.6(c)(ii) shall be in an aggregate amount of not less than $500,000 (or such lesser amount as may be agreed to by Company and Administrative Agent or as shall constitute the aggregate amount of the Term Loans) with respect to the assignment of Term Loans;

provided, however, that the consent of Company shall not be required (i) if such assignment is made to an affiliate or other Lender or (ii) after the occurrence and during the continuance of an Event of Default specified in Sections 8.1(a), 8.1(f) and 8.1(g); provided, further, that any assignment or transfer not in compliance with this Section 10.6(c) shall be null and void ab initio.

(d) Mechanics. Subject to the other requirements of this Section 10.6,] assignments and assumptions of Term Loans shall only be effected by manual execution delivery to Administrative Agent of an Assignment Agreement with the prior written consent of each of Company and Administrative Agent (such consent not to be (x) unreasonably withheld or delayed or (y) in the case of Company, required at any time an Event of Default specified in Sections 8.1(a), 8.1(f) and 8.1(g) shall have occurred and then be continuing). In connection with all assignments there shall be delivered to Administrative Agent such forms, certificates or other evidence, if any, with respect to United States federal income tax withholding matters as the assignee under such Assignment Agreement may be required to deliver pursuant to Section 2.16(c).

(e) Representations and Warranties of Assignee. Each Lender, upon execution and delivery hereof or upon succeeding to an interest in the Term Loan Commitments and Term Loans, as the case may be, represents and warrants as of the Closing Date or as of the Assignment Effective Date that (i) it is an Eligible Assignee; (ii) it has experience and expertise in the making of or investing in commitments or loans such as the applicable Term Loan Commitments or Term Loans, as the case may be; and (iii) it will make or invest in, as the case may be, its Term Loan Commitments or Term Loans for its own account in the ordinary course of its business and without a view to distribution of such Term Loan Commitments or Term Loans within the meaning of the Securities Act or the Exchange Act or other federal securities laws (it being understood that, subject to the provisions of this Section 10.6, the disposition of such Term Loan Commitments or Term Loans or any interests therein shall at all times remain within its exclusive control).

(f) Effect of Assignment. Subject to the terms and conditions of this Section 10.6, as of the "Assignment Effective Date" (i) the assignee thereunder shall have the rights and obligations of a "Lender" hereunder to the extent of its interest in the Term Loans and Term

Loan Commitments as reflected in the Register and shall thereafter be a party hereto and a "Lender" for all purposes hereof; (ii) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned to the assignee, relinquish its rights (other than any rights which survive the termination hereof under Section 10.8) and be released from its obligations hereunder (and, in the case of an assignment covering all or the remaining portion of an assigning Lender's rights and obligations hereunder, such Lender shall cease to be a party hereto on the Assignment Effective Date; assignments made to Affiliates and other Lenders shall not be subject to the consent and minimum requirements set forth in Section 10.6(c) above and no processing fee shall be required in connection with such assignment; provided, further, that anything contained in any of the Credit Documents to the contrary notwithstanding, such assigning Lender shall continue to be entitled to the benefit of all indemnities hereunder as specified herein with respect to matters arising out of the prior involvement of such assigning Lender as a Lender hereunder); (iii) the Term Loan Commitments shall be modified to reflect any Term Loan Commitment of such assignee a; and (iv) if any such assignment occurs after the issuance of any Note hereunder, the assigning Lender shall, upon the effectiveness of such assignment or as promptly thereafter as practicable, surrender its applicable Notes to Administrative Agent for cancellation, and thereupon Company shall issue and deliver new Notes, if so requested by the assignee and/or assigning Lender, to such assignee and/or to such assigning Lender, with appropriate insertions, to reflect outstanding Term Loans of the assignee and/or the assigning Lender.

(g) Participations. Each Lender shall have the right at any time to sell one or more participations to any Person (other than Holdings, Company, any of their respective Subsidiaries or any of their respective Affiliates) in all or any part of its Term Loan Commitments, Term Loans or in any other Obligation; provided that (A) such Lender's obligations under this Agreement and the Credit Documents shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) Company, Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the Credit Documents. The holder of any such participation, other than an Affiliate of the Lender granting such participation, shall not be entitled to require such Lender to take or omit to take any action hereunder except with respect to any amendment, modification or waiver that would (i) extend the final scheduled maturity of the Term Loans or Term Loan Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of such participation, and that an increase in any Term Loan Commitment or Term Loans shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under the Collateral Documents (except as expressly provided in the Credit Documents) supporting the Term Loans hereunder in which such participant is participating. Company agrees that each participant shall be entitled to the benefits of Sections 2.14(c), 2.15

and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (c) of this Section; provided that (i) a participant shall not be entitled to receive any greater payment under Section 2.15 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such participant, unless the sale of the participation to such participant is made with Company's prior written consent and (ii) a participant that would be a Non-US Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless Company is notified of the participation sold to such participant and such participant agrees, for the benefit of Company, to comply with Section 2.16 as though it were a Lender. To the extent permitted by law, each participant also shall be entitled to the benefits of Section 10.4 as though it were a Lender, provided that such participant agrees to be subject to Section 2.13 as though it were a Lender.

(i) Certain Other Assignments. In addition to any other assignment permitted pursuant to this Section 10.6, any Lender may assign and/or pledge all or any portion of the Term Loans, the other Obligations owed by or to such Lender, and its Notes, if any, to secure obligations of such Lender including, without limitation, any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any operating circular issued by such Federal Reserve Bank; provided that no Lender, as between Company and such Lender, shall be relieved of any of its obligations hereunder as a result of any such assignment and pledge, and provided, further that in no event shall the applicable Federal Reserve Bank, pledgee or trustee be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action hereunder.

10.7. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

10.8. Survival of Representations, Warranties and Agreements. All representations, warranties and agreements made herein shall survive the execution and delivery hereof and the making of the Term Loans. Notwithstanding anything herein or implied by law to the contrary, the agreements of each Credit Party set forth in Sections 2.14(c), 2.15, 2.16, 10.2, 10.3 and 10.4 and the agreements of Lenders set forth in Sections 2.13, 9.3(b) and 9.6 shall survive the payment of any or all of the Term Loans.

10.9. No Waiver; Remedies Cumulative. No failure or delay on the part of any Agent or any Lender in the exercise of any power, right or privilege hereunder or under any other Credit Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. The rights, powers and remedies given to each Agent and each Lender hereby are cumulative and shall be in addition to and independent of all rights, powers and remedies existing by virtue of any statute or rule of law or in any of the other Credit Documents or any of the Hedge Agreements. Any forbearance or failure to exercise, and any delay in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be

construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

10.10. Marshalling; Payments Set Aside. Neither any Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Credit Party or any other Person or against or in payment of any or all of the Obligations. To the extent that any Credit Party makes a payment or payments to Administrative Agent or Lenders (or to Administrative Agent, on behalf of Lenders), or Administrative Agent or Lenders enforce any security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, any other state or federal law, common law or any equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred.

10.11. Severability. In case any provision in or obligation hereunder or under any other Credit Document shall be held to be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

10.12. Obligations Several; Independent Nature of Lenders' Rights. The obligations of Lenders hereunder are several and no Lender shall be responsible for the obligations or Term Loan Commitment of any other Lender hereunder. Nothing contained herein or in any other Credit Document, and no action taken by Lenders pursuant hereto or thereto, shall be deemed to constitute Lenders as a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising out hereof and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

10.13. Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

10.14. APPLICABLE LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

10.15. CONSENT TO JURISDICTION. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY CREDIT PARTY ARISING OUT OF OR RELATING HERETO OR ANY OTHER CREDIT DOCUMENT, OR ANY OF THE OBLIGATIONS,

MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH CREDIT PARTY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY (A) ACCEPTS GENERALLY AND UNCONDITIONALLY THE EXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (B) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (C) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE CREDIT PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 10.1; (D) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (C) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE CREDIT PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; AND (E) AGREES THAT AGENTS AND LENDERS RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST ANY CREDIT PARTY IN THE COURTS OF ANY OTHER JURISDICTION.

10.16. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR UNDER ANY OF THE OTHER CREDIT DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/COMPANY RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 10.16 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO OR ANY OF THE OTHER CREDIT DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS

MADE HEREUNDER. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

10.17. Confidentiality. Each Agent and each Lender shall hold all non-public information regarding Company, Holdings and the Restricted Subsidiaries and their businesses identified as such by Company and obtained by such Lender pursuant to the requirements hereof in accordance with such Lender's customary procedures for handling confidential information of such nature, it being understood and agreed by Company that, in any event, an Agent or a Lender may make (i) disclosures of such information to Affiliates of such Agent or such Lender and to their agents and advisors (and to other persons authorized by a Lender or Agent to organize, present or disseminate such information in connection with disclosures otherwise made in accordance with this Section 10.17), (ii) disclosures of such information reasonably required by any bona fide or potential assignee, transferee or participant in connection with the contemplated assignment, transfer or participation by such Lender of any Term Loans or any participations therein or by any direct or indirect contractual counterparties (or the professional advisors thereto) in Hedge Agreements (provided that such counterparties and advisors are advised of and agree to be bound by the provisions of this Section 10.17), (iii) disclosure to any rating agency when required by it, provided that, prior to any disclosure, such rating agency shall undertake in writing to preserve the confidentiality of any confidential information relating to the Credit Parties received by it from any of the Agents or any Lender, and (iv) disclosures required or requested by any Governmental Authority or representative thereof or by the NAIC or pursuant to legal or judicial process; provided that unless specifically prohibited by applicable law or court order, each Agent and each Lender shall make reasonable efforts to notify Company of any request by any Governmental Authority or representative thereof (other than any such request in connection with any examination of the financial condition or other routine examination of such Lender by such Governmental Authority) for disclosure of any such non-public information prior to disclosure of such information.

10.18. Usury Savings Clause. Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under applicable law shall not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement at any time exceeds the Highest Lawful Rate, the outstanding amount of the Term Loans made hereunder shall bear interest at the Highest Lawful Rate until the total amount of interest due hereunder equals the amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect. In addition, if when the Term Loans made hereunder are repaid in full the total interest due hereunder (taking into account the increase provided for above) is less than the total amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect, then to the extent permitted by law, Company shall pay to Administrative Agent an amount equal to the difference between the amount of interest paid and the amount of interest which would have been paid if the Highest Lawful Rate had at all times been in effect. Notwithstanding the foregoing, it is the intention of Lenders and Company to conform strictly to any applicable usury laws. Accordingly, if any Lender contracts for, charges, or receives any consideration which constitutes interest in excess of the Highest

Lawful Rate, then any such excess shall be cancelled automatically and, if previously paid, shall at such Lender's option be applied to the outstanding amount of the Term Loans made hereunder or be refunded to Company.

10.19. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

10.20. Effectiveness. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by Company and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

10.21. Patriot Act. Each Lender and Administrative Agent (for itself and not on behalf of any Lender) hereby notifies Company that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies Company, which information includes the name and address of Company and other information that will allow such Lender or Administrative Agent, as applicable, to identify Company in accordance with the Act.

10.22. Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[Remainder of page intentionally left blank]

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

COMPANY

J. CREW OPERATING CORP.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

GUARANTORS

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INC.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

GRACE HOLMES, INC.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

H.F.D. NO. 55, INC.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/ Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

MADEWELL INC.

By: /s/ James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Joint Lead Arranger, Joint Bookrunner,
Administrative Agent, Collateral Agent and Lender

By: /s/ William Archer
Authorized Signatory

BEAR, STEARNS & CO. INC.,
as Joint Lead Arranger and Joint Bookrunner

By: /s/ Richard Bram Smith
Name: Richard Bram Smith
Title: Senior Managing Director

BEAR STEARNS CORPORATE LENDING INC.,
as Syndication Agent

By: /s/ Richard Bram Smith
Name: Richard Bram Smith
Title: Senior Managing Director

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Documentation Agent

By: /s/ Kira Deter
Name: Kira Deter
Title: Vice President

APPENDIX A
TO CREDIT AND GUARANTY AGREEMENT

Initial Term Loan Commitments

Lender	Initial Term Loan Commitment	Pro Rata Share
Goldman Sachs Credit Partners L.P.	$285,000,000	100.0%
Total	**$285,000,000**	**100%**

Notice Addresses

J. CREW OPERATING, CORP.

770 Broadway
New York, NY 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

J. CREW GROUP, INC.

770 Broadway
New York, NY 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

in each case, with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Joint Lead Arranger, Joint Bookrunner, Administrative Agent, Collateral Agent and a Lender

Goldman Sachs Credit Partners L.P.
85 Broad Street
New York, New York 10004
Attention: Elizabeth Fischer
Telecopier: (212) 357-0932
Email: elizabeth.fischer@gs.com

with a copy to:

Goldman Sachs Credit Partners L.P.
85 Broad Street
New York, New York 10004
Attention: John Makrinos
Telecopier: (212) 357-4597
Email: John.Makrinos@gs.com

and

Latham & Watkins LLP
633 W. 5th Street
Los Angeles, California 90071
Attention: John E. Mendez, Esq.
Telecopier: (213) 891-8763
Email: john.mendez@lw.com

APPENDIX B

BEAR, STEARNS & CO. INC.
as Joint Lead Arranger and Joint Bookrunner

BEAR, STEARNS & CO. INC.
383 Madison Avenue
New York, NY 10179
Attention: Evan Kaufman
Telecopier: (212) 272-0920
Email: ekaufman@bear.com

BEAR STEARNS CORPORATE LENDING INC.,
as Syndication Agent

BEAR STEARNS CORPORATE LENDING INC.
383 Madison Avenue
New York, NY 10179
Attention: Stephen O'Keefe
Telecopier: (212) 272-9184
Email: sokeefe@bear.com

APPENDIX B

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Documentation Agent

Wachovia Securities
1133 Avenue of the Americas, NY 8004
New York, NY 10036
Attention: Jason Searle
Telecopier: (212) 545-4283
Email: jason.searle@wachovia.com

with a copy to:

Wachovia Corporation
301 South College Street, NC 0737
Charlotte, NC 28288
Attention: Kira Deter
Telecopier: (704) 383-6596

APPENDIX B

PLEDGE AND SECURITY AGREEMENT

Term Loan Collateral

dated as of May 15, 2006

between

EACH OF THE GRANTORS PARTY HERETO

and

GOLDMAN SACHS CREDIT PARTNERS L.P.,

as Collateral Agent

TABLE OF CONTENTS

This **PLEDGE AND SECURITY AGREEMENT**, dated as of May 15, 2006 (this "**Agreement**"), between **EACH OF THE UNDERSIGNED**, whether as an original signatory hereto or as an Additional Grantor (as herein defined) (each, a "**Grantor**"), and **GOLDMAN SACHS CREDIT PARTNERS L.P.,** ("**GSCP**")as collateral agent for the Secured Parties (as herein defined) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**Collateral Agent**").

RECITALS:

WHEREAS, reference is made to that certain Credit and Guaranty Agreement, dated as of the date hereof (as it may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), by and among **J. CREW OPERATING CORP.** ("**Company**"), **J. CREW GROUP, INC.** ("**Holdings**"), **CERTAIN SUBSIDIARIES OF COMPANY**, as Guarantors, the Lenders party thereto from time to time, **GSCP** and **Bear, Stearns & Co. Inc.** ("**Bear Stearns**"), as Joint Lead Arrangers and Joint Bookrunners, **Bear Stearns Corporate Lending Inc.**, as Syndication Agent, **GSCP**, (in such capacity as administrative agent, including its successors and assigns from time to time, the "**Administrative Agent**") and as Collateral Agent and **WACHOVIA BANK, NATIONAL ASSOCIATION** ("**Wachovia**"), as Documentation Agent;

WHEREAS, subject to the terms and conditions of the Credit Agreement, certain Grantors may enter into one or more Hedge Agreements with one or more Lender Counterparties; and

WHEREAS, in consideration of the extensions of credit and other accommodations of Lenders and Lender Counterparties as set forth in the Credit Agreement and the Hedge Agreements, respectively, each Grantor has agreed to secure such Grantor's obligations under the Credit Documents and the Hedge Agreements as set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, each Grantor and the Collateral Agent agree as follows:

SECTION 1. DEFINITIONS; GRANT OF SECURITY.

1.1 General Definitions. In this Agreement, the following terms shall have the following meanings:

"Account Debtor" shall mean each Person who is obligated on a Receivable or any Supporting Obligation related thereto.

"Accounts" shall mean all "accounts" as defined in Article 9 of the UCC and shall include, without limitation, Credit Card Receivables.

"Additional Grantors" shall have the meaning assigned in Section 5.3.

"Agreement" shall have the meaning set forth in the preamble.

"Assigned Agreements" with respect to any Grantor shall mean all agreements and contracts to which such Grantor is a party as of the date hereof, or to which such Grantor becomes a party after the date hereof, including, without limitation, each Material Contract, as each such agreement may be amended, supplemented or otherwise modified from time to time.

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect, or any successor statute.

"Capital Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"Cash Proceeds" shall have the meaning assigned in Section 7.7.

"Chattel Paper" shall mean all "chattel paper" as defined in Article 9 of the UCC, including, without limitation, "electronic chattel paper" or "tangible chattel paper", as each term is defined in Article 9 of the UCC.

"Collateral" shall have the meaning assigned in Section 2.1, subject to Section 2.2.

"Collateral Account" shall mean any account established by the Collateral Agent.

"Collateral Agent" shall have the meaning set forth in the preamble.

"Collateral Records" shall mean books, records, ledger cards, files, correspondence, customer lists, blueprints, technical specifications, manuals, computer software, computer printouts, tapes, disks and related data processing software and similar items that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon.

"Collateral Support" shall mean all property (real or personal) assigned, hypothecated or otherwise securing any Collateral and shall include any security agreement or other agreement granting a lien or security interest in such real or personal property.

"Commercial Tort Claims" shall mean all "commercial tort claims" as defined in Article 9 of the UCC, including, without limitation, all commercial tort claims listed on Schedule 11 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"Commodities Accounts" (i) shall mean all "commodity accounts" as defined in Article 9 of the UCC and (ii) shall include, without limitation, all of the accounts listed on Schedule 5 annexed to the Collateral Questionnaire under the heading "Commodities Accounts" (as such schedule may be amended or supplemented from time to time).

"Company" shall have the meaning set forth in the recitals.

"**Control Agreement**" shall have the meaning set forth in Section 4.1(a)(vii).

"**Controlled Deposit Account**" shall mean each Deposit Account identified on Schedule 5 annexed to the Collateral Questionnaire under the heading "Controlled Deposit Accounts" (as such schedule may be amended or supplemented from time to time in accordance with this Agreement).

"Controlled Foreign Corporation" shall mean "controlled foreign corporation" as defined in the Tax Code.

"Copyright Licenses" shall mean any and all agreements providing for the granting of any right in or to Copyrights (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(B) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"Copyrights" shall mean all United States, and foreign copyrights (including Community designs), including but not limited to copyrights in software and databases, and all Mask Works (as defined under 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, and, with respect to any and all of the foregoing: (i) all registrations and applications therefor including, without limitation, the registrations and applications referred to in Schedule 10(A) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), (ii) all extensions and renewals thereof, (iii) all rights corresponding thereto throughout the world, (iv) all rights to sue for past, present and future infringements thereof, and (v) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

"Credit Agreement" shall have the meaning set forth in the recitals.

"Credit Card Acknowledgment" shall mean an agreement by a Credit Card Issuer or Credit Card Processor who are parties to a Credit Card Agreement in favor of Collateral Agent's security interest, subject to the Intercreditor Agreement, in the monies held on behalf of or due and to become due to a Grantor (including, without limitation, credits and reserves) under the Credit Card Agreements, and agreeing to transfer all such amounts to a Controlled Deposit Account, as the same now exist or may hereafter be amended, modified, supplemented from time to time.

"Credit Card Agreements" means all agreements now or hereafter entered into by Company or any of its Subsidiaries (and, to the extent permitted by Section 6.1(g) of the Credit Agreement, Holdings) for the benefit of Company or any such Subsidiary, in each case with any Credit Card Issuer or any Credit Card Processor, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, including, but not limited to, the agreements set forth on Schedule 4.28 to the Credit Agreement (as such schedule may be amended or supplemented from time to time).

"Credit Card Issuer" means any person (other than Holdings or any of its Subsidiaries) who issues or whose members issue credit cards, including, without limitation, MasterCard or VISA bank credit or debit (including prepaid debit) cards or other bank credit or debit (including prepaid debit) cards issued through MasterCard International, Inc., VISA, U.S.A., Inc. or Visa International and American Express, Discover, Diners Club, Carte Blanche and other non-bank credit or debit (including prepaid debit) cards, including, without limitation, credit or debit (including prepaid debit) cards issued by or through American Express Travel Related Services Company, Inc., Novus Services, Inc. and the J. Crew Credit Card.

"Credit Card Processor" means any servicing or processing agent or any factor or financial intermediary who facilitates, services, processes or manages the authorization or settlement with respect to any of Company's or its Subsidiaries' sales transactions involving credit card or debit (including prepaid debit) card purchases by customers using credit cards or debit (including prepaid debit) cards issued by any Credit Card Issuer.

"Credit Card Receivables" shall mean collectively, (a) all present and future rights of any Grantor to payment from any Credit Card Issuer, Credit Card Processor or other third party arising from the sales of goods or rendition of services to customers who have purchased such goods or services using a credit card or debit (including prepaid debit) card and (b) all present and future rights of any Grantor to payment from any Credit Card Issuer, Credit Card Processor or other third party in connection with the sale or transfer of Accounts arising pursuant to the sale of goods or rendition of services to customers who have purchased such goods or services using a credit card or a debit (including prepaid debit) card, including, but not limited to, all amounts at any time due or to become due from any Credit Card Issuer or Credit Card Processor under the Credit Card Agreements or otherwise.

"Credit Documents" means any of this Agreement, the Credit Agreement, the Notes, if any, the Collateral Documents, the Intercreditor Agreement, the Joinder Agreement and all other documents, instruments or agreements executed and delivered by a Credit Party for the benefit of any Agent or any Lender in connection herewith.

"Deposit Accounts" (i) shall mean all "deposit accounts" as defined in Article 9 of the UCC and (ii) shall include, without limitation, all of the accounts in which Grantor customarily maintains in excess of $10,000 listed on Schedule 5 annexed

to the Collateral Questionnaire under the heading "Deposit Accounts" (as such schedule may be amended or supplemented from time to time).

"Documents" shall mean all "documents" as defined in Article 9 of the UCC.

"Equipment" shall mean: (i) all "equipment" as defined in Article 9 of the UCC, (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, fixtures and tools (in each case, regardless of whether characterized as equipment under the UCC) and (iii) all accessions or additions thereto, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefor, wherever located, now or hereafter existing, including any fixtures.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor thereto.

"GAAP" means, subject to the limitations on the application thereof set forth in the Credit Agreement, United States generally accepted accounting principles in effect as of the date of determination thereof.

"General Intangibles" (i) shall mean all "general intangibles" as defined in Article 9 of the UCC, including "payment intangibles" also as defined in Article 9 of the UCC and (ii) shall include, without limitation, all interest rate or currency protection or hedging arrangements, all tax refunds, all licenses, permits, concessions and authorizations, all Assigned Agreements and all Intellectual Property (in each case, regardless of whether characterized as general intangibles under the UCC).

"Goods" (i) shall mean all "goods" as defined in Article 9 of the UCC and (ii) shall include, without limitation, all Inventory and Equipment (in each case, regardless of whether characterized as goods under the UCC).

"Grantors" shall have the meaning set forth in the preamble.

"Indemnitee" shall mean the Collateral Agent, and its and its Affiliates' officers, partners, directors, trustees, employees, agents and sub-agents.

"Instruments" shall mean all "instruments" as defined in Article 9 of the UCC.

"Insurance" shall mean (i) all insurance policies covering any or all of the Collateral (regardless of whether the Collateral Agent is the loss payee thereof) and (ii) any key man life insurance policies.

"Intellectual Property" shall mean, collectively, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses, the Trade Secrets, and the Trade Secret Licenses.

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of the date hereof, among each Grantor, the Collateral Agent, the Administrative Agent, the Revolving Collateral Agent and the Revolving Administrative Agent, as it may be amended, supplemented or otherwise modified from time to time.

"Inventory" shall mean (i) all "inventory" as defined in Article 9 of the UCC and (ii) all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished, all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in any Grantor's business; all goods in which any Grantor has an interest in mass or a joint or other interest or right of any kind; and all goods which are returned to or repossessed by any Grantor, all computer programs embedded in any goods and all accessions thereto and products thereof (in each case, regardless of whether characterized as inventory under the UCC).

"Investment Accounts" shall mean Securities Accounts, Commodities Accounts, Deposit Accounts and Controlled Deposit Accounts.

"Investment Related Property" shall mean: (i) all "investment property" (as such term is defined in Article 9 of the UCC) and (ii) all of the following (regardless of whether classified as investment property under the UCC): all Pledged Equity Interests, Pledged Debt, the Investment Accounts and certificates of deposit.

"Lender" shall have the meaning set forth in the recitals.

"Letter of Credit Right" shall mean "letter-of-credit right" as defined in Article 9 of the UCC.

"Lien" shall mean (i) any lien, mortgage, pledge, assignment (whether absolute, conditional or contingent), security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing and (ii) in the case of Pledged Equity Interests, any purchase option, call or similar right of a third party with respect to such Pledged Equity Interests; provided, that in no event shall an operating lease of personal property entered into in the ordinary course of business be deemed to constitute a Lien.

"Material Adverse Effect" means a material adverse effect on (i) the business, operations, properties, assets or condition (financial or otherwise) of Holdings and its Subsidiaries taken as a whole; (ii) the ability of Holding and the other Credit Parties, taken as a whole, to perform their Obligations under this Agreement and any other Credit Document; (iii) the legality, validity, binding effect or enforceability against a Credit Party of a Credit Document to which it is a party; or (iv) the rights, remedies and benefits available to, or conferred upon, any Agent and any Lender or any Secured Party under any Credit Document.

"Material Contract" shall mean any contract or other arrangement to which any Grantor is a party (other than the Credit Documents) for which breach, nonperformance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect.

"Money" shall mean "money" as defined in the UCC.

"Obligations" shall mean all obligations of every nature of each Grantor from time to time owed to the Secured Parties or any of them under any Credit Document, including obligations from time to time owed to the Agents (including former Agents), the Lenders or any of them and Lender Counterparties, under any Credit Document or Hedge Agreement whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to such Credit Party, would have accrued on any Obligation, whether or not a claim is allowed against such Credit Party for such interest in the related bankruptcy proceeding), payments for early termination of Hedge Agreements, fees, expenses, indemnification or otherwise.

"Patent Licenses" shall mean all agreements providing for the granting of any right in or to Patents (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(D) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"Patents" shall mean all United States and foreign patents and certificates of invention, or similar industrial property rights, and applications for any of the foregoing, including, but not limited to: (i) each patent and patent application referred to in Schedule 10(C) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), (ii) all reissues, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations thereof, (iii) all rights corresponding thereto throughout the world, (iv) all inventions and improvements described therein, (v) all rights to sue for past, present and future infringements thereof, (vi) all licenses, claims, damages, and proceeds of suit arising therefrom, and (vii) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

"Person" shall mean and include natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governmental authorities.

"Permitted Liens" means each of the Liens permitted pursuant to Section 6.2 of the Credit Agreement.

"Pledge Supplement" shall mean any supplement to this agreement in substantially the form of Exhibit A.

"Pledged Debt" shall mean all Indebtedness owed to such Grantor, including, without limitation, all Indebtedness described on Schedule 4 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), issued by the obligors named therein, the instruments evidencing such Indebtedness, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Indebtedness.

"Pledged Equity Interests" shall mean all Pledged Stock, Pledged LLC Interests, Pledged Partnership Interests and Pledged Trust Interests.

"Pledged LLC Interests" shall mean all interests in any limited liability company including, without limitation, all limited liability company interests listed on Schedule 3 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) and the certificates, if any, representing such limited liability company interests and any interest of such Grantor on the books and records of such limited liability company or on the books and records of any securities intermediary pertaining to such interest and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such limited liability company interests.

"Pledged Partnership Interests" shall mean all interests in any general partnership, limited partnership, limited liability partnership or other partnership including, without limitation, all partnership interests listed on Schedule 3 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) and the certificates, if any, representing such partnership interests and any interest of such Grantor on the books and records of such partnership or on the books and records of any securities intermediary pertaining to such interest and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such partnership interests.

"Pledged Stock" shall mean all shares of capital stock owned by such Grantor, including, without limitation, all shares of capital stock described on Schedule 3 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), and the certificates, if any, representing such shares and any interest of such Grantor in the entries on the books of the issuer of such shares or on the books of any securities intermediary pertaining to such shares, and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares.

"Pledged Trust Interests" shall mean all interests in a Delaware business trust or other trust including, without limitation, all trust interests listed on Schedule 3 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) and the certificates, if any, representing such trust

interests and any interest of such Grantor on the books and records of such trust or on the books and records of any securities intermediary pertaining to such interest and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such trust interests.

"Proceeds" shall mean: all "proceeds" as defined in Article 9 of the UCC, and in any event, shall include, without limitation (i) payments or distributions made with respect to any Investment Related Property and (ii) whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

"Receivables" shall mean all rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, including, without limitation all such rights constituting or evidenced by any Account, Chattel Paper, Instrument, General Intangible or Investment Related Property, together with all of Grantor's rights, if any, in any goods or other property giving rise to such right to payment and all Collateral Support and Supporting Obligations related thereto and all Receivables Records.

"Receivables Records" shall mean (i) all original copies of all documents, instruments or other writings or electronic records or other Records evidencing the Receivables, (ii) all books, correspondence, credit or other files, Records, ledger sheets or cards, invoices, and other papers relating to Receivables, including, without limitation, all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to the Receivables, whether in the possession or under the control of Grantor or any computer bureau or agent from time to time acting for Grantor or otherwise, (iii) all evidences of the filing of financing statements and the registration of other instruments in connection therewith, and amendments, supplements or other modifications thereto, notices to other creditors or secured parties, and certificates, acknowledgments, or other writings, including, without limitation, lien search reports, from filing or other registration officers, (iv) all credit information, reports and memoranda relating thereto and (v) all other written or nonwritten forms of information related in any way to the foregoing or any Receivable.

"Record" shall have the meaning specified in Article 9 of the UCC.

"Secured Obligations" shall have the meaning assigned in Section 3.1.

"Secured Parties" shall mean the Agents, Lenders and Lender Counterparties and shall include, without limitation, all former Agents, Lenders and Lender Counterparties to the extent that any Obligations owing to such Persons were incurred while such Persons were Agents, Lenders or Lender Counterparties and such Obligations have not been paid or satisfied in full.

"Securities" shall mean any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or

arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"Securities Accounts" (i) shall mean all "securities accounts" as defined in Article 8 of the UCC and (ii) shall include, without limitation, all of the accounts in which Grantor customarily maintains in excess of $10,000 listed on Schedule 5 annexed to the Collateral Questionnaire under the heading "Securities Accounts" (as such schedule may be amended or supplemented from time to time).

"Store Accounts" shall mean Deposit Accounts that are used solely for receiving store receipts from a retail store location of a Grantor.

"Supporting Obligation" shall mean all "supporting obligations" as defined in Article 9 of the UCC.

"Tax Code" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

"Trademark Licenses" shall mean any and all agreements providing for the granting of any right in or to Trademarks (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(F) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"Trademarks" shall mean all United States, and foreign trademarks, trade names, corporate names, company names, business names, fictitious business names, Internet domain names, service marks, certification marks, collective marks, logos, other source or business identifiers, designs and general intangibles of a like nature, all registrations and applications for any of the foregoing including, but not limited to: (i) the registrations and applications referred to in Schedule 10(E) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), (ii) all extensions or renewals of any of the foregoing, (iii) all of the goodwill of the business connected with the use of and symbolized by the foregoing, (iv) the right to sue for past, present and future infringement or dilution of any of the foregoing or for any injury to goodwill, and (v) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

"Trade Secret Licenses" shall mean any and all agreements providing for the granting of any right in or to Trade Secrets (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(G) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"Trade Secrets" shall mean all trade secrets and all other confidential or proprietary information and know-how whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating, or referring in any way to such Trade Secret, including but not limited to: (i) the right to sue for past, present and future misappropriation or other violation of any Trade Secret, and (ii) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York or, when the context implies, the Uniform Commercial Code as in effect from time to time in any other applicable jurisdiction.

"United States" shall mean the United States of America.

1.2 Definitions; Interpretation. All capitalized terms used herein (including the preamble and recitals hereto) and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement or, if not defined therein, in the UCC. References to "Sections," "Exhibits" and "Schedules" shall be to Sections, Exhibits and Schedules, as the case may be, of this Agreement and the Collateral Questionnaire, as applicable, unless otherwise specifically provided. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. If any conflict or inconsistency exists between this Agreement and the Credit Agreement, the Credit Agreement shall govern. All references herein to provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

SECTION 2. GRANT OF SECURITY.

2.1 Grant of Security. Each Grantor hereby grants to the Collateral Agent a security interest in and continuing lien on all of such Grantor's right, title and interest in, to and under all personal property of such Grantor including, but not limited to the following, in each case whether now owned or existing or hereafter acquired or arising and wherever located (all of which being hereinafter collectively referred to as the **"Collateral"**):

(a) Accounts;

(b) Chattel Paper;

(c) Documents;

(d) General Intangibles;

(e) Goods;

(f) Instruments;

(g) Insurance;

(h) Intellectual Property;

(i) Investment Related Property;

(j) Letter of Credit Rights;

(k) Money;

(l) Receivables and Receivable Records;

(m) Commercial Tort Claims;

(n) to the extent not otherwise included above, all Collateral Records, Collateral Support and Supporting Obligations relating to any of the foregoing; and

(o) to the extent not otherwise included above, all Proceeds, products, accessions, rents and profits of or in respect of any of the foregoing.

2.2 Certain Limited Exclusions. Notwithstanding anything herein to the contrary, in no event shall the Collateral include or the security interest granted under Section 2.1 hereof attach to (a) any lease, license, contract, property rights or agreement to which any Grantor is a party or any of its rights or interests thereunder if and for so long as the grant of such security interest shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of any Grantor therein or (ii) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract property rights or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity), provided however that the Collateral shall include and such security interest shall attach immediately at such time as the grant of a security interest would no longer cause such abandonment, invalidation or unenforceability and to the extent severable, shall attach immediately to any portion of such Lease, license, contract, property rights or agreement that does not result in any of the consequences specified in (i) or (ii) above; or (b) in any of the outstanding capital stock of a Controlled Foreign Corporation in excess of 65% of the voting power of all classes of capital stock of such Controlled Foreign Corporation entitled to vote; provided that immediately upon the amendment of the Tax Code to allow the pledge of a greater percentage of the voting power of capital stock in a Controlled

Foreign Corporation without adverse tax consequences, the Collateral shall include, and the security interest granted by each Grantor shall attach to, such greater percentage of capital stock of each Controlled Foreign Corporation.

2.3 Intercreditor Agreement. The Collateral Agent acknowledges that its rights pursuant the Collateral pursuant to Section 2.1 shall be subject to certain other rights, priorities and interests as set forth in the Intercreditor Agreement. To the extent of any conflict or inconsistency between this Agreement and the Intercreditor Agreement, the Intercreditor Agreement shall govern.

2.4 Collateral Questionnaire. The Collateral Agent, each Secured Party and each Grantor agree that the Collateral Questionnaire and all descriptions of Collateral, schedules, amendments and supplements thereto are and shall at all times remain a part of this Agreement.

