

EXPRESS, INC.  
Form 424B4  
December 13, 2010  
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Filed Pursuant to Rule 424(b)(4)  
Registration No. 333-170499  
Registration No. 333-171089

**PROSPECTUS**

**12,500,000 Shares**

**Express, Inc.**

**Common Stock**

The selling stockholders identified in this prospectus are offering 12,500,000 shares of our common stock. We will not receive any proceeds from the sale of shares offered by the selling stockholders.

Our common stock is traded on the New York Stock Exchange under the symbol EXPR. The last reported sale price of our common stock on the New York Stock Exchange on December 9, 2010 was \$15.64 per share.

**Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 12 of this prospectus.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$15.50	\$193,750,000
Underwriting discount	\$0.73625	\$9,203,125
Proceeds, before expenses, to the selling stockholders	\$14.76375	\$184,546,875
The underwriters have the option to purchase up to 1,875,000 additional shares from the selling stockholders at the public offering price less the underwriting discount for 30 days after the date of this prospectus to cover any overallocments, if any.		

Neither the Securities and Exchange Commission nor any state securities commission 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.

The shares will be ready for delivery on or about December 15, 2010.

**BofA Merrill Lynch**

**Morgan Stanley**

**Piper Jaffray**

**Stifel Nicolaus Weisel**

**UBS Investment Bank**

The date of this prospectus is December 9, 2010.

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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.

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### **BASIS OF PRESENTATION**

Unless otherwise indicated, all of the financial data presented in this prospectus is presented on a consolidated basis for Express, Inc. and its subsidiaries.

We use a 52-53 week fiscal year ending on the Saturday closest to January 31. Fiscal years are identified in this prospectus according to the calendar year prior to the calendar year in which they end. For example, references to 2010, fiscal 2010, fiscal year 2010 or similar references refer to the fiscal year ending January 29, 2011 and references to 2009, fiscal 2009, fiscal year 2009 or similar references refer to the fiscal year ended January 30, 2010. References to the third quarter of 2010 and the third quarter of 2009 refer to the thirteen weeks ended October 30, 2010 and October 31, 2009, respectively.

On July 6, 2007, investment funds managed by Golden Gate Private Equity, Inc. ( Golden Gate ) acquired 75% of the equity interests in our business from Limited Brands, Inc. ( Limited Brands ). As a result of the acquisition (the Golden Gate Acquisition ), a new basis of accounting was created beginning July 7, 2007. The periods prior to the Golden Gate Acquisition are referred to as the Predecessor periods and the periods after the Golden Gate Acquisition are referred to as the Successor periods in this prospectus. The Predecessor periods presented in this prospectus include the period from February 4, 2007 through July 6, 2007, reflecting 22 weeks of operations, and the Successor periods presented in this prospectus include the period from July 7, 2007 through February 2, 2008, reflecting 30 weeks of operations. Due to the Golden Gate Acquisition, the financial statements for all Successor periods are not comparable to those of the Predecessor periods presented in this prospectus. Prior to the Golden Gate Acquisition, our consolidated financial statements were prepared on a carve-out basis from Limited Brands. The carve-out consolidated financial statements include allocations of certain costs of Limited Brands. In the Successor periods we no longer incur these charges, but do incur certain expenses as a standalone company for similar functions, including for certain support services provided by Limited Brands under the Limited Brands Transition Services Agreements, which are discussed further in the section entitled Certain Relationships and Related Party Transactions. These allocated costs were based upon various assumptions and estimates and actual results may differ from these allocated costs, assumptions and estimates. Accordingly, the carve-out consolidated financial statements may not provide a comparable presentation of our financial position or results of operations as if we had operated as a standalone entity during the Predecessor periods. See Risk Factors Risks Related to Our Business We have a limited operating history as a standalone company, which may make it difficult to compare our current operating results to prior periods.

In the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, we have presented pro forma consolidated financial data for the fiscal year ended February 2, 2008, which gives effect to the Golden Gate Acquisition as if such transaction had occurred on February 4, 2007, in addition to the Predecessor and Successor periods. We believe that presenting the discussion and analysis of the results of operations in this manner promotes the overall usefulness of the comparison given the complexities involved with comparing two significantly different periods.

On May 12, 2010, in connection with our initial public offering (the IPO ), we converted from a Delaware limited liability company into a Delaware corporation and changed our name from Express Parent LLC ( Express Parent ) to Express, Inc. See Certain Relationships and Related Party Transactions Reorganization as a Corporation. In connection with this conversion, all of our equity interests, which consisted of Class L, Class A and Class C units, were converted into shares of our common stock at a ratio of 0.702, 0.649, and 0.442, respectively. All share and per share information in the accompanying consolidated financial statements and the related notes has been retrospectively recast to reflect this conversion. Throughout this prospectus, the term Express Parent refers, prior to the Reorganization, to Express Parent LLC and, after the Reorganization, to Express, Inc. The term Express Topco refers to Express Topco LLC and Express Holding refers to Express Holding, LLC (each of which is one of our wholly-owned subsidiaries) and in each case not to any of their subsidiaries.

