EFiled: Dec 2 2010 6:26PM EST
Transaction ID 34650145
Case No. 6038-

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

CITY OF ORLANDO POLICE PENSION FUND, on behalf of itself and all other similarly situated shareholders of J. Crew Group, Inc.,

Plaintiff,

v.

MILLARD DREXLER, JAMES COULTER, DAVID HOUSE, HEATHER REISMAN, STUART SLOAN, MARY ANN CASATI, JOSH WESTON, STEVEN GRAND-JEAN, STEPHEN SQUERI, J. CREW GROUP, INC., TPG CAPITAL, L.P., LEONARD GREEN & PARTNERS, L.P., CHINOS HOLDINGS, INC. AND CHINOS ACQUISITION CORPORATION,

Defendants.

C.A. No. _________

VERIFIED CLASS ACTION COMPLAINT

Plaintiff, City of Orlando Police Pension Fund ("Plaintiff"), on behalf of itself and all other similarly situated public shareholders of J. Crew Group, Inc. (hereafter, "J. Crew" or the "Company") (the "Class"), brings the following Class Action Complaint (the "Complaint") against the members of the board of directors of J. Crew (the "J. Crew Board" or "Board") for breaching their fiduciary duties, and against TPG Capital, L.P. ("TPG"), Leonard Green & Partners, L.P. ("Leonard Green"), Chinos Holdings, Inc. ("Chinos Holdings") and Chinos Acquisition Corporation ("Chinos Acquisition") for aiding and abetting the same. The allegations of the Complaint are based on the knowledge of Plaintiff as to itself, and on information and belief, including the investigation of counsel and review of publicly available information as to all other matters.

INTRODUCTION

1. This action arises from the breaches of fiduciary duty by the J. Crew Board related to TPG's attempt to take J. Crew private for the second time in less than fifteen years. After making a whopping 700% return on its investment in J. Crew, TPG recognizes the potential for another huge payday as J. Crew's stock is currently depressed due to recessionary forces. In its second takeover attempt of J. Crew, TPG is teaming up with the Company's Chairman and Chief Executive Officer ("CEO"), Millard Drexler ("Drexler"), who TPG appointed to run the Company after it gave him ownership of nearly 12% of the Company in 2003, and Leonard Green (Drexler, TPG and Leonard Green shall be referred to herein as the "Buyout Group").

2. After conducting secretive due diligence to construct the takeover, the Buyout Group pitched a low premium buyout to the Board, which was easily convinced to go along with the Buyout Group's self-interested plan. The Board then agreed to lock-up the proposed acquisition through unreasonable deal protections, including unlimited matching rights, which favor the Buyout Group and create an uneven playing field for other interested suitors.

3. It should come as no surprise that the J. Crew Board accepted the Buyout Group's proposal – even after the Buyout Group dropped its offer from $45 to $43.50 per share – because six of the nine members of the Board suffer from severe conflicts of interest. In this regard, directors Drexler along with James Coulter ("Coulter"), a founder of TPG, cannot even consider the Proposed Transaction because they are both part of the Buyout Group. Further, Drexler and TPG nominated four directors that serve on J. Crew's Board. TPG, as J. Crew's former owner and controlling shareholder, and Drexler, as J. Crew's current CEO and Chairman, have dominated and controlled these four directors for many years, including while TPG operated J. Crew as a private company. Two of these directors comprise half of a special committee (the

"Special Committee") that "rubber-stamped" the proposed transaction at a price that is patently unfair to the Company's public shareholders.

4. On November 23, 2010, the Buyout Group announced an agreement and plan of merger (the "Merger Agreement") whereby the Buyout Group would acquire all outstanding shares of J. Crew (other than certain shares owned by Drexler) for $43.50 per share in cash (the "Proposed Transaction"), a meager 16% premium over the closing price of the Company's common stock on the trading day immediately preceding the deal's announcement. Currently, J. Crew stock is trading above the offer price.