SECTION 3. SECURITY FOR OBLIGATIONS; GRANTORS REMAIN LIABLE.

3.1 Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt and complete payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a) (and any successor provision thereof)), of all Obligations with respect to every Grantor (the **"Secured Obligations"**).

3.2 Continuing Liability Under Collateral. Notwithstanding anything herein to the contrary, (i) each Grantor shall remain liable for all obligations under the Collateral and nothing contained herein is intended or shall be a delegation of duties to the Collateral Agent or any Secured Party, (ii) each Grantor shall remain liable under each of the agreements included in the Collateral to perform all of the obligations undertaken by it thereunder all in accordance with and pursuant to the terms and provisions thereof and neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any of such agreements by reason of or arising out of this Agreement or any other document related thereto nor shall the Collateral Agent nor any Secured Party have any obligation to make any inquiry as to the nature or sufficiency of any payment received by it or have any obligation to take any action to collect or enforce any rights under any agreement included in the Collateral and (iii) the exercise by the Collateral Agent of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral.

SECTION 4. REPRESENTATIONS AND WARRANTIES AND COVENANTS.

4.1 Generally.

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and the Incremental Term Loan Closing Date, that:

(i) it owns the Collateral purported to be owned by it or otherwise has the rights it purports to have in each item of Collateral and, as to all Collateral whether now existing or hereafter acquired, will continue to own or have such rights in each item of the Collateral, in each case free and clear of any and all Liens, rights or claims of all other Persons, including, without limitation, liens arising as a result of such Grantor becoming bound (as a result of merger or otherwise) as debtor under a security agreement entered into by another Person (other than Permitted Liens);

(ii) it has indicated on Schedule 1(a) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time): (w) the type of organization of such Grantor, (x) the jurisdiction of organization of such Grantor, (y) its organizational identification number and (z) the jurisdiction where the chief executive office or its sole place of business is (or the principal residence if such Grantor is a natural person), and for the one-year period preceding the date hereof has been, located.

(iii) the full legal name of such Grantor is as set forth on Schedule 1(a) annexed to the Collateral Questionnaire and it has not done in the last five (5) years, and does not do, business under any other name (including any trade-name or fictitious business name) except for those names set forth on Schedule 1(b) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time);

(iv) except as provided on Schedule 1(c) annexed to the Collateral Questionnaire, it has not changed its name, jurisdiction of organization, chief executive office or sole place of business (or principal residence if such Grantor is a natural person) or its corporate structure in any way (e.g., by merger, consolidation, change in corporate form or otherwise) within the past five (5) years;

(v) it has not within the last five (5) years become bound (whether as a result of merger or otherwise) as debtor under a security agreement entered into by another Person, which has not heretofore been terminated other than the agreements identified on Schedule 1(d) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time);

(vi) with respect to each agreement identified on Schedule 1(d) annexed to the Collateral Questionnaire, it has indicated on Schedule 1(a) annexed to the Collateral Questionnaire and Schedule 1(b) annexed to the Collateral Questionnaire the information required pursuant to Section 4.1(a)(ii), (iii) and (iv) with respect to the debtor under each such agreement;

(vii) (t) upon the filing of all UCC financing statements naming each Grantor as “debtor” and the Collateral Agent as “secured party” and describing the Collateral in the filing offices set forth opposite such Grantor’s

name on Schedule 1(e) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) and other filings delivered by each Grantor, (u) upon delivery of all Instruments, Chattel Paper and certificated Pledged Equity Interests and Pledged Debt to the Collateral Agent, (v) upon sufficient identification of Commercial Tort Claims, (w) upon execution of a control agreement establishing the Collateral Agent's "control" (within the meaning of Section 8-106, 9-106 or 9-104 of the UCC, as applicable) with respect to any Securities Account, Commodities Account or Controlled Deposit Account (each, a "**Control Agreement**" and, collectively, the "**Control Agreements**") (x) upon consent of the issuer with respect to Letter of Credit Rights and (y) to the extent not subject to Article 9 of the UCC, upon recordation of the security interests granted hereunder in Patents, Trademarks and Copyrights in the applicable intellectual property registries, including but not limited to the United States Patent and Trademark Office and the United States Copyright Office, the security interests granted to the Collateral Agent hereunder constitute valid and perfected first priority Liens under any law applicable in the United States, (subject in the case of priority only to the Intercreditor Agreement, Permitted Liens and to the rights of the United States government (including any agency or department thereof) with respect to United States government Receivables) on all of the Collateral (other than Deposit Accounts not constituting Controlled Deposit Accounts and property with respect to which a statute provides for the security interest in question to be indicated on the certificate as a condition or result of the security interests obtaining priority over the rights of a lien creditor with respect to such collateral);

(viii) all actions and consents, including all filings, notices, registrations and recordings necessary or desirable for the exercise by the Collateral Agent of the voting or other rights provided for in this Agreement or the exercise of remedies in respect of the Collateral have been made or obtained;

(ix) other than the financing statements filed in favor of the Collateral Agent, no effective UCC financing statement, fixture filing or intellectual property security agreement under any applicable law covering all or any part of the Collateral is on file in any filing or recording office except for (x) financing statements for which proper termination statements have been delivered to the Collateral Agent for filing and (y) financing statements filed in connection with Permitted Liens;

(x) no authorization, approval or other action by, and no notice to or filing with, any United States Governmental Authority or United States regulatory body is required for either (i) the pledge or grant by any Grantor of the Liens purported to be created in favor of the Collateral Agent hereunder or (ii) the exercise by Collateral Agent of any rights or remedies in respect of any Collateral (whether specifically granted or created hereunder or created or provided for by applicable law), except (A) for the filings contemplated by clause (vii) above and (B) as may be required, in connection with the disposition of any

Investment Related Property, by laws generally affecting the offering and sale of Securities;

(xi) all information supplied by any Grantor with respect to any of the Collateral (in each case taken as a whole with respect to any particular Collateral) is accurate and complete in all material respects;

(xii) none of the Collateral constitutes, or is the Proceeds of, "farm products" (as defined in the UCC);

(xiii) it does not own any "as extracted collateral" (as defined in the UCC) or any timber to be cut;

(xiv) Except as described on Schedule 1(d) annexed to the Collateral Questionnaire, such Grantor has not become bound as a debtor, either by contract or by operation of law, by a security agreement previously entered into by another Person; which has not heretofore been terminated and

(xv) Such Grantor has been duly organized as an entity of the type as set forth opposite such Grantor's name on Schedule 1(a) annexed to the Collateral Questionnaire solely under the laws of the jurisdiction as set forth opposite such Grantor's name on Schedule 1(a) annexed to the Collateral Questionnaire and remains duly existing as such. Such Grantor has not filed any certificates of domestication, transfer or continuance in any other jurisdiction.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) except for the security interest created by this Agreement, it shall not create or suffer to exist any Lien upon or with respect to any of the Collateral, except Permitted Liens, and such Grantor shall defend the Collateral against all Persons at any time claiming any interest therein;

(ii) it shall not produce, use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance, except to the extent that any such violation could not either individually or in the aggregate reasonably be expected to have a Material Adverse Effect, or any policy of insurance covering the Collateral;

(iii) it shall not change such Grantor's name, identity, corporate structure (e.g., by merger, consolidation, change in corporate form or otherwise) sole place of business (or principal residence if such Grantor is a natural person), chief executive office, type of organization or jurisdiction of organization or establish any trade names unless it shall have (a) notified the Collateral Agent in writing, by executing and delivering to the Collateral Agent a completed Pledge Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto (which for the

avoidance of doubt shall also include supplements to Schedules to the Collateral Questionnaire), at least thirty (30) days prior to any such change or establishment, identifying such new proposed name, identity, corporate structure, sole place of business (or principal residence if such Grantor is a natural person), chief executive office, jurisdiction of organization or trade name and providing such other information in connection therewith as the Collateral Agent may reasonably request and (b) taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Collateral Agent's security interest in the Collateral intended to be granted and agreed to hereby;

(iv) [Reserved];

(v) it shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith; provided, such Grantor shall in any event pay such taxes, assessments, charges, levies or claims not later than five (5) days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against such Grantor or any of the Collateral as a result of the failure to make such payment;

(vi) upon such Grantor or any officer of such Grantor obtaining knowledge thereof, it shall promptly notify the Collateral Agent in writing of any event that may materially adversely effect the value of any material portion of the Collateral, the ability of any Grantor or the Collateral Agent to dispose of any material portion of the Collateral, or the rights and remedies of the Collateral Agent in relation thereto, including, without limitation, the levy of any legal process against any material portion of the Collateral;

(vii) it shall not take or permit any action which could materially impair the Collateral Agent's rights in the Collateral except as otherwise permitted under the Credit Agreement; and

(viii) it shall not sell, transfer or assign (by operation of law or otherwise) any Collateral except as otherwise in accordance with the Credit Agreement.

4.2 Equipment and Inventory.

(a) Representations and Warranties. Each Grantor represents and warrants, on the Closing Date and the Incremental Term Loan Closing Date, that:

(i) all of the Equipment and Inventory valued in excess of $10,000 or more in the aggregate included in the Collateral is kept for the past four (4) years only at the locations specified in Schedule 2 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time);

(ii) any Goods now or hereafter produced by any Grantor included in the Collateral have been and will be produced in compliance with the requirements of the Fair Labor Standards Act, as amended; and

(iii) no Inventory or Equipment valued in excess of $100,000 or more in the aggregate is in the possession of an issuer of a negotiable document (as defined in Section 7-104 of the UCC) therefor or otherwise in the possession of a bailee or a warehouseman, except for companies providing transportation of merchandise in the ordinary course of such Grantor's business.

(b) Covenants and Agreements. Each Grantor covenants and agrees that:

(i) it shall keep the Equipment, Inventory and any Documents evidencing any Equipment and Inventory in the locations specified on Schedule 2 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) unless it shall have (a) notified the Collateral Agent in writing, by executing and delivering to the Collateral Agent a completed Pledge Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto, at least thirty (30) days prior to any change in locations, identifying such new locations and providing such other information in connection therewith as the Collateral Agent may reasonably request and (b) taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Collateral Agent's security interest in the Collateral intended to be granted and agreed to hereby, or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder, with respect to such Equipment and Inventory; provided, that notwithstanding anything to the contrary contained herein, (A) Grantors may remove Inventory from the locations specified on Schedule 2 annexed to the Collateral Questionnaire (x) for sales of Inventory in the ordinary course of business, (y) to move Inventory directly from one location specified on Schedule 2 annexed to the Collateral Questionnaire to another location specified on Schedule 2 annexed to the Collateral Questionnaire in the ordinary course of business and (z) to ship Inventory from the manufacturers thereof to a Grantor which Inventory is in transit to a location specified on Schedule 2 annexed to the Collateral Questionnaire and (B) Grantors may remove Equipment from the locations specified on Schedule 2 annexed to the Collateral Questionnaire (x) to the extent necessary to have any Equipment repaired or maintained in the ordinary course of business, (y) to move Equipment directly from one location specified on Schedule 2 annexed to the Collateral Questionnaire to another location specified on Schedule 2 annexed to the Collateral Questionnaire in the ordinary course of business and (z) with respect to the movement of motor vehicles used by or for the benefit of any Grantor in the ordinary course of business.

(ii) it shall keep correct and accurate records of the Inventory, itemizing and describing the kind, type and quantity of Inventory, such Grantor's cost therefor and (where applicable) the current list prices for the

Inventory, in each case, in reasonable detail as is customarily maintained by such Grantor;

(iii) it shall not deliver any Document evidencing any Equipment and Inventory to any Person other than the issuer of such Document to claim the Goods evidenced therefor or the Collateral Agent;

(iv) if any Equipment or Inventory valued in excess of $100,000 or more in the aggregate is in possession or control of any third party, each Grantor shall join with the Collateral Agent in notifying the third party of the Collateral Agent's security interest and obtaining an acknowledgment from the third party that it is holding the Equipment and Inventory for the benefit of the Collateral Agent; and

(v) with respect to any item of Equipment which is covered by a certificate of title under a statute of any jurisdiction under the law of which indication of a security interest on such certificate is required as a condition of perfection thereof, upon the reasonable request of the Collateral Agent, (A) provide information with respect to any such Equipment in excess of $50,000 individually or $1,000,000 in the aggregate, (B) execute and file with the registrar of motor vehicles or other appropriate authority in such jurisdiction an application or other document requesting the notation or other indication of the security interest created hereunder on such certificate of title, and (C) deliver to the Collateral Agent copies of all such applications or other documents filed during such calendar quarter and copies of all such certificates of title issued during such calendar quarter indicating the security interest created hereunder in the items of Equipment covered thereby.

4.3 Receivables.

(a) Representations and Warranties. Each Grantor represents and warrants, on the Closing Date and the Incremental Term Loan Closing Date, that:

(i) each Receivable in excess, individually, of $50,000 (a) is and will be the legal, valid and binding obligation of the Account Debtor in respect thereof, representing an unsatisfied obligation of such Account Debtor, (b) is and will be enforceable in accordance with its terms, (c) is not and will not be subject to any setoffs, defenses, taxes, counterclaims (except with respect to refunds, returns and allowances in the ordinary course of business with respect to damaged merchandise) and (d) is and will be in compliance with all applicable laws, whether federal, state, local or foreign;

(ii) [reserved]; and

(iii) no Receivable is evidenced by, or constitutes, an Instrument or Chattel Paper which has not been delivered to, or otherwise subjected to the control of, the Collateral Agent to the extent required by, and in accordance with Section 4.3(c).

(b) Covenants and Agreements: Each Grantor hereby covenants and agrees that:

(i) it shall keep and maintain at its own cost and expense satisfactory and complete records of the Receivables, including, but not limited to, all originals (or copies thereof) of documentation with respect to all Receivables and records of all payments received and all credits granted on the Receivables, all merchandise returned and all other dealings therewith;

(ii) at the reasonable request of Collateral Agent, it shall mark conspicuously, in form and manner reasonably satisfactory to the Collateral Agent, all Chattel Paper and Instruments (other than any delivered to the Collateral Agent as provided herein) with the following legend referring to chattel paper or instruments as applicable: "This [chattel paper] [instrument] is subject to the security interest of Goldman Sachs Credit Partners L.P. and any sale, transfer, assignment or encumbrance of this [chattel paper] [instrument] violates the rights of such secured party.";

(iii) it shall perform in all material respects all of its obligations with respect to the Receivables;

(iv) it shall notify Collateral Agent promptly of the assertion of (i) any claims, offsets, defenses or counterclaims by any Account Debtor, Credit Card Issuer or Credit Card Processor or any disputes with any of such persons or any settlement, adjustment or compromise thereof, to the extent any of the foregoing exceeds $75,000 in any one case or $200,000 in the aggregate and (ii) all material adverse information relating to the financial condition of any Account Debtor, Credit Card Issuer or Credit Card Processor. No credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any Account Debtor, Credit Card Issuer or Credit Card Processor except in the ordinary course of a Grantor's business in accordance with the current practices of such Grantor as in effect on the date hereof. At any time that a Default or an Event of Default exists or has occurred and is continuing, no Grantor shall settle, adjust or compromise any claim, offset, counterclaim or dispute with any Account Debtor, Credit Card Issuer, Credit Card Processor, other than with the consent, at its option (and subject to its rights under the Intercreditor Agreement), of the Collateral Agent.

(v) except as otherwise provided in this subsection, each Grantor shall continue to collect all amounts due or to become due to such Grantor under the Receivables and any Supporting Obligation and diligently exercise each material right it may have under any Receivable, any Supporting Obligation or Collateral Support, in each case, at its own expense, and in connection with such collections and exercise, such Grantor shall take such action as such Grantor or the Collateral Agent may deem necessary or advisable. Notwithstanding the foregoing, pursuant to the Credit Card Acknowledgments delivered pursuant to Section 4.3(b)(ix), the Collateral Agent shall have the right at any time following the occurrence and

during the continuation of an Event of Default, to: (1) direct the Credit Card Issuer or Credit Card Processor to make payment of all amounts due or to become due to such Grantor thereunder directly to the Collateral Agent, subject to the Intercreditor Agreement; and (2) enforce, at the expense of such Grantor, collection of any such Receivables and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. If the Collateral Agent notifies any Grantor that it has elected to collect such Receivables in accordance with the preceding sentence, any payments of Receivables received by such Grantor shall be forthwith (and in any event within two (2) Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Collateral Agent if required, in the Collateral Account maintained under the control of the Collateral Agent or as otherwise directed by the Collateral Agent, and until so turned over, all amounts and proceeds (including checks and other instruments) received by such Grantor in respect of such Receivables, any Supporting Obligation or Collateral Support shall be received in trust for the benefit of the Collateral Agent hereunder and shall be segregated from other funds of such Grantor and such Grantor shall not adjust, settle or compromise the amount or payment of any Receivable, or release wholly or partly any Account Debtor or obligor thereof, or allow any credit or discount thereon; and

(vi) [reserved]

(vii) it shall (a) observe and perform all material terms, covenants, conditions and provisions of the Credit Card Agreements to be observed and performed by it at the times set forth therein, (b) at all times maintain in full force and effect the Credit Card Agreements and not terminate, cancel, surrender, modify, amend, waive or release any of the Credit Card Agreements, or consent to or permit to occur any of the foregoing; except, that, any Grantor may terminate or cancel any of the Credit Card Agreements in the ordinary course of business of such Grantor; provided, that such Grantor give Collateral Agent not less than fifteen (15) days prior written notice of its intention to so terminate or cancel any of the Credit Card Agreements, (c) not enter into any new Credit Card Agreements with any new Credit Card Issuers unless (x) Collateral Agent shall have received not less than thirty (30) days prior written notice of the intention of such Grantor to enter into such agreement (together with such other information with respect thereto as Collateral Agent may request) and (y) such Grantor delivers or causes to be delivered to Collateral Agent, a Credit Card Acknowledgment in favor of Collateral Agent, (d) give Collateral Agent immediate written notice of any Credit Card Agreement entered into by such Grantor after the date hereof, together with a true, correct and complete copy thereof and such other information with respect thereto as Collateral Agent may request, and (e) furnish to Collateral Agent, promptly upon the request of Collateral Agent, such information and evidence as Agent may require from time to time concerning the observance, performance and compliance by such Grantor or other party or parties thereto with the terms, covenants or provisions of the Credit Card Agreements.

(viii) it shall notify Collateral Agent promptly of: (i) any notice of a material default by such Grantor under any of the Credit Card Agreements or of any default which has a reasonable likelihood of resulting in the Credit Card Issuer or Credit Card Processor ceasing to make payments or suspending payments to such Grantor, (ii) any notice from any Credit Card Issuer or Credit Card Processor that such person is ceasing or suspending, or will cease or suspend, any present or future payments due or to become due to such Grantor from such person, or that such person is terminating or will terminate any of the Credit Card Agreements, and (iii) the failure of such Grantor to comply with any material terms of the Credit Card Agreements or any terms thereof which has a reasonable likelihood of resulting in the Credit Card Issuer or Credit Card Processor ceasing or suspending payments to such Grantor.

(ix) it shall use its best efforts to deliver or cause to be delivered to Collateral Agent, in form and substance satisfactory to Collateral Agent, a Credit Card Acknowledgement with respect to any Credit Card Agreement.

(c) Delivery and Control of Receivables. Except as Collateral Agent may otherwise agree, with respect to any Receivables in excess of $100,000 individually or $500,000 in the aggregate that is evidenced by, or constitutes, Chattel Paper or Instruments, each Grantor shall cause each originally executed copy thereof to be delivered to the Collateral Agent (or its agent or designee) appropriately indorsed to the Collateral Agent or indorsed in blank: (i) with respect to any such Receivables in existence on the date hereof, on or prior to the date hereof and (ii) with respect to any such Receivables hereafter arising, within ten (10) days of such Grantor acquiring rights therein. With respect to any Receivables in excess of $100,000 individually or $500,000 in the aggregate which would constitute "electronic chattel paper" under Article 9 of the UCC, each Grantor shall take all steps necessary to give the Collateral Agent control over such Receivables (within the meaning of Section 9-105 of the UCC): (i) with respect to any such Receivables in existence on the date hereof, on or prior to the date hereof and (ii) with respect to any such Receivables hereafter arising, within ten (10) days of such Grantor acquiring rights therein. Any Receivable not otherwise required to be delivered or subjected to the control of the Collateral Agent in accordance with this subsection (c) shall be delivered or subjected to such control upon request of the Collateral Agent.

4.4 Investment Related Property.

4.4.1 Investment Related Property Generally

(a) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) in the event it acquires rights in any Investment Related Property, other than Investment Related Property of a Person that is not a Subsidiary or Affiliate constituting Collateral credited to a Securities Account (provided, however, that in the case of Investment Related Property that is Pledged Debt, only in the event it acquires rights in such Pledged Debt in excess of $100,000 individually, or $500,000 in the aggregate) after the date hereof, it shall deliver to the Collateral Agent a completed Pledge Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto, reflecting such new Investment Related Property and all other Investment Related Property. Notwithstanding the foregoing, it is understood and agreed that the security interest of the Collateral Agent shall attach to all Investment Related Property immediately upon any Grantor's acquisition of rights therein and shall not be affected by the failure of any Grantor to deliver a supplement to Schedule 4, 5, or 6 annexed to the Collateral Questionnaire, as applicable, as required hereby;

(ii) except as provided in the next sentence, in the event such Grantor receives any dividends, interest or distributions on any Investment Related Property, or any securities or other property upon the merger, consolidation, liquidation or dissolution of any issuer of any Investment Related Property, then (a) such dividends, interest or distributions and securities or other property shall be included in the definition of Collateral without further action and (b) such Grantor shall immediately take all steps, if any, necessary or advisable to ensure the validity, perfection, priority and, if applicable, control of the Collateral Agent over such Investment Related Property (including, without limitation, delivery thereof to the Collateral Agent) and pending any such action such Grantor shall be deemed to hold such dividends, interest, distributions, securities or other property in trust for the benefit of the Collateral Agent and shall segregate such dividends, distributions, Securities or other property from all other property of such Grantor. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and be continuing, the Collateral Agent authorizes each Grantor to retain all ordinary cash dividends and distributions paid in the normal course of the business of the issuer and consistent with the past practice of the issuer and all scheduled payments of interest;

(iii) each Grantor consents to the grant by each other Grantor of a Security Interest in all Investment Related Property to the Collateral Agent.

(b) Delivery and Control.

(i) Each Grantor agrees that with respect to any Investment Related Property in which it currently has rights (provided, however, that (A) in the case of Investment Related Property that is Pledged Debt, only in the event it acquires rights in such Pledged Debt in excess of $100,000 individually, or $500,000 in the aggregate and (B) in the case of Investment Related Property that is Pledged Equity in J. Crew Japan, Inc., only in the event that J. Crew Japan, Inc.

ceases to meet the definition of an "Inactive Subsidiary" under the Credit Agreement) it shall comply with the provisions of this Section 4.4.1(b) on or before the Closing Date and with respect to any Investment Related Property hereafter acquired by such Grantor it shall comply with the provisions of this Section 4.4.1(b) immediately upon acquiring rights therein, in each case in form and substance satisfactory to the Collateral Agent. Subject to the foregoing sentence, with respect to any Investment Related Property that is represented by a certificate or that is an "instrument" (other than any Investment Related Property constituting Collateral credited to a Securities Account or any "instrument" evidencing a face amount of less than $100,000 or an aggregate of all such "instruments" evidencing a face amount of less than $500,000) it shall cause such certificate or instrument to be delivered to the Collateral Agent, indorsed in blank by an "effective indorsement" (as defined in Section 8-107 of the UCC), regardless of whether such certificate constitutes a "certificated security" for purposes of the UCC. Subject to the first sentence of this Section 4.4.1(b)(i), with respect to any Investment Related Property that is an "uncertificated security" for purposes of the UCC (other than any "uncertificated securities" credited to a Securities Account), it shall cause the issuer of such uncertificated security to either (i) register the Collateral Agent as the registered owner thereof on the books and records of the issuer or (ii) execute an agreement substantially in the form of Exhibit B hereto, pursuant to which such issuer agrees to comply with the Collateral Agent's instructions with respect to such uncertificated security without further consent by such Grantor.

(c) Voting and Distributions.

(i) So long as no Event of Default shall have occurred and be continuing:

(1) except as otherwise provided under the covenants and agreements relating to investment related property in this Agreement or elsewhere herein or in the Credit Agreement, each Grantor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Investment Related Property or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; provided, no Grantor shall exercise or refrain from exercising any such right if the Collateral Agent shall have notified such Grantor that, in the Collateral Agent's reasonable judgment, such action would materially adversely effect the value of the Investment Related Property or any part thereof; and provided further, such Grantor shall give the Collateral Agent at least five (5) Business Days prior written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right; it being understood, however, that neither the voting by such Grantor of any Pledged Stock for, or such Grantor's consent to, the election of directors (or similar governing body) at a regularly scheduled annual or other meeting of stockholders or with respect to incidental matters at any such meeting, nor such Grantor's consent to or approval of

any action otherwise permitted under this Agreement and the Credit Agreement, shall be deemed inconsistent with the terms of this Agreement or the Credit Agreement within the meaning of this Section 4.4(c)(i)(1), and no notice of any such voting or consent need be given to the Collateral Agent; and

(2) the Collateral Agent shall promptly execute and deliver (or cause to be executed and delivered) to each Grantor all proxies, and other instruments as such Grantor may from time to time reasonably request for the purpose of enabling such Grantor to exercise the voting and other consensual rights when and to the extent which it is entitled to exercise pursuant to clause (1) above;

(3) Upon the occurrence and during the continuation of an Event of Default:

(A) all rights of each Grantor to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant hereto shall cease and all such rights shall thereupon become vested in the Collateral Agent who shall thereupon have the sole right to exercise such voting and other consensual rights; and

(B) in order to permit the Collateral Agent to exercise the voting and other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder: (1) each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the Collateral Agent all proxies, dividend payment orders and other instruments as the Collateral Agent may from time to time reasonably request and (2) each Grantor acknowledges that the Collateral Agent may utilize the power of attorney set forth in Section 6.1.

4.4.2 Pledged Equity Interests

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and on the Incremental Term Loan Closing Date, that:

(i) Schedule 3 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth all of the Pledged Stock, Pledged LLC Interests, Pledged Partnership Interests and Pledged Trust Interests owned by any Grantor and such Pledged Equity Interests constitute the percentage of issued and outstanding shares of stock, percentage of membership interests, percentage of partnership interests or percentage of beneficial interest of the respective issuers thereof indicated on such Schedule;

(ii) except as set forth on Schedule 6 annexed to the Collateral Questionnaire, it has not acquired any equity interests of another entity or substantially all the assets of another entity within the past five (5) years;

(iii) it is the record and beneficial owner of the Pledged Equity Interests free of all Liens, rights or claims of other Persons other than Permitted Liens and there are no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any Pledged Equity Interests;

(iv) without limiting the generality of Section 4.1(a)(v), no consent of any Person including any other general or limited partner, any other member of a limited liability company, any other shareholder or any other trust beneficiary is necessary or desirable in connection with the creation, perfection or first priority status of the security interest of the Collateral Agent in any Pledged Equity Interests or the exercise by the Collateral Agent of the voting or other rights provided for in this Agreement or the exercise of remedies in respect thereof;

(v) none of the Pledged LLC Interests nor Pledged Partnership Interests held or owned by any Grantor in any Affiliates or Subsidiaries thereof are or represent interests in issuers that: (a) are registered as investment companies or (b) are dealt in or traded on securities exchanges or markets; and

(vi) except as otherwise set forth on Schedule 7 annexed to the Collateral Questionnaire, all of the Pledged LLC Interests and Pledged Partnership Interests are or represent interests in issuers that have opted to be treated as securities under the uniform commercial code of any jurisdiction.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) without the prior written consent of the Collateral Agent, it shall not vote to enable or take any other action to: (a) amend or terminate any partnership agreement, limited liability company agreement, certificate of incorporation, by-laws or other organizational documents in any way that materially changes the rights of such Grantor with respect to any Investment Related Property or adversely affects the validity, perfection or priority of the Collateral Agent's security interest, (b) permit any issuer of any Pledged Equity Interest that is an Affiliate or Subsidiary of a Grantor to issue any additional stock, partnership interests, limited liability company interests or other equity interests of any nature or to issue securities convertible into or granting the right of purchase or exchange for any stock or other equity interest of any nature of such issuer, (c) other than as permitted under the Credit Agreement, permit any issuer of any Pledged Equity Interest that is an Affiliate or Subsidiary of a Grantor

to dispose of all or a material portion of their assets, (d) waive any default under or breach of any terms of organizational document relating to the issuer of any Pledged Equity Interest that is an Affiliate or Subsidiary of a Grantor or the terms of any Pledged Debt, or (e) cause any issuer of any Pledged Partnership Interests or Pledged LLC Interests that is an Affiliate or Subsidiary of a Grantor which interests are not securities (for purposes of the UCC) on the date hereof to elect or otherwise take any action to cause such Pledged Partnership Interests or Pledged LLC Interests to be treated as securities for purposes of the UCC; provided, however, notwithstanding the foregoing, if any issuer of any Pledged Partnership Interests or Pledged LLC Interests takes any such action in violation of the foregoing in this clause (e), such Grantor shall promptly notify the Collateral Agent in writing of any such election or action and, in such event, shall take all steps necessary or advisable to establish the Collateral Agent's "control" thereof;

(ii) it shall comply with all of its material obligations under any partnership agreement or limited liability company agreement relating to Pledged Partnership Interests or Pledged LLC Interests and shall enforce all of its rights with respect to any Investment Related Property if the non-exercise of such rights would adversely affect or could reasonably be expected to adversely affect such Investment Related Property;

(iii) without the prior written consent of the Collateral Agent, it shall not permit any issuer of any Pledged Equity Interest that is an Affiliate or Subsidiary of a Grantor to merge or consolidate unless (i) such issuer creates a security interest that is perfected by a filed financing statement (that is not effective solely under section 9-508 of the UCC) in collateral in which such new debtor has or acquires rights, and (ii) all the outstanding capital stock or other equity interests of the surviving or resulting corporation, limited liability company, partnership or other entity is, upon such merger or consolidation, pledged hereunder and no cash, securities or other property is distributed in respect of the outstanding equity interests of any other constituent Grantor; provided that if the surviving or resulting Grantors upon any such merger or consolidation involving an issuer which is a Controlled Foreign Corporation, then such Grantor shall only be required to pledge equity interests in accordance with Section 2.2; and

(iv) each Grantor consents to the grant by each other Grantor of a security interest in all Investment Related Property to the Collateral Agent and, without limiting the foregoing, consents to the transfer of any Pledged Partnership Interest and any Pledged LLC Interest to the Collateral Agent or its nominee following an Event of Default and to the substitution of the Collateral Agent or its nominee as a partner in any partnership or as a member in any limited liability company with all the rights and powers related thereto.

4.4.3 Pledged Debt

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and the Incremental Term Loan Closing Date, that:

(i) Schedule 4 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth under the heading "Pledged Debt" all of the Pledged Debt in excess of $100,000 individually or $500,000 in the aggregate owned by any Grantor and all of such Pledged Debt has been duly authorized, authenticated or issued, and delivered and is the legal, valid and binding obligation of the issuers thereof and is not in default and constitutes all of the issued and outstanding inter-company Indebtedness;

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) it shall notify the Collateral Agent of any default under any Pledged Debt that has caused, either in any individual case or in the aggregate, a Material Adverse Effect.

4.4.4 Investment Accounts

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and on the Incremental Term Loan Closing Date, that:

(i) Schedule 5 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth under the headings "Securities Accounts" and "Commodities Accounts," respectively, all of the Securities Accounts and Commodities Accounts in which each Grantor has an interest. Each Grantor is the sole entitlement holder of each such Securities Account and Commodity Account, and such Grantor has not consented to, and is not otherwise aware of, any Person (other than the Collateral Agent pursuant hereto and the Revolving Collateral Agent subject to the Intercreditor Agreement) having "control" (within the meanings of Sections 8-106 and 9-106 of the UCC) over, or any other interest in, any such Securities Account or Commodity Account or securities or other property credited thereto;

(ii) Schedule 5 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth under the headings "Deposit Accounts" all of the Deposit Accounts in which each Grantor has an interest. Each Grantor is the sole account holder of each such Deposit Account and such Grantor has not consented to, and is not otherwise aware of, any Person (other than the Collateral Agent pursuant hereto and the Revolving Collateral Agent subject to the Intercreditor Agreement) having "control" (within the meanings of Section 9-104 of the UCC) over, or any other interest in, any such Deposit Account or any money or other property deposited therein; and

(iii) Each Grantor has taken all actions necessary or reasonably desirable, including those specified in Section 4.4.4(c), to: (a) establish

Collateral Agent's "control" (within the meanings of Sections 8-106 and 9-106 of the UCC) over any portion of the Investment Related Property constituting Certificated Securities, Uncertificated Securities, Securities Accounts, Securities Entitlements or Commodities Accounts (each as defined in the UCC); (b) establish the Collateral Agent's "control" (within the meaning of Section 9-104 of the UCC) over all Controlled Deposit Accounts; and (c) deliver all Instruments to the Collateral Agent with a principal amount in excess of $100,000 individually, or $500,000 in the aggregate.

(b) Covenant and Agreement. Each Grantor hereby covenants and agrees with the Collateral Agent and each other Secured Party that it shall not close or terminate any Securities Account, Commodities Account, Controlled Deposit Account without the prior consent of the Collateral Agent and unless a successor or replacement account has been established with the consent of the Collateral Agent with respect to which successor or replacement account a control agreement has been entered into by the appropriate Grantor, Collateral Agent and securities intermediary or depository institution at which such successor or replacement account is to be maintained in accordance with the provisions of Section 4.4.4(c).

(c) Delivery and Control.

(i) With respect to any Investment Related Property consisting of Securities Accounts or Securities Entitlements, it shall cause the securities intermediary maintaining such Securities Account or Securities Entitlement to enter into an agreement substantially in the form of Exhibit C hereto pursuant to which it shall agree, subject to the Intercreditor Agreement, to comply with the Collateral Agent's "entitlement orders" without further consent by such Grantor. With respect to any Deposit Account which is not a Store Account, it shall cause the depositary institution maintaining such account to enter into an agreement substantially in the form of Exhibit D hereto, pursuant to which, subject to the Intercreditor Agreement, the Collateral Agent shall have "control" (within the meaning of Section 9-104 of the UCC) over such Deposit Account. Each Grantor shall have entered into such control agreement or agreements with respect to: (i) any Securities Accounts, Securities Entitlements or Controlled Deposit Accounts that exist on the Closing Date, as of or prior to the Closing Date and (ii) any Securities Accounts, Securities Entitlements or Deposit Accounts not constituting Store Accounts that are created or acquired after the Closing Date, as of or prior to the deposit or transfer of any such Securities Entitlements or funds, whether constituting moneys or investments, into such Securities Accounts or Controlled Deposit Accounts.

(ii) In addition to the foregoing, if any issuer of any Investment Related Property is located in a jurisdiction outside of the United States, each Grantor shall take such additional actions at the request of Collateral Agent, including, without limitation, using commercially reasonable efforts to cause the issuer to register the pledge on its books and records or making such filings or recordings, in each case as may be necessary or advisable, under the

laws of such issuer's jurisdiction to insure the validity, perfection and priority of the security interest of the Collateral Agent. Upon the occurrence of an Event of Default, the Collateral Agent shall have the right, without notice to any Grantor, to transfer all or any portion of the Investment Related Property to its name or the name of its nominee or agent. In addition, the Collateral Agent shall have the right at any time, without notice to any Grantor, to exchange any certificates or instruments representing any Investment Related Property for certificates or instruments of smaller or larger denominations.