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Prior to our registration statement on Form S-1 (File No. 333-164906) for the IPO being declared effective on May 12, 2010, (i) Express Investment Corp. ( "EIC" ), the holding company that held 67.3% of our equity interests on behalf of certain investment funds managed by Golden Gate and (ii) the holding companies that directly or indirectly held 6.1% of our equity interests on behalf of certain members of management (the "Management Holding Companies" ) merged with and into us. EIC did not have any independent operations or any significant assets or liabilities and did not comprise a business. Accordingly, this legal merger represented in substance a reorganization and transfer of EIC's income tax payables or receivables between entities under common control. Accordingly, for financial reporting purposes, the transaction was reflected as a contribution of certain of EIC's income tax payables or receivables to us, in exchange for a net receivable or payable of equal amount with an affiliate of Golden Gate. In this prospectus, we refer to all of these events that occurred in connection with the IPO as the "Reorganization." See "Certain Relationships and Related Party Transactions" "Reorganization as a Corporation."

## **MARKET AND INDUSTRY DATA**

We obtained the industry, market and competitive position data throughout this prospectus from our own internal estimates and research as well as from industry and general publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company research is reliable and the definitions of our market and industry are appropriate, neither such research nor these definitions have been verified by any independent source. Certain industry, market and competitive position data presented in this prospectus was obtained from a survey conducted by e-Rewards, Inc. in April 2007 that was commissioned by Golden Gate prior to the Golden Gate Acquisition in connection with their evaluation of our business. We refer to this survey throughout this prospectus as the "2007 Market Survey."

## **TRADEMARKS AND TRADE NAMES**

This prospectus includes our trademarks such as "Express," which are protected under applicable intellectual property laws and are the property of Express, Inc. or its subsidiaries. This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.



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### **PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider in making your investment decision. You should read the following summary together with the entire prospectus, including the more detailed information regarding our company, the common stock being sold in this offering and our consolidated financial statements and the related notes included elsewhere in this prospectus. You should carefully consider, among other things, our consolidated financial statements and the related notes included elsewhere in this prospectus and the matters discussed in the sections entitled **Risk Factors** and **Management's Discussion and Analysis of Financial Condition and Results of Operations** in this prospectus before deciding to invest in our common stock. Some of the statements in this prospectus constitute forward-looking statements. See **Forward-Looking Statements**.*

*Except where the context otherwise requires or where otherwise indicated, the terms **Express**, **we**, **us**, **our**, **our company** and **our business** refer to Express, Inc. together with its predecessors and its consolidated subsidiaries as a combined entity.*

### **Company Overview**

Express is the sixth largest specialty retail apparel brand in the United States. With 30 years of experience offering a distinct combination of style and quality at an attractive value, we believe we are a core shopping destination for our customers and that we have developed strong brand awareness and credibility with them. We target an attractive and growing demographic of women and men between 20 and 30 years old. We offer our customers an edited assortment of fashionable apparel and accessories to address fashion needs across multiple aspects of their lifestyles, including work, casual and going-out occasions. Since we became an independent company in 2007, we have made several significant changes to our business model, including completing the conversion of our stores to a dual-gender format, re-designing our go-to-market strategy and launching our e-commerce platform, all of which we believe have improved our operating profits and positioned us well for future growth and profitability.

As of October 30, 2010, we operated 582 stores. Our stores are located primarily in high-traffic shopping malls, lifestyle centers and street locations across the United States and in Puerto Rico, and average approximately 8,700 square feet. We also sell our products through our e-commerce website, express.com. Our stores and website are designed to create an exciting shopping environment that reflects the sexy, sophisticated and social brand image that we seek to project. Our product offering includes both women's and men's apparel and accessories, of which women's represented 66% of our net sales and men's represented 34% of our net sales for the thirty-nine weeks ended October 30, 2010. Our product assortment is a mix of core styles balanced with the latest fashions, a combination we believe our customers look for and value in our brand. For fiscal 2009, we generated net sales, net income and Adjusted EBITDA of \$1,721.1, \$75.3 and \$229.8 million, respectively. Our Adjusted EBITDA increased 168% from \$85.9 million in fiscal 2006 to \$229.8 million in fiscal 2009. For the thirty-nine weeks ended October 30, 2010, we generated net sales, net income and Adjusted EBITDA of \$1,284.3, \$79.0 and \$196.8 million, respectively. Our Adjusted EBITDA increased 36% from \$145.1 million in the thirty-nine weeks ended October 31, 2009 to \$196.8 million in the thirty-nine weeks ended October 30, 2010. See **Summary Historical Consolidated Financial and Operating Data** for a discussion of Adjusted EBITDA, an accompanying presentation of the most directly comparable GAAP financial measure and a reconciliation of the differences between Adjusted EBITDA and the most directly comparable GAAP financial measure, net income.

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**Company History and Recent Accomplishments**

We opened our first store in 1980, in Chicago, Illinois as a division of Limited Brands, Inc., and launched our men's apparel line in 1987, which we rebranded under the name Structure in 1989. In the mid 1990s, we experienced a period of rapid expansion, resulting in our operation of over 1,000 stores by 2000, including in many cases a women's and men's store in the same shopping center. In 2001, we began to consolidate our separate women's and men's stores into combined dual-gender stores under the Express brand. In 2007, we began to operate as a standalone company and have since implemented and completed numerous initiatives to strengthen our business, including:

*Transitioned to Standalone Company.* As a standalone company, we have made a number of changes to improve our organization, reinvest in our business and align incentives with our performance. Among these, we rehired Michael Weiss as our President and Chief Executive Officer in July 2007. We have also worked to build depth in our organization, including strengthening our merchandising and design teams and improving the processes by which we make product decisions.