5. In connection with the Proposed Transaction, Drexler, unlike the public shareholders of J. Crew, will maintain a significant equity investment in J. Crew post-closing. Drexler will also continue serving as the Company's CEO.

6. Not only was the Proposed Transaction the result of a flawed sales process, but the deal also provides J. Crew shareholders with woefully inadequate consideration. Since the Company's initial public offering (the "IPO") in 2006, the Company has been successfully focusing on an upscale clientele, adding items like women's jackets, a wedding line and cocktail apparel. The change has been a tremendous success and has resulted in 16% yearly sales growth over the last five years. Thus, the J. Crew Board had substantial leverage to negotiate for a significant premium in an all-cash sale of the Company. Instead, the Board heeded the wishes of Drexler and TPG by agreeing to sell the Company for less than full value.

7. The Board further breached its fiduciary duties by granting the Buyout Group unlimited matching rights (the "Matching Rights") and a two-tier termination fee, which dissuades competing bids for J. Crew. Although the Board did secure a "go-shop" provision, such a provision is not a substitute for value. Many of the purported benefits of a "go-shop" are illusory because the Buyout Group's unlimited matching rights dissuade any third party from

incurring the expense of making a bid, which can be scrutinized by the Buyout Group and undermined by Drexel's and TPG's control of the Board. The Merger Agreement also fails to provide any incentive to potential third party bidders to pay for their expenses if the Buyout Group exercises the Matching Rights and acquires J. Crew.

8. Finally, by entering the Merger Agreement before fully shopping the Company, the Board now has the pretext of "deal certainty" to reject even proposals that are financially superior to the Buyout Group's offer.

9. The J. Crew Board granted the Buyout Group unreasonable deal protections to secure the Proposed Transaction, which was the product of a severely flawed process and provides an inadequate price. As a result, the Board must seek to maximize shareholder value and, to that end, must eliminate the unwarranted Matching Rights to create a level playing field for other potential bidders, and take other steps to amend the Proposed Transaction to accomplish the same.

THE PARTIES

10. Plaintiff City of Orlando Police Pension Fund is a shareholder of J. Crew, has owned shares of J. Crew common stock throughout the relevant time period, and will continue to hold shares through the pendency of this action.

11. Defendant J. Crew is incorporated under the laws of the State of Delaware, with headquarters located at 770 Broadway, New York, New York 10003. J. Crew is a nationally-recognized clothing retailer, operating over 300 stores throughout the United States, several websites, and a catalog. J. Crew is publicly traded on the New York Stock Exchange (NYSE) under the symbol "JCG."

12. Defendant Millard Drexler has served as the Company's Chairman and CEO since 2003 when TPG hired Drexler to turnaround the then-struggling retailer and provided him

with partial ownership of the Company. As of April 19, 2010, Drexler is the beneficial owner of 7,542,558 shares, or approximately 11.82%, of J. Crew's outstanding common stock.

13. Defendant James Coulter has served as a member of the Board since TPG's first buyout of J. Crew in 1997. Coulter is a founding partner of TPG.

14. Defendant David House ("House") has served as a member of the Board since 2007.

15. Defendant Heather Reisman ("Reisman") has served as a member of the Board since 2007.

16. Defendant Stuart Sloan ("Sloan") has served as a member of the Board since 2003. Sloan was nominated to the Board by Drexler pursuant to earlier stockholders' agreements between Drexler and TPG (the "Drexler-TPG Stockholders Agreements").

17. Defendant Mary Ann Casati ("Casati") has served as a member of the Board since 2006. Casati was nominated to the Board by Drexler and TPG pursuant to the Drexler-TPG Stockholders Agreements.

18. Defendant John Weston ("Weston") has served as a member of the Board since 1998. Weston was nominated to the Board by Drexler and TPG pursuant to the Drexler-TPG Stockholders Agreements.