(d) Collection of Store Accounts. Each Grantor shall deposit all proceeds from sales of Inventory in every form, including, without limitation, cash, checks, credit card sales, all amounts payable to each Grantor from Credit Card Issuers and Credit Card Processors, other forms of daily store receipts and all other proceeds of Collateral of such Grantor on each Business Day into the Store Account of such Grantor which shall be used solely for such purpose. All such funds deposited into the Store Accounts, except nominal amounts which are required to be maintained in a Store Account, which nominal amount shall not exceed $5,000 as to any individual Store Account at any time, shall be sent by wire transfer or other electronic funds transfer to the Controlled Deposit Accounts no less frequently than weekly or more frequently upon Collateral Agent's request, subject to the Intercreditor Agreement, any time that an Event of Default exists or has occurred or is continuing.

4.5 Material Contracts.

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and the Incremental Term Loan Closing Date, that:

(i) [reserved];

(ii) the Material Contracts, true and complete copies (including any amendments or supplements thereof) of which have been furnished to the Collateral Agent are in full force and effect and are binding upon and enforceable against all parties thereto in accordance with their respective terms. To each Grantor's best knowledge, there exists no default under any Material Contract by any party thereto and neither such Grantor, nor to its best knowledge, any other Person party thereto is likely to become in default thereunder and no Person party thereto has any defenses, counterclaims or right of set-off with respect to any Material Contract; and

(iii) [reserved]

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) in addition to any rights under the Section of this Agreement relating to Receivables, the Collateral Agent may at any time notify, or require any Grantor to so notify, the counterparty on any Material Contract of the security interest of the Collateral Agent therein. In addition, after the

occurrence and during the continuance of an Event of Default, the Collateral Agent may upon written notice to the applicable Grantor, notify, or require any Grantor to notify, the counterparty to make all payments under the Material Contracts directly to the Collateral Agent;

(ii) [reserved];

(iii) [reserved];

(iv) it shall perform in all material respects all of its obligations with respect to the Material Contracts;

(v) it shall promptly and diligently exercise each material right (except the right of termination) it may have under any Material Contract, any Supporting Obligation or Collateral Support, in each case, at its own expense, and in connection with such collections and exercise, such Grantor shall take such action as such Grantor or the Collateral Agent may deem necessary or advisable;

(vi) it shall use its reasonable best efforts to keep in full force and effect any Supporting Obligation or Collateral Support relating to any Material Contract; and

(vii) [reserved].

4.6 Letter of Credit Rights.

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and the Incremental Term Loan Closing Date, that:

(i) all letters of credit with a principal face amount of each such letter of credit in excess of $1,000,000 to which such Grantor has rights is listed on Schedule 9 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) hereto; and

(ii) it has obtained the consent of each issuer of any letter of credit with a principal face amount of each such letter of credit in excess of $1,000,000 to the assignment of the proceeds of the letter of credit to the Collateral Agent.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that with respect to any letter of credit with a principal face amount of each such letter of credit in excess of $1,000,000 and which is not a Supporting Obligation hereafter arising it shall obtain the consent of the issuer thereof to the assignment of the proceeds of the letter of credit to the Collateral Agent and shall deliver to the Collateral Agent a completed Pledge Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto.

4.7 Intellectual Property.

(a) Representations and Warranties. Except as disclosed in Schedule 10 (H) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), each Grantor hereby represents and warrants, on the Closing Date, that:

(i) Schedule 10 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth a true and complete list of (i) all United States, state and foreign registrations of and applications for Patents, Trademarks, and Copyrights owned by each Grantor and (ii) all Patent Licenses, Trademark Licenses, Trade Secret Licenses and Copyright Licenses material to the business of such Grantor;

(ii) it is the sole and exclusive owner of the entire right, title, and interest in and to all Intellectual Property listed on Schedule 10 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), and owns or has the valid right to use all other Intellectual Property material to the business of the Grantors taken as a whole or used in or necessary to conduct its business, free and clear of all Liens, claims, encumbrances and licenses, except for Permitted Liens and the licenses set forth on Schedule 10 (B), (D), (F) and (G) each annexed to the Collateral Questionnaire (as each may be amended or supplemented from time to time);

(iii) all Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and each Grantor has performed all acts and has paid all renewal, maintenance, and other fees and taxes required to maintain each and every registration and application of Copyrights, Patents and Trademarks in full force and effect other that would not reasonably be expected to have a Material Adverse Effect;

(iv) all Intellectual Property material to the business of the Grantors taken as a whole is valid and enforceable; no holding, decision, or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity of, such Grantor's right to register, or such Grantor's rights to own or use, such Intellectual Property and no such action or proceeding is pending or, to the best of such Grantor's knowledge, threatened;

(v) all registrations and applications for Copyrights, Patents and Trademarks are standing in the name of each Grantor, and none of the Trademarks, Patents, Copyrights or Trade Secrets has been licensed by any Grantor to any Affiliate or third party, except, in accordance with such Grantor's customary business practices or, in the case of exclusive licenses to other parties, as disclosed in Schedule 10 (B), (D), (F) and (G) each annexed to the Collateral Questionnaire (as each may be amended or supplemented from time to time);

(vi) each Grantor has been making commercially reasonable efforts to use appropriate statutory notice of registration in connection with its use

of registered Trademarks, proper marking practices in connection with the use of Patents, and appropriate notice of copyright in connection with the publication of Copyrights material to the business of such Grantor;

(vii) [reserved];

(viii) the conduct of such Grantor's business does not infringe upon or otherwise violate any trademark, patent, copyright, trade secret or other intellectual property right owned or controlled by a third party other than would not reasonably be expected to have a Material Adverse Effect; no claim has been made that the use of any Intellectual Property owned or used by Grantor (or any of its respective licensees) violates the asserted rights of any third party;

(ix) to the best of each Grantor's knowledge, no third party is infringing upon or otherwise violating any rights in any Intellectual Property owned or used by such Grantor, or any of its respective licensees;

(x) no settlement or consents, covenants not to sue, nonassertion assurances, or releases have been entered into by Grantor or to which Grantor is bound that adversely affect Grantor's rights to own or use any material Intellectual Property; and

(xi) each Grantor has not made a previous assignment, sale, transfer or agreement constituting a present or future assignment, sale, transfer or agreement of any Intellectual Property that has not been terminated or released. There is no effective financing statement or other document or instrument now executed, or on file or recorded in any public office, granting a security interest in or otherwise encumbering any part of the Intellectual Property, other than in favor of the Collateral Agent.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees as follows:

(i) it shall not do any act or omit to do any act whereby any of the Intellectual Property which is material to the business of Grantor may lapse, or become abandoned, dedicated to the public, or unenforceable, or which would adversely affect the validity, grant, or enforceability of the security interest granted therein;

(ii) except according to such Grantor's customary business practices it shall not, with respect to any Trademarks which are material to the business of any Grantor, cease the use of any of such Trademarks or fail to maintain the level of the quality of products sold and services rendered under any of such Trademark at a level at least substantially consistent with the quality of such products and services as of the date hereof, and each Grantor shall take all steps reasonably necessary to insure that licensees of such Trademarks use such consistent standards of quality;

(iii) [reserved]

(iv) it shall notify the Collateral Agent as promptly as practicable if it knows or has reason to know that any item of the Intellectual Property that is material to the business of the Grantors taken as a whole may become (a) abandoned or dedicated to the public or placed in the public domain, (b) invalid or unenforceable, or (c) subject to any adverse determination or development (including the institution of proceedings) in any action or proceeding in the United States Patent and Trademark Office, the United States Copyright Office, any state registry, any foreign counterpart of the foregoing, or any court;

(v) it shall take all reasonable steps consistent with its ordinary business practices in the United States Patent and Trademark Office, the United States Copyright Office, any state registry or any foreign counterpart of the foregoing, to pursue any application and maintain any registration of each Trademark, Patent, and Copyright owned by any Grantor and material to the business of the Grantors taken as a whole which is now or shall become included in the Intellectual Property including, but not limited to, those items on Schedule 10(A), (C) and (E) each annexed to the Collateral Questionnaire (as each may be amended or supplemented from time to time);

(vi) in the event that any Intellectual Property owned by or exclusively licensed to any Grantor that is material to the business is infringed, misappropriated, or diluted by a third party, such Grantor shall promptly take all reasonable actions consistent with its ordinary business practices to stop such infringement, misappropriation, or dilution and protect its rights in such Intellectual Property including, but not limited to, the initiation of a suit for injunctive relief and to recover damages;

(vii) it shall promptly (but in no event more than thirty (30) days after any Grantor obtains knowledge thereof) report to the Collateral Agent (i) the registration of any material Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office, or any state registry or foreign counterpart of the foregoing (whether such application is filed by such Grantor or through any agent, employee, licensee, or designee thereof) and (ii) the registration of any Intellectual Property by any such office, in each case by executing and delivering to the Collateral Agent a completed Pledge Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto;

(viii) it shall, promptly upon the reasonable request of the Collateral Agent, execute and deliver to the Collateral Agent any document required to acknowledge, confirm, register, record, or perfect the Collateral Agent's interest in any part of the Intellectual Property, whether now owned or hereafter acquired, including, without limitation, as applicable a Trademark Security Agreement, a Copyright Security Agreement and a Patent Security Agreement, together with all Schedules thereto;

(ix) except with the prior consent of the Collateral Agent or as permitted under the Credit Agreement, each Grantor shall not execute, and there will not be on file in any public office, any financing statement or other document or instruments, except financing statements or other documents or instruments filed or to be filed in favor of the Collateral Agent and each Grantor shall not sell, assign, transfer, license, grant any option, or create or suffer to exist any Lien upon or with respect to the Intellectual Property, except for the Lien created by and under this Agreement and the other Credit Documents, under the Revolving Agreement or as expressly permitted by the Credit Documents;

(x) it shall hereafter use best efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or might in any way materially impair or prevent the creation of a security interest in, or the assignment of, such Grantor's rights and interests in any property included within the definitions of any Intellectual Property acquired under such contracts;

(xi) it shall take all steps reasonably necessary to protect the secrecy of all Trade Secrets, including, without limitation, entering into confidentiality agreements with employees and labeling and restricting access to secret information and documents;

(xii) it shall make best efforts to use proper statutory notice in connection with its use of any of the Intellectual Property; and

(xiii) it shall continue to collect, at its own expense, all amounts due or to become due to such Grantor in respect of the Intellectual Property or any portion thereof. In connection with such collections, each Grantor may take (and, at the Collateral Agent's reasonable direction, shall take) such action as such Grantor or the Collateral Agent may deem reasonably necessary or advisable to enforce collection of such amounts. Notwithstanding the foregoing, the Collateral Agent shall have the right at any time, to notify, or require any Grantor to notify, any obligors with respect to any such amounts of the existence of the security interest created hereby.

4.8 Commercial Tort Claims

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and on the Incremental Term Loan Closing Date, that Schedule 11 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth all Commercial Tort Claims for which a complaint has been filed in a court of competent jurisdiction of each Grantor in excess of $250,000 individually; and

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that with respect to any such Commercial Tort Claim in excess of $250,000 individually hereafter arising it shall deliver to the Collateral Agent a completed Pledge

Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto, identifying such new Commercial Tort Claims.

4.9 Customs Broker/Freight Forwarder Agreements.

(a) Representations and Warranties. Each Grantor hereby represents and warrants, on the Closing Date and on the Incremental Term Loan Closing Date, that Schedule 12 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) sets forth all agreements with customs brokers and freight forwarder of each Grantor.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees (i) it shall use its best efforts to deliver or cause to be delivered to Collateral Agent, in form and substance satisfactory to Collateral Agent, an acknowledgement of the security interest of the Collateral Agent from each customs broker and freight forwarder set forth on Schedule 12 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) and (ii) it shall deliver to the Collateral Agent a completed Pledge Supplement, substantially in the form of Exhibit A attached hereto, together with all Supplements to Schedules thereto, identifying such new agreements with customs brokers and freight forwarder of any Grantor.

SECTION 5. ACCESS; RIGHT OF INSPECTION AND FURTHER ASSURANCES; ADDITIONAL GRANTORS.

5.1 Access; Right of Inspection. The Collateral Agent shall at all times, upon reasonable notice and at reasonable times during normal business hours, have full and free access during normal business hours to all the books, correspondence and records of each Grantor, and the Collateral Agent and its representatives may examine the same, take extracts therefrom and make photocopies thereof, and each Grantor agrees to render to the Collateral Agent, at such Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. Upon reasonable notice and at reasonable times during normal business hours, the Collateral Agent and its representatives shall at all times also have the right to enter any premises of each Grantor and inspect any property of each Grantor where any of the Collateral of such Grantor granted pursuant to this Agreement is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

5.2 Further Assurances.

(a) Each Grantor agrees that from time to time, at the expense of such Grantor, that it shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Collateral Agent may reasonably request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor shall:

(i) file such financing or continuation statements, or amendments thereto, and execute and deliver such other agreements, instruments, endorsements, powers of attorney or notices, as may be necessary or desirable, or as the Collateral Agent may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby;

(ii) at the sole discretion of Collateral Agent, take all actions necessary to ensure the recordation of appropriate evidence of the liens and security interest granted hereunder in the Intellectual Property with any United States or state thereto intellectual property registry in which said Intellectual Property is registered or in which an application for registration is pending including, without limitation, the United States Patent and Trademark Office, the United States Copyright Office, the various Secretaries of State, and, if reasonably requested by Collateral Agent, the foreign counterparts on any of the foregoing;

(iii) at any reasonable time, upon request by the Collateral Agent, assemble the Collateral and allow inspection of the Collateral by the Collateral Agent, or persons designated by the Collateral Agent; and

(iv) at the Collateral Agent's request, appear in and defend any action or proceeding that may affect such Grantor's title to or the Collateral Agent's security interest in all or any part of the Collateral.

(b) Each Grantor hereby authorizes the Collateral Agent to file a Record or Records, including, without limitation, financing or continuation statements, and amendments thereto, in any jurisdictions and with any filing offices as the Collateral Agent may determine, in its sole discretion, are necessary or advisable to perfect the security interest granted to the Collateral Agent herein. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Collateral Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted to the Collateral Agent herein, including, without limitation, describing such property as "all assets" or "all personal property, whether now owned or hereafter acquired." Each Grantor shall furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent may reasonably request, all in reasonable detail.

(c) Each Grantor hereby authorizes the Collateral Agent to modify this Agreement after obtaining such Grantor's approval of or signature to such modification by amending Schedule 10 annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time) to include reference to any right, title or interest in any existing Intellectual Property or any Intellectual Property acquired or developed by any Grantor after the execution hereof or to delete any reference to any right, title or interest in any Intellectual Property in which any Grantor no longer has or claims any right, title or interest.

5.3 Additional Grantors. From time to time subsequent to the date hereof, additional Persons may become parties hereto as additional Grantors (each, an "Additional Grantor"), by executing a Counterpart Agreement. Upon delivery of any such counterpart agreement to the Collateral Agent, notice of which is hereby waived by Grantors, each Additional Grantor shall be a Grantor and shall be as fully a party hereto as if Additional Grantor were an original signatory hereto. Each Grantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Grantor hereunder, nor by any election of Collateral Agent not to cause any Subsidiary of Company to become an Additional Grantor hereunder. This Agreement shall be fully effective as to any Grantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Grantor hereunder.

SECTION 6. COLLATERAL AGENT APPOINTED ATTORNEY-IN-FACT.

6.1 Power of Attorney. Each Grantor hereby irrevocably appoints the Collateral Agent (such appointment being coupled with an interest) as such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, the Collateral Agent or otherwise, from time to time in the Collateral Agent's discretion to take any action and to execute any instrument that the Collateral Agent may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, the following:

(a) upon the occurrence and during the continuance of any Event of Default, to obtain and adjust insurance required to be maintained by such Grantor or paid to the Collateral Agent pursuant to the Credit Agreement and subject to the Intercreditor Agreement;

(b) upon the occurrence and during the continuance of any Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) upon the occurrence and during the continuance of any Event of Default, to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (b) above;

(d) upon the occurrence and during the continuance of any Event of Default, to file any claims or take any action or institute any proceedings that the Collateral Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Collateral Agent with respect to any of the Collateral;

(e) to prepare and file any UCC financing statements against such Grantor as debtor;

(f) to prepare, sign, and file for recordation in any intellectual property registry, appropriate evidence of the lien and security interest granted herein in the Intellectual Property in the name of such Grantor as debtor;

(g) to take or cause to be taken all actions necessary to perform or comply or cause performance or compliance with the terms of this Agreement, including, without limitation, access to pay or discharge taxes or Liens (other than Permitted Liens) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by the Collateral Agent in its sole discretion, any such payments made by the Collateral Agent to become obligations of such Grantor to the Collateral Agent, due and payable immediately without demand; and

(h) subject to the terms hereof, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and to do, at the Collateral Agent's option and such Grantor's expense, at any time or from time to time, all acts and things that the Collateral Agent deems reasonably necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

6.2 No Duty on the Part of Collateral Agent or Secured Parties. The powers conferred on the Collateral Agent hereunder are solely to protect the interests of the Secured Parties in the Collateral and shall not impose any duty upon the Collateral Agent or any Secured Party to exercise any such powers. The Collateral Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

SECTION 7. REMEDIES.

7.1 Generally.

(a) Subject to the Intercreditor Agreement, if any Event of Default shall have occurred and be continuing, the Collateral Agent may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it at law or in equity, all the rights and remedies of the Collateral Agent on default under the UCC (whether or not the UCC applies to the affected Collateral) to collect, enforce or satisfy any Secured Obligations then owing, whether by acceleration or otherwise, and also may pursue any of the following separately, successively or simultaneously:

(i) require any Grantor to, and each Grantor hereby agrees that it shall at its expense and promptly upon request of the Collateral Agent forthwith, assemble all or part of the Collateral as directed by the Collateral Agent

and make it available to the Collateral Agent at a place to be designated by the Collateral Agent that is reasonably convenient to both parties;

(ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process;

(iii) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent the Collateral Agent deems appropriate; and

(iv) without notice except as specified below or under the UCC, sell, assign, lease, license (on an exclusive or nonexclusive basis) or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as the Collateral Agent may deem commercially reasonable.

(b) The Collateral Agent or any Secured Party may be the purchaser of any or all of the Collateral at any public or private (to the extent to the portion of the Collateral being privately sold is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations) sale in accordance with the UCC and the Collateral Agent, as collateral agent for and representative of the Secured Parties, shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale made in accordance with the UCC, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by the Collateral Agent at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor agrees that it would not be commercially unreasonable for the Collateral Agent to dispose of the Collateral or any portion thereof by using Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets. Each Grantor hereby waives any claims against the Collateral Agent arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and

does not offer such Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Collateral are insufficient to pay all the Secured Obligations, Grantors shall be liable for the deficiency and the fees of any attorneys employed by the Collateral Agent to collect such deficiency. Each Grantor further agrees that a breach of any of the covenants contained in this Section will cause irreparable injury to the Collateral Agent, that the Collateral Agent has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Secured Obligations becoming due and payable prior to their stated maturities. Nothing in this Section shall in any way alter the rights of the Collateral Agent hereunder.

(c) The Collateral Agent may sell the Collateral without giving any warranties as to the Collateral. The Collateral Agent may specifically disclaim or modify any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(d) The Collateral Agent shall have no obligation to marshal any of the Collateral.

7.2 Application of Proceeds. Except as expressly provided elsewhere in this Agreement and subject to the Intercreditor Agreement, all proceeds received by the Collateral Agent in respect of any sale, any collection from, or other realization upon all or any part of the Collateral shall be applied in full or in part by the Collateral Agent against, the Secured Obligations in the following order of priority: first, to the payment of all costs and expenses of such sale, collection or other realization, including reasonable compensation to the Collateral Agent and its agents and counsel, and all other expenses, liabilities and advances made or incurred by the Collateral Agent in connection therewith, and all amounts for which the Collateral Agent is entitled to indemnification hereunder (in its capacity as the Collateral Agent and not as a Lender) and all advances made by the Collateral Agent hereunder for the account of the applicable Grantor, and to the payment of all costs and expenses paid or incurred by the Collateral Agent in connection with the exercise of any right or remedy hereunder or under the Credit Agreement, all in accordance with the terms hereof or thereof; second, to the extent of any excess of such proceeds, to the payment of all other Secured Obligations for the ratable benefit of the Lenders and the Lender Counterparties and third, to the extent of any excess of such proceeds and subject to the Intercreditor Agreement, to the payment to or upon the order of such Grantor or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

7.3 Sales on Credit. If Collateral Agent sells any of the Collateral upon credit, Grantor will be credited only with payments actually made by purchaser and received by Collateral Agent and applied to indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Collateral Agent may resell the Collateral and Grantor shall be credited with proceeds of the sale.

7.4 Controlled Deposit Accounts and Securities Accounts.

(a) Subject to the Intercreditor Agreement, if any Event of Default shall have occurred and be continuing (and for the avoidance of doubt, not prior thereto), the Collateral Agent may apply the balance from any Controlled Deposit Account or instruct the bank at which any Controlled Deposit Account is maintained to pay the balance of any such Controlled Deposit Account to or for the benefit of the Collateral Agent.

(b) Subject to the Intercreditor Agreement, if any Event of Default shall have occurred and be continuing (and for the avoidance of doubt, not prior thereto), the Collateral Agent may apply the balance from any Securities Account consisting of Cash or Cash Equivalents or instruct the bank at which any Securities Account consisting of Cash or Cash Equivalents is maintained to pay the balance of any such Cash or Cash Equivalents to or for the benefit of the Collateral Agent.

7.5 Investment Related Property.

Each Grantor recognizes that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Investment Related Property conducted without prior registration or qualification of such Investment Related Property under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Investment Related Property for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges that any such private sale may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, each Grantor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Investment Related Property for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it. If the Collateral Agent determines to exercise its right to sell any or all of the Investment Related Property, upon written request, each Grantor shall and shall cause each issuer of any Pledged Stock to be sold hereunder, each partnership and each limited liability company from time to time to furnish to the Collateral Agent all such information as the Collateral Agent may request in order to determine the number and nature of interest, shares or other instruments included in the Investment Related Property which may be sold by the Collateral Agent in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

7.6 Intellectual Property.

(a) Anything contained herein to the contrary notwithstanding, upon the occurrence and during the continuation of an Event of Default:

(i) the Collateral Agent shall have the right (but not the obligation) to bring suit or otherwise commence any action or proceeding in the name of any Grantor, the Collateral Agent or otherwise, in the Collateral Agent's sole discretion, to enforce any Intellectual Property, in which event such Grantor shall, at the request of the Collateral Agent, do any and all lawful acts and execute any and all documents required by the Collateral Agent in aid of such enforcement and such Grantor shall promptly, upon demand, reimburse and indemnify the Collateral Agent as provided in Section 10 hereof in connection with the exercise of its rights under this Section, and, to the extent that the Collateral Agent shall elect not to bring suit to enforce any Intellectual Property as provided in this Section, each Grantor agrees to use all reasonable measures to the extent consistent with its ordinary business practice, whether by action, suit, proceeding or otherwise, to prevent the infringement or other violation of any of such Grantor's rights in the Intellectual Property by others and for that purpose agrees to diligently maintain to the extent consistent with its ordinary business practice any action, suit or proceeding against any Person so infringing as shall be necessary to prevent such infringement or violation;

(ii) upon written demand from the Collateral Agent, each Grantor shall grant, assign, convey or otherwise transfer to the Collateral Agent or such Collateral Agent's designee all of such Grantor's right, title and interest in and to the Intellectual Property and shall execute and deliver to the Collateral Agent such documents as are necessary or appropriate to carry out the intent and purposes of this Agreement, in each case subject to the terms of all applicable agreements;

(iii) each Grantor agrees that such an assignment and/or recording shall be applied to reduce the Secured Obligations outstanding only to the extent that the Collateral Agent (or any Secured Party) receives cash proceeds in respect of the sale of, or other realization upon, the Intellectual Property;

(iv) within five (5) Business Days after written notice from the Collateral Agent, each Grantor shall make available to the Collateral Agent, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of such Event of Default as the Collateral Agent may reasonably designate, by name, title or job responsibility, to permit such Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold or delivered by such Grantor under or in connection with the Trademarks, Trademark Licenses, such persons to be available to perform their prior functions on the Collateral Agent's behalf and to be compensated by the Collateral Agent at such Grantor's expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default; and

(v) the Collateral Agent shall have the right to notify, or require each Grantor to notify, any obligors with respect to amounts due or to become due to such Grantor in respect of the Intellectual Property, of the

existence of the security interest created herein, to direct such obligors to make payment of all such amounts directly to the Collateral Agent, and, upon such notification and at the expense of such Grantor, to enforce collection of any such amounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done;

(1) all amounts and proceeds (including checks and other instruments) received by Grantor in respect of amounts due to such Grantor in respect of the Collateral or any portion thereof shall be received in trust for the benefit of the Collateral Agent hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over or delivered to the Collateral Agent in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 7.7 hereof; and

(2) other than in the ordinary course of business consistent with past practices prior to the occurrence of the relevant Event of Default, Grantor shall not adjust, settle or compromise the amount or payment of any such amount or release wholly or partly any obligor with respect thereto or allow any credit or discount thereon.

(b) If (i) an Event of Default shall have occurred and, by reason of cure, waiver, modification, amendment or otherwise, no longer be continuing, (ii) no other Event of Default shall have occurred and be continuing, (iii) an assignment or other transfer to the Collateral Agent of any rights, title and interests in and to the Intellectual Property shall have been previously made and shall have become absolute and effective, and (iv) the Secured Obligations shall not have become immediately due and payable, upon the written request of any Grantor, the Collateral Agent shall promptly execute and deliver to such Grantor, at such Grantor's sole cost and expense, such assignments or other transfer as may be necessary to reassign to such Grantor any such rights, title and interests as may have been assigned to the Collateral Agent as aforesaid, subject to any disposition thereof that may have been made by the Collateral Agent; provided, after giving effect to such reassignment, the Collateral Agent's security interest granted pursuant hereto, as well as all other rights and remedies of the Collateral Agent granted hereunder, shall continue to be in full force and effect; and provided further, the rights, title and interests so reassigned shall be free and clear of any other Liens granted by or on behalf of the Collateral Agent and the Secured Parties.

(c) Solely for the purpose of enabling the Collateral Agent to exercise rights and remedies under this Section 7 and at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent, to the extent it has the right to do so, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor), subject, in the case of Trademarks, to sufficient rights to quality control and inspection in favor of such Grantor to avoid the risk of invalidation of said Trademarks, to use, operate under, license, or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located.

7.7 Cash Proceed. In addition to the rights of the Collateral Agent specified in Section 4.3 with respect to payments of Receivables, upon the occurrence and during the continuation of an Event of Default, all proceeds of any Collateral received by any Grantor consisting of cash, checks and other non-cash items (collectively, "**Cash Proceeds**") shall be held by such Grantor in trust for the Collateral Agent, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, unless otherwise provided pursuant to Section 4.4(a)(ii), be turned over to the Collateral Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Collateral Agent, if required) and held by the Collateral Agent in the Collateral Account. Any Cash Proceeds received by the Collateral Agent (whether from a Grantor or otherwise): (i) if no Event of Default shall have occurred and be continuing, shall be held by the Collateral Agent for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations (whether matured or unmatured) and (ii) if an Event of Default shall have occurred and be continuing, may, in the sole discretion of the Collateral Agent, (A) be held by the Collateral Agent for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations (whether matured or unmatured) and/or (B) then or at any time thereafter may be applied by the Collateral Agent against the Secured Obligations then due and owing.

SECTION 8. COLLATERAL AGENT.

The Collateral Agent has been appointed to act as Collateral Agent hereunder by Lenders and, by their acceptance of the benefits hereof, the other Secured Parties. The Collateral Agent shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including, without limitation, the release or substitution of Collateral), solely in accordance with this Agreement, the Credit Agreement and the Intercreditor Agreement In furtherance of the foregoing provisions of this Section, each Secured Party, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Collateral hereunder, it being understood and agreed by such Secured Party that all rights and remedies hereunder may be exercised solely by the Collateral Agent for the benefit of Secured Parties in accordance with the terms of this Section. Collateral Agent may resign at any time by giving thirty (30) days' prior written notice thereof to Lenders and the Grantors, and Collateral Agent may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to the Grantors and Collateral Agent signed by the Requisite Lenders. Upon any such notice of resignation or any such removal, Requisite Lenders shall have the right, upon five (5) Business Days' notice to the Administrative Agent, to appoint a successor Collateral Agent. Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent under this Agreement, and the retiring or removed Collateral Agent under this Agreement shall promptly (i) transfer to such successor Collateral Agent all sums, Securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Collateral Agent under this Agreement, and (ii) execute and deliver to such successor Collateral Agent or

otherwise authorize the filing of such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Collateral Agent of the security interests created hereunder, whereupon such retiring or removed Collateral Agent shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Collateral Agent's resignation or removal hereunder as the Collateral Agent, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was the Collateral Agent hereunder.

SECTION 9. CONTINUING SECURITY INTEREST; TRANSFER OF LOANS.

This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the payment in full of all Secured Obligations and the cancellation or termination of the Term Loan Commitments, be binding upon each Grantor, its successors and assigns, and inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and its successors, transferees and assigns. Without limiting the generality of the foregoing, but subject to the terms of the Credit Agreement, any Lender may assign or otherwise transfer any Loans held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lenders herein or otherwise. Upon the payment in full of all Secured Obligations and the cancellation or termination of the Term Loan Commitments, the security interest granted hereby shall automatically terminate hereunder and of record and all rights to the Collateral shall revert to Grantors. Upon any such termination the Collateral Agent shall, at Grantors' expense, execute and deliver to Grantors or otherwise authorize the filing of such documents as Grantors shall reasonably request, including financing statement amendments to evidence such termination. Upon any disposition of property permitted by the Credit Agreement, the Liens granted herein shall be deemed to be automatically released and such property shall automatically revert to the applicable Grantor with no further action on the part of any Person. The Collateral Agent shall, at Grantor's expense, execute and deliver or otherwise authorize the filing of such documents as Grantors shall reasonably request, in form and substance reasonably satisfactory to the Collateral Agent, including financing statement amendments to evidence such release.

SECTION 10. STANDARD OF CARE; COLLATERAL AGENT MAY PERFORM.

The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property. Neither the Collateral Agent nor any of its directors, officers, employees or

agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or otherwise. If any Grantor fails to perform any agreement contained herein, the Collateral Agent may itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by each Grantor under Section 10.2 of the Credit Agreement.

SECTION 11. MISCELLANEOUS.

Any notice required or permitted to be given under this Agreement shall be given in accordance with Section 10.1 of the Credit Agreement. No failure or delay on the part of the Collateral Agent in the exercise of any power, right or privilege hereunder or under any other Credit Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement and the other Credit Documents are cumulative to, and not exclusive of, any rights or remedies otherwise available. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists. This Agreement shall be binding upon and inure to the benefit of the Collateral Agent and Grantors and their respective successors and assigns. No Grantor shall, without the prior written consent of the Collateral Agent given in accordance with the Credit Agreement, assign any right, duty or obligation hereunder. This Agreement and the other Credit Documents embody the entire agreement and understanding between Grantors and the Collateral Agent and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Credit Documents may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICTS OF

LAW PROVISIONS (OTHER THAN SECTION 5-1401 AND SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAWS).

[Signature pages to follow]

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

J. CREW OPERATING CORP.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW GROUP, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

GRACE HOLMES, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

H.F.D. NO. 55, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/: Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

MADEWELL INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Collateral Agent

By: /s/: William W. Archer
Name: William W. Archer
Title: Managing Director

PLEDGE SUPPLEMENT

This **PLEDGE SUPPLEMENT**, dated [mm/dd/yy], is delivered by **[NAME OF GRANTOR]** a **[NAME OF STATE OF INCORPORATION]** **[**Corporation**]** (the **"Grantor"**) pursuant to the Pledge and Security Agreement, dated as of **[mm/dd/yy]** (as it may be from time to time amended, restated, modified or supplemented, the "Security Agreement"), among **J. CREW OPERATING CORP.**, the other Grantors named therein, and **GOLDMAN SACHS CREDIT PARTNERS L.P.**, as the Collateral Agent. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Security Agreement.

Grantor hereby confirms the grant to the Collateral Agent set forth in the Security Agreement of, and does hereby grant to the Collateral Agent, a security interest in all of Grantor's right, title and interest in and to all Collateral to secure the Secured Obligations, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located. Grantor represents and warrants that the attached supplements to Schedules to the Security Agreement and Schedules to the Collateral Questionnaire accurately and completely set forth all additional information required pursuant to the Security Agreement and hereby agrees that such supplements to Schedules to the Security Agreement and to the Collateral Questionnaire shall constitute part of the Schedules to the Security Agreement and to the Collateral Questionnaire, as the case may be.

IN WITNESS WHEREOF, Grantor has caused this Pledge Supplement to be duly executed and delivered by its duly authorized officer as of [**mm/dd/yy**].