*Completed Dual-Gender Store Conversion.* During the last nine years, we have significantly improved the efficiency of our store base by consolidating separate women's and men's stores that were located in the same shopping center into combined dual-gender stores. Over this time period, this conversion has allowed us to reduce our total gross square footage by approximately 30%. We believe our converted store model has resulted in higher store productivity and lower store expenses, leading to increased profitability.

*Redesigned Go-To-Market Strategy.* Since 2007, we have revised the process by which we design, source and merchandise our product assortment. We now design a greater number of styles, colors and fits of key items for each season and test approximately three-quarters of our product early in each season at a select group of stores before ordering for our broader store base. We believe the results of these changes are higher product margins from reduced markdowns, lower inventory risk and a more relevant product offering for our customers.

*Reinvested in Our Business to Support Growth.* Over the past three years, we have expanded several of our key functional departments and shifted our marketing focus to better position our company for long-term growth. In addition, we have placed increased focus on long-term brand-building initiatives.

*Launched Express.com.* We launched our e-commerce website, express.com, in July 2008, offering our customers a new channel to access our products. We believe our e-commerce platform has improved the efficiency of our business by allowing us to monitor real-time customer feedback, enhancing our product testing capabilities, expanding our advertising reach and providing us with a merchandise clearance channel.

**Competitive Strengths**

We attribute our success to the following competitive strengths:

*Established Lifestyle Brand.* With 30 years of brand heritage, we have developed a distinct and widely recognized brand that we believe fosters loyalty and credibility among our customers who look to us to provide the latest fashions and quality at an attractive value. We are the sixth largest specialty retail apparel brand in the United States in terms of 2009 sales and we believe we are the largest specialty lifestyle brand focused on the 20 to 30 year old customer demographic.

*Attractive Market and Customer Demographic.* According to The NPD Group ( "NPD Group" ), in the twelve months ended September 30, 2010, our brand represented approximately 5% of the \$19 billion specialty apparel market for 18 to 30 year old women and men in the United States. Our customer demographic is a growing segment of the United States population, and we believe that the Express brand appeals to a particularly attractive subset of this group.



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*Sophisticated Design, Sourcing and Merchandising Model.* We believe that we have an efficient, diversified and flexible supply chain that allows us to quickly identify and respond to trends and to bring a tested assortment of products to our stores. We believe our model allows us to better meet customer needs and enables us to reduce inventory risk and improve product margins from reduced markdowns. Our product testing processes early in the season allow us to test approximately three-quarters of our merchandise in select stores before placing orders for our broader store base. In addition, we assess sales data and new product development on a weekly basis in order to make in-season inventory adjustments where possible and to allow us to respond to the latest trends.

*Optimized Real Estate Portfolio.* During the last nine years we have completed the conversion of our store base into dual-gender stores from separate women's and men's stores, which has reduced our total square footage by approximately 30%. We believe that over this period, this conversion has brought our average store size in-line with other specialty retailers, has contributed to improved per store sales and profitability and has positioned us to drive improvement in store sales and margins.

*Proven and Experienced Team.* Michael Weiss, our President and Chief Executive Officer, has more than 40 years of experience in the fashion industry and has served as our President for over 20 years. In addition, our senior management team has an average of 25 years of experience across a broad range of disciplines in the specialty retail industry, including design, sourcing, merchandising and real estate. Experience and tenure with Express extends deep into our organization. For example, our district managers and store managers have been with Express for an average of ten years and seven years, respectively.

### **Business Strategy**

Key elements of our business and growth strategies include the following:

*Improve Productivity of Our Retail Stores.* We believe that the efforts we have taken over the last several years to optimize our store base through conversion to dual-gender stores and to improve our go-to-market strategy have positioned us well for future growth. We seek to grow our comparable store sales and operating margins by executing the following initiatives:

*Continue to Refine Our Go-to-Market Strategy.* As we increase testing and refine our go-to-market strategy, we believe our in-store product assortment will be more appealing to our customers and will help us to decrease markdowns and to increase sales and product margins;

*Recapture Market Share in Our Core Product Categories.* Approximately five years ago we shifted our product mix, which included a high percentage of tops, casual bottoms and denim, to increase our focus on a more premium wear-to-work assortment. Based on our historical peak sales levels across product categories, we believe there is opportunity for us to recapture sales as our customers re-discover Express in certain product categories, specifically in casual and party tops, dresses and denim; and

*Improve Profit Margins.* We believe we have the opportunity to continue to improve margins through further efficiencies in sourcing and continued refinement of our merchandising strategy. We plan to leverage our infrastructure, corporate overhead and fixed costs through our converted dual-gender store format.

*Expand Our Store Base.* While there has been significant growth in retail shopping centers during the last decade, we have focused on converting our existing store base to a dual-gender format and have opened few new stores over this time period. As a result, we believe there are numerous attractive, high-traffic locations that present opportunities for us to expand our store base. We currently plan to open an average of 30 stores across the United States and Canada over each of the next five years, which represents annual store growth of approximately 5%, with slightly less than 30 stores in the earlier years and slightly more than 30 stores in the latter years.