19. Defendant Steven Grand-Jean ("Grand-Jean") has served as a member of the Board since 2003. Grand-Jean was nominated to the Board by Drexler pursuant to the Drexler-TPG Stockholders Agreements. Grand-Jean has also been President of Grand-Jean Capital Management for more than five years. Grand-Jean Capital Management provides financial advisory and investment services to the Drexler family, including a family foundation established by Drexler.

20. Defendant Stephen Squeri ("Squeri") has served as a director of J. Crew since September 2010.

21. The defendants listed in paragraphs 12 through 20 above are collectively referred to herein as the "Individual Defendants."

22. Defendant TPG is a leading private investment firm founded in 1992, with more than $48 billion of assets under management and offices in San Francisco, Beijing, Fort Worth, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, Paris, Shanghai, Singapore and Tokyo. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, growth investments, joint ventures and restructurings.

23. Defendant Leonard Green is a leading private equity firm with over $9 billion in equity capital under management. Based in Los Angeles, Leonard Green invests in market leading companies across a range of industries.

24. Chinos Holdings is a Delaware corporation, created by TPG and Leonard Green for the purpose of consummating the Proposed Transaction.

25. Chinos Acquisition is a Delaware corporation and a wholly-owned subsidiary of Chinos Holding, created by TPG and Leonard Green for the purpose of consummating the Proposed Transaction.

26. TPG, Leonard Green, Chinos Holdings and Chinos Acquisition are named as defendants herein because they are parties to the Merger Agreement and for aiding and abetting the J. Crew Board's breaches of fiduciary duties.

SUBSTANTIVE ALLEGATIONS

I. TPG and J. Crew's History of "Going-Private"

27. In the past, TPG profited handsomely from taking J. Crew private, and then public again. Now, TPG, along with fellow private equity firm, Leonard Green, and the Company's CEO and Chairman, Millard Drexler, are attempting another lucrative turnover of the Company.

28. In 1997, TPG sponsored a leveraged buyout of J. Crew, investing approximately $125 million in equity in the transaction.

29. Over the next few years, J. Crew's fortunes wavered. In 2003, TPG hired Drexler, the former CEO of GAP, to turnaround the Company. As an inducement, TPG granted Drexler a 12% ownership stake in the Company, a stake valued in excess of $300 million today.

30. In addition, TPG granted Drexler significant influence over the Company's corporate governance. Specifically, pursuant to the Drexler-TPG Stockholders Agreements, the J. Crew Board was expanded to eleven members, with three directors appointed by Drexler, three directors appointed by TPG and three directors appointed with the mutual agreement of Drexler and TPG.

31. Under Drexler's leadership, J. Crew experienced a slow, but steady return to growth and profitability.

32. TPG then took the Company public in the summer of 2006. About one-third of the Company was offered to the public in an IPO that raised about $400 million. In connection with the IPO, TPG did not sell any of its shares, and remained the Company's controlling shareholder.

33. During the next three years, TPG sold its shares in J. Crew on the open market for a healthy profit without giving up its influence over the Company due to its control of the

majority of the Board members, who were nominated under the Drexler-TPG Stockholders Agreements.

34. In early 2009, TPG sold its last remaining shares in the Company. In total, TPG earned almost a billion dollars on its buyout of J. Crew, a whopping 700% on its $125 million equity investment.

II. <u>The Proposed Transaction</u>

35. Nearly a year after TPG sold its remaining equity in J. Crew, the Company's stock slumped, trading down 16% on the year. TPG recognized a golden opportunity to swoop-in, use its heavy influence with the CEO and Board, and take J. Crew private again in an attempt to recreate its earlier home-run.

36. TPG decided to solicit support from fellow private equity firm, Leonard Green, to finance the multi-billion dollar transaction.

37. More importantly, TPG reached out to its old friend Millard Drexler, the executive that TPG had installed to run the Company back in 2002. Owing his lofty job title and $300 million equity stake in the Company to TPG, Drexler eagerly agreed to assist TPG in its takeover attempt. Drexler knew first-hand about TPG's success on its earlier buyout of J. Crew, and therefore, he saw an opportunity to further enrich himself as part of the Buyout Group.