[NAME OF GRANTOR]

By: _____
Name:
Title:

Legal Names, Organizations, Jurisdictions of Organization and Organizational Identification Numbers

Name of Grantor*	Type of Organization (e.g. corporation, limited liability company, limited partnership)	Jurisdiction of Organization/ Formation	Organizational Identification Number[i]

Trade Names

Grantor	Trade/Assumed Name

Changes in Names, Jurisdiction of Organization or Corporate Structure

Grantor	Date of Change	Description of Change

Agreements to which Grantor Bound as Successor

Name of Grantor	**Description of Agreement**

Financing Statements

Name of Grantor	Filing Jurisdiction(s)

Chief Executive Offices and Mailing Addresses

Name of Grantor	Address of Chief Executive Office (or for natural persons, residence)	Mailing Address (if different than CEO or residence)

Prior Addresses

Grantor	Prior Address/City/State/Zip Code

Tangible Personal Property

Grantor **Address/City/State/Zip Code**

Exhibit A-10

Pledged Equity Interests

Grantor	Issuer	Type of Organization	# of Shares Owned	Total Shares Outstanding	% of Interest Pledged	Certificate No. (if uncertificated, please indicate so)	Par Value

Pledged Debt

Grantor	Issuer	Original Principal Amount	Outstanding Principal Balance	Issue Date	Maturity Date

Accounts

Securities Accounts:

Grantor	Type of Account	Name & Address of Financial Institutions

Commodities Accounts:

Grantor	Name of Commodities Intermediary	Account Number	Account Name

Deposit Accounts:

Grantor	Name of Depositary Bank	Account Number	Account Name

Controlled Deposit Accounts:

Grantor	Name of Depositary Bank	Account Number	Account Name

Equity Interests

Grantor	Issuer	Type of Organization	# of Shares Owned	Total Shares Outstanding	% of Interest Pledged	Certificate No. (if uncertificated, please indicate so)	Par Value

Pledged LLC Interests and Pledged Partnership Interests Not Constituting Securities

Name of Grantor	Name of Issuer of Pledged LLC Interest/Pledged Partnership Interest

Instruments

Grantor	Issuer of Instrument	Maturity Date

Letters of Credit

Name of Grantor	Description of Letter of Credit

Intellectual Property/Exceptions

(A) Copyrights

(B) Copyright Licenses

(C) Patents

(D) Patent Licenses

(E) Trademarks

(F) Trademark Licenses

(G) Trade Secret Licenses

(H) Intellectual Property Exceptions

Commercial Tort Claims

Name of Grantor	Commercial Tort Claims

Customs Broker/Freight Forwarder Agreements

Company	Name of Agreement	Date of Agreement	Parties to Agreement

Warehousemen and Bailees

Grantor	Address/City/State/Zip Code	County	Description of Assets and Value

Fixtures

Grantor	Address/City/State/Zip Code	County	Owned or Leased

“As Extracted” Collateral

Grantor	Address/City/State/Zip Code	County

Timber to be Cut

Grantor	Address/City/State/Zip Code	County

UNCERTIFICATED SECURITIES CONTROL AGREEMENT

This Uncertificated Securities Control Agreement ("**Control Agreement**") dated as of _____, 200__ among _____ (the "**Pledgor**"), **WACHOVIA BANK, NATIONAL ASSOCIATION**, ("**Wachovia**") as collateral agent for the benefit of the First Lien Lenders (as defined herein) referred to in the First Lien Loan Agreement (as defined herein) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**First Lien Collateral Agent**"), and **GOLDMAN SACHS CREDIT PARTNERS L.P.**, as collateral agent for the benefit of the Secured Parties referred to in the Second Lien Security Agreement (as defined herein) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**Second Lien Collateral Agent**"; together with the First Lien Collateral Agent, the "**Collateral Agents**") and _____, a _____corporation (the "**Issuer**"), is delivered pursuant to (i) that certain Amended and Restated Loan and Security Agreement dated as of December 23, 2004, by and among J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., the guarantors party thereto, the lenders party thereto (the "**First Lien Lenders**"), Wachovia Capital Markets LLC, as sole lead arranger and sole lead bookrunner, Wachovia, as administrative agent and First Lien Collateral Agent and Bank of America, N.A., as syndication agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**First Lien Loan Agreement**"), and (ii) that certain Pledge and Security Agreement dated as of May 15, 2006 made by the Pledgor and each of the Grantors listed on the signature pages thereto in favor of the Second Lien Collateral Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**Second Lien Security Agreement**" and together with the First Lien Loan Agreement, the "**Security Agreements**"). Capitalized terms used but not defined herein shall have the meaning assigned in the Security Agreements. All references herein to the "**UCC**" shall mean the Uniform Commercial Code as in effect in the State of New York. As used in this Control Agreement, "**Controlling Party**" means the First Lien Collateral Agent; *provided*, *however*, that at such time as First Lien Collateral Agent has provided the Issuer with a written notice that First Lien Collateral Agent has ceased to be the "Controlling Party" hereunder (such notice being the "**Controlling Party Notice**") (which notice is to be given at the time all obligations owing to the First Lien Collateral Agent and the Lenders referred to in the First Lien Loan Agreement (the "**First Lien Secured Parties**") have been indefeasibly paid in full in cash, all commitments of the First Lien Collateral Agent and First Lien Secured Parties to provide credit to or for the benefit of the Pledgor have terminated and all financing agreements among the First Lien Collateral Agent, First Lien Secured Parties, the Pledgor and its affiliates have terminated), "Controlling Party" shall mean the Second Lien Collateral Agent. It is understood and agreed that the Issuer shall rely exclusively on a Controlling Party Notice as to the determination whether the First Lien Collateral Agent or the Second Lien Collateral Agent is the Controlling Party

hereunder and shall be under no obligation to make any independent investigation thereof.

Section 1. Registered Ownership of Shares. The Issuer hereby confirms and agrees that as of the date hereof the Pledgor is the registered owner of _____ shares of the Issuer's [common] stock (the "**Pledged Shares**") and the Issuer shall not change the registered owner of the Pledged Shares without the prior written consent of the Controlling Party.

Section 2. Instructions. If at any time the Issuer shall receive instructions originated by the Controlling Party relating to the Pledged Shares, the Issuer shall comply with such instructions without further consent by the Pledgor or any other person.

Section 3. Additional Representations and Warranties of the Issuer. The Issuer hereby represents and warrants to the Collateral Agents:

(a) It has not entered into, and until the termination of this agreement will not enter into, any agreement with any other person relating the Pledged Shares pursuant to which it has agreed to comply with instructions issued by such other person; and

(b) It has not entered into, and until the termination of this agreement will not enter into, any agreement with the Pledgor or the Collateral Agents purporting to limit or condition the obligation of the Issuer to comply with Instructions as set forth in Section 2 hereof.

(c) Except for the claims and interest of the Collateral Agents and of the Pledgor in the Pledged Shares, the Issuer does not know of any claim to, or interest in, the Pledged Shares. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against the Pledged Shares, the Issuer will promptly notify the Collateral Agents and the Pledgor thereof.

(d) This Uncertificated Securities Control Agreement is the valid and legally binding obligation of the Issuer.

Section 4. Choice of Law. This Agreement shall be governed by the laws of the State of New York.

Section 5. Conflict with Other Agreements. In the event of any conflict between this Agreement (or any portion thereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail. No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all of the parties hereto.

Section 6. Voting Rights. Until such time as the Controlling Party shall otherwise instruct the Issuer in writing, the Pledgor shall have the right to vote the Pledged Shares.

Section 7. Successors; Assignment. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives who obtain such rights solely by operation of law. The Collateral Agents may assign their rights hereunder only with the express written consent of the Issuer and by sending written notice of such assignment to the Pledgor.

Section 8. Indemnification of Issuer. The Pledgor and the Collateral Agents hereby agree that (a) the Issuer is released from any and all liabilities to the Pledgor and the Collateral Agents arising from the terms of this Agreement and the compliance of the Issuer with the terms hereof, except to the extent that such liabilities arise from the Issuer's negligence or willful misconduct and (b) the Pledgor, its successors and assigns shall at all times indemnify and save harmless the Issuer from and against any and all claims, actions and suits of others arising out of the terms of this Agreement or the compliance of the Issuer with the terms hereof, except to the extent that such arises from the Issuer's negligence or willful misconduct, and from and against any and all liabilities, losses, damages, costs, charges, counsel fees and other expenses of every nature and character arising by reason of the same, until the termination of this Agreement.

Section 9. Notices. Any notice, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error free receipt is received or two (2) days after being sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth below.

Pledgor:	**[INSERT ADDRESS]** Attention: Telecopier:
First Lien Collateral Agent:	Wachovia Bank, National Association 1133 Avenue of the Americas New York, New York 10036 Attention: Portfolio Manager Telecopier: 212-545-4283
Second Lien Collateral Agent	Goldman Sachs Credit Partners L.P. 85 Broad Street New York, New York 10004 Attention: Elizabeth Fischer Telecopier: (212) 357 0932 Email: elizabeth.fischer@gs.com

	with a copy to: Goldman Sachs Credit Partners L.P. 85 Broad Street New York, New York 10004 Attention: John Makrinos Telecopier: (212) 357 4597 Email: John.Makrinos@gs.com and Latham & Watkins LLP 633 W. 5th Street Los Angeles, California 90071 Attention: John E. Mendez, Esq. Telecopier: (213) 891-8763 Email: john.mendez@lw.com
Issuer:	**[INSERT ADDRESS]** Attention: Telecopier:

Any party may change its address for notices in the manner set forth above.

Section 10. Termination. The obligations of the Issuer to the First Lien Collateral Agent pursuant to this Control Agreement shall continue in effect until the security interest of the First Lien Collateral Agent in the Pledged Shares has been terminated pursuant to the terms of the First Lien Security Agreement and the First Lien Collateral Agent has notified the Issuer of such termination in writing. The obligations of the Issuer to the Second Lien Collateral Agent pursuant to this Control Agreement shall continue in effect until the security interest of the Second Lien Collateral Agent in the Pledged Shares has been terminated pursuant to the terms of the Second Lien Security Agreement and the Second Lien Collateral Agent has notified the Issuer of such termination in writing. Each Collateral Agent agrees to provide Notice of Termination in substantially the form of Exhibit A hereto to the Issuer upon the request of the Pledgor on or after the termination of such Collateral Agent's security interest in the Pledged Shares pursuant to the terms of the applicable Security Agreement. The termination of this Control Agreement shall not terminate the Pledged Shares or alter the obligations of the Issuer to the Pledgor pursuant to any other agreement with respect to the Pledged Shares.

Section 11. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

[NAME OF PLEDGOR]

By: _____
Name:
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as First Lien Collateral Agent

By: _____
Name:
Title:

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Second Lien Collateral Agent

By: _____
Name:
Title:

[NAME OF ISSUER]

By: _____
Name:
Title:

Exhibit A

[Letterhead of First/Second Lien Collateral Agent]

[Date]

[Name and Address of Issuer]

Attention:

Re: Termination of Control Agreement

You are hereby notified that the Uncertificated Securities Control Agreement between you, [the Pledgor] and the undersigned (a copy of which is attached) is terminated with respect to the undersigned and you have no further obligations to the undersigned thereunder. [IF THE CONTROL AGREEMENT IS TO REMAIN IN EFFECT WITH RESPECT TO THE FIRST LIEN COLLATERAL AGENT/SECOND LIEN COLLATERAL AGENT, ADD: Note however that the Control Agreement remains in effect with respect to First Lien Collateral Agent/Second Lien Collateral Agent.] [IF THE CONTROL AGREEMENT IS BEING TERMINATED AS TO ALL PARTIES, ADD: Notwithstanding any previous instructions to you, you are hereby instructed to accept all future directions with respect to the Pledged Shares (as defined in the Uncertificated Securities Control Agreement from the Pledgor.] This notice terminates any obligations you may have to the undersigned with respect to the Pledged Shares; however nothing contained in this notice shall alter any obligations which you may otherwise owe to the Pledgor pursuant to any other agreement.

You are instructed to deliver a copy of this notice by facsimile transmission to [insert name of Pledgor].

Very truly yours,

[First Lien Collateral Agent/Second Lien Collateral Agent]

By:
Name:
Title:

cc: [First Lien Collateral Agent/Second Lien Collateral Agent]

SECURITIES ACCOUNT CONTROL AGREEMENT

This Securities Account Control Agreement ("**Control Agreement**") dated as of _____, 200__ among _____ (the "**Debtor**"), **WACHOVIA BANK, NATIONAL ASSOCIATION**, ("**Wachovia**") as collateral agent for the benefit of the First Lien Lenders (as defined herein) referred to in the First Lien Loan Agreement (as defined herein) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**First Lien Collateral Agent**"), and **GOLDMAN SACHS CREDIT PARTNERS L.P.**, as collateral agent for the benefit of the Secured Parties referred to in the Second Lien Security Agreement (as defined herein) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**Second Lien Collateral Agent**"; together with the First Lien Collateral Agent, the "**Collateral Agents**") and _____, in its capacity as a "securities intermediary" as defined in Section 8-102 of the UCC (in such capacity, including its successors and assigns from time to time, the "**Securities Intermediary**") is delivered pursuant to (i) that certain Amended and Restated Loan and Security Agreement dated as of December 23, 2004 among J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., the guarantors party thereto, the lenders party thereto (the "**First Lien Lenders**"), Wachovia Capital Markets LLC, as sole lead arranger and sole lead bookrunner, Wachovia, as administrative agent and First Lien Collateral Agent and Bank of America, N.A., as syndication agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**First Lien Loan Agreement**"), and (ii) that certain Pledge and Security Agreement dated as of May 15, 2006 made by the Debtor and each of the Grantors listed on the signature pages thereto in favor of the Second Lien Collateral Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**Second Lien Security Agreement**" and together with the First Lien Loan Agreement, the "**Security Agreements**"). Capitalized terms used but not defined herein shall have the meaning assigned in the Security Agreements. All references herein to the "**UCC**" shall mean the Uniform Commercial Code as in effect in the State of New York. As used in this Control Agreement, "**Controlling Party**" means the First Lien Collateral Agent; *provided*, *however*, that at such time as First Lien Collateral Agent has provided the Securities Intermediary with a written notice that First Lien Collateral Agent has ceased to be the "Controlling Party" hereunder (such notice being the "**Controlling Party Notice**") (which notice is to be given at the time all obligations owing to the First Lien Collateral Agent and the Lenders referred to in the First Lien Loan Agreement (the "**First Lien Secured Parties**") have been indefeasibly paid in full in cash, all commitments of the First Lien Collateral Agent and First Lien Secured Parties to provide credit to or for the benefit of the Debtor have terminated and all financing agreements among the First Lien Collateral Agent, First Lien Secured Parties, the Debtor and its affiliates have terminated), "Controlling Party" shall mean the Second Lien Collateral Agent. It is understood and agreed that the Securities Intermediary shall rely exclusively on a Controlling Party Notice as to the determination

whether the First Lien Collateral Agent or the Second Lien Collateral Agent is the Controlling Party hereunder and shall be under no obligation to make any independent investigation thereof.

Section 1. Establishment of Securities Account. The Securities Intermediary hereby confirms and agrees that:

(a) The Securities Intermediary has established account number **[IDENTIFY ACCOUNT NUMBER]** in the name "**[IDENTIFY EXACT TITLE OF ACCOUNT]**" (such account and any successor account, the "**Securities Account**") and the Securities Intermediary shall not change the name or account number of the Securities Account without the prior written consent of the Controlling Party;

(b) All securities or other property underlying any financial assets credited to the Securities Account shall be registered in the name of the Securities Intermediary, indorsed to the Securities Intermediary or in blank or credited to another securities account maintained in the name of the Securities Intermediary and in no case will any financial asset credited to the Securities Account be registered in the name of the Debtor, payable to the order of the Debtor or specially indorsed to the Debtor except to the extent the foregoing have been specially indorsed to the Securities Intermediary or in blank;

(c) All property delivered to the Securities Intermediary pursuant to the Security Agreement will be promptly credited to the Securities Account; and

(d) The Securities Account is a "securities account" within the meaning of Section 8-501 of the UCC.

Section 2. "Financial Assets" Election. The Securities Intermediary hereby agrees that each item of property (including, without limitation, any investment property, financial asset, security, instrument, general intangible or cash) credited to the Securities Account shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the UCC.

Section 3. Control of the Securities Account.

(a) If at any time the Securities Intermediary shall receive any order from the Controlling Party directing transfer or redemption of any financial asset relating to the Securities Account, the Securities Intermediary shall comply with such entitlement order without further consent by the Debtor or any other person. If the Debtor is otherwise entitled to issue entitlement orders and such orders conflict with any entitlement order issued by the Controlling Party, the Securities Intermediary shall follow the orders issued by the Controlling Party.

(b) Without limiting or impairing the perfection by control of the security interest of the Second Lien Secured Party at any time prior to the receipt by the Securities Intermediary of a Controlling Party Notice (as defined herein) from the First Lien Secured Party, the parties hereto agree that the Securities Intermediary shall comply with entitlement orders originated or given to the Securities Intermediary by the Second Lien

Secured Party directing transfer or redemption of any financial asset relating to the Securities Account without further consent by the Debtor if and only if (i) such instructions are consented to by the First Lien Secured Party or (ii) the Securities Intermediary has received a Controlling Party Notice from the First Lien Secured Party.

Section 4. Subordination of Lien; Waiver of Set-Off. In the event that the Securities Intermediary has or subsequently obtains by agreement, by operation of law or otherwise a security interest in the Securities Account or any security entitlement credited thereto, the Securities Intermediary hereby agrees that such security interest shall be subordinate to the security interest of the Collateral Agents. The financial assets and other items deposited to the Securities Account will not be subject to deduction, set-off, banker's lien, or any other right in favor of any person other than the Collateral Agents (except that the Securities Intermediary may set off (i) all amounts due to the Securities Intermediary in respect of customary fees and expenses for the routine maintenance and operation of the Securities Account and (ii) the face amount of any checks which have been credited to such Securities Account but are subsequently returned unpaid because of uncollected or insufficient funds).

Section 5. Choice of Law. This Agreement and the Securities Account shall each be governed by the laws of the State of New York. Regardless of any provision in any other agreement, for purposes of the UCC, New York shall be deemed to be the Securities Intermediary's jurisdiction (within the meaning of Section 8-110 of the UCC) and the Securities Account (as well as the securities entitlements related thereto) shall be governed by the laws of the State of New York.

Section 6. Conflict with Other Agreements.

(a) In the event of any conflict between this Agreement (or any portion thereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail;

(b) No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all of the parties hereto;

(c) The Securities Intermediary hereby confirms and agrees that:

(i) There are no other control agreements entered into between the Securities Intermediary and the Debtor with respect to the Securities Account;

(ii) It has not entered into, and until the termination of this Agreement, will not enter into, any agreement with any other person relating to the Securities Account and/or any financial assets credited thereto pursuant to which it has agreed to comply with entitlement orders (as defined in Section 8-102(a)(8) of the UCC) of such other person; and

(iii) It has not entered into, and until the termination of this Agreement, will not enter into, any agreement with the Debtor or the Collateral Agents purporting to limit or condition the obligation of the Securities Intermediary to comply with entitlement orders as set forth in Section 3 hereof.

Section 7. Adverse Claims. Except for the claims and interest of the Collateral Agents and of the Debtor in the Securities Account, the Securities Intermediary does not know of any claim to, or interest in, the Securities Account or in any "financial asset" (as defined in Section 8-102(a) of the UCC) credited thereto. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against the Securities Account or in any financial asset carried therein, the Securities Intermediary will promptly notify the Collateral Agents and the Debtor thereof.

Section 8. Maintenance of Securities Account. In addition to, and not in lieu of, the obligation of the Securities Intermediary to honor entitlement orders as agreed in Section 3 hereof, the Securities Intermediary agrees to maintain the Securities Account as follows:

(a) Notice of Sole Control. If at any time the Controlling Party delivers to the Securities Intermediary a Notice of Sole Control in substantially the form set forth in Exhibit A hereto, the Securities Intermediary agrees that after receipt of such notice, it will take all instruction with respect to the Securities Account solely from the Controlling Party.

(b) Voting Rights. Until such time as the Securities Intermediary receives a Notice of Sole Control pursuant to subsection (a) of this Section 8, the Debtor shall direct the Securities Intermediary with respect to the voting of any financial assets credited to the Securities Account.

(c) Permitted Investments. Until such time as the Securities Intermediary receives a Notice of Sole Control signed by the Controlling Party, the Debtor shall direct the Securities Intermediary with respect to the selection of investments to be made for the Securities Account; provided, however, that the Securities Intermediary shall not honor any instruction to purchase any investments other than investments of a type described on Exhibit B hereto.

(d) Statements and Confirmations. The Securities Intermediary will promptly send copies of all statements, confirmations and other correspondence concerning the Securities Account and/or any financial assets credited thereto simultaneously to each of the Debtor and the Collateral Agents at the address for each set forth in Section 12 of this Agreement.

(e) Tax Reporting. All items of income, gain, expense and loss recognized in the Securities Account shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of the Debtor.

Section 9. Representations, Warranties and Covenants of the Securities Intermediary. The Securities Intermediary hereby makes the following representations, warranties and covenants:

(a) The Securities Account has been established as set forth in Section 1 above and such Securities Account will be maintained in the manner set forth herein until termination of this Agreement; and

(b) This Agreement is the valid and legally binding obligation of the Securities Intermediary.

Section 10. Indemnification of Securities Intermediary. The Debtor and the Collateral Agents hereby agree that (a) the Securities Intermediary is released from any and all liabilities to the Debtor and the Collateral Agents arising from the terms of this Agreement and the compliance of the Securities Intermediary with the terms hereof, except to the extent that such liabilities arise from the Securities Intermediary's negligence or willful misconduct and (b) the Debtor, its successors and assigns shall at all times indemnify and save harmless the Securities Intermediary from and against any and all claims, actions and suits of others arising out of the terms of this Agreement or the compliance of the Securities Intermediary with the terms hereof, except to the extent that such arises from the Securities Intermediary's negligence or willful misconduct, and from and against any and all liabilities, losses, damages, costs, charges, counsel fees and other expenses of every nature and character arising by reason of the same, until the termination of this Agreement.

Section 11. Successors; Assignment. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives who obtain such rights solely by operation of law. The Collateral Agents may assign their rights hereunder only with the express written consent of the Securities Intermediary and by sending written notice of such assignment to the Debtor.

Section 12. Notices. Any notice, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error free receipt is received or two (2) days after being sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth below.

Debtor:

[INSERT ADDRESS]
Attention:
Telecopier:

First Lien Collateral Agent:	Wachovia Bank, National Association 1133 Avenue of the Americas New York, New York 10036 Attention: Portfolio Manager Telecopier: 212-545-4283
Second Lien Collateral Agent:	Goldman Sachs Credit Partners L.P. 85 Broad Street New York, New York 10004 Attention: Elizabeth Fischer Telecopier: (212) 357 0932 Email: elizabeth.fischer@gs.com with a copy to: Goldman Sachs Credit Partners L.P. 85 Broad Street New York, New York 10004 Attention: John Makrinos Telecopier: (212) 357 4597 Email: John.Makrinos@gs.com and Latham & Watkins LLP 633 W. 5th Street Los Angeles, California 90071 Attention: John E. Mendez, Esq. Telecopier: (213) 891-8763 Email: john.mendez@lw.com
Securities Intermediary:	**[INSERT ADDRESS]** Attention: Telecopier:

Any party may change its address for notices in the manner set forth above.

Section 13. Termination. The obligations of the Securities Intermediary to the First Lien Collateral Agent pursuant to this Agreement shall continue in effect until the security interest of the First Lien Collateral Agent in the Securities Account has been terminated pursuant to the terms of the First Lien Security Agreement and the First Lien Collateral Agent has notified the Securities Intermediary of such termination in writing. The obligations of the Securities Intermediary to the Second Lien Collateral Agent

pursuant to this Control Agreement shall continue in effect until the security interest of the Second Lien Collateral Agent in the Securities Account has been terminated pursuant to the terms of the Second Lien Security Agreement and the Second Lien Collateral Agent has notified the Securities Intermediary of such termination in writing. Each Collateral Agent agrees to provide Notice of Termination in substantially the form of Exhibit C hereto to the Securities Intermediary upon the request of the Debtor on or after the termination of the applicable Collateral Agent's security interest in the Securities Account pursuant to the terms of the applicable Security Agreement. The termination of this Agreement shall not terminate the Securities Account or alter the obligations of the Securities Intermediary to the Debtor pursuant to any other agreement with respect to the Securities Account.

Section 14. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Securities Account Control Agreement to be executed as of the date first above written by their respective officers thereunto duly authorized.

[DEBTOR]

By: _____
Name:
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as First Lien Collateral Agent

By: _____
Name:
Title:

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Second Lien Collateral Agent

By: _____
Name:
Title:

[_____],
as Securities Intermediary

By: _____
Name:
Title:

EXHIBIT A
TO SECURITIES ACCOUNT CONTROL AGREEMENT

[Letterhead of First Lien Collateral Agent/Second Lien Collateral Agent]

[Date]

[Name and Address of Securities Intermediary]

Attention:

Re: **Notice of Sole Control**

Ladies and Gentlemen:

As referenced in the Securities Account Control Agreement dated as of _____, 20___ among **[NAME OF THE DEBTOR]**, you, [First Lien Collateral Agent/Second Lien Collateral Agent] and the undersigned (the "**Control Agreement**," a copy of which is attached), we hereby give you notice of our sole control over securities account number _____ (the "**Securities Account**") and all financial assets credited thereto. You are hereby instructed not to accept any direction, instructions or entitlement orders with respect to the Securities Account or the financial assets credited thereto from any person other than the undersigned, unless otherwise ordered by a court of competent jurisdiction.

You are instructed to deliver a copy of this notice by facsimile transmission to **[NAME OF THE DEBTOR]**.

Very truly yours,

[First Lien Collateral Agent/Second Lien Collateral Agent]

By: _____
Name:
Title:

cc: **[NAME OF THE DEBTOR]**

Permitted Investments

[TO BE PROVIDED]

EXHIBIT C
TO SECURITIES ACCOUNT CONTROL AGREEMENT

[Letterhead of the First Lien Collateral Agent/Second lien Collateral Agent]

[Date]

[Name and Address of Securities Intermediary]

Attention:

Re: **Termination of Securities Account Control Agreement**

You are hereby notified that the Securities Account Control Agreement dated as of _____, 20___ among you, **[NAME OF THE DEBTOR]**, [First Lien Collateral Agent/Second Lien Collateral Agent] and the undersigned (a copy of which is attached) is terminated with respect to the undersigned and you have no further obligations to the undersigned thereunder. [IF THE CONTROL AGREEMENT IS TO REMAIN IN EFFECT WITH RESPECT TO THE FIRST LIEN COLLATERAL AGENT/SECOND LIEN COLLATERAL AGENT, ADD: Note however that the Control Agreement remains in effect with respect to First Lien Collateral Agent/Second Lien Collateral Agent.] [IF THE CONTROL AGREEMENT IS BEING TERMINATED AS TO ALL PARTIES, ADD: Notwithstanding any previous instructions to you, you are hereby instructed to accept all future directions with respect to account nos. _____ from the Debtor.] This notice terminates any obligations you may have to the undersigned with respect to such accounts; however nothing contained in this notice shall alter any obligations which you may otherwise owe to the Debtor pursuant to any other agreement.

You are instructed to deliver a copy of this notice by facsimile transmission to **[NAME OF THE DEBTOR]**.

Very truly yours,

[First Lien Collateral Agent/Second Lien Collateral Agent]

By: _____
Name:
Title:

EXHIBIT D
TO PLEDGE AND SECURITY AGREEMENT

DEPOSIT ACCOUNT CONTROL AGREEMENT

This Deposit Account Control Agreement ("**Control Agreement**") dated as of _____, 20___ among _____ (the "**Debtor**"), **WACHOVIA BANK, NATIONAL ASSOCIATION**, ("**Wachovia**") as collateral agent for the benefit of the First Lien Lenders (as defined herein) referred to in the First Lien Loan Agreement (as defined herein) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**First Lien Collateral Agent**"), and **GOLDMAN SACHS CREDIT PARTNERS L.P.**, as collateral agent for the benefit of the Secured Parties referred to in the Second Lien Security Agreement (as defined herein) (in such capacity as collateral agent, including its successors and assigns from time to time, the "**Second Lien Collateral Agent**"; together with the First Lien Collateral Agent, the "**Collateral Agents**") and _____, in its capacity as a "bank" as defined in Section 9-102 of the UCC (in such capacity, including its successors and assigns from time to time, the "**Financial Institution**") is delivered pursuant to (i) that certain Amended and Restated Loan and Security Agreement, dated as of December 23, 2004 by and among J. Crew Operating Corp., J. Crew Inc., Grace Holmes, Inc., H.F.D. No. 55, Inc., the guarantors party thereto, the lenders party thereto (the "**First Lien Lenders**"), Wachovia Capital Markets LLC, as sole lead arranger and sole lead bookrunner, Wachovia, as administrative agent and First Lien Collateral Agent and Bank of America, N.A., as syndication agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**First Lien Loan Agreement**"), and (ii) that certain Pledge and Security Agreement dated as of May 15, 2006 made by the Debtor and each of the Grantors listed on the signature pages thereto in favor of the Second Lien Collateral Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**Second Lien Security Agreement**" and together with the First Lien Loan Agreement, the "**Security Agreements**"). Capitalized terms used but not defined herein shall have the meaning assigned in the Security Agreements. All references herein to the "**UCC**" shall mean the Uniform Commercial Code as in effect in the State of New York. As used in this Control Agreement, "**Controlling Party**" means the First Lien Collateral Agent; *provided*, *however*, that at such time as First Lien Collateral Agent has provided the Financial Institution with a written notice that First Lien Collateral Agent has ceased to be the "Controlling Party" hereunder (such notice being the "**Controlling Party Notice**") (which notice is to be given at the time all obligations owing to the First Lien Collateral Agent and the First Lien Lenders (the "**First Lien Secured Parties**") have been indefeasibly paid in full in cash, all commitments of the First Lien Collateral Agent and First Lien Secured Parties to provide credit to or for the benefit of the Debtor have terminated and all financing agreements among the First Lien Collateral Agent, First Lien Secured Parties, the Debtor and its affiliates have terminated), "Controlling Party" shall mean the Second Lien Collateral Agent. It is understood and agreed that the Financial Institution shall rely exclusively on a Controlling Party Notice as to the determination whether the First Lien Collateral Agent

or the Second Lien Collateral Agent is the Controlling Party hereunder and shall be under no obligation to make any independent investigation thereof.

Section 1. Establishment of Deposit Account. The Financial Institution hereby confirms and agrees that:

(a) The Financial Institution has established account number **[IDENTIFY ACCOUNT NUMBER]** in the name "**[IDENTIFY EXACT TITLE OF ACCOUNT]**" (such account and any successor account, the "**Deposit Account**") and the Financial Institution shall not change the name or account number of the Deposit Account without the prior written consent of the Controlling Party and, prior to delivery of a Notice of Sole Control in substantially the form set forth in Exhibit A hereto, the Debtor; and

(b) The Deposit Account is a "deposit account" within the meaning of Section 9-102(a)(29) of the UCC.

Section 2. Control of the Deposit Account.

(a) If at any time the Financial Institution shall receive any instructions originated by the Controlling Party directing the disposition of funds in the Deposit Account, the Financial Institution shall comply with such instructions without further consent by the Debtor or any other person. The Financial Institution hereby acknowledges that it has received notice of the security interest of the Collateral Agents in the Deposit Account and hereby acknowledges and consents to such liens. If the Debtor is otherwise entitled to issue instructions and such instructions conflict with any instructions issued the Controlling Party, the Financial Institution shall follow the instructions issued by the Controlling Party.

(b) Without limiting or impairing the perfection by control of the security interest of the Second Lien Secured Party at any time prior to the receipt by the Financial Institution of a Controlling Party Notice from the First Lien Secured Party, the parties hereto agree that the Financial Institution shall comply with instructions originated or given to the Financial Institution by the Second Lien Secured Party directing the disposition of funds in the Deposit Account without further consent by the Debtor if and only if (i) such instructions are consented to by the First Lien Secured Party or (ii) the Financial Institution has received a Controlling Party Notice from the First Lien Secured Party.

Section 3. Subordination of Lien; Waiver of Set-Off. In the event that the Financial Institution has or subsequently obtains by agreement, by operation of law or otherwise a security interest in the Deposit Account or any funds credited thereto, the Financial Institution hereby agrees that such security interest shall be subordinate to the security interest of the Collateral Agents. Money and other items credited to the Deposit Account will not be subject to deduction, set-off, banker's lien, or any other right in favor of any person other than the Collateral Agents (except that the Financial Institution may set off (i) all amounts due to the Financial Institution in respect of customary fees and

expenses for the routine maintenance and operation of the Deposit Account and (ii) the face amount of any checks which have been credited to such Deposit Account but are subsequently returned unpaid because of uncollected or insufficient funds).

Section 4. Choice of Law. This Agreement and the Deposit Account shall each be governed by the laws of the State of New York. Regardless of any provision in any other agreement, for purposes of the UCC, New York shall be deemed to be the Financial Institution's jurisdiction (within the meaning of Section 9-304 of the UCC) and the Deposit Account shall be governed by the laws of the State of New York.

Section 5. Conflict with Other Agreements.

(a) In the event of any conflict between this Agreement (or any portion thereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail;

(b) No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all of the parties hereto; and

(c) The Financial Institution hereby confirms and agrees that:

(i) There are no other agreements entered into between the Financial Institution and the Debtor with respect to the Deposit Account [other than _____]; and

(ii) It has not entered into, and until the termination of this Agreement, will not enter into, any agreement with any other person relating the Deposit Account and/or any funds credited thereto pursuant to which it has agreed to comply with instructions originated by such persons as contemplated by Section 9-104 of the UCC.

Section 6. Adverse Claims. The Financial Institution does not know of any liens, claims or encumbrances relating to the Deposit Account. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against the Deposit Account, the Financial Institution will promptly notify the Collateral Agents and the Debtor thereof.

Section 7. Maintenance of Deposit Account. In addition to, and not in lieu of, the obligation of the Financial Institution to honor instructions as set forth in Section 2 hereof, the Financial Institution agrees to maintain the Deposit Account as follows:

(a) Notice of Sole Control. If at any time the Controlling Party delivers to the Financial Institution a Notice of Sole Control in substantially the form set forth in Exhibit A hereto, the Financial Institution agrees that after receipt of such notice, it will take all instruction with respect to the Deposit Account solely from the Controlling Party.

(b) Statements and Confirmations. The Financial Institution will promptly send copies of all statements, confirmations and other correspondence concerning the Deposit Account simultaneously to each of the Debtor and the Collateral Agents at the address for each set forth in Section 11 of this Agreement; and

(c) Tax Reporting. All interest, if any, relating to the Deposit Account, shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of the Debtor.

Section 8. Representations, Warranties and Covenants of the Financial Institution. The Financial Institution hereby makes the following representations, warranties and covenants:

(a) The Deposit Account has been established as set forth in Section 1 and such Deposit Account will be maintained in the manner set forth herein until termination of this Agreement; and

(b) This Agreement is the valid and legally binding obligation of the Financial Institution.

Section 9. Indemnification of Financial Institution. The Debtor and the Collateral Agents hereby agree that (a) the Financial Institution is released from any and all liabilities to the Debtor and the Collateral Agents arising from the terms of this Agreement and the compliance of the Financial Institution with the terms hereof, except to the extent that such liabilities arise from the Financial Institution's negligence or willful misconduct and (b) the Debtor, its successors and assigns shall at all times indemnify and save harmless the Financial Institution from and against any and all claims, actions and suits of others arising out of the terms of this Agreement or the compliance of the Financial Institution with the terms hereof, except to the extent that such arises from the Financial Institution's negligence or willful misconduct, and from and against any and all liabilities, losses, damages, costs, charges, counsel fees and other expenses of every nature and character arising by reason of the same, until the termination of this Agreement.

Section 10. Successors; Assignment. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives who obtain such rights solely by operation of law. The Collateral Agents may assign their rights hereunder only with the express written consent of the Financial Institution and by sending written notice of such assignment to the Debtor.

Section 11 Notices. Any notice, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error free receipt is received or two (2) days after being sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth below.

Debtor:	**[INSERT ADDRESS]** Attention: Telecopier:
First Lien Collateral Agent:	Wachovia Bank, National Association 1133 Avenue of the Americas New York, New York 10036 Attention: Portfolio Manager Telecopier: 212-545-4283
Second Lien Collateral Agent:	Goldman Sachs Credit Partners L.P. 85 Broad Street New York, New York 10004 Attention: Elizabeth Fischer Telecopier: (212) 357 0932 Email: elizabeth.fischer@gs.com with a copy to: Goldman Sachs Credit Partners L.P. 85 Broad Street New York, New York 10004 Attention: John Makrinos Telecopier: (212) 357 4597 Email: John.Makrinos@gs.com and Latham & Watkins LLP 633 W. 5th Street Los Angeles, California 90071 Attention: John E. Mendez, Esq. Telecopier: (213) 891-8763 Email: john.mendez@lw.com
Financial Institution:	**[INSERT ADDRESS]** Attention: Telecopier:

Any party may change its address for notices in the manner set forth above.