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*Expand Our e-Commerce Platform.* In July 2008, we launched our e-commerce platform at express.com, providing us with a direct-to-consumer sales channel. In fiscal 2009, our e-commerce sales increased 231% relative to fiscal 2008 but still only represented approximately 5% of our net sales in fiscal 2009. In the thirty-nine weeks ended October 30, 2010, our e-commerce sales increased 58% over the thirty-nine weeks ended October 31, 2009, but still only represented approximately 7% of our net sales through the first thirty-nine weeks of fiscal 2010.

*Expand Internationally with Development Partners.* We believe Express has the potential to be a successful global brand. As of October 30, 2010, there were six Express stores in the Middle East, which were constructed through a development agreement with Alshaya Trading Co. Over the next five years, we believe there are additional opportunities to expand the Express brand internationally through additional low capital development arrangements.

### **Summary Risk Factors**

We are subject to a number of risks, including risks that may prevent us from achieving our business objectives or may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. You should carefully consider these risks, including the risks discussed in the section entitled Risk Factors, before investing in our common stock. Risks related to our business include, among others:

our business is sensitive to consumer spending and general economic conditions, and therefore a continued or further economic slowdown could adversely affect our financial performance;

our business is highly dependent upon our ability to identify and respond to new and changing fashion trends, customer preferences and other related factors;

our sales and results of operations fluctuate quarterly and are affected by a variety of factors, including fashion trends, changes in our merchandise mix, the effectiveness of our inventory management, actions of competitors or mall anchor tenants, holiday or seasonal periods, changes in general economic conditions and consumer spending patterns, the timing of promotional events and weather conditions;

the clothing retail market in the United States is highly competitive, and we face substantial competition from numerous retailers, including major specialty retailers, department stores, regional retail chains, web-based retail stores and other direct retailers;

our ability to attract customers to our stores that are located in malls or other shopping centers depends heavily on the success of these malls and shopping centers;

we depend upon third parties to manufacture all of the products that we sell, the transportation of these products to and from all of our stores and the operation of our distribution facilities;

we may not be able to carry out our growth strategy in a manner that is profitable, and the expansion of our business will place increased demands on our financial, operational, managerial and administrative resources; and

as of October 30, 2010, we had \$367.6 million of outstanding indebtedness and minimum annual rental obligations under long-term leases of \$39.4 million for the remainder of 2010, and this substantial indebtedness and these lease obligations have significant effects on our business.



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### **Recent Developments**

On December 1, 2010, we announced that our board of directors declared a special dividend of \$0.56 per share of our common stock, for a total special dividend of \$50.0 million. The special dividend will be paid on December 23, 2010 to shareholders of record at the close of business on December 16, 2010. Individuals purchasing shares of our common stock offered by means of this prospectus will be eligible to receive the declared special dividend if they are shareholders of record at the close of business on December 16, 2010. In addition, on December 1, 2010, we announced that our board of directors authorized a repayment of indebtedness of up to \$25.0 million.

### **Our Equity Sponsor**

Golden Gate Private Equity, Inc. is a San Francisco-based private equity investment firm with approximately \$8 billion of assets under management. Golden Gate is dedicated to partnering with world class management teams and targets investments in situations where there is a demonstrable opportunity to significantly enhance a company's value. The principals of Golden Gate have a long history of investing with management partners across a wide range of industries and transaction types, including leveraged buyouts and recapitalizations, corporate divestitures and spin-offs, build-ups and venture stage investing. Over the last five years, Golden Gate has invested in numerous brands in the specialty retail and apparel sectors, including Eddie Bauer, J. Jill and Orchard Brands, a multi-brand direct marketer which owns brands such as Appleseed's, Blair, Draper's and Damon's, Haband and Norm Thompson.

Golden Gate acquired a 75% interest in our business from an affiliate of Limited Brands on July 6, 2007 for aggregate cash payments of \$484.9 million. In addition, on the closing of the Golden Gate Acquisition, we distributed to an affiliate of Limited Brands \$117.0 million in loan proceeds (which amount includes an expense reimbursement paid to Limited Brands) from a \$125.0 million term loan facility that was entered into in connection with the Golden Gate Acquisition. See "Certain Relationships and Related Party Transactions—Golden Gate Acquisition—Purchase Agreement." As a result of our reorganization, the IPO and its sale of shares in connection with the IPO, Golden Gate beneficially owned approximately 55.0% of our common stock as of December 1, 2010.

### **Corporate Information**

We are a Delaware corporation. Our corporate headquarters is located at 1 Express Drive, Columbus, Ohio 43230. Our telephone number is (614) 474-4001. Our website address is [express.com](http://express.com). The information on our website is not deemed to be part of this prospectus.

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**Corporate Structure**

The following chart summarizes our corporate structure and principal indebtedness on a pro forma basis as of the completion of this offering, assuming no exercise by the underwriters of their option to purchase additional shares.

- (1) We reorganized our corporate structure prior to the IPO such that the issuer of our common stock became a Delaware corporation named Express, Inc., and certain entities through which our equity holders held their equity in Express Parent were merged with and into Express Parent so that those equity holders directly held their equity interests immediately prior to the IPO. See Basis of Presentation.
- (2) Express Topco and Express Holding are holding companies. Express Holding is a guarantor of the \$200.0 million secured Asset-Based Loan Credit Agreement entered into by Express Holding and Express, LLC with Wells Fargo Retail Finance, LLC, as administrative agent, and certain other lenders (the Opco revolving credit facility ) and the \$125.0 million secured term loan entered into by Express Holding and Express, LLC on July 6, 2007 (the Opco term loan ).
- (3) As of October 30, 2010, Express, LLC had \$196.4 million available for borrowing under the Opco revolving credit facility and no borrowings were then outstanding.
- (4) As of October 30, 2010, there was \$120.9 million outstanding under the Opco term loan.
- (5) Express Finance Corp. is a guarantor of our credit facilities and a co-issuer, together with Express, LLC, of \$250.0 million of 8 <sup>3</sup>/<sub>4</sub>% senior notes due 2018 (the Senior Notes ). See Description of Certain Indebtedness Senior Notes. Express Finance Corp. conducts no other business operations.
- (6) Includes Express GC, LLC, a guarantor of the Senior Notes, and Express Fashion Apparel Canada Inc., which is a non-U.S. subsidiary.