38. Drexler and Coulter, a founding partner of TPG who also sits on the J. Crew Board, used their positions as Company executives and/or directors to conduct secretive due diligence on the Company. Without alerting the seven other members of the Board, Drexler and Coulter funneled confidential information to the deal teams at TPG and Leonard Green in order to prepare and evaluate an acquisition of J. Crew.

39. After reviewing this confidential information, the Buyout Group quickly realized an opportunity and submitted an offer of $45.00 per share to acquire the Company.

40. After realizing that the inherently-conflicted J. Crew Board would accept significantly less money to agree to a deal, the Buyout Group decreased its offer price to $43.50. Due to the conflicts of interest described below, the Board "rubber-stamped" this patently inadequate offer.

41. On November 23, 2010, J. Crew and the Buyout Group announced an agreement and plan of merger whereby the Buyout Group would acquire all outstanding shares of J. Crew (other than certain shares owned by Drexler) for $43.50 per share in cash, a meager 16% premium over the closing price of the Company's common stock on the trading day immediately preceding the deal's announcement.

42. In connection with the Proposed Transaction, Drexler entered a rollover agreement (the "Rollover Agreement") with TPG and Leonard Green. Pursuant to the Rollover Agreement, approximately $100 million worth of Drexler's existing J. Crew stock will be converted into equity in J. Crew post-closing. Drexler will also continue serving as the Company's CEO at his current level of compensation.

III. <u>The J. Crew Board Is Incapacitated By Conflicts of Interest</u>

43. The J. Crew Board suffers from severe conflicts of interest, which make it impossible for the Board to run a fair process that results in J. Crew shareholders receiving full and fair value for their shares. In this regard, six of the J. Crew's nine directors face such overwhelming conflicts of interest that they are incapacitated from participating in, much less running, an adequate sales process for their shareholders.

44. First, two of the nine Board members, Drexler and Coulter, are participating in the Buyout Group. As a result, these directors cannot be considered independent because they clearly favor the Proposed Transaction over other potential value-maximizing transactions due to their self-interests in such transaction.

45. Four of the other nine directors, Weston, Sloan, Casati, and Grand-Jean, also suffer from conflicts of interest because they were nominated to the Board pursuant to the Drexler-TPG Stockholder Agreements. For many years, Drexler, as J. Crew's CEO and Chairman, and TPG, as J. Crew's owner and controlling shareholder, exerted undue influence over these directors, and now they cannot be considered independent because they are unable to function without taking into account their bias to favor Drexler and TPG, who are responsible for their prestigious roles as J. Crew directors.

46. Director Grand-Jean is further conflicted because he provides investment and financial advisory services to Drexler. Thus, it is impossible to expect that Grand-Jean would go against the wishes of his important client.

47. In a superficial attempt to cleanse these rampant conflicts of interest, the J. Crew Board formed a Special Committee of four allegedly independent directors to evaluate the Proposed Transaction. The Special Committee consisted of directors Weston, House, Reisman and Casati, with Weston serving as chair of the committee.

48. For the reasons detailed above, directors Weston and Casati suffer from incapacitating conflicts of interests and, therefore, they cannot legitimately serve on the Special Committee. A special committee should be comprised of truly independent directors who can evaluate all of the Company's strategic alternatives in an unbiased manner. The inclusion of Weston and Casati casts considerable doubt on the validity of the Special Committee's recommendation with respect to the Proposed Transaction, and the Special Committee's ability to run an adequate sales process.

IV. J. Crew Board Agreed To Sell The Company To The Buyout Group For Inadequate Consideration

49. The merger consideration is grossly inadequate when examined under even minimal scrutiny. First, the premium offered in connection with the Proposed Transaction is woefully insufficient for a target company with a trading history comparable to J. Crew. As recently as April 23, 2010, the Company's stock was trading significantly above the offer price at $49.91, implying that the Proposed Transaction is actually a "take-under."