Section 12. Termination. The obligations of the Financial Institution to the First Lien Collateral Agent pursuant to this Agreement shall continue in effect until the security interest of the First Lien Collateral Agent in the Deposit Account has been terminated pursuant to the terms of the First Lien Security Agreement and the First Lien Collateral Agent has notified the Financial Institution of such termination in writing. The

obligations of the Financial Institution to the Second Lien Collateral Agent pursuant to this Control Agreement shall continue in effect until the security interest of the Second Lien Collateral Agent in the Deposit Account has been terminated pursuant to the terms of the Second Lien Security Agreement and the Second Lien Collateral Agent has notified the Financial Institution of such termination in writing. Each Collateral Agent agrees to provide Notice of Termination in substantially the form of Exhibit A hereto to the Financial Institution upon the request of the Debtor on or after the termination of such Collateral Agent's security interest in the Deposit Account pursuant to the terms of the applicable Security Agreement. The termination of this Agreement shall not terminate the Deposit Account or alter the obligations of the Financial Institution to the Debtor pursuant to any other agreement with respect to the Deposit Account.

Section 13. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Deposit Account Control Agreement to be executed as of the date first above written by their respective officers thereunto duly authorized.

[DEBTOR]

By: _____
Name:
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as First Lien Collateral Agent

By: _____
Name:
Title:

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Second Lien Collateral Agent

By: _____
Name:
Title:

[NAME OF FINANCIAL INSTITUTION],
as Financial Institution

By: _____
Name:
Title:

EXHIBIT A
TO DEPOSIT ACCOUNT CONTROL AGREEMENT

[Letterhead of the First Lien Collateral Agent/Second Lien Collateral Agent]

[Date]

[Name and Address of Financial Institution]

Attention:

Re: Notice of Sole Control

Ladies and Gentlemen:

As referenced in the Deposit Account Control Agreement dated as of _____, 20___ among **[NAME OF THE DEBTOR]**, you, [First Lien Collateral Agent/Second Lien Collateral Agent] and the undersigned (a copy of which is attached), we hereby give you notice of our sole control over deposit account number _____ (the "**Deposit Account**") and all financial assets credited thereto. You are hereby instructed not to accept any direction, instructions or entitlement orders with respect to the Deposit Account or the financial assets credited thereto from any person other than the undersigned, unless otherwise ordered by a court of competent jurisdiction.

You are instructed to deliver a copy of this notice by facsimile transmission to **[NAME OF THE DEBTOR]**.

Very truly yours,

[First Lien Collateral Agent/Second Lien Collateral Agent]

By: _____
Name:
Title:

cc: **[NAME OF THE DEBTOR]**

EXHIBIT B
TO DEPOSIT ACCOUNT CONTROL AGREEMENT

[Letterhead of the First Lien Collateral Agent/Second Lien Collateral Agent]

[Date]

[Name and Address of Financial Institution]

Attention:

Re: Termination of Deposit Account Control Agreement

You are hereby notified that the Deposit Account Control Agreement dated as of _____, 20__ among **[NAME OF THE DEBTOR]**, you, [First Lien Collateral Agent/Second Lien Collateral Agent] and the undersigned (a copy of which is attached) is terminated with respect to the undersigned and you have no further obligations to the undersigned thereunder. [IF THE CONTROL AGREEMENT IS TO REMAIN IN EFFECT WITH RESPECT TO THE FIRST LIEN COLLATERAL AGENT/SECOND LIEN COLLATERAL AGENT, ADD: Note however that the Control Agreement remains in effect with respect to First Lien Collateral Agent/Second Lien Collateral Agent.] [IF THE CONTROL AGREEMENT IS BEING TERMINATED AS TO ALL PARTIES, ADD: Notwithstanding any previous instructions to you, you are hereby instructed to accept all future directions with respect to account nos._____ from the Debtor.] This notice terminates any obligations you may have to the undersigned with respect to such accounts; however nothing contained in this notice shall alter any obligations which you may otherwise owe to the Debtor pursuant to any other agreement.

You are instructed to deliver a copy of this notice by facsimile transmission to **[NAME OF THE DEBTOR]**.

Very truly yours,

[First Lien Collateral Agent/Second Lien Collateral Agent]

By: _____
Name:
Title:

cc: [First Lien Collateral Agent/Second Lien Collateral Agent]

Exhibit 10.19

TRADEMARK SECURITY AGREEMENT

Trademark Security Agreement, dated as of May 15, 2006 (as amended, restated or otherwise modified, the "Trademark Security Agreement"), between each of **J. CREW INC.** and **J. CREW INTERNATIONAL, INC.** (collectively, "Grantors") and **GOLDMAN SACHS CREDIT PARTNERS L.P.**, in its capacity as collateral agent for the Secured Parties (together with successors and assigns in such capacity, the **"**Collateral Agent").

W I T N E S S E T H:

WHEREAS, Grantors are party to a Pledge and Security Agreement dated as of May 15, 2006 (as amended, restated, amended and restated, or otherwise modified, the "Pledge and Security Agreement") between each of the Grantors and the other grantors party thereto and the Collateral Agent pursuant to which the Grantors are required to execute and deliver this Trademark Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Secured Parties to enter into the Credit Agreement, the Grantors hereby agree with the Collateral Agent, as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Pledge and Security Agreement and used herein have the meaning given to them in the Pledge and Security Agreement.

SECTION 2. Grant of Security Interest in Trademark Collateral. Each Grantor hereby pledges and grants to Collateral Agent for the benefit of the Secured Parties, a security interest in all of such Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "Trademark Collateral"):

(a) all United States, and foreign trademarks, trade names, corporate names, company names, business names, fictitious business names, Internet domain names, service marks, certification marks, collective marks, logos, other source or business identifiers, designs and general intangibles of a like nature, all registrations and applications for any of the foregoing including, but not limited to: (i) the registrations and applications referred to on Schedule I hereto (as such schedule may be amended or supplemented from time to time), (ii) all extensions or renewals of any of the foregoing, (iii) all of the goodwill of the business connected with the use of and symbolized by the foregoing, (iv) the right to sue for past, present and future infringement or dilution of any of the foregoing or for any injury to goodwill, and (v) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit (collectively, "Trademarks"); and

(b) any and all agreements providing for the granting of any right in or to Trademarks (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to on Schedule I hereto (as such schedule may be amended or supplemented from time to time) (collectively, "Trademark Licenses").

SECTION 3. Security Agreement. The security interest granted pursuant to this Trademark Security Agreement is granted in conjunction with the security interest granted to the Collateral Agent for the Secured Parties pursuant to the Pledge and Security Agreement and Grantors hereby acknowledge and affirm that the rights and remedies of the Collateral Agent with respect to the security interest in the Trademark Collateral made and granted hereby are more fully set forth in the Pledge and Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Trademark Security Agreement is deemed to conflict with the Pledge and Security Agreement, the provisions of the Pledge and Security Agreement shall control.

SECTION 4. Applicable Law. This Trademark Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

SECTION 5. Counterparts. This Trademark Security Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each Grantor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

J CREW INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

J. CREW INTERNATIONAL, INC.

By: /s/: Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

Accepted and Agreed:

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Collateral Agent

By: /s/: William W. Archer
Name: William W. Archer
Title: Managing Director

SCHEDULE I
to
TRADEMARK SECURITY AGREEMENT

TRADEMARK REGISTRATIONS AND APPLICATIONS

Exhibit 10.20

COPYRIGHT SECURITY AGREEMENT

Copyright Security Agreement, dated as of May 15, 2006 (as amended, restated or otherwise modified from time to time, the "Copyright Security Agreement"), between **J. CREW INTERNATIONAL, INC.** ("Grantor") and **GOLDMAN SACHS CREDIT PARTNERS L.P.**, in its capacity as collateral agent for the Secured Parties (together with its successors and assigns in such capacity, the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, Grantor is party to a Pledge and Security Agreement dated as of May 15, 2006 (amended, restated, amended and restated, or otherwise modified, the "Pledge and Security Agreement") between Grantor and the other grantors party thereto and the Collateral Agent pursuant to which Grantor is required to execute and deliver this Copyright Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Secured Parties to enter into the Credit Documents, Grantor hereby agrees with the Collateral Agent, as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Pledge and Security Agreement and used herein have the meaning given to them in the Pledge and Security Agreement.

SECTION 2. Grant of Security Interest in Copyright Collateral. Grantor hereby pledges and grants to Collateral Agent, for the benefit of the Secured Parties, a security interest in all of Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "Copyright Collateral"):

(a) all United States, and foreign copyrights (including community designs), including but not limited to copyrights in software and databases, and all Mask Works (as defined under 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, and, with respect to any and all of the foregoing: (i) all registrations and applications therefor including, without limitation, the registrations and applications referred to on Schedule I hereto (as such schedule may be amended or supplemented from time to time), (ii) all extensions and renewals thereof, (iii) all rights corresponding thereto throughout the world, (iv) all rights to sue for past, present and future infringements thereof, and (v) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit (collectively, "Copyrights"); and

(b) any and all agreements providing for the granting of any right in or to Copyrights (whether Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to on Schedule I hereto (as such schedule may be amended or supplemented from time to time) (collectively, "Copyright Licenses").

SECTION 3. Security Agreement. The security interest granted pursuant to this Copyright Security Agreement is granted in conjunction with the security interest granted to the Collateral Agent for the Secured Parties pursuant to the Pledge and Security Agreement and Grantor hereby acknowledges and affirms that the rights and remedies of the Collateral Agent with respect to the security interest in the Copyrights made and granted hereby are more fully set forth in the Pledge and Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Copyright Security Agreement is deemed to conflict with the Pledge and Security Agreement, the provisions of the Pledge and Security Agreement shall control.

SECTION 4. Applicable Law. This Copyright Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York, without regard to its conflicts of law provisions (other than Section 5-1401 and Section 5-1402 of the New York General Obligation Laws).

SECTION 5. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantor has caused this Copyright Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

J. CREW INTERNATIONAL, INC.

By: /s/: Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

Accepted and Agreed:

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Collateral Agent

By: /s/: William W. Archer
Name: William W. Archer
Title: Managing Director

SCHEDULE I
to
COPYRIGHT SECURITY AGREEMENT

COPYRIGHT REGISTRATIONS AND APPLICATIONS

Exhibit 10.21

Execution Copy

INTERCREDITOR AGREEMENT

This **INTERCREDITOR AGREEMENT** (**"Agreement"**), is dated as of May 15, 2006 and entered into by and among **J. CREW OPERATING CORP.**, a Delaware corporation (the **"Company"**), **J. CREW GROUP, INC.**, a Delaware corporation ("**Holdings**", and together with the Subsidiaries of the Company that become parties hereto from time to time, the "**Guarantors**"), **GOLDMAN SACHS CREDIT PARTNERS L.P.** (**"GSCP"**), in its capacity as administrative agent for the holders of the Term Loan Obligations (as defined below), including its successors and assigns from time to time (the **"Term Loan Administrative Agent"**), and in its capacity as collateral agent for the holders of the Term Loan Obligations, including its successors and assigns from time to time (the **"Term Loan Collateral Agent"**), **WACHOVIA BANK, NATIONAL ASSOCIATION** (**"Wachovia"**), in its capacity as administrative agent for the holders of the Revolving Credit Obligations (as defined below), including its successors and assigns from time to time (the **"Revolving Credit Administrative Agent"**) and in its capacity as collateral agent for the holders of the Revolving Credit Obligations, including its successors and assigns from time to time (the "**Revolving Credit Collateral Agent**"). Capitalized terms used in this Agreement have the meanings assigned to them in Section 1 below.

RECITALS

The Company, the Guarantors, the lenders and agents party thereto, GSCP, as Term Loan Joint Lead Arranger, Term Loan Joint Bookrunner, Term Loan Administrative Agent and Term Loan Collateral Agent, Bear, Stearns & Co. Inc., as Term Loan Joint Lead Arranger and Term Loan Joint Bookrunner, and Bears Stearns Corporate Lending Inc., as Term Loan Syndication Agent, have entered into that Credit and Guaranty Agreement dated as of the date hereof providing for a term loan (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the **"Term Loan Agreement"**);

The Company, Holdings**,** J. Crew International, Inc. ("**International**"), the other borrowers party thereto, the lenders and agents party thereto, and Wachovia Capital Markets LLC, as Revolving Credit Sole Lead Arranger and Revolving Credit Sole Lead Bookrunner, Wachovia, as Revolving Credit Administrative Agent, Wachovia as Revolving Credit Collateral Agent, and Bank of America, N.A., as Revolving Credit Syndication Agent entered into that Amended and Restated Revolving Credit Agreement dated as of December 23, 2004 providing for a revolving credit facility (as amended, restated, supplemented, modified, replaced or refinanced from time to time, the **"Revolving Credit Agreement"**);

Pursuant to (i) the Term Loan Agreement, Holdings has agreed to guaranty the Term Loan Obligations (the **"Term Loan Holdings Guaranty"**) and Holdings and the Company have agreed to cause certain current and future Subsidiaries to agree to guaranty the Term Loan Obligations (the **"Term Loan Subsidiary Guaranty",** and together with the Term Loan Holdings Guaranty, the **"Term Loan Guaranty"**) and (ii) the Guarantee

dated as of December 23, 2004, Holdings, Madewell Inc. and J. Crew International, Inc. have agreed to guaranty the Revolving Credit Obligations (the **"Revolving Credit Holdings Guaranty"**) and Holdings and the Company have agreed to cause certain current and future Subsidiaries to agree to guaranty the Revolving Credit Obligations (the **"Revolving Credit Subsidiary Guaranty"**, and together with the Revolving Credit Holdings Guaranty, the **"Revolving Credit Guaranty"**);

The Term Loan Documents and the Revolving Credit Loan Documents provide, among other things, that the parties thereto shall set forth in this Agreement their respective rights and remedies with respect to the Collateral; and

In order to induce the Revolving Credit Administrative Agent, the Revolving Credit Collateral Agent and the Revolving Credit Lenders to amend the Revolving Credit Agreement and in order to induce the Term Loan Administrative Agent, the Term Loan Collateral Agent and the Term Loan Lenders to enter into the Term Loan Agreement, the Revolving Credit Collateral Agent, the Revolving Credit Administrative Agent, the Term Loan Collateral Agent and the Term Loan Administrative Agent have agreed to the relative priority of their respective Liens on the Collateral and certain other rights, priorities and interests as set forth in this Agreement.

AGREEMENT

In consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. Definitions.

1.1 Defined Terms. As used in the Agreement, the following terms shall have the following meanings:

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power (i) to vote 5% or more of the Securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agents" means the Revolving Credit Collateral Agent and/or the Term Loan Collateral Agent.

"Agreement" means this Intercreditor Agreement, as amended, restated, renewed, extended, supplemented or otherwise modified from time to time.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

"Bankruptcy Law" means the Bankruptcy Code and any similar federal, state or foreign law for the relief of debtors.

"Business Day" means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close.

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including, without limitation, partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

"Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, constituting either Revolving Credit Collateral or Term Loan Collateral.

"Commodities Accounts" means all "commodity accounts" as defined in Article 9 of the UCC.

"Company" has the meaning assigned to that term in the Preamble to this Agreement.

"**Control Agreement**" means any control agreement establishing the Term Loan Collateral Agent's or the Revolving Credit Collateral Agent's "control" (within the meaning of Section 8-106, 9-106 or 9-104 of the UCC, as applicable) with respect to any Deposit Account, Commodities Account or Securities Account.

"Currency Agreement" means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement, each of which is for the purpose of hedging the foreign currency risk associated with Company's, its Subsidiaries' and any Guarantor's operations and not for speculative purposes.

"**Deposit Account**" means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a negotiable certificate of deposit, including, without limitation, all "deposit accounts" as defined in Article 9 of the UCC.

"DIP Financing" has the meaning assigned to that term in Section 6.1.

"Discharge of Revolving Credit Obligations" means, except to the extent otherwise expressly provided in Section 5.5 and subject to clause (b) of the definition of the term Revolving Credit Obligations:

(a) the payment in full in cash of the principal of and interest (including Post-Petition Interest) on all Indebtedness constituting Revolving Loan Obligations;

(b) the payment in full in cash of all other Revolving Credit Obligations that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid (other than indemnification obligations for which no claim or demand for payment, whether oral or written, has been made at such time);

(c) the payment in full in cash collateral in respect of letters of credit, banker's acceptances or similar instruments arranged for under the Revolving Credit Loan Documents in an amount equal to one hundred five (105%) percent of the amount of such letters of credit, banker's acceptance or similar instruments (or at the option of Revolving Credit Collateral Agent, instead of such cash collateral, the delivery to Revolving Credit Collateral Agent of a letter of credit issued for the account of the Company or any Guarantor, in form and substance reasonably satisfactory to Revolving Credit Collateral Agent, by an issuer acceptable to Revolving Credit Collateral Agent and payable to Revolving Credit Collateral Agent as beneficiary) and any other cash collateral to be provided to Revolving Credit Collateral Agent under the terms of the Revolving Credit Loan Documents; and

(d) termination or expiration of all commitments, if any, to extend credit that would constitute Revolving Credit Obligations.

"Discharge of Term Loan Obligations" means, except to the extent otherwise expressly provided in Section 5.5 and subject to clause (b) of the definition of the term Term Loan Obligations:

(a) payment in full in cash of the principal of and interest (including Post-Petition Interest) on all Indebtedness constituting Term Loan Obligations;

(b) payment in full in cash of all other Term Loan Obligations that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid (other than indemnification obligations for which no claim or demand for payment, whether oral or written, has been made at such time); and

(c) termination or expiration of all commitments, if any, to extend credit that would constitute Term Loan Obligations.

"Disposition" has the meaning assigned to that term in Section 5.1(b).

"**Enforcement**" means, collectively or individually for one or both of the Revolving Credit Collateral Agent and the Term Loan Collateral Agent, when a Revolving

Credit Default or Term Loan Default, as the case may be, has occurred and is continuing, to repossess, or exercise any remedies with respect to, any material amount of Collateral or commence the judicial enforcement of any of the rights and remedies under the Revolving Credit Loan Documents, the Term Loan Documents or under any applicable law, but in all cases excluding the imposition of a default rate or late fee.

"**Enforcement Notice**" means a written notice delivered, at a time when a Revolving Credit Default or Term Loan Default has occurred and is continuing, by either Revolving Credit Administrative Agent or Term Loan Administrative Agent to the other announcing that an Enforcement Period has commenced, specifying the relevant event of default, stating the current balance of the Revolving Credit Obligations or the Term Loan Obligations, as the case may be, and requesting the current balance of the Revolving Credit Obligations or the Term Loan Obligations, as the case may be, owing to the noticed party.

"Enforcement Period" means the period of time following the receipt by either Revolving Credit Administrative Agent or Term Loan Administrative Agent of an Enforcement Notice from the other until the earlier of (i) in the case of an Enforcement Period commenced by Term Loan Administrative Agent, the Discharge of Term Loan Obligations, (ii) in the case of an Enforcement Period commenced by Revolving Credit Administrative Agent, the Discharge of Revolving Credit Obligations, (iii) Revolving Credit Administrative Agent or Term Loan Administrative Agent (as applicable) agrees in writing to terminate the Enforcement Period, or (iv) the date on which the Revolving Credit Default or the Term Loan Default that was the subject of the Enforcement Notice relating to such Enforcement Period has been cured to the satisfaction of the Revolving Credit Administrative Agent or the Term Loan Administrative Agent, as applicable, or waived in writing by the Revolving Credit Administrative Agent or Term Loan Administrative Agent, as applicable.

"Equipment" shall mean: (i) all "equipment" as defined in Article 9 of the UCC, (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, fixtures and tools (in each case, regardless of whether characterized as equipment under the UCC) and (iii) all accessions or additions thereto, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefor, wherever located, now or hereafter existing, including any fixtures.

"Equipment Access Period" means for any item of Equipment for which the use of such Equipment is necessary or desirable in connection with any Enforcement in respect of any Revolving Credit Primary Collateral, the period, after the commencement of an Enforcement Period, which begins on the day that Revolving Credit Collateral Agent provides Term Loan Collateral Agent with the notice of its election to request access pursuant to Section 3.4(b) below and ends on the earlier of (i) the 80th day after the later of (x) the date upon which the Revolving Credit Collateral Agent notifies the Term Loan Collateral Agent of the desire of Revolving Credit Collateral Agent to exercise the access rights as to such Equipment provided for in Section 3.4(b) and (y) the date upon which Revolving Credit Collateral Agent obtains the ability to use such item of Equipment

following Enforcement (either such applicable date set forth in the foregoing clause (x) or (y), the "**Equipment Access Period Commencement Date**") plus, in each case, such number of days, if any, after the Equipment Access Period Commencement Date that the Revolving Credit Collateral Agent is stayed or otherwise prohibited by law or court order from exercising remedies with respect to Revolving Credit Primary Collateral, or (ii) the date on which all or substantially all of the Revolving Credit Primary Collateral for which the use of such Equipment is necessary or desirable is sold, collected or liquidated, or (iii) the date on which the Discharge of Revolving Credit Obligations occurs or (iv) the date on which the Revolving Credit Default that was the subject of the Enforcement Notice relating to such Enforcement Period has been cured to the satisfaction of the Revolving Credit Collateral Agent, or waived in writing by the Revolving Credit Collateral Agent.

"Governmental Authority" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States, or a foreign entity or government.

"Grantors" means the Company, Holdings, International, each of the Guarantor Subsidiaries and each other Person that has or may from time to time hereafter execute and deliver a Term Loan Collateral Document or a Revolving Credit Collateral Document as a "grantor" or "pledgor" (or the equivalent thereof).

"Guarantor Subsidiary" means each Guarantor (under and as defined in either the Term Loan Agreement or the Revolving Credit Agreement) that is a Subsidiary of Company.

"Hedge Agreement" means an Interest Rate Agreement or a Currency Agreement entered into with a Lender Counterparty.

"Hedging Obligation" of any Person means any obligation of such Person pursuant to any Hedge Agreement.

"Holdings" has the meaning set forth in the Preamble to this Agreement.

"Indebtedness" means and includes all Obligations that constitute "Indebtedness" within the meaning of the Term Loan Agreement or the Revolving Credit Agreement, as applicable.

"Insolvency or Liquidation Proceeding" means:

(a) any voluntary or involuntary case or proceeding under the Bankruptcy Code with respect to any Grantor;

(b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to a material portion of their respective assets;

(c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; or

(d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"**Intellectual Property**" has the meaning assigned such term in Annex C.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement each of which is for the purpose of hedging the interest rate exposure associated with Company's, its Subsidiaries' and each Guarantor's operations and not for speculative purposes.

"**International**" has the meaning set forth in the Recitals to this Agreement.

"**Joint Venture**" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form; provided, in no event shall any corporate Subsidiary of any Person be considered to be a Joint Venture to which such Person is a party.

"**Lender**" means each Term Loan Lender and each Revolving Credit Lender.

"Lender Counterparty" means each Lender or any Affiliate of a Lender counterparty to a Hedge Agreement (including any Person who is a Lender (and any Affiliate thereof) as of the date hereof but subsequently, whether before or after entering into a Hedge Agreement, ceases to be a Lender) including, without limitation, each such Affiliate that enters into a joinder agreement with an Agent.

"Lien" means any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing.

"Mortgage Access Period" means for each parcel of Mortgaged Premises the period, after the commencement of an Enforcement Period, which begins on the day that Term Loan Collateral Agent provides Revolving Credit Collateral Agent with the notice of its election to request access pursuant to Section 3.3(b) below and ends on the

earlier of (i) the 90th day after the later of (x) the date upon which the Term Loan Collateral Agent notifies the Revolving Credit Collateral Agent of the desire of Term Loan Collateral Agent to exercise the access rights as to such parcel of Mortgaged Premises provided for in Section 3.3(b) and (y) the date upon which Term Loan Collateral Agent obtains the ability to use such parcel of Mortgaged Premises following Enforcement (either such applicable date set forth in the foregoing clause (x) or (y), the "**Mortgage Access Period Commencement Date**") plus, in each case, such number of days, if any, after the Mortgage Access Period Commencement Date that Term Loan Collateral Agent is stayed or otherwise prohibited by law or court order or by the continuation of any Equipment Access Period from exercising remedies with respect to Collateral located on such Mortgaged Premises, or (ii) the date on which all or substantially all of the Term Loan Primary Collateral located on such Mortgaged Premises is sold, collected or liquidated, or (iii) the date on which the Discharge of Term Loan Obligations occurs or (iv) the date on which the Term Loan Default that was the subject of the Enforcement Notice relating to such Enforcement Period has been cured to the satisfaction of the Term Loan Collateral Agent, or waived in writing by the Term Loan Collateral Agent.

"**Mortgaged Premises**" means any real property which shall now or hereafter be subject to a Revolving Credit Mortgage.

"New Agent" has the meaning assigned to that term in Section 5.5.

"New Debt Notice" has the meaning assigned to that term in Section 5.5.

"Obligations" means all obligations of every nature of each Grantor from time to time owed to any agent or trustee, the Term Loan Claimholders, the Revolving Credit Claimholders or any of them or their respective Affiliates under the Term Loan Documents, the Revolving Credit Loan Documents or Hedge Agreements, whether for principal, interest or payments for early termination of Interest Rate Agreements, fees, expenses, indemnification or otherwise and all guarantees of any of the foregoing.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, Joint Ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and Governmental Authorities.

"Pledged Collateral" has the meaning set forth in Section 5.4.

"Post-Petition Interest" means interest, fees, expenses and other charges that pursuant to the Term Loan Agreement or the Revolving Credit Agreement, continue to accrue after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest, fees, expenses and other charges cease to accrue by operation of the Bankruptcy Law or other law and whether or not such interest, fees, expenses and other charges are allowed or allowable under the Bankruptcy Law or in any such Insolvency or Liquidation Proceeding.

"Recovery" has the meaning set forth in Section 6.4.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, defease, amend, modify, supplement, restructure, replace, refund or repay, or to issue other indebtedness, in exchange or replacement for, such Indebtedness in whole or in part. **"Refinanced"** and **"Refinancing"** shall have correlative meanings.

"**Revolving Credit Administrative Agent**" has the meaning assigned to that term in the Preamble of this Agreement.

"**Revolving Credit Agreement**" has the meaning assigned to that term in the Recitals to this Agreement.

"Revolving Credit Claimholders" means, at any relevant time, the holders of Revolving Credit Obligations at that time, including the Revolving Credit Lenders and the agents under the Revolving Credit Loan Documents and any Lender Counterparties that are Revolving Credit Lenders or Affiliates of Revolving Credit Lenders and that receive the benefit of the Liens granted to Revolving Credit Collateral Agent under the terms of the Revolving Credit Loan Documents.

"Revolving Credit Collateral" means all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Revolving Credit Obligations.

"Revolving Credit Collateral Agent" has the meaning assigned to that term in the Preamble of this Agreement.

"Revolving Credit Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted securing any Revolving Credit Obligations or under which rights or remedies with respect to such Liens are governed.

"**Revolving Credit Commitments**" means the "Revolving Credit Commitments" (as such term is defined in the Revolving Credit Agreement).

"**Revolving Credit Default**" means an "Event of Default" (as defined in the Revolving Credit Agreement).

"**Revolving Credit Guaranty**" has the meaning assigned to that term in the Recitals to this Agreement.

"**Revolving Credit Lenders**" means the "Lenders" under and as defined in the Revolving Credit Agreement.

"Revolving Credit Loan Documents" means the Revolving Credit Agreement and the Financing Agreements (as defined in the Revolving Credit Agreement) and each of the other agreements, documents and instruments providing for or evidencing any other Revolving Credit Obligation, and any other document or instrument executed or

delivered at any time in connection with any Revolving Credit Obligations, including any intercreditor or joinder agreement among holders of Revolving Credit Obligations to the extent such are effective at the relevant time, as each may be amended, restated, supplemented, modified, renewed or extended from time to time in accordance with the provisions of this Agreement.

"Revolving Credit Mortgages" means a collective reference to each mortgage, deed of trust and any other document or instrument under which any Lien on real property owned or leased by any Grantor is granted to secure any Revolving Credit Obligations or under which rights or remedies with respect to any such Liens are governed.

"**Revolving Credit Obligations**" means the following:

(a) all Obligations (including without limitation any Post-Petition Interest) outstanding under the Revolving Credit Agreement and the other Revolving Credit Loan Documents, including Hedge Agreements entered into with any Lender Counterparty but only to the extent such Lender Counterparty is a Revolving Credit Claimholder. "Revolving Credit Obligations" shall include all interest, fees, expenses and other charges accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding, accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate in the case of interest, fees or charges specified in the relevant Revolving Credit Loan Document whether or not the claim for such interest, fees or charges is allowed as a claim in such Insolvency or Liquidation Proceeding.

(b) To the extent any payment with respect to any Revolving Credit Obligation (whether by or on behalf of any Grantor, as proceeds of security, enforcement of any right of setoff or otherwise) is declared to be a fraudulent conveyance or a preference in any respect, set aside or required to be paid to a debtor in possession, any Term Loan Claimholders, receiver or similar Person or otherwise required to be returned or repaid, then the obligation or part thereof originally intended to be satisfied shall, for the purposes of this Agreement and the rights and obligations of the Revolving Credit Claimholders and the Term Loan Claimholders, be deemed to be reinstated and outstanding as if such payment had not occurred. To the extent that any interest, fees, expenses or other charges (including, without limitation, Post-Petition Interest) to be paid pursuant to the Revolving Credit Loan Documents are disallowed by order of any court, including, without limitation, by order of a Bankruptcy Court in any Insolvency or Liquidation Proceeding, such interest, fees, expenses and charges (including, without limitation, Post-Petition Interest) shall, as between the Revolving Credit Claimholders and the Term Loan Claimholders, be deemed to continue to accrue and be added to the amount to be calculated as the "Revolving Credit Obligations".

(c) Notwithstanding the foregoing, if the sum of: (A) Indebtedness (as defined in the Revolving Credit Agreement) constituting principal outstanding under the Revolving Credit Agreement and the other Revolving Credit Loan Documents; plus (B) the aggregate undrawn amount then available under any then outstanding letters of credit issued under the Revolving Credit Agreement, is in excess of the sum of $275,000,000 (the

"**Revolving Credit Cap Amount**"), then that portion of the principal amount of such Indebtedness (as defined in the Revolving Credit Agreement) (and any interest thereon and any fees and expenses related thereto) and such aggregate undrawn amount of letters of credit in excess of the Revolving Credit Cap Amount shall not be included in Revolving Credit Obligations.

"**Revolving Credit Primary Collateral**" means all "Collateral" as described in **Annex A;** provided that, to the extent that identifiable proceeds of Term Loan Primary Collateral are deposited or held in any Deposit Accounts or Securities Accounts that constitute Revolving Credit Primary Collateral after an Enforcement Notice, then (as provided in Section 3.5 below) such Collateral or other identifiable proceeds shall be treated as Term Loan Primary Collateral.

"**Revolving Credit Sole Book Runner**" means the "Sole Book Runner" under the Revolving Credit Loan Documents.

"**Revolving Credit Sole Lead Arranger**" means the "Lead Arranger" under the Revolving Credit Loan Documents.

"Revolving Credit Standstill Period" has the meaning set forth in Section 3.2(a)(1).

"**Revolving Credit Syndication Agent**" has the meaning assigned to that term in the Recitals to this Agreement.

"**Securities**" means any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"**Securities Accounts**" (i) shall mean all "securities accounts" as defined in Article 8 of the UCC.

"**Subsidiary**" means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided that, in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a "qualifying share" of the former Person shall be deemed to be outstanding.

"**Superior Lienholder**" has the meaning assigned to that term in Section 5.4(f).

"**Term Loan Administrative Agent**" has the meaning assigned to that term in the Preamble to this Agreement.

"**Term Loan Agreement**" has the meaning assigned to that term in the Recitals to this Agreement.

"**Term Loan Claimholders**" means, at any relevant time, the holders of Term Loan Obligations at that time, including the Term Loan Lenders and the agents under the Term Loan Documents and any Lender Counterparties that are Term Loan Lenders or Affiliates of Term Loan Lenders and that receive the benefit of the Liens granted to Term Loan Collateral Agent under the terms of the Term Loan Documents.

"**Term Loan Collateral Agent**" has the meaning assigned to that term in the Preamble to this Agreement.

"**Term Loan Collateral**" means all of the assets and property of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Term Loan Obligations.

"**Term Loan Collateral Documents**" means the Collateral Documents (as defined in the Term Loan Agreement) and any other agreement, document or instrument pursuant to which a Lien is granted securing any Term Loan Obligations or under which rights or remedies with respect to such Liens are governed.

"**Term Loan Default**" means an "Event of Default" (as defined in the Term Loan Agreement).

"**Term Loan Documents**" means the Term Loan Agreement and the Credit Documents (as defined in the Term Loan Agreement) and each of the other agreements, documents and instruments providing for or evidencing any other Term Loan Obligation, and any other document or instrument executed or delivered at any time in connection with any Term Loan Obligations, including any intercreditor or joinder agreement among holders of Term Loan Obligations, to the extent such are effective at the relevant time, as each may be amended, restated, supplemented, modified, renewed or extended from time to time in accordance with the provisions of this Agreement.

"**Term Loan Guaranty**" has the meaning assigned to that term in the Recitals to this Agreement.

"**Term Loan Joint Book Runners**" means the "Joint Bookrunners" under the Term Loan Documents.

"**Term Loan Joint Lead Arrangers**" means the "Joint Lead Arrangers" under the Term Loan Documents.

"**Term Loan Lenders**" means the "Lenders" under and as defined in the Term Loan Documents.

"**Term Loan Mortgages**" means a collective reference to each mortgage, deed of trust and other document or instrument under which any Lien on real property owned or leased by any Grantor is granted to secure any Term Loan Obligations or under which rights or remedies with respect to any such Liens are governed.

"**Term Loan Obligations**" means the following:

(a) all Obligations (including without limitation any Post-Petition Interest) outstanding under the Term Loan Agreement and the other Term Loan Documents, including Hedge Agreements entered into with any Lender Counterparty but only to the extent such Lender Counterparty is a Term Loan Claimholder. "Term Loan Obligations" shall include all interest accrued or accruing (or which would, absent commencement of an Insolvency or Liquidation Proceeding, accrue) after commencement of an Insolvency or Liquidation Proceeding in accordance with the rate specified in the relevant Term Loan Document whether or not the claim for such interest, fees or charges is allowed as a claim in such Insolvency or Liquidation Proceeding.

(b) To the extent any payment with respect to any Term Loan Obligation (whether by or on behalf of any Grantor, as proceeds of security, enforcement of any right of setoff or otherwise) is declared to be a fraudulent conveyance or a preference in any respect, set aside or required to be paid to a debtor in possession, any Revolving Credit Claimholders, receiver or similar Person or otherwise required to be returned or repaid, then the obligation or part thereof originally intended to be satisfied shall, for the purposes of this Agreement and the rights and obligations of the Term Loan Claimholders and the Revolving Credit Claimholders, be deemed to be reinstated and outstanding as if such payment had not occurred. To the extent that any interest, fees, expenses or other charges (including, without limitation, Post-Petition Interest) to be paid pursuant to the Term Loan Documents are disallowed by order of any court, including, without limitation, by order of a Bankruptcy Court in any Insolvency or Liquidation Proceeding, such interest, fees, expenses and charges (including, without limitation, Post-Petition Interest) shall, as between the Term Loan Claimholders and the Revolving Credit Claimholders, be deemed to continue to accrue and be added to the amount to be calculated as the "Term Loan Obligations".

(c) Notwithstanding the foregoing, if the Indebtedness (as defined in the Term Loan Agreement) constituting principal outstanding under the Term Loan Agreement and the other Term Loan Documents is in excess of (x) in the event Company has not

exercised its option to obtain the Term Loan Incremental Advance (as defined in the Term Loan Agreement), $313,500,000 or (y) in the event that Company has exercised its option to obtain the Incremental Term Loan (as defined in the Term Loan Agreement), $423,500,000 (the "**Term Loan Cap Amount**"), then that portion of the principal amount of such Indebtedness (as defined in the Term Loan Agreement) (and any interest thereon and any fees and expenses related thereto) in excess of the Term Loan Cap Amount shall not be included in the Term Loan Obligations.