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### **The Offering**

Common stock offered by the selling stockholders	12,500,000 shares
Selling stockholders	The selling stockholders in this transaction are Golden Gate and Limited Brands. See Principal and Selling Stockholders.
Common stock outstanding	88,735,895 shares
Option to purchase additional shares	The underwriters have the option to purchase up to 1,875,000 additional shares from the selling stockholders. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We will not receive any proceeds from this offering. See Use of Proceeds.
Dividend policy	On December 1, 2010, we announced that our board of directors declared a special dividend of \$0.56 per share of our common stock, for a total special dividend of \$50.0 million. The special dividend will be paid on December 23, 2010 to shareholders of record at the close of business on December 16, 2010. Any determination to pay additional dividends in the future will be at the discretion of our board of directors. In addition, because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. See Dividend Policy and Description of Certain Indebtedness.
Risk factors	Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 12 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
New York Stock Exchange symbol	EXPR
Unless otherwise indicated, all information in this prospectus excludes:	

1,300,000 shares of our common stock issuable upon the exercise of options;

12,500 shares of common stock subject to restricted stock units; and

13,687,500 shares of our common stock reserved for future issuance under our 2010 Incentive Compensation Plan, which includes up to 42,000 shares of common stock subject to restricted stock units expected to be granted on December 23, 2010 to holders of outstanding stock-based awards as a result of the previously announced special dividend.

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Unless otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares.

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### **Summary Historical Consolidated Financial and Operating Data**

The following tables summarize our consolidated financial and operating data as of the dates and for the periods indicated. We have derived the summary consolidated financial and operating data for the periods ended July 6, 2007 and February 2, 2008 from our consolidated financial statements for such periods, which were audited by Ernst & Young LLP, an independent registered public accounting firm. We have derived the summary consolidated financial and operating data as of January 30, 2010 and for the fiscal years ended January 31, 2009 and January 30, 2010 from our consolidated financial statements as of and for such fiscal years, which were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Our audited consolidated financial statements as of January 31, 2009 and January 30, 2010 and for the fiscal years or periods, as applicable, ended July 6, 2007, February 2, 2008, January 31, 2009 and January 30, 2010 are included elsewhere in this prospectus. We have derived the summary consolidated financial and operating data as of and for the thirty-nine weeks ended October 31, 2009 and October 30, 2010 from our unaudited consolidated financial statements, which include all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and results of operations for such periods. Operating results for the thirty-nine week periods are not necessarily indicative of results for a full fiscal year, or for any other period. Our unaudited consolidated financial statements as of October 30, 2010 and for the thirty-nine week periods ended October 31, 2009 and October 30, 2010 are included elsewhere in this prospectus.

On July 6, 2007, investment funds managed by Golden Gate acquired 75% of the equity interests in our business from Limited Brands. As a result of the Golden Gate Acquisition, a new basis of accounting was created beginning July 7, 2007 for the Successor periods ending after such date. Prior to the Golden Gate Acquisition, our consolidated financial statements were prepared on a carve-out basis from Limited Brands. The carve-out consolidated financial statements include allocations of certain costs of Limited Brands. In the Successor periods we no longer incur these charges, but do incur certain expenses as a standalone company for similar functions, including for certain support services provided by Limited Brands under the Limited Brands Transition Services Agreements, which are discussed further in the section entitled "Certain Relationships and Related Party Transactions." These allocated costs were based upon various assumptions and estimates and actual results may differ from these allocated costs, assumptions and estimates. Accordingly, the carve-out consolidated financial statements may not provide a comparable presentation of our financial position or results of operations as if we had operated as a standalone entity during the Predecessor period from February 4, 2007 through July 6, 2007. See "Risk Factors—Risks Related to Our Business." We have a limited operating history as a standalone company, which may make it difficult to compare our current operating results to prior periods.

On May 12, 2010, in connection with the IPO, we converted from a Delaware limited liability company into a Delaware corporation and changed our name to Express, Inc. See "Certain Relationships and Related Party Transactions—Reorganization as a Corporation." In connection with this conversion, all of our equity interests, which consisted of Class L, Class A, and Class C units, were converted into shares of our common stock at a ratio of 0.702, 0.649 and 0.442, respectively. All share and per share information in the accompanying consolidated financial statements and the related notes has been retrospectively recast to reflect this conversion.

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The summary historical consolidated data presented below should be read in conjunction with the sections entitled Risk Factors, Selected Historical Consolidated Financial and Operating Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes and other financial data included elsewhere in this prospectus.