50. J. Crew's stock price in the wake of the Proposed Transaction's announcement casts further doubt on the adequacy of the offered consideration. As of November 30, 2010, one week after the deal's announcement, the Company's stock was trading over the offer price, indicating that the market believes that the Proposed Transaction does not provide full and fair value for the Company's shares.

51. Second, the offered consideration fails to account for J. Crew's impressive performance since the IPO. Under the leadership of Drexler, J. Crew began targeting a more upscale clientele. The Company ditched apparel emblazoned with the J. Crew oar logo, adding women's jackets, frilly blouses, cashmere and sequined sweaters, a wedding line and cocktail apparel. Even as the chain continued selling lower-priced basics, it raised the prices of new lines.

52. The retailer's popularity reached new heights when First Lady Michelle Obama appeared on "The Tonight Show" with Jay Leno wearing a yellow J. Crew ensemble, and then months later she outfitted the first daughters in J. Crew's children's line at the presidential inauguration.

53. The overhaul of the Company's product mix and the endorsement by celebrities like Michelle Obama has resonated with the American public, allowing the Company to thrive during the Great Recession. According to Laura Champine, an analyst at Cowen & Co., "during

that period, J. Crew was a better merchant" than rivals. For example, during calendar-year 2009, the Company posted a comparable-store sales increase of 4.1%, compared with declines of 17.8% and 9% for Ann Taylor and Banana Republic, respectively.

54. As the U.S. and global economies improved in 2010, so did J. Crew's financial performance. Some of the Company's financial highlights for the nine months ended on October 31, 2010, include:

- Revenues of $1.25 billion, a 12% increase versus the comparable period in 2009;
- Store sales of $888.2 million, an 11% increase versus the comparable period in 2009;
- Direct sales of $334.8 million, a 16% increase versus the comparable period one-year prior;
- Net income of $117.5 million (or $1.78 per diluted share), compared to $82.9 million (or $1.29 per diluted share), in the first nine months of fiscal 2009.

55. Scant evidence exists to suggest that J. Crew's impressive performance will not continue as the country emerges from the most serious economic crisis since the Great Depression.

56. Moreover, according to J.P. Morgan analyst Brian J. Tunick, "[J. Crew's] balance sheet is in the best shape we've seen since JCG went public as we forecast the company will end 2010 with over $400 million in cash ($6.50/share) and no debt following a $50 million pre-payment on August 31."

57. The Board should have leveraged J. Crew's enviable position among retailers and exemplary balance sheet to extract a substantial premium and a favorable Merger Agreement. Instead, the Board agreed to hastily lock-up a deal with Drexler and the rest of the Buyout Group before ever fulfilling its fiduciary duties to maximize shareholder value in a change of control transaction such as this one.

58. J. Crew shareholders have a right to receive consideration that accurately accounts for the Company's impressive performance and bright prospects. However, the Board entered a low premium deal with its preferred bidders in violation of the duties owed to the Company's public sharheolders.

V. The J. Crew Board Agreed To Deal Protections That Improperly Strip the Directors of the Ability to Properly Exercise Their Fiduciary Duties

59. Not only did the J. Crew Board fail to maximize shareholder value in agreeing to the Proposed Transaction, it also took unreasonable steps to ensure consummation of a deal with the Buyout Group to the detriment of J. Crew's shareholders.

60. First, by entering the Merger Agreement before fully shopping the Company, the Board provided itself with the pretext of "deal certainty" to reject even proposals that are financially superior to the Buyout Group's offer. In this regard, even if a third party makes a topping bid, the Board can easily manufacture a litany of excuses as to why the Buyout Group's offer is still superior. For example, the Board may claim that an acquisition by a third party presents heightened regulatory risk or that the third party is unwilling to match the reverse termination fee payable by the Buyout Group. While these justifications may be true in certain circumstances, here a high potential for abuse exists because a board suffering from incapacitating conflicts of interest just "rubber-stamped" a self-interested transaction that was carefully orchestrated by the Company's former owner and controlling shareholder, and its current CEO and Chairman.