"**Term Loan Primary Collateral**" means all "Collateral" as described in **Annex B**; provided, however, that to the extent that identifiable proceeds of Revolving Credit Primary Collateral are deposited or held in any Deposit Accounts or Securities Accounts that constitute Term Loan Primary Collateral, then (as provided in Section 3.5 below) such Collateral or other identifiable proceeds shall be treated as Revolving Credit Primary Collateral.

"**Term Loan Standstill Period**" has the meaning set forth in Section 3.2(a)(1).

"**Term Loan Syndication Agent**" has the meaning assigned to that term in the Recitals to this Agreement.

"**Third Parties**" has the meaning assigned to that term in Section 5.4(f).

"**Third Party Agreements**" has the meaning assigned to that term in Section 5.4(f).

"**UCC**" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

1.2 Terms Generally. The definitions of terms in this Agreement shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise:

(a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented, modified, renewed or extended;

(b) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns;

(c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof;

(d) all references herein to Sections shall be construed to refer to Sections of this Agreement; and

(e) all references to terms defined in the UCC shall have the meaning ascribed to them therein (unless otherwise specifically defined herein); and

(f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 2. Lien Priorities.

2.1 Relative Priorities. Notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any Liens securing the Term Loan Obligations granted on the Collateral or of any Liens securing the Revolving Credit Obligations granted on the Collateral and notwithstanding any provision of any UCC, or any other applicable law or the Revolving Credit Loan Documents or the Term Loan Documents or any defect or deficiencies in, or failure to perfect, the Liens securing the Revolving Credit Obligations or Term Loan Obligations or any other circumstance whatsoever, the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders and the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders hereby agree that:

(a) any Lien of the Revolving Credit Collateral Agent on the Revolving Credit Primary Collateral, whether now or hereafter held by or on behalf of the Revolving Credit Collateral Agent or any Revolving Credit Claimholders or any agent or trustee therefor, regardless of how acquired, whether by grant, possession, statute, operation of law (pursuant to a judgment or otherwise), subrogation or otherwise, shall be senior in all respects and prior to all Liens on the Revolving Credit Primary Collateral securing any Term Loan Obligations; and

(b) any Lien of the Term Loan Collateral Agent on the Term Loan Primary Collateral, whether now or hereafter held by or on behalf of the Term Loan Collateral Agent, any Term Loan Claimholders or any agent or trustee therefor regardless of how acquired, whether by grant, possession, statute, operation of law (pursuant to a judgment or otherwise), subrogation or otherwise, shall be senior in all respects to all Liens on the Term Loan Primary Collateral securing any Revolving Credit Obligations.

2.2 Prohibition on Contesting Liens. Each of the Term Loan Collateral Agent, for itself and on behalf of each Term Loan Claimholder, and the Revolving Credit Collateral Agent, for itself and on behalf of each Revolving Credit Claimholder, agrees that it will not (and hereby waives any right to) contest or support any other Person in

contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity or enforceability of a Lien held by or on behalf of any of the Revolving Credit Claimholders or any of the Term Loan Claimholders in the Collateral, or the provisions of this Agreement; provided that nothing in this Agreement shall be construed to prevent or impair the rights of either Agent or any Revolving Credit Claimholder or Term Loan Claimholder to enforce this Agreement, including the provisions of this Agreement relating to the priority of the Liens securing the Obligations as provided in Sections 2.1, 3.1 and 3.2.

2.3 No New Liens. So long as the Discharge of Revolving Credit Obligations and the Discharge of Term Loan Obligations have not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against one or more of the Company or any other Grantor, the parties hereto agree that neither the Company nor any other Grantor shall:

(a) grant or permit any additional Liens on any asset or property to secure any Term Loan Obligation unless (i) it has granted or concurrently grants a Lien on such asset or property to secure the Revolving Credit Obligations or (ii) otherwise as permitted in accordance with Section 6.3; or

(b) grant or permit any additional Liens on any asset or property to secure any Revolving Credit Obligations unless (i) it has granted or concurrently grants a Lien on such asset or property to secure the Term Loan Obligations or (ii) otherwise as permitted in accordance with Section 6.3.

To the extent any additional Liens are granted on any asset or property pursuant to this Section 2.3, the priority of such additional Liens shall be determined in accordance with Section 2.1. In addition, to the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available hereunder, the Revolving Credit Collateral Agent, on behalf of the Revolving Credit Claimholders and the Term Loan Collateral Agent, on behalf of Term Loan Claimholders, agree that any amounts received by or distributed to any of them pursuant to or as a result of Liens granted in contravention of this Section 2.3 shall be subject to Section 4.2.

2.4 Similar Liens and Agreements. The parties hereto agree that it is their intention that, subject to the relative priorities described herein or permitted hereby, the Revolving Credit Collateral and the Term Loan Collateral be identical (it being expressly understood and agreed that none of the Revolving Credit Claimholders and none of the Term Loan Claimholders make any representation, warranty or agreement to any other party hereto as to whether the Revolving Credit Collateral and the Term Loan Collateral are identical). In furtherance of the foregoing and of Section 8.8, the parties hereto agree, subject to the other provisions of this Agreement, upon request by the Revolving Credit Collateral Agent or the Term Loan Collateral Agent, to cooperate in good faith (and to direct their counsel to cooperate in good faith) from time to time in order to determine the specific items included in the Revolving Credit Collateral and the Term Loan Collateral and the steps taken to perfect their respective Liens thereon and the identity of the respective parties obligated under the Revolving Credit Loan Documents and the Term Loan Documents.

SECTION 3. Enforcement.

3.1 Exercise of Remedies – Restrictions on Term Loan Collateral Agent.

(a) Until (i) the Discharge of Revolving Credit Obligations has occurred and (ii) the Revolving Credit Agreement is no longer in effect, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, the Term Loan Collateral Agent and the Term Loan Claimholders:

(1) will not exercise or seek to exercise any rights or remedies with respect to any Revolving Credit Primary Collateral (including the exercise of any right of setoff, notification of account debtors or any right under any lockbox agreement, account control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Term Loan Collateral Agent or any Term Loan Claimholder is a party) or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure); provided, however, that the Term Loan Collateral Agent may exercise the rights provided for in Section 3.3 (with respect to any Mortgage Access Period) and may exercise any or all such other rights or remedies after the passage of a period of at least 180 days has elapsed since the later of: (i) the date on which the Term Loan Collateral Agent declared the existence of a Term Loan Default and demanded the repayment of all the principal amount of any Term Loan Obligations; and (ii) the date on which the Revolving Credit Collateral Agent received notice from the Term Loan Collateral Agent of such declaration of a Term Loan Default and demand for payment (the "**Term Loan Standstill Period**"); provided, further, however, that notwithstanding anything herein to the contrary, in no event shall the Term Loan Collateral Agent or any Term Loan Claimholder exercise any rights or remedies (other than those under Section 3.3) with respect to the Revolving Credit Primary Collateral (unless (i) the final step triggering the "one action rule" or any similar legal provision in any applicable state has occurred and (ii) the applicable Term Loan Claimholder has provided written notice to the Revolving Credit Collateral Agent no later than five days prior to the commencement of such final step of its exercise of any rights or remedies permitted hereunder) if, notwithstanding the expiration of the Term Loan Standstill Period, the Revolving Credit Collateral Agent or Revolving Credit Claimholders shall have commenced and be diligently pursuing the exercise of their rights or remedies with respect to all or any material portion of such Collateral or in any event as to any specific assets constituting Revolving Credit Primary Collateral as to which Revolving Credit Collateral Agent has commenced and is diligently pursuing such rights or remedies (and to the extent that Revolving Credit Collateral Agent or Revolving Credit Claimholders shall have commenced such action as to such specific assets after the end of the Term Loan Standstill Period, Revolving Credit Collateral Agent or Revolving Credit Claimholders shall have provided at least three Business Days' prior notice of such exercise to the Term Loan Collateral Agent);

(2) will not contest, protest or object to any foreclosure proceeding or action brought by the Revolving Credit Collateral Agent or any Revolving Credit Claimholder or any other exercise by the Revolving Credit Collateral Agent or any Revolving Credit Claimholder of any rights and remedies relating to the Revolving Credit Primary Collateral, whether under the Revolving Credit Loan Documents or otherwise; and

(3) subject to their rights under clause (a)(1) above and except as may be permitted in Section 3.1(c), will not object to the forbearance by the Revolving Credit Collateral Agent or any of the Revolving Credit Claimholders from bringing or pursuing any Enforcement;

provided, however, that, in the case of (1), (2) and (3) above, the Liens granted to secure the Term Loan Obligations of the Term Loan Claimholders shall attach to the proceeds thereof subject to the relative priorities described in Section 2.

(b) Until (i) the Discharge of Revolving Credit Obligations has occurred and (ii) the Revolving Credit Agreement is no longer in effect, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, the Revolving Credit Collateral Agent and the Revolving Credit Claimholders shall have the right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and, in connection therewith (including voluntary Dispositions of Revolving Credit Primary Collateral by the respective Grantors after a Revolving Credit Default) make determinations regarding the release, disposition, or restrictions with respect to the Revolving Credit Primary Collateral without any consultation with or the consent of the Term Loan Collateral Agent or any Term Loan Claimholder; provided, however, that the Lien securing the Term Loan Obligations shall remain on the proceeds (other than those properly applied to the Revolving Credit Obligations) of such Collateral released or disposed of subject to the relative priorities described in Section 2. In exercising rights and remedies with respect to the Revolving Credit Primary Collateral, the Revolving Credit Collateral Agent and the Revolving Credit Claimholders may enforce the provisions of the Revolving Credit Loan Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of the Revolving Credit Primary Collateral upon foreclosure, to incur expenses in connection with such sale or other disposition, and to exercise all the rights and remedies of a secured creditor under the UCC and of a secured creditor under the Bankruptcy Laws of any applicable jurisdiction.

(c) Notwithstanding the foregoing, the Term Loan Collateral Agent and any Term Loan Claimholder may:

(1) file a claim or statement of interest with respect to the Term Loan Obligations; provided that an Insolvency or Liquidation Proceeding has been commenced by or against any Grantor;

(2) take any action as is required in order to create, perfect, preserve or protect its Lien on any of the Collateral, but not enforce its Lien or otherwise exercise any rights or remedies with respect to any Revolving Credit Primary Collateral upon a default or event of default or take any action that would be adverse to the Liens of Revolving Credit Collateral Agent or interfere with the exercise by Revolving Credit Collateral Agent of its rights or remedies with respect to the Revolving Credit Primary Collateral or otherwise adverse to the priority status of the Liens on the Revolving Credit Primary Collateral, or the rights of the Revolving Credit Collateral Agent or the Revolving Credit Claimholders to exercise remedies in respect thereof or otherwise prohibited hereunder;

(3) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the Term Loan Claimholders, including any claims secured by the Revolving Credit Primary Collateral, if any, in each case in accordance with the terms of this Agreement;

(4) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either any Insolvency or Liquidation Proceeding or applicable non-bankruptcy law, in each case not inconsistent with the terms of this Agreement;

(5) vote on any plan of reorganization, file any proof of claim, make other filings and make any arguments and motions that are, in each case, in accordance with the terms of this Agreement, with respect to the Term Loan Obligations and the Term Loan Primary Collateral; and

(6) exercise any of its rights or remedies with respect to any of the Collateral after the termination of the Term Loan Standstill Period to the extent permitted by Section 3.1(a)(1); provided that until the Discharge of Revolving Credit Obligations, the proceeds of any Revolving Credit Primary Collateral are delivered to the Revolving Credit Collateral Agent for application to the Revolving Credit Obligations in accordance with Sections 4.1 and 4.2.

The Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, agrees that it will not take or receive any Revolving Credit Primary Collateral or any proceeds of such Collateral in connection with the exercise of any right or remedy (including set-off or notification of account debtors) with respect to any such Collateral in its capacity as a creditor in violation of this Agreement. Without limiting the generality of the foregoing, unless and until the Discharge of Revolving Credit Obligations has occurred, except as expressly provided in Sections 3.1(a), 6.3(c)(1) and this Section

3.1(c), the sole right of the Term Loan Collateral Agent and the Term Loan Claimholders with respect to the Revolving Credit Primary Collateral is to hold a Lien on such Collateral pursuant to the Term Loan Collateral Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of Revolving Credit Obligations has occurred. Notwithstanding any provision of this Agreement to the contrary, until the Discharge of Revolving Credit Obligations, all proceeds of Revolving Credit Primary Collateral, from whatever source, and whether resulting from the exercise of remedies or otherwise, shall be delivered to the Revolving Credit Collateral Agent and applied in accordance with Sections 4.1 and 4.2, and the Term Loan Collateral Agent and Term Loan Claimholders shall have no rights with respect to such proceeds other than as set forth in the immediately preceding sentence (and which such rights with respect to such proceeds shall be extinguished upon the application of such proceeds to the payment of the Revolving Credit Obligations in accordance with Section 4.1).

(d) Subject to Sections 3.1(a) and (c) and Section 6.3(c)(1):

(1) the Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, agrees that the Term Loan Collateral Agent and the Term Loan Claimholders will not take any action that would hinder any exercise of remedies under the Revolving Credit Loan Documents or that is otherwise prohibited hereunder, including any sale, lease, exchange, transfer or other disposition of the Revolving Credit Primary Collateral, whether by foreclosure or otherwise;

(2) the Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, hereby waives any and all rights it or the Term Loan Claimholders may have as a junior lien creditor or otherwise to object to the manner in which the Revolving Credit Collateral Agent or the Revolving Credit Claimholders seek to enforce or collect the Revolving Credit Obligations or the Liens securing the Revolving Credit Obligations granted in any of the Revolving Credit Loan Documents or undertaken in accordance with this Agreement, regardless of whether any action or failure to act by or on behalf of the Revolving Credit Collateral Agent or Revolving Credit Claimholders is adverse to the interest of the Term Loan Claimholders; and

(3) the Term Loan Collateral Agent hereby acknowledges and agrees that no covenant, agreement or restriction contained in the Term Loan Collateral Documents or any other Term Loan Document (other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the Revolving Credit Collateral Agent or the Revolving Credit Claimholders with respect to the Revolving Credit Primary Collateral as set forth in this Agreement and the Revolving Credit Loan Documents.

(e) Except as otherwise specifically set forth in Sections 3.1(a) and (d) and 3.5, the Term Loan Collateral Agent and the Term Loan Claimholders may exercise

rights and remedies as unsecured creditors against any Grantor and may exercise rights and remedies with respect to the Term Loan Primary Collateral, in each case, in accordance with the terms of the Term Loan Documents and applicable law; provided, however, that in the event that any Term Loan Claimholder becomes a judgment Lien creditor in respect of Revolving Credit Primary Collateral as a result of its enforcement of its rights as an unsecured creditor with respect to the Term Loan Obligations, such judgment Lien shall be subject to the terms of this Agreement for all purposes (including in relation to the Revolving Credit Obligations) as the other Liens securing the Term Loan Obligations are subject to this Agreement.

(f) Nothing in this Agreement shall prohibit the receipt by the Term Loan Collateral Agent or any Term Loan Claimholders of the required payments of interest, principal and other amounts owed in respect of the Term Loan Obligations so long as such receipt is not the direct or indirect result of the exercise by the Term Loan Collateral Agent or any Term Loan Claimholders of rights or remedies as a secured creditor (including set-off or notification of account debtors) or enforcement in contravention of this Agreement of any Lien held by any of them and except as otherwise provided in Section 4.1 of this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Revolving Credit Collateral Agent or the Revolving Credit Claimholders may have against the Grantors under the Revolving Credit Loan Documents.

3.2 Exercise of Remedies – Restrictions on Revolving Credit Collateral Agent.

(a) Until (i) the Discharge of Term Loan Obligations has occurred and (ii) the Term Loan Agreement is no long in effect, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, the Revolving Credit Collateral Agent and the Revolving Credit Claimholders:

(1) will not exercise or seek to exercise any rights or remedies with respect to any Term Loan Primary Collateral (including the exercise of any right of setoff, notification of account debtors or any right under any lockbox agreement, account control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Revolving Credit Collateral Agent or any Revolving Credit Claimholder is a party) or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure); provided, however, that the Revolving Credit Collateral Agent may exercise the rights provided for in Section 3.4 (with respect to any Equipment Access Period) and may exercise any or all such other rights or remedies after the passage of a period of at least 180 days has elapsed since the later of: (i) the date on which the Revolving Credit Collateral Agent declared the existence of any Revolving Credit Default and demanded the repayment of all the principal amount of any Revolving Credit Obligations; and (ii) the date on which the Term Loan Collateral Agent received notice from the Revolving Credit Collateral Agent of such declaration of a Revolving Credit Default and demand for payment, (the "Revolving Credit

Standstill Period"); provided, further, however, that notwithstanding anything herein to the contrary, in no event shall the Revolving Credit Collateral Agent or any Revolving Credit Claimholder exercise any rights or remedies (other than those under Section 3.3) with respect to the Term Loan Primary Collateral (unless (i) the final step triggering the "one action rule" or any similar legal provision in any applicable state has occurred and (ii) the applicable Revolving Credit Claimholder has provided written notice to the Term Loan Collateral Agent no later than five days prior to the commencement of such final step of its exercise of any rights or remedies permitted hereunder) if, notwithstanding the expiration of the Revolving Credit Standstill Period, the Term Loan Collateral Agent or Term Loan Claimholders shall have commenced and be diligently pursuing the exercise of their rights or remedies with respect to all or any material portion of such Collateral or in any event as to any specific assets constituting Term Loan Primary Collateral as to which Term Loan Collateral Agent has commenced and is diligently pursuing such rights or remedies (and to the extent that Term Loan Collateral Agent or Term Loan Claimholders shall have commenced such action as to such specific assets after the end of the Revolving Credit Standstill Period, Term Loan Collateral Agent or Term Loan Claimholders shall have provided at least three Business Days' prior notice of such exercise to the Revolving Collateral Agent);

(2) will not contest, protest or object to any foreclosure proceeding or action brought by the Term Loan Collateral Agent or any Term Loan Claimholder or any other exercise by the Term Loan Collateral Agent or any Term Loan Claimholder of any rights and remedies relating to the Term Loan Primary Collateral, whether under the Term Loan Documents or otherwise; and

(3) subject to their rights under clause (a)(1) above and except as may be permitted in Section 3.2(c), will not object to the forbearance by the Term Loan Collateral Agent or the Term Loan Claimholders from bringing or pursuing any Enforcement;

provided, however, that in the case of (1), (2) and (3) above, the Liens granted to secure the Revolving Credit Obligations of the Revolving Credit Claimholders shall attach to the proceeds thereof subject to the relative priorities described in Section 2.

(b) Until (i) the Discharge of Term Loan Obligations has occurred and (ii) the Term Loan Agreement is no long in effect, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, the Term Loan Collateral Agent and the Term Loan Claimholders shall have the right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and, in connection therewith (including voluntary Dispositions of Term Loan Primary Collateral by the respective Grantors after a Term Loan Default) make determinations regarding the release, disposition, or restrictions with respect to the Term Loan Primary Collateral without any consultation with or the consent of the Revolving Credit Collateral Agent or any Revolving Credit Claimholder; provided, however, that the Lien securing the Revolving Credit

Obligations shall remain on the proceeds (other than those properly applied to the Term Loan Obligations) of such Collateral released or disposed of subject to the relative priorities described in Section 2. In exercising rights and remedies with respect to the Term Loan Primary Collateral, the Term Loan Collateral Agent and the Term Loan Claimholders may enforce the provisions of the Term Loan Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of the Term Loan Primary Collateral upon foreclosure, to incur expenses in connection with such sale or other disposition, and to exercise all the rights and remedies of a secured creditor under the UCC and of a secured creditor under the Bankruptcy Laws of any applicable jurisdiction.

(c) Notwithstanding the foregoing, the Revolving Credit Collateral Agent and any Revolving Credit Claimholder may:

(1) file a claim or statement of interest with respect to the Revolving Credit Obligations; provided that an Insolvency or Liquidation Proceeding has been commenced by or against any Grantor;

(2) take any action as is required in order to create, perfect, preserve or protect its Lien on any of the Collateral, but not enforce its Lien or otherwise exercise any rights or remedies with respect to any Term Loan Primary Collateral upon a default or event of default or take any action that would be adverse to the Liens of Term Loan Collateral Agent or interfere with the exercise by Term Loan Collateral Agent of its rights or remedies with respect to the Term Loan Primary Collateral or otherwise adverse to the priority status of the Liens on the Term Loan Primary Collateral, or the rights of the Term Loan Collateral Agent or any of the Term Loan Claimholders to exercise remedies in respect thereof or otherwise prohibited hereunder;

(3) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims of the Revolving Credit Claimholders, including any claims secured by the Term Loan Primary Collateral, if any, in each case in accordance with the terms of this Agreement;

(4) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either any Insolvency or Liquidation Proceeding or applicable non-bankruptcy law, in each case not inconsistent with the terms of this Agreement;

(5) vote on any plan of reorganization, file any proof of claim, make other filings and make any arguments and motions that are, in each case, in accordance with the terms of this Agreement, with respect to the Revolving Credit Obligations and the Revolving Credit Primary Collateral; and

(6) exercise any of its rights or remedies with respect to any of the Collateral after the termination of the Revolving Credit Standstill Period to the extent permitted by Section 3.2(a)(1); provided that until the Discharge of Term Loan Obligations, the proceeds of any Term Loan Primary Collateral are delivered to the Term Loan Collateral Agent for application to the Term Loan Obligations in accordance with Sections 4.1 and 4.2.

The Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, agrees that it will not take or receive any Term Loan Primary Collateral or any proceeds of such Collateral in connection with the exercise of any right or remedy (including set-off notification of account debtors) with respect to any such Collateral in its capacity as a creditor in violation of this Agreement. Without limiting the generality of the foregoing, unless and until the Discharge of Term Loan Obligations has occurred, except as expressly provided in Sections 3.2(a), 3.3, 6.3(c)(2) and this Section 3.2(c), the sole right of the Revolving Credit Collateral Agent and the Revolving Credit Claimholders with respect to the Term Loan Primary Collateral is to hold a Lien on such Collateral pursuant to the Revolving Credit Collateral Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of Term Loan Obligations has occurred. Notwithstanding any provision of this Agreement to the contrary, until the Discharge of Term Loan Obligations, all proceeds of Term Loan Primary Collateral, from whatever source, and whether resulting from the exercise of remedies or otherwise, shall be delivered to the Term Loan Collateral Agent and applied in accordance with Sections 4.1 and 4.2, and the Revolving Credit Collateral Agent and Revolving Credit Claimholders shall have no rights with respect to such proceeds other than as set forth in the immediately preceding sentence (and which such rights with respect to such proceeds shall be extinguished upon the application of such proceeds to the payment of the Term Loan Obligations in accordance with Section 4.1).

(d) Subject to Sections 3.2(a) and (c) and Sections 3.3 and 6.3(c)(2):

(1) the Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, agrees that the Revolving Credit Collateral Agent and the Revolving Credit Claimholders will not take any action that would hinder any exercise of remedies under the Term Loan Documents or that is otherwise prohibited hereunder, including any sale, lease, exchange, transfer or other disposition of the Term Loan Primary Collateral, whether by foreclosure or otherwise;

(2) the Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, hereby waives any and all rights it or the Revolving Credit Claimholders may have as a junior lien creditor or otherwise to object to the manner in which the Term Loan Collateral Agent or the Term Loan Claimholders seek to enforce or collect the Term Loan Obligations or the Liens securing the Term Loan Obligations granted in any of the Term Loan Documents or undertaken in accordance with this Agreement, regardless of whether any action or failure to act by or on behalf of the Term Loan Collateral Agent or Term Loan Claimholders is adverse to the interest of the Revolving Credit Claimholders; and

(3) the Revolving Credit Collateral Agent hereby acknowledges and agrees that no covenant, agreement or restriction contained in the Revolving Credit Collateral Documents or any other Revolving Credit Loan Document (other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the Term Loan Collateral Agent or the Term Loan Claimholders with respect to the Term Loan Primary Collateral as set forth in this Agreement and the Term Loan Documents.

(e) Except as otherwise specifically set forth in Sections 3.2(a) and (d) and 3.5, the Revolving Credit Collateral Agent and the Revolving Credit Claimholders may exercise rights and remedies as unsecured creditors against any Grantor and may exercise rights and remedies with respect to the Revolving Credit Primary Collateral, in each case, in accordance with the terms of the Revolving Credit Loan Documents and applicable law; provided, however, that in the event that any Revolving Credit Claimholder becomes a judgment Lien creditor in respect of Term Loan Primary Collateral as a result of its enforcement of its rights as an unsecured creditor with respect to the Revolving Credit Obligations, such judgment Lien shall be subject to the terms of this Agreement for all purposes (including in relation to the Term Loan Obligations) as the other Liens securing the Revolving Credit Obligations are subject to this Agreement.

(f) Nothing in this Agreement shall prohibit the receipt by the Revolving Credit Collateral Agent or any Revolving Credit Claimholders of the required payments of interest, principal and other amounts owed in respect of the Revolving Credit Obligations so long as such receipt is not the direct or indirect result of the exercise by the Revolving Credit Collateral Agent or any Revolving Credit Claimholders of rights or remedies as a secured creditor (including set-off) or enforcement in contravention of this Agreement of any Lien held by any of them and except as otherwise provided in Section 4.1 of this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Term Loan Collateral Agent or the Term Loan Claimholders may have against the Grantors under the Tern Loan Documents.

3.3 Exercise of Remedies – Collateral Access Rights.

(a) The Revolving Credit Collateral Agent and Term Loan Collateral Agent agree not to commence Enforcement until an Enforcement Notice has been given to the other Agent. Subject to the provisions of Sections 3.1 and 3.2 above, either Agent may join in any judicial proceedings commenced by the other Agent to enforce Liens on the Collateral, provided that neither Agent, nor the Revolving Credit Claimholders or Term Loan Claimholders, as the case may be, shall interfere with the Enforcement actions of the other with respect to Collateral in which such party has the priority Lien in accordance herewith.

(b) If the Revolving Credit Collateral Agent, or any agent or representative of the Revolving Credit Collateral Agent, or any receiver, shall obtain possession or physical control of any parcel of the Mortgaged Premises, the Revolving Credit Collateral Agent shall promptly notify the Term Loan Collateral Agent of that fact and the Term Loan Collateral Agent shall, within ten (10) Business Days thereafter, notify the Revolving Credit Collateral Agent as to whether the Term Loan Collateral Agent desires to exercise access rights under this Agreement as to such parcel of the Mortgaged Premises, at which time the parties shall confer in good faith to coordinate with respect to the Term Loan Collateral Agent's exercise of such access rights. Access rights may apply to differing parcels of Mortgaged Premises at differing times, in which case, a differing Mortgage Access Period may apply to each such property.

(c) Upon delivery of notice to the Revolving Credit Collateral Agent as provided in Section 3.3(b), the Mortgage Access Period shall commence for the subject parcel of Mortgaged Premises. During the Mortgage Access Period as to any parcel of such Mortgaged Premises, the Term Loan Collateral Agent and its agents, representatives and designees shall have a non-exclusive right to have access to, and a rent free right to use, the parcel of the Mortgaged Premises for the purpose of arranging for and effecting the sale or other disposition of Term Loan Primary Collateral, including the production, completion, packaging and other preparation of such Term Loan Primary Collateral for sale or other disposition. During any such Mortgage Access Period, the Term Loan Collateral Agent and its representatives (and persons employed on their behalf) may continue to operate, service, maintain, process and sell the Term Loan Primary Collateral, as well as to engage in bulk sales of Term Loan Primary Collateral. Term Loan Collateral Agent shall take proper care of any Revolving Credit Primary Collateral that is used by Term Loan Collateral Agent during the Mortgage Access Period and repair and replace any damage (ordinary wear-and-tear excepted) caused by Term Loan Collateral Agent or its agents, representatives or and Term Loan Collateral Agent shall comply with all applicable laws in connection with its use or occupancy of any of the Revolving Credit Primary Collateral. The Term Loan Collateral Agent and the Term Loan Claimholders shall indemnify and hold harmless the Revolving Credit Collateral Agent and the Revolving Credit Claimholders for any injury or damage to Persons or property caused by the acts or omissions of Persons under its control. The Term Loan Collateral Agent and the Revolving Credit Collateral Agent shall cooperate and use reasonable efforts to ensure that their activities during the Mortgage Access Period as described above do not interfere materially with the activities of the other as described above, including the right of the Revolving Credit Collateral Agent to show the Revolving Credit Primary Collateral to prospective purchasers and to ready the Revolving Credit Primary Collateral for sale.

(d) If any order or injunction is issued or stay is granted which prohibits the Term Loan Collateral Agent from exercising its rights hereunder as to a parcel of the Mortgaged Premises, then at the Term Loan Collateral Agent's option, the Mortgage Access Period granted to the Term Loan Collateral Agent under this Section 3.3 for such parcel shall be stayed as to such parcel during the period of such prohibition and shall continue thereafter as to such parcel for the number of days remaining as required under

this Section 3.3. If the Revolving Credit Collateral Agent shall foreclose or otherwise sell any of the Revolving Credit Primary Collateral, the Revolving Credit Collateral Agent will notify the buyer thereof of the existence of this Agreement and that the buyer is acquiring the Revolving Credit Primary Collateral subject to the terms of this Agreement to the extent applicable.

(e) The Grantors hereby agree with the Agents that the Term Loan Collateral Agent shall have access, during the Mortgage Access Period, as described herein and each such Grantor that owns any of the Mortgaged Premises grants a non-exclusive easement in gross over its property to permit the uses by the Term Loan Collateral Agent contemplated by this Section 3.3. The Revolving Credit Collateral Agent consents to such easement and to the recordation of a collateral access easement agreement, in form and substance reasonably acceptable to the Revolving Credit Collateral Agent, in the relevant real estate records with respect to each parcel of Real Estate that is now or hereafter subject to a Revolving Credit Mortgage. The Term Loan Collateral Agent agrees that upon either a Discharge of Term Loan Obligations or the expiration of the final Mortgage Access Period with respect to any parcel of property covered by a Revolving Credit Mortgage, it shall, upon request, execute and deliver to the Revolving Credit Collateral Agent, or if a Discharge of Revolving Credit Obligations has occurred, to the respective Grantor, such documentation, in recordable form, as may reasonably be requested to terminate any and all rights with respect to such Mortgage Access Periods.

3.4 Exercise of Remedies – Intellectual Property Rights/Access to Information.

(a) The Term Loan Collateral Agent and each Grantor hereby grants (to the full extent of their respective rights and interests) the Revolving Credit Collateral Agent and its agents, representatives and designees (a) a royalty free, rent free non-exclusive license and lease to use, upon the occurrence and during the continuation of a Revolving Credit Default, all of the Term Loan Primary Collateral constituting Intellectual Property, to complete the sale of inventory, the collection of accounts or other realization on any Revolving Credit Primary Collateral and (b) a royalty free non-exclusive license (which will be binding on any successor or assignee of the Intellectual Property) to use any and all Intellectual Property at any time in connection with its realization on any Revolving Credit Primary Collateral; provided, however, the royalty free, rent free non-exclusive license and lease granted in clause (a) shall immediately expire upon the sale, lease, transfer or other disposition of such inventory, the collection of all accounts and the realization on any other Revolving Credit Primary Collateral for which such Intellectual Property is necessary or desirable. Notwithstanding anything to the contrary contained herein, any purchaser or assignee of Revolving Credit Primary Collateral pursuant to the exercise by Revolving Credit Collateral Agent of any of its rights or remedies with respect thereto shall have the right to sell or otherwise dispose of any such Revolving Credit Primary Collateral to which any such Intellectual Property is affixed.

(b) If the Term Loan Collateral Agent, or any agent or representative of the Term Loan Collateral Agent, or any receiver, shall obtain possession or physical control

of any Equipment for which the use of such Equipment is necessary or desirable in connection with any Enforcement in respect of any Revolving Credit Primary Collateral, the Term Loan Collateral Agent shall promptly notify the Revolving Credit Collateral Agent of that fact and the Revolving Credit Collateral Agent shall, within ten (10) Business Days thereafter, notify the Term Loan Collateral Agent as to whether the Revolving Credit Collateral Agent desires to exercise access and use rights under this Agreement as to such item of Equipment, at which time the parties shall confer in good faith to coordinate with respect to the Revolving Credit Collateral Agent's exercise of such access rights. Access rights may apply to differing items of Equipment at differing times, in which case, a differing Equipment Access Period may apply to each such property.

(c) Upon delivery of notice to the Term Loan Collateral Agent as provided in Section 3.4(b), the Equipment Access Period shall commence for the subject Equipment. During the Equipment Access Period for any such Equipment, the Revolving Credit Collateral Agent and its agents, representatives and designees shall have a non-exclusive right to have access to, and a rent free right to use, such Equipment for the purpose of arranging for and effecting the sale or other disposition of Revolving Credit Primary Collateral. During any such Equipment Access Period, the Revolving Credit Collateral Agent and its representatives (and persons employed on their behalf) may continue to operate, service, maintain, process and sell the Revolving Credit Primary Collateral, as well as to engage in bulk sales of Revolving Credit Primary Collateral. Revolving Credit Collateral Agent shall take proper care of the Equipment that is used by Revolving Credit Collateral Agent during the Equipment Access Period with respect thereto and repair and replace any damage (ordinary wear-and-tear excepted) caused by Revolving Credit Collateral Agent or its agents, representatives or designees and Revolving Credit Collateral Agent shall comply with all applicable laws in connection with its use of any of the Term Loan Primary Collateral. The Revolving Credit Collateral Agent and the Revolving Credit Claimholders shall indemnify and hold harmless the Term Loan Collateral Agent and the Term Loan Claimholders for any injury or damage to Persons or property caused by the acts or omissions of it or Persons under its control. The Revolving Credit Collateral Agent and the Term Loan Collateral Agent shall cooperate and use reasonable efforts to ensure that their activities during the Equipment Access Period as described above do not interfere materially with the activities of the other as described above, including the right of the Term Loan Collateral Agent to show the Term Loan Primary Collateral to prospective purchasers and to ready the Term Loan Primary Collateral for sale.

(d) If any order or injunction is issued or stay is granted which prohibits the Revolving Credit Collateral Agent from exercising any of its rights hereunder at to Revolving Credit Primary Collateral for which the use of any Equipment is necessary or desirable in connection with any Enforcement in respect of such Revolving Credit Primary Collateral, then at the Revolving Credit Collateral Agent's option, the Equipment Access Period granted to the Revolving Credit Collateral Agent under this Section 3.4 with respect to such Equipment shall be stayed during the period of such prohibition and shall continue thereafter for the number of days remaining as required under this Section 3.4. If the Term

Loan Collateral Agent shall foreclose or otherwise sell any of the Term Loan Primary Collateral, the Term Loan Collateral Agent will notify the buyer thereof of the existence of this Agreement and that the buyer is acquiring the Term Loan Primary Collateral subject to the terms of this Agreement.

3.5 Exercise of Remedies – Set Off and Tracing of and Priorities in Proceeds.

(a) The Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, acknowledges and agrees that, to the extent the Term Loan Collateral Agent or any Term Loan Claimholder exercises its rights of setoff against any Grantor's Deposit Accounts or Securities Accounts that constitute Revolving Credit Primary Collateral, the amount of such setoff shall be deemed to be the Revolving Credit Primary Collateral to be held and distributed pursuant to Section 4.3; provided, however that the foregoing shall not apply to any setoff by Term Loan Collateral Agent against any Term Loan Primary Collateral to the extent applied to payment of Term Loan Obligations.