	Predecessor	Period from		Successor		Thirty-Nine Weeks Ended	
	Period from February 4, 2007 through July 6, 2007	July 7, 2007 through February 2, 2008	January 31, 2009	Year Ended January 30, 2010	October 31, 2009	October 30, 2010	(unaudited)
(dollars in thousands, excluding net sales per gross square foot data)							
<b>Statement of Operations Data:</b>							
Net sales	\$ 659,019	\$ 1,137,327	\$ 1,737,010	\$ 1,721,066	\$ 1,174,227	\$ 1,284,316	
Cost of goods sold, buying and occupancy costs	451,514	890,063	1,280,018	1,175,088	813,998	832,770	
Gross profit	207,505	247,264	456,992	545,978	360,229	451,546	
General, administrative, and store operating expenses	170,100	275,150	447,071	409,198	285,259	325,155	
Other operating expense, net	302	5,526	6,007	9,943	6,514	17,844	
Operating income (loss)	37,103	(33,412)	3,914	126,837	68,456	108,547	
Interest expense		6,978	36,531	53,222	40,204	51,699	
Interest income		(5,190)	(3,527)	(484)	(403)	(12)	
Other expense (income), net		4,712	(300)	(2,444)	(1,578)	(1,968)	
Income (loss) before income taxes	37,103	(39,912)	(28,790)	76,543	30,233	58,828	
Provision for income taxes	7,161	487	246	1,236	923	(20,148)	
Net income (loss)	\$ 29,942	\$ (40,399)	\$ (29,036)	\$ 75,307	\$ 29,310	\$ 78,976	
<b>Statement of Cash Flows Data:</b>							
Net cash provided by (used in):							
Operating activities	\$ 45,912	\$ 282,192	\$ 35,234	\$ 200,721	\$ 87,284	\$ 50,857	
Investing activities	(22,888)	(15,258)	(51,801)	(26,873)	(22,883)	(41,950)	
Financing activities	(29,939)	39,361	(127,347)	(115,559)	(82,121)	(161,531)	
<b>Other Financial and Operating Data:</b>							
Comparable store sales change(1)	6%	12%	(3)%	(6)%	(10)%	6%	
Net sales per gross square foot(2)	\$ 118	\$ 213	\$ 337	\$ 321	\$ 221	\$ 237	
Total gross square feet (in thousands) (average)	5,604	5,348	5,060	5,033	5,032	5,002	
Number of stores (at period end)	622	587	581	573	581	582	
Capital expenditures	\$ 22,888	\$ 15,258	\$ 50,551	\$ 26,853	\$ 22,883	\$ 41,950	
EBITDA(3)	62,154	10,071	83,514	198,949	123,502	159,375	
Adjusted EBITDA(3)	62,154	115,272	137,198	229,750	145,129	196,779	
							<b>October 30, 2010 (unaudited)</b>
<b>Balance Sheet Data (at end of period):</b>							
Cash and cash equivalents						\$ 81,780	
Working capital (excluding cash and cash equivalents)(4)						12,600	

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Total assets	833,210
Total debt (including current portion)	367,639
Total stockholders' equity	130,379

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- (1) Comparable store sales have been calculated based upon stores that were open at least thirteen full fiscal months as of the end of the reporting period.
- (2) Net sales per gross square foot is calculated by dividing net sales for the applicable period by the average gross square footage during such period. For the purpose of calculating net sales per gross square foot, e-commerce sales and other revenues are excluded from net sales.
- (3) EBITDA and Adjusted EBITDA have been presented in this prospectus and are supplemental measures of financial performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States ( GAAP ). EBITDA is defined as consolidated net income (loss) before depreciation and amortization, interest expense (net) and amortization of debt issuance costs and discounts and provision for income taxes. Adjusted EBITDA is calculated in accordance with our existing credit agreements, and is defined as EBITDA adjusted to exclude the items set forth in the table below.

EBITDA is included in this prospectus because it is a key metric used by management to assess our operating performance. Adjusted EBITDA is included in this prospectus because it is a measure by which our lenders evaluate our covenant compliance. The Opco term loan contains a leverage ratio covenant and the Opco revolving credit facility contains a fixed charge coverage ratio covenant that we must meet if we do not meet the excess availability requirement under the Opco revolving credit facility, and are calculated based on Adjusted EBITDA, without the adjustment for management bonuses paid in connection with our distribution to equity holders in 2008. See Certain Relationships and Related Party Transactions 2008 Corporate Reorganization. Non-compliance with the financial ratio covenants contained in the Opco term loan and the Opco revolving credit facility could result in the acceleration of our obligations to repay all amounts outstanding under those agreements. The applicable interest rates on the Opco term loan and the Opco revolving credit facility are also based in part on our leverage ratio and excess availability, respectively. In addition, the Opco term loan, the Opco revolving credit facility and the indenture governing the Senior Notes contain covenants that restrict, subject to certain exceptions, our ability to incur additional indebtedness or make restricted payments, such as dividends, based, in some cases, on our ability to meet leverage ratios or fixed charge coverage ratios. Adjusted EBITDA is a material component of these ratios.

EBITDA and Adjusted EBITDA are not measures of our financial performance or liquidity under GAAP and should not be considered as alternatives to net income as a measure of operating performance, cash flows from operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management s discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. EBITDA and Adjusted EBITDA contain certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and exclude certain non-recurring charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using EBITDA and Adjusted EBITDA only supplementally.

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Our measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

The following table sets forth a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to EBITDA and Adjusted EBITDA.