61. Second, the J. Crew Board granted the Buyout Group recurring and unlimited Matching Rights in the Merger Agreement, which provides the Buyout Group three calendar days to revise its proposal or persuade the J. Crew Board not to change its recommendation on the

merger in the face of a proposal from a third party suitor. Section 5.2(e) of the Merger Agreement provides in relevant part:

> Notwithstanding anything to the contrary set forth in this Agreement, prior to the time the Company Stockholder Approval is obtained, but not after, the Board of Directors of the Company may make a Company Adverse Recommendation Change, enter into a Company Acquisition Agreement with respect to a Takeover Proposal not solicited in violation of this Section 5.2 or take any action pursuant to Section 7.1(d)(ii) if the Board of Directors of the Company (acting upon recommendation of the Special Committee) has determined in good faith, after consultation with its financial advisor and outside legal counsel, (x) that failure to take such action could be inconsistent with the directors' fiduciary duties under applicable Law and (y) that such Takeover Proposal constitutes a Superior Proposal; provided, however, that (1) ***the Company has given Parent at least three calendar days' prior written notice of its intention to take such action*** (which notice shall include an unredacted copy of the Superior Proposal, an unredacted copy of the relevant proposed transaction agreements and a copy of any financing commitments (including Redacted Fee Letters) relating thereto and a written summary of the material terms of any Superior Proposal not made in writing, including any financing commitments relating thereto), (2) ***the Company has negotiated***, and has caused its Representatives to negotiate, ***in good faith with Parent during such notice period***, to the extent Parent wishes to negotiate, ***to enable Parent to propose revisions to the terms of this Agreement, the Financing Letters and the Guaranty such that it would cause such Superior Proposal to no longer constitute a Superior Proposal***, (3) following the end of such notice period, the Board of Directors of the Company (acting upon recommendation of the Special Committee) shall have considered in good faith any proposed revisions to this Agreement, the Financing Letters, the Rollover Letter and the Guaranty proposed in writing by Parent in a manner that would form a binding contract if accepted by the Company, and shall have determined that the Superior Proposal would continue to constitute a Superior Proposal if such revisions were to be given effect and (4) in the event of any material change to the material terms of such Superior Proposal, the Company shall, in each case, have delivered to Parent an additional notice consistent with that described in clause (1) above and the notice period shall have recommenced, except that the notice period shall be at least one calendar day (rather than the three calendar days otherwise contemplated by clause (1) above); and provided,

> further that the Company has complied in all material respects with its obligations under this Section 5.2 and provided, further, that any purported termination of this Agreement pursuant to this sentence shall be void and of no force and effect, unless the Company termination is in accordance with Section 7.1 and, to the extent required under the terms of this Agreement, the Company pays Parent the applicable Termination Fee in accordance with Section 7.3 prior to or concurrently with such termination. (Emphasis added.)

62. The Matching Rights dissuade interested parties from making an offer for the Company by providing the Buyout Group the opportunity to make repeated matching bids to counter any competing offers. Due to J. Crew's failure to conduct any effective pre-signing market check, no justification exists for the inclusion of the Matching Rights in the Merger Agreement.

63. The J. Crew Board further reduced the possibility of maximizing shareholder value by agreeing to a two-tiered termination fee (the "Termination Fee"). If the Board terminates the Merger Agreement to accept a superior proposal made on or before January 15, 2011, then the Company must pay the Buyout Group a termination fee of $27 million. If the Board seeks to terminate the Merger Agreement to accept a superior proposal made after January 15, 2011, then the Company must pay the Buyout Group a termination fee of $54 million.

64. The Board did negotiate for a "go-shop" period in the Merger Agreement, which permits the Company to solicit competing bids through January 15, 2011. However, the purported benefits of this "go-shop" period are illusory. First, even during the "go-shop" period, the Matching Rights serve as a deterrent to the emergence of competing bids as explained above.