(b) The Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, acknowledges and agrees that, to the extent the Revolving Credit Collateral Agent or any Revolving Credit Claimholder exercises its rights of setoff against any Grantor's Deposit Accounts or Securities Accounts that constitute Term Loan Primary Collateral, the amount of such setoff shall be deemed to be the Term Loan Primary Collateral to be held and distributed pursuant to Section 4.3; provided, however that the foregoing shall not apply to any setoff by Revolving Credit Collateral Agent against any Revolving Credit Primary Collateral to the extent applied to payment of Revolving Credit Obligations.

(c) Without prejudice to Sections 4.1 and 4.2, Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, also agrees that in the event that any funds that are deposited in an account which is both (i) subject to a Control Agreement and (ii) constitutes Revolving Credit Primary Collateral are then applied to the Revolving Credit Obligations, such funds shall be treated as Revolving Credit Primary Collateral and, unless the Revolving Credit Collateral Agent has actual knowledge to the contrary, any claim that such funds are proceeds of or otherwise constitute Term Loan Primary Collateral are, prior to an issuance of an Enforcement Notice, waived by Term Loan Collateral Agent and the Term Loan Claimholders.

(d) Without prejudice to Sections 4.1 and 4.2, Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, also agrees that in the event that any funds that are deposited in an account which is both (i) subject to a Control Agreement and (ii) constitutes Term Loan Primary Collateral are then applied to the Term Loan Obligations, such funds shall be treated as Term Loan Primary Collateral and, unless the Term Loan Collateral Agent has actual knowledge to the contrary, any claim that such funds are proceeds of or otherwise constitute Revolving Credit Primary Collateral are, prior to an issuance of an Enforcement Notice, waived by Revolving Credit Collateral Agent and the Revolving Credit Claimholders.

SECTION 4. Payments.

4.1 Application of Proceeds.

(a) So long as the Discharge of Revolving Credit Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, and whether prior to or following the issuance of any Enforcement Notice, all Revolving Credit Primary Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies by the Revolving Credit Collateral Agent or Revolving Credit Claimholders, shall be applied by the Revolving Credit Collateral Agent to the Revolving Credit Obligations in such order as specified in the relevant Revolving Credit Loan Documents except to the extent funds in certain bank accounts may be applied to Term Loan Obligations as provided in Section 3.5(d) above. Upon the Discharge of Revolving Credit Obligations and the termination of the Revolving Credit Agreement, except otherwise required by applicable law, the Revolving Credit Collateral Agent shall deliver to the Term Loan Collateral Agent any Collateral and proceeds of Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct to be applied by the Term Loan Collateral Agent to the Term Loan Obligations in such order as specified in the Term Loan Collateral Documents.

(b) So long as the Discharge of Term Loan Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, and whether prior to or following the issuance of any Enforcement Notice, all Term Loan Primary Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies by the Term Loan Collateral Agent or Term Loan Claimholders, shall be applied by the Term Loan Collateral Agent to the Term Loan Obligations in such order as specified in the relevant Term Loan Documents, except to the extent funds in certain bank accounts may be applied to Revolving Credit Obligations as provided in Section 3.5(c) above. Upon the Discharge of Term Loan Obligations and the termination of the Term Loan Agreement, except as otherwise required by applicable law, the Term Loan Collateral Agent shall deliver to the Revolving Credit Collateral Agent any Collateral and proceeds of Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct to be applied by the Revolving Credit Collateral Agent to the Revolving Credit Obligations in such order as specified in the Revolving Credit Collateral Documents.

4.2 Payments Over in Violation of Agreement. So long as neither the Discharge of Revolving Credit Obligations nor the Discharge of Term Loan Obligations has occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against any Grantor, any Collateral or proceeds thereof (including assets or proceeds subject to Liens referred to in the final sentence of Section 2.3) received by either Agent or any Term Loan Claimholders or Revolving Credit Claimholders in connection with the exercise of any right or remedy (including set-off or notification of account debtors) relating to the Collateral in contravention of this Agreement shall be

segregated and held in trust and forthwith paid over to the appropriate Agent for the benefit of the Term Loan Claimholders or the Revolving Credit Claimholders, as the case may be, in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. Each Agent is hereby authorized by the other Agent to make any such endorsements as agent for the other Agent or any Term Loan Claimholders or Revolving Credit Claimholders, as the case may be. This authorization is coupled with an interest and is irrevocable until the Discharge of Revolving Credit Obligations and Discharge of Term Loan Obligations.

4.3 Application of Payments. Subject to the other terms of this Agreement, all payments received by (a) the Revolving Credit Collateral Agent or the Revolving Credit Claimholders may be applied, reversed and reapplied, in whole or in part, to the Revolving Credit Obligations to the extent provided for in the Revolving Credit Loan Documents and (b) the Term Loan Collateral Agent or the Term Loan Claimholders may be applied, reversed and reapplied, in whole or in part, to the Term Loan Obligations to the extent provided for in the Term Loan Documents.

SECTION 5. Other Agreements.

5.1 Releases.

(a) (i) If in connection with the exercise of the Revolving Credit Collateral Agent's remedies in respect of any Collateral as provided for in Section 3.1 or at any time after any Revolving Credit Default in connection with the realization of any Revolving Credit Primary Collateral, the Revolving Credit Collateral Agent, for itself or on behalf of any of the Revolving Credit Claimholders, releases any of its Liens on any part of the Revolving Credit Primary Collateral, then (A) the Term Loan Collateral Agent, for itself or for the benefit of the Term Loan Claimholders, shall be deemed to have consented under the Term Loan Documents to such sale or other disposition and (B) the Liens, if any, of the Term Loan Collateral Agent, for itself or for the benefit of the Term Loan Claimholders, on the Revolving Credit Primary Collateral sold or disposed of in connection with such exercise, shall be automatically, unconditionally and simultaneously released. The Term Loan Collateral Agent, for itself or on behalf of any such Term Loan Claimholders, hereby authorizes the filing of UCC amendments or termination statements to reflect such release and shall promptly execute and deliver to the Revolving Credit Collateral Agent or, with the approval of the Revolving Credit Collateral Agent, such Grantor, other documents as the Revolving Credit Collateral Agent or such Grantor may request to effectively confirm such release.

(ii) If in connection with the exercise of the Term Loan Collateral Agent's remedies in respect of any Collateral as provided for in Section 3.2 or at any time after any Term Loan Default in connection with the realization of any Term Loan Primary Collateral, the Term Loan Collateral Agent, for itself or on behalf of any of the Term Loan Claimholders, releases any of its Liens on any part of the Term Loan Primary Collateral, then (A) the Revolving Credit Collateral Agent, for itself or for the benefit of the Revolving Credit Claimholders, shall be deemed to have consented under the Revolving

Credit Documents to such sale or other disposition and (B) the Liens, if any, of the Revolving Credit Collateral Agent, for itself or for the benefit of the Revolving Credit Claimholders, on the Term Loan Primary Collateral sold or disposed of in connection with such exercise, shall be automatically, unconditionally and simultaneously released. The Revolving Credit Collateral Agent, for itself or on behalf of any such Revolving Credit Claimholders, hereby authorizes the filing of UCC amendments or termination statements to reflect such release and shall promptly execute and deliver to the Term Loan Collateral Agent or, with the approval of Term Loan Collateral Agent, such Grantor such other documents as the Term Loan Collateral Agent or such Grantor may request to effectively confirm such release.

(b) If in connection with any sale, lease, exchange, transfer or other disposition of any Collateral (collectively, a "**Disposition**") permitted under the terms of both the Revolving Credit Loan Documents and the Term Loan Documents (other than in connection with the exercise of the respective Agent's rights and remedies in respect of the Collateral as provided for in Sections 3.1 and 3.2 or at any time after any Revolving Credit Default or Term Loan Default, as applicable, in connection with the realization of any Revolving Credit Primary Collateral or Term Loan Primary Collateral, as applicable), (i) the Revolving Credit Collateral Agent, for itself or on behalf of any of the Revolving Credit Claimholders, releases any of its Liens on any part of the Revolving Credit Primary Collateral, in each case other than (A) in connection with the Discharge of Revolving Credit Obligations or (B) after the occurrence and during the continuance of a Term Loan Default, then the Liens, if any, of the Term Loan Collateral Agent, for itself or for the benefit of the Term Loan Claimholders, on such Collateral shall be automatically, unconditionally and simultaneously released, and (ii) the Term Loan Collateral Agent, for itself or on behalf of any of the Term Loan Claimholders, releases any of its Liens on any part of the Term Loan Primary Collateral, in each case other than (A) in connection with the Discharge of Term Loan Obligations or (B) after the occurrence and during the continuance of a Revolving Credit Default, then the Liens, if any, of the Revolving Credit Collateral Agent, for itself or for the benefit of the Revolving Credit Claimholders, on such Collateral (or, if such Collateral includes Capital Stock of any Subsidiary, the Liens on Collateral owned by such Subsidiary) shall be automatically, unconditionally and simultaneously released. The Revolving Credit Collateral Agent and Term Loan Collateral Agent, each for itself and on behalf of any such Revolving Credit Claimholders or Term Loan Claimholders, as the case may be, promptly shall execute and deliver to the other Agent or such Grantor such termination statements, releases and other documents as the other Agent or such Grantor may request to effectively confirm such release.

(c) Until the Discharge of Revolving Credit Obligations and Discharge of Term Loan Obligations shall occur, the Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, and the Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, as the case may be, hereby irrevocably constitutes and appoints the other Agent and any officer or agent of the other Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the other Agent or such holder or in the Agent's own

name, from time to time in such Agent's discretion, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary to accomplish the purposes of this Section 5.1, including any endorsements or other instruments of transfer or release.

(d) Until the Discharge of Revolving Credit Obligations and Discharge of Term Loan Obligations shall occur, to the extent that the Agents or the Revolving Credit Claimholders or the Term Loan Claimholders (i) have released any Lien on Collateral and such Lien is later reinstated or (ii) obtain any new liens from any Grantor, then the other Agent, for itself and for the Revolving Credit Claimholders or Term Loan Claimholders, as the case may be, shall be granted a Lien on any such Collateral, subject to the lien priority provisions of this Agreement.

5.2 Insurance.

(a) Unless and until the Discharge of Revolving Credit Obligations has occurred, subject to the terms of, and the rights of the Grantors under, the Revolving Credit Loan Documents, (i) the Revolving Credit Collateral Agent and the Revolving Credit Claimholders shall have the sole and exclusive right to adjust settlement for any insurance policy covering the Revolving Credit Primary Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting such Collateral; (ii) all proceeds of any such policy and any such award (or any payments with respect to a deed in lieu of condemnation) if in respect to such Collateral and to the extent required by the Revolving Credit Loan Documents shall be paid to the Revolving Credit Collateral Agent for the benefit of the Revolving Credit Claimholders pursuant to the terms of the Revolving Credit Loan Documents (including, without limitation, for purposes of cash collateralization of letters of credit) and thereafter, to the extent no Revolving Credit Obligations are outstanding, and subject to the rights of the Grantors under the Term Loan Documents, to the Term Loan Collateral Agent for the benefit of the Term Loan Claimholders to the extent required under the Term Loan Collateral Documents and then, to the extent no Term Loan Obligations are outstanding, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct, and (iii) if the Term Loan Collateral Agent or any Term Loan Claimholders shall, at any time, receive any proceeds of any such insurance policy or any such award or payment in contravention of this Agreement, it shall segregate and hold in trust and forthwith pay such proceeds over to the Revolving Credit Collateral Agent in accordance with the terms of Section 4.2.

(b) Unless and until the Discharge of Term Loan Obligations has occurred, subject to the terms of, and the rights of the Grantors under, the Term Loan Documents, (i) the Term Loan Collateral Agent and the Term Loan Claimholders shall have the sole and exclusive right to adjust settlement for any insurance policy covering the Term Loan Primary Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting such Collateral; (ii) all proceeds of any such policy and any such award (or any payments with respect to a deed in lieu of condemnation) if in respect to such Collateral

and to the extent required by the Term Loan Documents shall be paid to the Term Loan Collateral Agent for the benefit of the Term Loan Claimholders pursuant to the terms of the Term Loan Documents and thereafter, to the extent no Term Loan Obligations are outstanding, and subject to the rights of the Grantors under the Revolving Credit Documents, to the Revolving Credit Collateral Agent for the benefit of the Revolving Credit Claimholders to the extent required under the Revolving Credit Collateral Documents and then, to the extent no Revolving Credit Obligations are outstanding, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct, and (iii) if the Revolving Credit Collateral Agent or any Revolving Credit Claimholders shall, at any time, receive any proceeds of any such insurance policy or any such award or payment in contravention of this Agreement, it shall segregate and hold in trust and forthwith pay such proceeds over to the Term Loan Collateral Agent in accordance with the terms of Section 4.2.

(c) To effectuate the foregoing, the Agents shall each receive separate lender's loss payable endorsements naming themselves as loss payee and additional insured, as their interests may appear, with respect to policies which insure Collateral hereunder. To the extent any proceeds are received for business interruption or for any liability or indemnification and those proceeds are not compensation for a casualty loss with respect to the Term Loan Primary Collateral, such proceeds shall first be applied to repay the Revolving Credit Obligations and then be applied, to the extent required by the Term Loan Documents, to the Term Loan Obligations.

5.3 Amendments to Revolving Credit Loan Documents and Term Loan Documents; Refinancing.

(a) The Term Loan Documents may be amended, supplemented or otherwise modified in accordance with their terms and the Term Loan Agreement may be Refinanced, in each case, without notice to, or the consent of the Revolving Credit Collateral Agent or the Revolving Credit Claimholders, all without affecting the lien subordination or other provisions of this Agreement; provided, however, that the holders of such Refinancing debt bind themselves in a writing addressed to the Revolving Credit Collateral Agent and the Revolving Credit Claimholders to the terms of this Agreement and any such amendment, supplement, modification or Refinancing shall not:

(1) increase the sum of the then outstanding aggregate principal amount of the Term Loan Agreement in excess of the Term Loan Cap Amount;

(2) increase the "Applicable Margin" or similar component of any interest rate on any tranche thereof by more than 3% per annum (excluding increases resulting from the accrual of interest at the default rate) or increase the aggregate amount of any fees (other than one-time fees or fees charged in respect of amendments, waivers or consents) by more than $100,000 in any twelve (12) month period), or frequency of payments (except that the Company may increase the frequency of payment of any fees from quarterly to monthly), of any fees provided for the in the Term Loan Agreement;

(3) shorten the scheduled maturity of the Term Loan Agreement or any Refinancing thereof;

(4) modify (or have the effect of a modification of) the terms of payment, including the regularly scheduled payments of principal or mandatory prepayment provisions of the Term Loan Agreement, in a manner that increases the amount or frequency of any such payments, or requires additional mandatory prepayments or limits the rights of Grantors with respect thereto, except that Company may modify such terms of payment to increase the aggregate amount of regularly scheduled payments of principal in any year in respect thereof by no more than $500,000 in any year; or

(5) in any manner adverse to the Revolving Credit Claimholders, modify (or have the effect of a modification of) the granting clauses (and the exclusions therefrom) of any Term Loan Collateral Document (or the definitions of the terms contained in any such granting clauses).

(b) The Revolving Credit Loan Documents may be amended, supplemented or otherwise modified in accordance with their terms and the Revolving Credit Agreement may be Refinanced, in each case, without notice to, or the consent of the Term Loan Collateral Agent or the Term Loan Claimholders, all without affecting the lien subordination or other provisions of this Agreement; provided, however, that the holders of such Refinancing debt bind themselves in a writing addressed to the Term Loan Collateral Agent and the Term Loan Claimholders to the terms of this Agreement and any such amendment, supplement, modification or Refinancing shall not:

(1) increase the sum of the then outstanding aggregate principal amount of the Revolving Credit Agreement in excess of the Revolving Credit Cap Amount;

(2) increase the "Applicable Margin" or similar component of any interest rate by more than 3% per annum (excluding increases resulting from the accrual of interest at the default rate) or increase the aggregate amount of any fees (other than one-time fees or fees charged in respect of amendments, waivers or consents) by more than $100,000 in any twelve (12) month period), or frequency of payments (except that the Company may increase the frequency of payment of any fees from quarterly to monthly), of any fees provided for the in the Revolving Credit Agreement;

(3) shorten the scheduled maturity of the Revolving Credit Agreement or any Refinancing thereof;

(4) modify (or have the effect of a modification of) the terms of payment, including the regularly scheduled payments of principal or mandatory prepayment provisions of the Revolving Credit Agreement, in a manner that increases the amount or frequency of any such payments, or requires additional mandatory prepayments or limits the rights of Grantors with respect thereto; or

(5) in any manner adverse to the Term Loan Claimholders, modify (or have the effect of a modification of) the granting clauses (and the exclusions therefrom) of any Revolving Credit Collateral Document (or the definitions of the terms contained in any such granting clauses).

(c) The Revolving Credit Collateral Agent and the Term Loan Collateral Agent shall each use good faith efforts to notify the other party of any written amendment or modification to the Revolving Credit Agreement or the Term Loan Agreement, but the failure to do so shall not create a cause of action against the party failing to give such notice or create any claim or right on behalf of any third party.

5.4 Bailees for Perfection.

(a) Each Agent agrees to hold that part of the Collateral that is in its possession or control (or in the possession or control of its agents or bailees) to the extent that possession or control thereof is taken to perfect a Lien thereon under the UCC (such Collateral being the "**Pledged Collateral**") as collateral agent for the Revolving Credit Claimholders or the Term Loan Claimholders, as the case may be, and as bailee for the other Agent (such bailment being intended, among other things, to satisfy the requirements of Sections 8-106(d)(3), 8-301(a)(2) and 9-313(c) of the UCC) and any assignee solely for the purpose of perfecting the security interest granted under the Revolving Credit Loan Documents and the Term Loan Documents, respectively, subject to the terms and conditions of this Section 5.4.

(b) Neither Agent shall have any obligation whatsoever to the other Agent, to any Revolving Credit Claimholder, or to any Term Loan Claimholder to ensure that the Pledged Collateral is genuine or owned by any of the Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.4. The duties or responsibilities of the respective Agents under this Section 5.4 shall be limited solely to holding the Pledged Collateral as bailee in accordance with this Section 5.4 and delivering the Pledged Collateral upon a Discharge of Revolving Credit Obligations or Discharge of Term Loan Obligations, as the case may be, as provided in paragraph (d) below.

(c) Neither Agent acting pursuant to this Section 5.4 shall have by reason of the Revolving Credit Loan Documents, the Term Loan Documents, this Agreement or any other document a fiduciary relationship in respect of the other Agent, or any Revolving Credit Claimholders or any Term Loan Claimholders.

(d) Upon the Discharge of Revolving Credit Obligations or the Discharge of Term Loan Obligations, as the case may be, except as otherwise required by applicable law, the Agent under the credit facility which has been discharged shall (i) deliver the remaining Pledged Collateral (if any) together with any necessary endorsements, first, to the other Agent to the extent the other Obligations remain

outstanding, and second, to the applicable Grantor to the extent no Revolving Credit Obligations or Term Loan Obligations remain outstanding (in each case, so as to allow such Person to obtain possession or control of such Pledged Collateral) and (ii) take all other action reasonably requested by the other Agent in connection with the other Agent obtaining a first-priority security interest in the Revolving Credit Primary Collateral (in the case of the Term Loan Collateral Agent upon the Discharge of the Revolving Credit Obligations) or the Term Loan Primary Collateral (in the case of the Revolving Credit Collateral Agent upon the Discharge of the Term Loan Obligations), as the case may be, to the extent that the other Agent is entitled to a first-priority security interest therein at the expense of such other Agent and subject to such other liens that may have priority over the security interest of such other Agent or as a court of competent jurisdiction may otherwise direct.

(e) Subject to the terms of this Agreement, (i) so long as the Discharge of Revolving Credit Obligations has not occurred, the Revolving Credit Collateral Agent shall be entitled to deal with the Pledged Collateral or Collateral within its "control" in accordance with the terms of this Agreement and other Revolving Credit Loan Documents, but only to the extent that such Collateral constitutes Revolving Credit Primary Collateral, as if the Liens of the Term Loan Collateral Agent and Term Loan Claimholders did not exist and (ii) so long as the Discharge of Term Loan Obligations has not occurred, the Term Loan Collateral Agent shall be entitled to deal with the Pledged Collateral or Collateral within its "control" in accordance with the terms of this Agreement and other Term Loan Documents, but only to the extent that such Collateral constitutes Term Loan Primary Collateral, as if the Liens of the Revolving Credit Collateral Agent and Revolving Credit Claimholders did not exist.

(f) The parties hereto acknowledge that certain third parties, including without limitation, landlords, insurance companies, depository institutions and securities and commodities intermediaries (collectively, the "**Third Parties**") have executed and delivered in favor of the Revolving Credit Collateral Agent and the Term Loan Collateral Agent certain agreements, instruments and other documents (including, without limitation, landlord waivers, insurance endorsements, lockbox agreements and control agreements) (collectively, the "**Third Party Agreements**") pursuant to which, among other things, either the Revolving Credit Collateral Agent or the Term Loan Collateral Agent (such party being referred to as the "**Superior Lienholder**") shall be entitled to deliver notices to such Third Parties, cause such Third Parties to take certain action (or consent to the taking of such actions) or otherwise exercise rights and remedies under such Third Party Agreements. The parties hereto hereby agree that, until the Discharge of Revolving Credit Obligations, the Superior Lienholder shall be the Revolving Credit Collateral Agent. Promptly upon the Discharge of Revolving Credit Obligations, the Revolving Credit Collateral Agent shall deliver a written notice to each Third Party stating that the Term Loan Collateral Agent is now the Superior Lienholder, that the Revolving Credit Collateral Agent is no longer entitled to deliver any consents under such Third Party Agreements and such other information required by the relevant Third Party Agreements necessary to permit the Term Loan Collateral Agent to exercise any rights or take any action reserved for the Superior Lienholder thereunder.

5.5 When Discharge of Revolving Credit Obligations and Discharge of Term Loan Obligations Deemed to Not Have Occurred. If concurrently with the Discharge of Revolving Credit Obligations or the Discharge of Term Loan Obligations, the Company thereafter enters into any Refinancing of any Revolving Credit Obligation or Term Loan Obligation as the case may be, which Refinancing is permitted by both the Term Loan Documents and the Revolving Credit Loan Documents, then such Discharge of Revolving Credit Obligations or the Discharge of Term Loan Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement (other than with respect to any actions taken as a result of the occurrence of such first Discharge of Revolving Credit Obligations or the Discharge of Term Loan Obligations) and, from and after the date on which the New Debt Notice is delivered to the appropriate Agent in accordance with the next sentence, the obligations under such Refinancing shall automatically be treated as Revolving Credit Obligations or Term Loan Obligations for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein, and the Revolving Credit Collateral Agent or Term Loan Collateral Agent, as the case may be, under such new Revolving Credit Loan Documents or new Term Loan Documents shall be the Revolving Credit Collateral Agent or the Term Loan Collateral Agent for all purposes of this Agreement. Upon receipt of a notice (the "**New Debt Notice**") stating that the Company has entered into new Revolving Credit Loan Documents or new Term Loan Documents (which notice shall include a complete copy of the relevant new documents and provide the identity of the new collateral agent, such agent, the "**New Agent**"), the other Agent shall promptly (a) enter into such documents and agreements (including amendments or supplements to this Agreement) as the Company or such New Agent shall reasonably request in order to provide to the New Agent the rights contemplated hereby, in each case consistent in all material respects with the terms of this Agreement and (b) deliver to the New Agent any Pledged Collateral (that is Term Loan Primary Collateral, in the case of a New Agent that is the agent under any new Term Loan Documents or that is Revolving Credit Primary Collateral, in the case of a New Agent that is the agent under any new Revolving Credit Loan Documents) held by it together with any necessary endorsements (or otherwise allow the New Agent to obtain control of such Pledged Collateral). The New Agent shall agree in a writing addressed to the other Agent and the Revolving Credit Claimholders or the Term Loan Claimholders, as the case may be, to be bound by the terms of this Agreement. If the new Revolving Credit Obligations under the new Revolving Credit Loan Documents or the new Term Loan Obligations under the new Term Loan Documents are secured by assets of the Grantors constituting Collateral that do not also secure the other Obligations, then the other Obligations shall be secured at such time by a second priority Lien on such assets to the same extent provided in the Revolving Credit Loan Documents, Term Loan Collateral Documents and this Agreement.

5.6 Purchase Right.

(a) Without prejudice to the enforcement of the Term Loan Claimholders' remedies, the Term Loan Claimholders agree at any time following an acceleration of the Term Loan Obligations in accordance with the terms of the Term Loan Agreement, the Term Loan Claimholders will offer the Revolving Credit Claimholders the option to purchase the entire aggregate amount of outstanding Term Loan Obligations at par (without regard to any prepayment penalty or premium), without warranty or representation or recourse, on a pro rata basis across Term Loan Claimholders. The Revolving Credit Claimholders shall irrevocably accept or reject such offer within ten (10) Business Days of the receipt thereof and the parties shall endeavor to close promptly thereafter. If the Revolving Credit Claimholders accept such offer, it shall be exercised pursuant to documentation mutually acceptable to each of the Term Loan Collateral Agent and the Revolving Credit Collateral Agent. If the Revolving Credit Claimholders reject such offer (or do not so irrevocably accept such offer within the required timeframe), the Term Loan Claimholders shall have no further obligations pursuant to this Section 5.6 and may take any further actions in their sole discretion in accordance with the Term Loan Documents and this Agreement.

(b) Without prejudice to the enforcement of the Revolving Credit Claimholders' remedies, the Revolving Credit Claimholders agree at any time following an acceleration of the Revolving Credit Obligations in accordance with the terms of the Revolving Credit Agreement, the Revolving Credit Claimholders will offer the Term Loan Claimholders the option to purchase the entire aggregate amount of outstanding Revolving Credit Obligations (including unfunded commitments under the Revolving Credit Agreement) at par (without regard to any prepayment penalty or premium), without warranty or representation or recourse, on a pro rata basis across Revolving Credit Claimholders. The Term Loan Claimholders shall irrevocably accept or reject such offer within ten (10) Business Days of the receipt thereof and the parties shall endeavor to close promptly thereafter. If the Term Loan Claimholders accept such offer, it shall be exercised pursuant to documentation mutually acceptable to each of the Revolving Credit Collateral Agent and the Term Loan Collateral Agent. If the Term Loan Claimholders reject such offer (or do not so irrevocably accept such offer within the required timeframe), the Revolving Credit Claimholders shall have no further obligations pursuant to this Section 5.6 and may take any further actions in their sole discretion in accordance with the Revolving Credit Loan Documents and this Agreement.

SECTION 6. Insolvency or Liquidation Proceedings.

6.1 Finance and Sale Issues.

(a) Until the Discharge of Revolving Credit Obligations has occurred, if any Grantor shall be subject to any Insolvency or Liquidation Proceeding and the Revolving Credit Collateral Agent shall desire to permit the use of "Cash Collateral" (as such term is defined in Section 363(a) of the Bankruptcy Code) on which the Revolving Credit Collateral Agent or any other creditor has a Lien or to permit any Grantor to obtain financing, whether from the Revolving Credit Claimholders or any other Person under Section 364 of the Bankruptcy Code or any similar Bankruptcy Law ("**DIP Financing**")

then the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, agrees that it will raise no objection to such Cash Collateral use or DIP Financing so long as such Cash Collateral use or DIP Financing meet the following requirements: (i) it is on commercially reasonable terms, (ii) the aggregate principal amount of the DIP Financing plus the aggregate outstanding principal amount of Revolving Credit Obligations plus the aggregate undrawn amount of any letters of credit issued and not reimbursed under the Revolving Credit Agreement does not exceed the Revolving Credit Cap Amount, (iii) the Term Loan Collateral Agent and the Term Loan Claimholders retain the right to object to any ancillary agreements or arrangements regarding the Cash Collateral use or the DIP Financing that are inconsistent with the terms of this Agreement that are materially prejudicial to their interests in the Term Loan Primary Collateral, and (iv) the terms of the DIP Financing or the order for the use of Cash Collateral (A) do not compel the applicable Grantor to seek confirmation of a specific plan of reorganization for which all or substantially all of the material terms are set forth in the DIP Financing documentation or a related document, (B) do not expressly require the liquidation of the Collateral prior to a default under the DIP Financing documentation or Cash Collateral order, and (C) require that any Lien on the Term Loan Primary Collateral to secure such DIP Financing or rights in connection with the use of Cash Collateral are subordinate to the Lien of the Term Loan Collateral Agent with respect thereto. To the extent the Liens securing the Revolving Credit Obligations are subordinated to or pari passu with such DIP Financing which meets the requirements of clauses (i) through (iv) above, the Term Loan Collateral Agent will subordinate its Liens in the Revolving Credit Primary Collateral to the Liens securing such DIP Financing (and all Obligations relating thereto) and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed by the Revolving Credit Collateral Agent or to the extent permitted by Section 6.3).

(b) Until the Discharge of Term Loan Obligations has occurred, if any Grantor shall be subject to any Insolvency or Liquidation Proceeding and the Term Loan Collateral Agent shall desire to permit the use of "Cash Collateral" (as such term is defined in Section 363(a) of the Bankruptcy Code) on which the Term Loan Collateral Agent or any other creditor has a Lien or to permit any Grantor to obtain DIP Financing, then the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, agrees that it will raise no objection to such Cash Collateral use or DIP Financing so long as such Cash Collateral use or DIP Financing meet the following requirements: (i) it is on commercially reasonable terms, (ii) the aggregate principal amount of the DIP Financing plus the aggregate outstanding principal amount of Term Loan Obligations does not exceed the Term Loan Cap Amount, (iii) the Revolving Credit Collateral Agent and the Revolving Credit Claimholders retain the right to object to any ancillary agreements or arrangements regarding the Cash Collateral use or the DIP Financing that is inconsistent with the terms of this Agreement that are materially prejudicial to their interests in the Revolving Credit Primary Collateral, and (iv) the terms of the DIP Financing or the use of Cash Collateral (a) do not compel the applicable Grantor to seek confirmation of a specific plan of reorganization for which all or substantially all of the material terms are set forth in the DIP Financing documentation or a related document, (b) do not expressly require the liquidation of the Collateral prior to a default under the DIP

Financing documentation or Cash Collateral order, and (c) require that any Lien on the Revolving Credit Primary Collateral (including assets arising after the commencement of any Insolvency or Liquidation Proceeding) to secure such DIP Financing or rights in connection with such use of Cash Collateral are subordinate to the Lien and rights of the Revolving Credit Collateral Agent with respect thereto and the rights to collections and cash proceeds of Revolving Credit Primary Collateral of the Revolving Credit Collateral Agent continue post-petition. To the extent the Liens securing the Term Loan Obligations are subordinated to or pari passu with such DIP Financing which meets the requirements of clauses (i) through (iv) above, the Revolving Credit Collateral Agent will subordinate its Liens in the Term Loan Primary Collateral to the Liens securing such DIP Financing (and all Obligations relating thereto) and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed by the Term Loan Collateral Agent or to the extent permitted by Section 6.3).

6.2 Relief from the Automatic Stay.

(a) Until the Discharge of Revolving Credit Obligations has occurred, the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, agrees that none of them shall seek (or support any other Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Revolving Credit Primary Collateral (other than to the extent such relief is required to exercise its rights under Section 3.3), without the prior written consent of the Revolving Credit Collateral Agent, unless a motion for adequate protection permitted under Section 6.3 has been denied by the bankruptcy court (provided that, for the avoidance of doubt, upon the granting of any relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Revolving Credit Primary Collateral, the terms and provisions of Section 3 shall continue to apply). Nothing contained herein shall be construed to in any way limit the right of the Revolving Credit Collateral Agent to object to any motion or other application by the Term Loan Collateral Agent seeking relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Revolving Credit Primary Collateral.

(b) Until the Discharge of Term Loan Obligations has occurred, the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, agrees that none of them shall seek (or support any other Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Term Loan Primary Collateral, without the prior written consent of the Term Loan Collateral Agent, unless a motion for adequate protection permitted under Section 6.3 has been denied by the bankruptcy court (provided that, for the avoidance of doubt, upon the granting of any relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Revolving Credit Primary Collateral, the terms and provisions of Section 3 shall continue to apply). Nothing contained herein shall be construed to in any way limit the right of the Term Loan Collateral Agent to object to any motion or other application by the Revolving Credit Collateral Agent seeking relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Term Loan Primary Collateral.

6.3 Adequate Protection.

(a) The Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, agrees that none of them shall contest (or support any other Person contesting):

(1) any request by the Revolving Credit Collateral Agent or the Revolving Credit Claimholders for adequate protection with respect to the Revolving Credit Primary Collateral; provided that (A) such adequate protection claim shall not seek the creation of any Lien over additional assets or property of any Grantor other than with respect to assets or property that constitute Revolving Credit Collateral and (B) if such additional assets or property shall also constitute Term Loan Primary Collateral, (i) a Lien shall have been created in favor of the Term Loan Claimholders in respect of such Collateral and (ii) the Lien in favor of the Revolving Credit Claimholders shall be subordinated to the extent set forth in this Agreement; or

(2) any objection by the Revolving Credit Collateral Agent or the Revolving Credit Claimholders to any motion, relief, action or proceeding based on the Revolving Credit Collateral Agent or the Revolving Credit Claimholders claiming a lack of adequate protection; provided that (A) such adequate protection claim shall not seek the creation of any Lien over additional assets or property of any Grantor other than with respect to assets or property that constitute Term Loan Collateral and (B) if such additional assets or property shall also constitute Revolving Credit Primary Collateral, (i) a Lien shall have been created in favor of the Revolving Credit Claimholders in respect of such Collateral and (ii) the Lien in favor of the Term Loan Claimholders shall be subordinated to the extent set forth in this Agreement.

(b) The Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, agrees that none of them shall contest (or support any other Person contesting):

(1) any request by the Term Loan Collateral Agent or the Term Loan Claimholders for adequate protection with respect to the Term Loan Primary Collateral; provided that (A) such adequate protection claim shall not seek the creation of any Lien over additional assets or property of any Grantor other than with respect to assets or property that constitute Term Loan Collateral and (B) if such additional assets or property shall also constitute Revolving Credit Primary Collateral, (i) a Lien shall have been created in favor of the Revolving Credit Claimholders in respect of such Collateral and (ii) the Lien in favor of the Term Loan Claimholders shall be subordinated to the extent set forth in this Agreement; or

(2) any objection by the Term Loan Collateral Agent or the Term Loan Claimholders to any motion, relief, action or proceeding based on the Term Loan Collateral Agent or the Term Loan Claimholders claiming a lack of adequate protection; provided that (A) such adequate protection claim shall not seek the creation of any Lien over additional assets or property of any Grantor other than with respect to assets or property that constitute Revolving Credit Collateral and (B) if such additional assets or property shall also constitute Term Loan Primary Collateral, (i) a Lien shall have been created in favor of the Term Loan Claimholders in respect of such Collateral and (ii) the Lien in favor of the Revolving Credit Claimholders shall be subordinated to the extent set forth in this Agreement.