	Predecessor Period from February 4, 2007 through July 6, 2007	Period from July 7, 2007 through February 2, 2008	Successor Year Ended		Thirty-Nine Weeks Ended	
			January 31, 2009	January 30, 2010	October 31, 2009 (unaudited)	October 30, 2010 (unaudited)
(dollars in thousands)						
Net income (loss)	\$ 29,942	\$ (40,399)	\$ (29,036)	\$ 75,307	\$ 29,310	\$ 78,976
Depreciation and amortization	25,051	48,195	79,105	69,668	53,470	48,860
Interest expense, net(a)		1,788	33,199	52,738	39,799	51,687
Provision for income taxes	7,161	487	246	1,236	923	(20,148)
<b>EBITDA</b>	<b>62,154</b>	<b>10,071</b>	<b>83,514</b>	<b>198,949</b>	<b>123,502</b>	<b>159,375</b>
Non-cash deductions, losses, charges(b)		9,780	21,112	12,128	8,794	10,578
Non-recurring expenses(c)		86,886	18,660	5,908	3,807	2,090
Transaction expenses(d)		766	3,596	1,656	1,443	2,628
Permitted Advisory Agreement fees and expenses(e)		3,882	4,238	7,153	4,725	12,752
Non-cash expense related to equity incentives		1,233	2,069	2,052	1,510	4,411
Other adjustments allowable under our existing credit agreements(f)		2,654	4,009	1,904	1,348	4,945
<b>Adjusted EBITDA</b>	<b>\$ 62,154</b>	<b>\$ 115,272</b>	<b>\$ 137,198</b>	<b>\$ 229,750</b>	<b>\$ 145,129</b>	<b>\$ 196,779</b>

- (a) Includes interest income and also includes the amortization of debt issuance costs, amortization of debt discount and debt extinguishment costs.
- (b) Adjustments made to reflect the net impact of non-cash expense items such as non-cash rent and expense associated with the change in the fair value of our interest rate swap.
- (c) Primarily includes an \$86.9 million non-cash cost of goods sold charge associated with the allocation of purchase price adjustments to inventory in the 30 weeks ended February 2, 2008, a one-time management bonus paid in the first quarter of fiscal 2008 and expenses related to the development of standalone information technology systems in anticipation of the termination of our transition services agreement with Limited Brands.
- (d) Represents costs incurred related to items such as the issuance of stock, recapitalizations and the incurrence of permitted indebtedness.
- (e) Prior to the IPO, Golden Gate provided us with consulting and management services pursuant to the advisory agreement entered into in connection with the Golden Gate Acquisition ( Advisory Agreement ). The Advisory Agreement was terminated in connection with the IPO. See Certain Relationships and Related Party Transactions Golden Gate Acquisition Golden Gate Advisory Agreement.
- (f) Reflects adjustments permitted under our existing credit agreements, including advisory fees paid to Limited Brands pursuant to the Express Parent Limited Liability Company Agreement (the LLC Agreement ). The LLC Agreement, including the advisory arrangement with Limited Brands, was terminated in connection with the IPO.

- (4) Working capital is defined as current assets, less cash and cash equivalents, less current liabilities excluding the current portion of long-term debt.





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### **RISK FACTORS**

*This offering and an investment in our common stock involve a high degree of risk. You should carefully consider the risks described below, together with the financial and other information contained in this prospectus, before you decide to purchase shares of our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. As a result, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock.*

#### **Risks Related to Our Business**

***Our business is sensitive to consumer spending and general economic conditions, and a continued or further economic slowdown could adversely affect our financial performance.***

Consumer purchases of discretionary retail items, including our products, generally decline during recessionary periods and other periods where disposable income is adversely affected. Our performance is subject to factors that affect domestic and worldwide economic conditions, including employment, consumer debt, reductions in net worth based on recent severe market declines, residential real estate and mortgage markets, taxation, fuel and energy prices, interest rates, consumer confidence, value of the United States dollar versus foreign currencies and other macroeconomic factors. For example, our net sales declined by 1% in fiscal 2009 compared to fiscal 2008, primarily due to the global economic recession. Further deterioration in economic conditions or increasing unemployment levels may continue to reduce the level of consumer spending and inhibit consumers' use of credit, which may continue to adversely affect our revenues and profits. In recessionary periods, we may have to increase the number of promotional sales or otherwise dispose of inventory for which we have previously paid to manufacture, which could further adversely affect our profitability. Our financial performance is particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores. Current economic conditions and further slowdown in the economy could further adversely affect shopping center traffic and new shopping center development and could materially adversely affect us.

In addition, the current economic environment and future recessionary periods may exacerbate some of the risks noted below, including consumer demand, strain on available resources, store growth, interruption of the flow of merchandise from key vendors and foreign exchange rate fluctuations. The risks could be exacerbated individually or collectively.

***Our business is highly dependent upon our ability to identify and respond to new and changing fashion trends, customer preferences and other related factors, and our inability to identify and respond to these new trends may lead to inventory markdowns and write-offs, which could adversely affect us and our brand image.***

Our focus on fashion-conscious young women and men means that we have a target market of customers whose preferences cannot be predicted with certainty and are subject to change. Our success depends in large part upon our ability to effectively identify and respond to changing fashion trends and consumer demands, and to translate market trends into appropriate, saleable product offerings. Our failure to identify and react appropriately to new and changing fashion trends or tastes or to accurately forecast demand for certain product offerings could lead to, among other things, excess inventories, markdowns and write-offs, which could materially adversely affect our business and our brand image. Because our success depends significantly on our brand image, damage to our brand image as a result of our failure to respond to changing fashion trends could have a negative impact on us.