65. In addition, it is unlikely that any other interested suitor will be able to complete due diligence on the Company, secure the necessary financing and submit a bid during this brief period. Even if 50 days provided a sufficient amount of time in which to complete due diligence on J. Crew, a high likelihood exists that, despite the cooperation agreement entered into between

Drexler and the Company, the Board and senior management would be less than forthcoming with the necessary information. Because the Company's CEO (and potentially other members of senior management) has been guaranteed a lucrative position with the Company after the consummation of the Proposed Transaction, Drexler possesses a strong incentive to withhold information that could lead to a superior proposal, especially with respect to strategic buyers that would likely terminate management following a deal. Thus, potential competing bidders have strong reason not to trust the diligence materials that management might turn over during the "go-shop" period. Likewise, half of the members of the Special Committee suffer from incapacitating conflicts of interests, so the committee cannot be trusted to run a fair sales process during the go-shop period. In addition, the Merger Agreement failed to include any incentives to potential third party bidders, like repayment of their expenses if the Buyout Group exercises its Matching Rights and ultimately acquires J. Crew.

66. Finally, a review of the large number of private equity deals announced in 2010 with "go-shop" periods reveals that few, if any, competing proposals were made during such "go-shop" period.

67. The deal protections, especially the Matching Rights, qualify as unreasonable barriers to competing offers and substantially increase the likelihood that the Proposed Transaction will be consummated, leaving J. Crew shareholders with limited opportunity to consider any superior offer. When viewed together and in light of the meager consideration and the flawed sales process, these provisions cannot be justified as reasonable or proportionate measures to protect the Buyout Group's investment in the transaction process.

CLASS ACTION ALLEGATIONS

68. Plaintiff brings this action pursuant to Rule 23 of the Rules of the Court of Chancery, individually and on behalf of all other holders of J. Crew's common stock (except

defendants herein and any persons, firm, trust, corporation or other entity related to or affiliated with them and their successors in interest) who are or will be threatened with injury arising from defendants' wrongful actions, as more fully described herein.

69. This action is properly maintainable as a class action.

70. The Class is so numerous that joinder of all members is impracticable. The Company has thousands of shareholders who are scattered throughout the United States. As of April 9, 2010, there were 63,831,062 shares of J. Crew's common stock outstanding.

71. There are questions of law and fact common to the Class including, *inter alia*, whether:

a. The Individual Defendants breached their fiduciary duties by refusing to extract the highest value possible from the Buyout Group in this all-cash sale of the Company;

b. The Individual Defendants are acting in furtherance of their own self-interests to the detriment of the Class;

c. The Individual Defendants breached their fiduciary duties by "locking up" the Proposed Transaction to the detriment of the Class by approving the Matching Rights without obtaining adequate consideration for J. Crew shareholders;

d. TPG, Leonard Green, Chinos Holdings and Chinos Acquisition have aided and abetted any breach of fiduciary duties by the Individual Defendants;

e. Plaintiff and the other members of the Class are being and will continue to be injured by the wrongful conduct alleged herein and, if so, what is the proper remedy and/or measure of damages; and

f. Plaintiff and the other members of the Class will be damaged irreparably by Defendants' conduct.

72. Plaintiff is committed to prosecuting the action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class, and Plaintiff has the same interests as the other members of the Class. Plaintiff is an adequate representative of the Class.

73. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class, which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

74. Defendants have acted, or refused to act, on grounds generally applicable to, and causing injury to, the Class and, therefore, preliminary and final injunctive relief on behalf of the Class, as a whole, is appropriate.

COUNT I

BREACH OF FIDUCIARY DUTY
AGAINST THE INDIVIDUAL DEFENDANTS

75. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

76. The Individual Defendants, as J. Crew directors, owe the Class the utmost fiduciary duties of due care, good faith, candor and loyalty. By virtue of their positions as directors and/or officers of J. Crew and/or their exercise of control and ownership over the business and corporate affairs of the Company, the Individual Defendants have, and at all relevant times had, the power to control and influence and did control and influence and cause the Company to engage in the practices complained of herein. Each Individual Defendant was

required to: (a) use their ability to control and manage J. Crew in a fair, just and equitable manner; (b) act in furtherance of the best interests of J. Crew and its shareholders and not their own; and (c) fully disclose the material circumstances, procedures, and terms of the Proposed Transaction so that shareholders can make a fully informed decision.