(c) Notwithstanding the foregoing provisions in this Section 6.3, in any Insolvency or Liquidation Proceeding:

(1) if the Revolving Credit Claimholders (or any subset thereof) are granted adequate protection with respect to the Revolving Credit Primary Collateral in the form of additional collateral (even if such collateral is not of a type which would otherwise have constituted Revolving Credit Primary Collateral) in connection with any Cash Collateral use or DIP Financing, then the Term Loan Collateral Agent, on behalf of itself or any of the Term Loan Claimholders, may seek or request adequate protection with respect to its interests in such Collateral in the form of a Lien on the same additional collateral, which Lien will be subordinated to the Liens securing the Revolving Credit Obligations and such Cash Collateral use or DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens of the Term Loan Collateral Agent on Revolving Credit Primary Collateral;

(2) if the Term Loan Claimholders (or any subset thereof) are granted adequate protection with respect to the Term Loan Primary Collateral in the form of additional collateral (even if such collateral is not of a type which would otherwise have constituted Term Loan Primary Collateral) in connection with any Cash Collateral use or DIP Financing, then the Revolving Credit Collateral Agent, on behalf of itself or any of the Revolving Credit Claimholders, may seek or request adequate protection with respect to its interests in such Collateral in the form of a Lien on the same additional collateral, which Lien will be subordinated to the Liens securing the Term Loan Obligations and such Cash Collateral use or DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens of the Revolving Credit Collateral Agent on Term Loan Primary Collateral;

(3) in the event the Revolving Credit Collateral Agent, on behalf of itself or any of the Revolving Credit Claimholders, seeks or requests adequate protection in respect of Revolving Credit Primary Collateral and such adequate protection is granted in the form of additional collateral (even if such collateral is not of a type which would otherwise have constituted Revolving Credit Primary Collateral), then the Revolving Credit Collateral Agent, on behalf of itself and any

of the Revolving Credit Claimholders, agrees that the Term Loan Collateral Agent may also be granted a Lien on the same additional collateral as security for the Term Loan Obligations and for any Cash Collateral use or DIP Financing provided by the Term Loan Claimholders, and the Term Loan Collateral Agent, on behalf of itself and any of the Term Loan Claimholders, agrees that any Lien on such additional collateral securing the Term Loan Obligations shall be subordinated to the Liens on such collateral securing the Revolving Credit Obligations, any such DIP Financing provided by the Term Loan Claimholders (and all Obligations relating thereto) and to any other Liens granted to the Term Loan Claimholders as adequate protection, all on the same basis as the other Liens of the Term Loan Collateral Agent on Revolving Credit Primary Collateral; and

(4) in the event the Term Loan Collateral Agent, on behalf of itself or any of the Term Loan Claimholders, seeks or requests adequate protection in respect of Term Loan Primary Collateral and such adequate protection is granted in the form of additional collateral (even if such collateral is not of a type which would otherwise have constituted Term Loan Primary Collateral), then the Term Loan Collateral Agent, on behalf of itself and any of the Term Loan Claimholders, agrees that the Revolving Credit Collateral Agent may also be granted a Lien on the same additional collateral as security for the Revolving Credit Obligations and for any Cash Collateral use or DIP Financing provided by the Revolving Credit Claimholders, and the Revolving Credit Collateral Agent, on behalf of itself and any of the Revolving Credit Claimholders, agrees that any Lien on such additional collateral securing the Revolving Credit Obligations shall be subordinated to the Liens on such collateral securing the Term Loan Obligations, any such DIP Financing provided by the Revolving Credit Claimholders (and all Obligations relating thereto) and to any other Liens granted to the Revolving Credit Claimholders as adequate protection, all on the same basis as the other Liens of the Revolving Credit Collateral Agent on Term Loan Primary Collateral.

(d) Except as otherwise expressly set forth in Section 6.1 or in connection with the exercise of remedies with respect to (i) the Revolving Credit Primary Collateral, nothing herein shall limit the rights of the Term Loan Collateral Agent or the Term Loan Claimholders from seeking adequate protection with respect to their rights in the Term Loan Primary Collateral in any Insolvency or Liquidation Proceeding (including adequate protection in the form of a cash payment, periodic cash payments or otherwise) or (ii) the Term Loan Primary Collateral, nothing herein shall limit the rights of the Revolving Credit Collateral Agent or the Revolving Credit Claimholders from seeking adequate protection with respect to their rights in the Revolving Credit Primary Collateral in any Insolvency or Liquidation Proceeding (including adequate protection in the form of a cash payment, periodic cash payments or otherwise).

6.4 Avoidance Issues. If any Revolving Credit Claimholder or Term Loan Claimholder is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the applicable Grantor any amount paid in

respect of Revolving Credit Obligations or the Term Loan Obligations, as the case may be (a "**Recovery**"), then such Revolving Credit Claimholders or Term Loan Claimholders shall be entitled to a reinstatement of Revolving Credit Obligations or the Term Loan Obligations, as the case may be, with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto from such date of reinstatement.

6.5 Reserved.

6.6 Post-Petition Interest.

(a) Neither the Term Loan Collateral Agent nor any Term Loan Claimholder shall oppose or seek to challenge any claim by the Revolving Credit Collateral Agent or any Revolving Credit Claimholder for allowance in any Insolvency or Liquidation Proceeding of Revolving Credit Obligations consisting of Post-Petition Interest, fees or expenses to the extent of the value of the Lien securing any Revolving Credit Claimholder's claim, without regard to the existence of the Lien of the Term Loan Collateral Agent on behalf of the Term Loan Claimholders on the Collateral.

(b) Neither the Revolving Credit Collateral Agent nor any other Revolving Credit Claimholder shall oppose or seek to challenge any claim by the Term Loan Collateral Agent or any Term Loan Claimholder for allowance in any Insolvency or Liquidation Proceeding of Term Loan Obligations consisting of Post-Petition Interest, fees or expenses to the extent of the value of the Lien securing any Term Loan Claimholder's claim, without regard to the existence of the Lien of the Revolving Credit Agent on behalf of the Revolving Credit Claimholders on the Collateral.

6.7 Waiver - 1111(b)(2) Issues.

(a) The Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, waives any claim it may hereafter have against any Revolving Credit Claimholder arising out of the election of any Revolving Credit Claimholder of the application of Section 1111(b)(2) of the Bankruptcy Code out of any grant of a security interest in connection with the Revolving Credit Primary Collateral in any Insolvency or Liquidation Proceeding.

(b) The Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, waives any claim it may hereafter have against any Term Loan Claimholder arising out of the election of any Term Loan Claimholder of the application of Section 1111(b)(2) of the Bankruptcy Code or out of any grant of a security interest in connection with the Term Loan Primary Collateral in any Insolvency or Liquidation Proceeding.

6.8 Separate Grants of Security and Separate Classification. The Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, and the Revolving Credit Collateral Agent for itself and on behalf of the Revolving Credit Claimholders, acknowledge and agree that: the grants of Liens pursuant to the Revolving Credit Collateral Documents and the Term Loan Collateral Documents constitute separate and distinct grants of Liens, and because of, among other things, their differing rights in the Collateral, the Term Loan Obligations are fundamentally different from the Revolving Credit Obligations and must be separately classified in any plan of reorganization proposed or adopted in an Insolvency or Liquidation Proceeding.

To further effectuate the intent of the parties as provided in Section 6.8, if it is held that the claims of the Term Loan Claimholders and the Revolving Credit Claimholders in respect of the Term Loan Collateral constitute only one secured claim (rather than separate classes of senior and junior secured claims), then each of the parties hereto hereby acknowledges and agrees that, subject to Sections 2.1 and 4.1, all distributions shall be made as if there were separate classes of senior and junior secured claims against the Grantors in respect of the Term Loan Collateral (with the effect being that, to the extent that the aggregate value of the Term Loan Collateral is sufficient (for this purpose ignoring all claims held by the Revolving Credit Claimholders), the Term Loan Claimholders shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of Post-Petition Interest, including any additional interest payable pursuant to the Term Loan Agreement, arising from or related to a default, which is disallowed as a claim in any Insolvency or Liquidation Proceeding) before any distribution is made in respect of the claims held by the Revolving Credit Claimholders, with the Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, hereby acknowledging and agreeing to turn over to the Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the claim or recovery of the Revolving Credit Claimholders).

To further effectuate the intent of the parties as provided in Section 6.8, if it is held that the claims of the Term Loan Claimholders and the Revolving Credit Claimholders in respect of the Revolving Credit Collateral constitute only one secured claim (rather than separate classes of senior and junior secured claims), then each of the parties hereto hereby acknowledges and agrees that, subject to Sections 2.1 and 4.1, all distributions shall be made as if there were separate classes of senior and junior secured claims against the Grantors in respect of the Revolving Credit Collateral (with the effect being that, to the extent that the aggregate value of the Revolving Credit Collateral is sufficient (for this purpose ignoring all claims held by the Term Loan Claimholders), the Revolving Credit Claimholders shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of Post-Petition Interest, including any additional interest payable pursuant to the Revolving Credit Agreement, arising from or related to a default, which is disallowed as a claim in any Insolvency or Liquidation Proceeding) before any distribution is made in respect of the

claims held by the Term Loan Claimholders, with the Term Loan Collateral Agent, for itself and on behalf of the Term Loan Claimholders, hereby acknowledging and agreeing to turn over to the Revolving Credit Collateral Agent, for itself and on behalf of the Revolving Credit Claimholders, amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the claim or recovery of the Term Loan Claimholders).

SECTION 7. Reliance; Waivers; Etc.

7.1 Reliance. Other than any reliance on the terms of this Agreement, the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders under its Revolving Credit Loan Documents, acknowledges that it and such Revolving Credit Claimholders have, independently and without reliance on the Term Loan Collateral Agent or any Term Loan Claimholders, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into such Revolving Credit Loan Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the Revolving Credit Agreement or this Agreement. The Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, acknowledges that it and the Term Loan Claimholders have, independently and without reliance on the Revolving Credit Collateral Agent or any Revolving Credit Claimholder, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into each of the Term Loan Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the Term Loan Documents or this Agreement.

7.2 No Warranties or Liability. The Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders under the Revolving Credit Loan Documents, acknowledges and agrees that each of the Term Loan Collateral Agent and the Term Loan Claimholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Term Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided in this Agreement, the Term Loan Collateral Agent and the Term Loan Claimholders will be entitled to manage and supervise their respective loans and extensions of credit under the Term Loan Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, acknowledges and agrees that each of the Revolving Credit Collateral Agent and the Revolving Credit Claimholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Revolving Credit Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided in this Agreement, the Revolving Credit Collateral Agent and the Revolving Credit Claimholders will be entitled to manage and supervise their respective loans and extensions of credit under their respective Revolving Credit Loan

Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Term Loan Collateral Agent and the Term Loan Claimholders shall have no duty to the Revolving Credit Collateral Agent or any of the Revolving Credit Claimholders, and the Revolving Credit Collateral Agent and the Revolving Credit Claimholders shall have no duty to the Term Loan Collateral Agent or any of the Term Loan Claimholders, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with any Grantor (including the Revolving Credit Loan Documents and the Term Loan Documents), regardless of any knowledge thereof which they may have or be charged with.

7.3 No Waiver of Lien Priorities.

(a) No right of the Agents, the Revolving Credit Claimholders or the Term Loan Claimholders to enforce any provision of this Agreement or any Revolving Credit Loan Document or Term Loan Document shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Grantor or by any act or failure to act by such Agents, Revolving Credit Claimholders or Term Loan Claimholders or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the Revolving Credit Loan Documents or any of the Term Loan Documents, regardless of any knowledge thereof which the Agents or the Revolving Credit Claimholders or Term Loan Claimholders, or any of them, may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the Grantors under the Revolving Credit Loan Documents and Term Loan Documents and subject to the provisions of Section 5.3(a)), the Agents, the Revolving Credit Claimholders and the Term Loan Claimholders may, at any time and from time to time in accordance with the Revolving Credit Loan Documents and Term Loan Documents and/or applicable law, without the consent of, or notice to, the other Agent or the Revolving Credit Claimholders or the Term Loan Claimholders (as the case may be), without incurring any liabilities to such Persons and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy is affected, impaired or extinguished thereby) do any one or more of the following:

(1) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the Obligations or any Lien or guaranty thereof or any liability of any Grantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the Obligations, without any restriction as to the tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the Agents or any rights or remedies under any of the Revolving Credit Loan Documents or the Term Loan Documents; provided that any such increase in the Revolving Credit Obligations or the Term Loan Obligations, as applicable, shall not increase the sum of the Indebtedness (as defined in the Revolving Credit Agreement

or Term Loan Agreement, as applicable) constituting principal under the Revolving Credit Agreement or Term Loan Agreement, as applicable, and (in the case of the Revolving Credit Obligations), the face amount of any letters of credit issued under the Revolving Credit Agreement and not reimbursed to an amount in excess of the Revolving Credit Cap Amount or Term Loan Cap Amount, as applicable;

(2) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the Collateral (except to the extent provided in this Agreement) or any liability of any Grantor or any liability incurred directly or indirectly in respect thereof;

(3) settle or compromise any Obligation or any other liability of any Grantor or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability in any manner or order that is not inconsistent with the terms of this Agreement; and

(4) exercise or delay in or refrain from exercising any right or remedy against any security or any Grantor or any other Person, elect any remedy and otherwise deal freely with any Grantor.

(c) Except as otherwise provided herein, the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, also agrees that the Term Loan Claimholders and the Term Loan Collateral Agent shall have no liability to the Revolving Credit Collateral Agent or any Revolving Credit Claimholders, and the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, hereby waives any claim against any Term Loan Claimholder or the Term Loan Collateral Agent, arising out of any and all actions which the Term Loan Claimholders or the Term Loan Collateral Agent may take or permit or omit to take with respect to:

(1) the Term Loan Documents;

(2) the collection of the Term Loan Obligations; or

(3) the foreclosure upon, or sale, liquidation or other disposition of, any Term Loan Primary Collateral. The Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, agrees that the Term Loan Claimholders and the Term Loan Collateral Agent have no duty to them in respect of the maintenance or preservation of the Term Loan Primary Collateral, the Term Loan Obligations or otherwise.

(d) Except as otherwise provided herein, the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, also agrees that the Revolving Credit Claimholders and the Revolving Credit Collateral Agent shall have no liability to the Term Loan Collateral Agent or any Term Loan Claimholders, and the Term Loan

Collateral Agent, on behalf of itself and the Term Loan Lenders, hereby waives any claim against any Revolving Credit Claimholder or the Revolving Credit Collateral Agent, arising out of any and all actions which the Revolving Credit Claimholders or the Revolving Credit Collateral Agent may take or permit or omit to take with respect to:

(1) the Revolving Credit Loan Documents;

(2) the collection of the Revolving Credit Obligations; or

(3) the foreclosure upon, or sale, liquidation or other disposition of, any Revolving Credit Primary Collateral. The Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, agrees that the Revolving Credit Claimholders and the Revolving Credit Collateral Agent have no duty to them in respect of the maintenance or preservation of the Revolving Credit Primary Collateral, the Revolving Credit Obligations or otherwise.

(e) Until the Discharge of Term Loan Obligations, the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Term Loan Primary Collateral or any other similar rights a junior secured creditor may have under applicable law.

(f) Until the Discharge of Revolving Credit Obligations, the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Revolving Credit Primary Collateral or any other similar rights a junior secured creditor may have under applicable law.

7.4 Obligations Unconditional. All rights, interests, agreements and obligations of the Revolving Credit Collateral Agent and the Revolving Credit Claimholders and the Term Loan Collateral Agent and the Term Loan Claimholders, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Revolving Credit Loan Documents or any Term Loan Documents;

(b) except as otherwise expressly set forth in this Agreement, any change in the time, manner or place of payment of, or in any other terms of, all or any of the Revolving Credit Obligations or Term Loan Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any Revolving Credit Loan Document or any Term Loan Document;

(c) except as otherwise expressly set forth in this Agreement, any exchange of any security interest in any Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Revolving Credit Obligations or Term Loan Obligations or any guaranty thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the any Grantor; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, any Grantor in respect of the Revolving Credit Collateral Agent, the Revolving Credit Obligations, any Revolving Credit Claimholder, the Term Loan Collateral Agent, the Term Loan Obligations or any Term Loan Claimholder in respect of this Agreement.

SECTION 8. Miscellaneous.

8.1 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of any Revolving Credit Loan Document or any Term Loan Document, the provisions of this Agreement shall govern and control.

8.2 Effectiveness; Continuing Nature of this Agreement; Severability. This Agreement shall become effective when executed and delivered by the parties hereto. This is a continuing agreement of lien subordination and the Revolving Credit Claimholders and Term Loan Claimholders may continue, at any time and without notice to any Agent, to extend credit and other financial accommodations and lend monies to or for the benefit of the any Grantor in reliance hereon. Each of the Agents, on behalf of itself and the Revolving Credit Claimholders or the Term Loan Claimholders, as the case may be, hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All references to the any Grantor shall include such Grantor as debtor and debtor-in-possession and any receiver or trustee for any Grantor (as the case may be) in any Insolvency or Liquidation Proceeding. This Agreement shall terminate and be of no further force and effect:

(a) with respect to the Revolving Credit Collateral Agent, the Revolving Credit Claimholders and the Revolving Credit Obligations, on the date of the Discharge of Revolving Credit Obligations, subject to the rights of the Revolving Credit Claimholders under Section 6.4; and

(b) with respect to the Term Loan Collateral Agent, the Term Loan Claimholders and the Term Loan Obligations, on the date of the Discharge of Term Loan Obligations, subject to the rights of the Term Loan Claimholders under Section 6.4.

8.3 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Term Loan Collateral Agent or the Revolving Credit Collateral Agent shall be deemed to be made unless the same shall be in writing signed on behalf of each party hereto or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. Notwithstanding the foregoing, no Grantor shall have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent that such amendment, modification or waiver (i) adversely affects its rights hereunder, under the Term Loan Documents or under the Revolving Credit Loan Documents or (ii) imposes any additional obligation upon it.

8.4 Information Concerning Financial Condition of the Grantors and their Subsidiaries. The Revolving Credit Collateral Agent and the Revolving Credit Claimholders, on the one hand, and the Term Loan Collateral Agent and the Term Loan Claimholders, on the other hand, shall each be responsible for keeping themselves informed of (a) the financial condition of the Grantors and their Subsidiaries and all endorsers and/or guarantors of the Revolving Credit Obligations or the Term Loan Obligations and (b) all other circumstances bearing upon the risk of nonpayment of the Revolving Credit Obligations or the Term Loan Obligations. Neither the Revolving Credit Collateral Agent and the Revolving Credit Claimholders, on the one hand, nor the Term Loan Collateral Agent and the Term Loan Claimholders, on the other hand, shall have any duty to advise the other of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that either the Revolving Credit Collateral Agent or any of the Revolving Credit Claimholders, on the one hand, or the Term Loan Collateral Agent and the Term Loan Claimholders, on the other hand, undertakes at any time or from time to time to provide any such information to any of the others, it or they shall be under no obligation:

(a) to make, and shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided;

(b) to provide any additional information or to provide any such information on any subsequent occasion;

(c) to undertake any investigation; or

(d) to disclose any information, which pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.5 Subrogation.

(a) With respect to the value of any payments or distributions in cash, property or other assets that any of the Term Loan Claimholders or the Term Loan Collateral Agent pays over to the Revolving Credit Collateral Agent or the Revolving Credit Claimholders under the terms of this Agreement, the Term Loan Claimholders and the Term Loan Collateral Agent shall be subrogated to the rights of the Revolving Credit Collateral Agent and the Revolving Credit Claimholders; provided, however, that, the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, hereby agrees not to assert or enforce all such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Revolving Credit Obligations has occurred. The Grantors acknowledge and agree that, to the extent permitted by applicable law, the value of any payments or distributions in cash, property or other assets received by the Term Loan Collateral Agent or the Term Loan Claimholders that are paid over to the Revolving Credit Collateral Agent or the Revolving Credit Claimholders pursuant to this Agreement shall not reduce any of the Term Loan Obligations.

(b) With respect to the value of any payments or distributions in cash, property or other assets that any of the Revolving Credit Claimholders or the Revolving Credit Collateral Agent pays over to the Term Loan Collateral Agent or the Term Loan Claimholders under the terms of this Agreement, the Revolving Credit Claimholders and the Revolving Credit Collateral Agent shall be subrogated to the rights of the Term Loan Collateral Agent and the Term Loan Claimholders; provided, however, that, the Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, hereby agrees not to assert or enforce all such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Term Loan Obligations has occurred. The Grantors acknowledge and agree that, to the extent permitted by applicable law, the value of any payments or distributions in cash, property or other assets received by the Revolving Credit Collateral Agent or the Revolving Credit Claimholders that are paid over to the Term Loan Collateral Agent or the Term Loan Claimholders pursuant to this Agreement shall not reduce any of the Revolving Credit Obligations.

8.6 SUBMISSION TO JURISDICTION; WAIVERS.

(a) **ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PARTY ARISING OUT OF OR RELATING HERETO MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY:**

(1) **ACCEPTS GENERALLY AND UNCONDITIONALLY THE EXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;**

(2) **WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;**

(3) **AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 8.7; AND**

(4) **AGREES THAT SERVICE AS PROVIDED IN CLAUSE (3) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT.**

(b) **EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER HEREOF, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE; MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 8.6(b) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.**

(c) **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER REVOLVING CREDIT LOAN DOCUMENT OR TERM LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, VERBAL OR WRITTEN STATEMENT OR ACTION OF ANY PARTY HERETO.**

8.7 Notices. All notices to the Term Loan Claimholders and the Revolving Credit Claimholders permitted or required under this Agreement shall also be sent to the Term Loan Collateral Agent and the Revolving Credit Collateral Agent, respectively. Unless otherwise specifically provided herein, any notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.8 Further Assurances. The Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders under the Revolving Credit Loan Documents, and the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders under the Term Loan Documents, and the Grantors, agree that each of them shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Revolving Credit Collateral Agent or the Term Loan Collateral Agent may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement.

8.9 APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

8.10 Binding on Successors and Assigns. This Agreement shall be binding upon the Revolving Credit Collateral Agent, the Revolving Credit Claimholders, the Term Loan Collateral Agent, the Term Loan Claimholders and their respective successors and assigns.

8.11 Specific Performance. Each of the Revolving Credit Collateral Agent and the Term Loan Collateral Agent may demand specific performance of this Agreement. The Revolving Credit Collateral Agent, on behalf of itself and the Revolving Credit Claimholders, and the Term Loan Collateral Agent, on behalf of itself and the Term Loan Claimholders, hereby irrevocably waive any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the Revolving Credit Collateral Agent or the Revolving Credit Claimholders or the Term Loan Collateral Agent or the Term Loan Claimholders, as the case may be.

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

8.13 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

8.14 Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

8.15 No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and its respective successors and assigns and shall inure to the benefit of each of the Agents, the Revolving Credit Claimholders and the Term Loan Claimholders. Nothing in this Agreement shall impair, as between the Grantors and the Revolving Credit Collateral Agent and the Revolving Credit Claimholders, or as between the Grantors and the Term Loan Collateral Agent and the Term Loan Claimholders, the obligations of the Grantors to pay principal, interest, fees and other amounts as provided in the Revolving Credit Loan Documents and the Term Loan Documents, respectively.

8.16 Provisions Solely to Define Relative Rights. The provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the Revolving Credit Collateral Agent and the Revolving Credit Claimholders on the one hand and the Term Loan Collateral Agent and the Term Loan Claimholders on the other hand. Nothing in this Agreement is intended to or shall impair the obligations of any Grantor, which are absolute and unconditional, to pay the Revolving Credit Obligations and the Term Loan Obligations as and when the same shall become due and payable in accordance with their terms.

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

J. CREW OPERATING CORP.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and Chief Financial Officer

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

J. CREW GROUP, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and
Chief Financial Officer

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

J. CREW INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and
Chief Financial Officer

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

J. CREW INTERNATIONAL, INC.

By: /s/: Nicholas P. Lamberti
Name: Nicholas P. Lamberti
Title: Vice President and Controller

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

GRACE HOLMES, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and
Chief Financial Officer

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

H.F.D. NO. 55, INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and
Chief Financial Officer

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

MADEWELL INC.

By: /s/: James S. Scully
Name: James S. Scully
Title: Executive Vice President and
Chief Financial Officer

c/o J. Crew Group, Inc.
770 Broadway
New York, New York 10013
Attention: Arlene Hong, Esq.
Telecopier: (212) 209-8175
Email: arlene.hong@jcrew.com

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Sang Jin Han, Esq.
Telecopier: (212) 225-3999
Email: shan@cgsh.com

GOLDMAN SACHS CREDIT PARTNERS, L.P.,
as Term Loan Administrative Agent and Term Loan Collateral Agent

By: /s/: William W. Archer
Name: William W. Archer
Title: Managing Director

Goldman Sachs Credit Partners L.P.
1 New York Plaza
New York, New York 10004
Attention: Elizabeth Fischer, Vice President – Bank Debt Portfolio Group
Telecopier: (212) 902-3000
E-mail: Elizabeth.fischer@gs.com

with a copy to:

Goldman, Sachs & Co.
30 Hudson Street, 17th Floor
Jersey City, New Jersey 07302
Attention: Pedro Ramirez
Telecopier: (212) 428-1622
E-mail: gsd.link@gs.com

and

Latham & Watkins LLP
633 W. 5th Street
Los Angeles, California 90071
Attention: John E. Mendez, Esq.
Telecopier: (213) 891-8763
Email: john.mendez@lw.com

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Revolving Credit Administrative Agent and Revolving Credit Collateral Agent

By: /s/: Kira Deter
Name: Kim Deter
Title: Vice President

One Wachovia Center
301 South College Street
Charlotte, North Carolina 28288-0737
Attention:
Telecopier no:

with a copy to:

Otterbourg, Steindler, Houston & Rosen, P.C.
230 Park Avenue
New York, NY 10169-0075
Attention: David Morse
Fax : (917) 368 7107

Annex A

Revolving Credit Primary Collateral

The term "Revolving Credit Primary Collateral" shall mean all of the following property now owned or at any time hereafter acquired by the Company or any Guarantor, in which Company or any Guarantor now has or at any time in the future may acquire any right, title or interests:

(a) all present and future rights of Company and each Guarantor to payment of a monetary obligation, whether or not earned by performance, which is not evidenced by chattel paper or an instrument, and that (i) is for Inventory that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (ii) is for services rendered or to be rendered, or (iii) arises out of the use of a credit or charge card or information contained on or for use with the card (such assets described in this paragraph (a) being referred to herein as "Accounts");

(b) all of Company's and each Guarantor's now owned and hereafter existing or acquired goods, wherever located, which (i) are held by Company or any Guarantor for sale or lease in the ordinary course of business or to be furnished under a contract of service in the ordinary course of business; or (ii) consist of raw materials, work in process, finished goods or materials used or consumed in its business (such assets described in this paragraph (b) being referred to herein as "Inventory");

(c) all real property, including leasehold interests, together with all buildings, structures, and other improvements located thereon and all licenses, easements and appurtenances relating thereto, wherever located, and any fixtures or equipment such as pumps, pipes, plumbing, cleaning, call and sprinkler systems, fire extinguishing apparatuses and equipment, heating, ventilating, plumbing incinerating, electrical, air conditioning and air cooling equipment and systems, pollution control equipment, security systems, disposals, water, gas, electrical, storm and sanitary sewer facilities, utility lines and equipment, all water tanks, water supply, water power sites, fuel stations, fuel tanks, fuel supply, generators, UPS power, racks, HVAC, boilers, water heaters, light fixtures, ceiling and exhaust fans and all other structures, together with all accessions, appurtenances, additions, replacements, betterments and substitutions for any of the foregoing;

(d) all chattel paper (including all tangible and electronic chattel paper) arising in connection with or related to any of the Accounts, Inventory or other Revolving Credit Primary Collateral, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Company and the Guarantors' past practices);

(e) all instruments (including all promissory notes) arising in connection with or related to any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, but not arising in connection with or related to the

sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Company and the Guarantors' past practices);

(f) all documents arising in connection with or related to any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property as defined in this Annex A (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Company and the Guarantors' past practices);

(g) all deposit accounts and investment accounts used in connection with or related to any of the Accounts, Inventory or other Revolving Credit Primary Collateral (but excluding the Restricted Account as defined below);

(h) all letters of credit, banker's acceptances and similar instruments and including all letter of credit rights arising in connection with or related to any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Company and the Guarantors' past practices);

(i) all supporting obligations and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Company and the Guarantors' past practices), including (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to such Revolving Credit Primary Collateral; (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party; (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, other Revolving Credit Primary Collateral, including returned, repossessed and reclaimed goods; and (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors;

(j) all investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts, but excluding Pledged Stock as defined below and excluding investment property in the Restricted Account as defined below) and all monies, credit balances, deposits and other property of Company or any Guarantor now or hereafter held or received by or in transit to the Revolving Credit Collateral Agent or any Revolving Credit Lender or its affiliates or at any other depository or other institution from or for the account of the Company or any Guarantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(k) all commercial tort claims arising from or in connection with any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, but not arising in connection with or related to the sale, license or other disposition of any Intellectual Property (other than to the extent affixed to any Inventory or part of any Inventory and consistent with Company and the Guarantors' past practices);

(l) to the extent not otherwise described above, (i) all interest, fees, late charges, penalties, collection fees and other amounts due or to become due or otherwise payable in connection with any Account; (ii) all payment intangibles of Company or any Guarantor; (iii) letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to Company or any Guarantor or otherwise in favor of or delivered to Company or any Guarantor in connection with any Account; (iv) all other accounts, contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to the Company or any Guarantor from the sale, lease or other disposition of any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, licensing of any other Revolving Credit Primary Collateral, rendition of services or otherwise relating to any Accounts, Inventory or other Revolving Credit Primary Collateral (including, without limitation, choses in action, causes of action, or other rights and claims of the Company or any Guarantor against carriers, shippers, processors, warehouses, bailees, custom brokers, freight forwarders, or other third parties at any time in possession or control of, or using, any of the other Revolving Credit Primary Collateral or any sellers of any other Revolving Credit Primary Collateral and refunds of sales, use or excise taxes arising from the sale or other disposition of Inventory or other Revolving Credit Primary Collateral);

(m) all books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to any of the Revolving Credit Primary Collateral described in clauses (a), (b), (c), (d), (g), (j) or (l) of this Annex A, or any account debtor (including customer lists), together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of the Company or any Guarantor with respect to the foregoing maintained with or by any other person); and

(n) all products and proceeds of the foregoing, in any form, including insurance proceeds and all claims against third parties for loss or damage to or destruction of or other involuntary conversion of any kind or nature of any or all of the other Revolving Credit Primary Collateral.

For purposes of this Annex A, the following terms shall have the meanings given to them below:

(i) "Intellectual Property" shall have the meaning given to such term in Annex C to this Agreement.

(ii) “Pledged Stock” shall mean Collateral consisting of shares of capital stock of Company, any Guarantor or any Subsidiary of Company or any Guarantor (whether denominated as common stock or preferred stock), beneficial, partnership or membership interests, participations or other equivalents (regardless of how designated) of or in Company, any Guarantor or any Subsidiary of Company or any Guarantor and all securities convertible into or exchangeable for any of the foregoing and all warrants, options or other rights to purchase or subscribe for any of the foregoing, whether or not presently convertible, exchangeable or exercisable.

(iii) “Restricted Account” shall mean the investment account which is a restricted account maintained by Company with Term Loan Administrative Agent, an affiliate of Term Loan Administrative Agent or at a financial institution otherwise designated by Term Loan Administrative Agent into which Holdings or Company shall have deposited (a) proceeds of the Term Loan Agreement in an amount not less than the amount necessary to prepay or redeem any 9 3/4% Notes that shall remain outstanding immediately following the date of this Agreement and (b) such other amounts to be utilized for such purposes as expressly permitted under the Revolving Credit Agreement; and which investment account is established and used solely for the purpose of holding such proceeds and such other amounts and at all times shall be subject to the first priority perfected security interest of Term Loan Collateral Agent.

Annex B

Term Loan Primary Collateral

All Collateral other than Revolving Credit Primary Collateral.

Annex C

Intellectual Property

"**Copyright Licenses**" shall mean any and all agreements providing for the granting of any right in or to Copyrights (whether the Company or any Guarantor that is party to the Term Loan Collateral Documents as a "grantor" is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(B) annexed to the Collateral Questionnaire (as defined in the Term Loan Collateral Documents, as in effect on the date hereof) (as such schedule may be amended or supplemented from time to time).

"**Copyrights**" shall mean all United States, and foreign copyrights, including but not limited to copyrights in software and databases, and all Mask Works (as defined under 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, and, with respect to any and all of the foregoing: (i) all registrations and applications therefor including, without limitation, the registrations and applications referred to in Schedule 10(A) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), (ii) all extensions and renewals thereof, (iii) all rights corresponding thereto throughout the world, (iv) all rights to sue for past, present and future infringements thereof, and (v) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

"**Intellectual Property**" shall mean, collectively, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses, the Trade Secrets, and the Trade Secret Licenses.

"**Patent Licenses**" shall mean all agreements providing for the granting of any right in or to Patents (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(D) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"**Patents**" shall mean all United States and foreign patents and certificates of invention, or similar industrial property rights, and applications for any of the foregoing, including, but not limited to: (i) each patent and patent application referred to in Schedule 10(C) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), (ii) all reissues, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations thereof, (iii) all rights corresponding thereto throughout the world, (iv) all inventions and improvements described therein, (v) all rights to sue for past, present and future infringements thereof, (vi) all licenses, claims, damages, and proceeds of suit arising therefrom, and (vii) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

"Proceeds" shall mean: all "proceeds" as defined in Article 9 of the UCC, and in any event, shall include, without limitation (i) payments or distributions made with respect to any Investment Related Property (as defined in the Term Loan Collateral Documents, as in effect on the date hereof) and (ii) whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

"**Trademark Licenses**" shall mean any and all agreements providing for the granting of any right in or to Trademarks (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Schedule 10(F) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time).

"**Trademarks**" shall mean all United States, and foreign trademarks, trade names, corporate names, company names, business names, fictitious business names, Internet domain names, service marks, certification marks, collective marks, logos, other source or business identifiers, designs and general intangibles of a like nature, all registrations and applications for any of the foregoing including, but not limited to: (i) the registrations and applications referred to in Schedule 10(E) annexed to the Collateral Questionnaire (as such schedule may be amended or supplemented from time to time), (ii) all extensions or renewals of any of the foregoing, (iii) all of the goodwill of the business connected with the use of and symbolized by the foregoing, (iv) the right to sue for past, present and future infringement or dilution of any of the foregoing or for any injury to goodwill, and (v) all Proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

Exhibit 21.1

Subsidiaries of 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.
Grace Holmes, Inc.	Delaware	J. Crew Retail Stores
H.F.D. No. 55, Inc.	Delaware	J. Crew Factory Stores
J. Crew Virginia, Inc.	Virginia	J. Crew Virginia, Inc.
J. Crew International, Inc.	Delaware	J. Crew International, Inc.
J. Crew Services, Inc.*	Delaware	J. Crew Services, Inc.
Madewell Inc.	Delaware	Madewell Inc.

* Inactive subsidiary

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

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

We consent to the use of our report dated April 24, 2006, with respect to the consolidated balance sheets of J. Crew Group, Inc. and subsidiaries as of January 29, 2005 and January 28, 2006, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for each of the years in the three-year period ended January 28, 2006, and the related financial statement schedule, included herein, and to the reference to our firm under the heading "Experts," in Amendment No. 5 to the registration statement and related prospectus.

Our report refers to the adoption of Statement of Financial Accounting Standard No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" in the third quarter of fiscal 2003.

/s/ KPMG LLP

New York, New York
May 16, 2006