77. The Individual Defendants failed to fulfill their fiduciary duties in connection with the Proposed Transaction.

78. As a result of the J. Crew directors' breaches of fiduciary duty in agreeing to the Proposed Transaction, the Class will be harmed by receiving the inferior consideration offered in the Proposed Transaction.

79. Furthermore, the Matching Rights granted by the defendants and contained in the Merger Agreement impose an excessive and disproportionate impediment to the Board's ability to entertain any other potentially superior alternative offer. The J. Crew Board's agreement to the Matching Rights constitutes a breach of fiduciary duty, especially in light of the Individual Defendants' failure to obtain additional consideration in exchange for this valuable concession.

80. Plaintiff and the Class have no adequate remedy at law.

COUNT II

AIDING AND ABETTING AGAINST TPG, LEONARD GREEN, CHINOS HOLDINGS AND CHINOS ACQUISITION

81. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

82. Defendants TPG, Leonard Green, Chinos Holdings and Chinos Acquisition (collectively, the "PE Buyers") knowingly assisted the Individual Defendants in construction of the Proposed Transaction and the related Merger Agreement, which unlawfully restricts the J.

Crew Board from fully informing itself of all of the Company's strategic alternatives in compliance with its fiduciary duties.

83. The PE Buyers offered the prospect of continued employment to Defendant Drexler and possibly other members of the Company's senior management to induce support for the Buyout Group's low premium offer.

84. As a result of this conduct by the PE Buyers, Plaintiff and other members of the Class have and will be damaged by being denied the best opportunity to maximize the value of their investment in the Company.

85. Plaintiff and the Class have no adequate remedy at law.

COUNT III

Injunctive Relief
Against J. Crew

1. Plaintiff repeats and realleges the foregoing paragraphs as if fully set forth herein.

2. The Proposed Transaction is the product of breaches of fiduciary duties by the Company's Board of Directors, and, as such, the Company should be enjoined from taking any steps to consummate the Proposed Transaction.

3. Plaintiff has no adequate remedy at law.

RELIEF REQUESTED

WHEREFORE, Plaintiff demands judgment as follows:

a. Preliminarily and permanently enjoining J. Crew and any of the J. Crew Board members and any and all other employees, agents, or representatives of the Company and persons acting in concert with any one or more of any of the foregoing, during the pendency of this action, from taking any action to consummate the Proposed

Transaction until such time as the J. Crew Board has fully complied with their fiduciary duties and taken all readily available steps to maximize shareholder value;

b. Finding the J. Crew Board liable for breaching their fiduciary duties to the Class;

c. Finding the Matching Rights invalid and unenforceable, or in the alternative, amending such deal protections as necessary to ensure a full and fair sale process for the benefit of the Class;

d. Finding the PE Buyers liable for aiding and abetting a breach of fiduciary duty;

e. Requiring the J. Crew Board to fully inform itself of all of the Company's strategic alternatives, provide necessary information to potential bidders as appropriate, and give full and fair consideration to any alternative offers for the Company;

f. Requiring the J. Crew Board and the Buyout Group to disclose all material information relating to the Proposed Transaction and the terms of Drexler's employment agreement with the PE Buyers;

g. Awarding the Class compensatory damages, together with pre- and post-judgment interest;

h. Awarding Plaintiffs the costs and disbursements of this action, including attorneys', accountants', and experts' fees; and

i. Awarding such other and further relief as is just and equitable, including reconfiguration of the Special Committee to cleanse any conflict of interest

Dated: December 2, 2010

<u>/s/ Michael J. Barry</u>
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