We often enter into agreements for the manufacture and purchase of merchandise well ahead of the season in which that merchandise will be sold. Therefore we are vulnerable to changes in consumer preference and demand between the time we design and order our merchandise and the season in which this merchandise will

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be sold. There can be no assurance that our new product offerings will have the same level of acceptance as our product offerings in the past or that we will be able to adequately and timely respond to the preferences of our customers. The failure of any new product offerings to appeal to our customers could have a material adverse effect on our business, results of operations and financial condition.

### ***Our sales and profitability fluctuate on a seasonal basis and are affected by a variety of other factors.***

Our sales and results of operations are affected by a variety of factors, including fashion trends, changes in our merchandise mix, the effectiveness of our inventory management, actions of competitors or mall anchor tenants, holiday or seasonal periods, changes in general economic conditions and consumer spending patterns, the timing of promotional events and weather conditions. As a result, our results of operations fluctuate on a quarterly basis and relative to corresponding periods in prior years, and any of these factors could adversely affect our business and could cause our results of operations to decline. For example, our third and fourth quarter net sales are impacted by early Fall shopping trends and the holiday season. Likewise, we typically experience lower net sales in the first fiscal quarter relative to other quarters. Any significant decrease in net sales during the early Fall selling period or the holiday season would have a material adverse effect on us. In addition, in order to prepare for these seasons, we must order and keep in stock significantly more merchandise than we carry during other parts of the year. This inventory build-up may require us to expend cash faster than we generate it by our operations during this period. Any unanticipated decrease in demand for our products during these peak shopping seasons could require us to sell excess inventory at a substantial markdown, which could have a material adverse effect on our business, profitability, ability to repay indebtedness and our brand image with customers.

### ***We could face increased competition from other retailers that could adversely affect our ability to generate higher net sales and our ability to obtain favorable store locations.***

We face substantial competition in the specialty retail apparel industry. We compete on the basis of a combination of factors, including, among others, price, breadth, quality and style of merchandise offered, in-store experience, level of customer service, ability to identify and offer new and emerging fashion trends and brand image. We compete with a wide variety of large and small retailers for customers, vendors, suitable store locations and personnel. We face competition from major specialty retailers that offer their own private label assortment, department stores, regional retail chains, web-based retail stores and other direct retailers that engage in the retail sale of apparel accessories, footwear and similar merchandise to fashion-conscious young women and men.

Some of our competitors have greater financial, marketing and other resources available. In many cases, our competitors sell their products in stores that are located in the same shopping malls or lifestyle centers as our stores. In addition to competing for sales, we compete for favorable site locations and lease terms in shopping malls and lifestyle centers and our competitors may be able to secure more favorable locations than us as a result of their relationships with, or appeal to, landlords. Our competitors may also sell substantially similar products at reduced prices through the Internet or through outlet centers or discount stores, increasing the competitive pricing pressure for those products. We cannot assure you that we will continue to be able to compete successfully against existing or future competitors. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have a material adverse effect on us.

### ***Our ability to attract customers to our stores that are located in malls or other shopping centers depends heavily on the success of these malls and shopping centers, and any decrease in customer traffic in these malls or shopping centers could cause our net sales to be less than expected.***

A significant number of our stores are located in malls and other shopping centers. Sales at these stores are dependent, to a significant degree, upon the volume of traffic in those shopping centers and the surrounding area. Our stores benefit from the ability of a shopping center's other tenants, particularly anchor stores, such as department stores, to generate consumer traffic in the vicinity of our stores and the continuing popularity of the shopping center as a shopping destination. Our sales volume and traffic generally may be adversely affected by,

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among other things, a decrease in popularity of malls or other shopping centers in which our stores are located, the closing of anchor stores important to our business, a decline in popularity of other stores in the malls or other shopping centers, in which our stores are located or a deterioration in the financial condition of shopping center operators or developers which could, for example, limit their ability to finance tenant improvements for us and other retailers. A reduction in consumer traffic as a result of these or any other factors, or our inability to obtain or maintain favorable store locations within malls or other shopping centers, could have a material adverse effect on us. Although we do not have specific information with respect to the malls and other shopping centers in which we locate or plan to locate our stores, we believe mall and other shopping center vacancy rates have been rising, and mall and other shopping center traffic has been decreasing nationally, as a result of the current economic downturn which could reduce traffic to our stores.

***We do not own or operate any manufacturing facilities and therefore depend upon independent third parties for the manufacture of all of our merchandise, and any inability of a manufacturer to ship goods to our specifications or to operate in compliance with applicable laws could negatively impact our business.***

We do not own or operate any manufacturing facilities. As a result, we are dependent upon our timely receipt of quality merchandise from third-party manufacturers. A manufacturer's inability to ship orders to us in a timely manner or meet our quality standards could cause delays in responding to consumer demands and negatively affect consumer confidence in the quality and value of our brand or negatively impact our competitive position, all of which could have a material adverse effect on our financial condition or results of operations. Furthermore, we are susceptible to increases in sourcing costs, which we may not be able to pass on to customers, and changes in payment terms from manufacturers, which could adversely affect our financial condition or results of operations.

Failure by our manufacturers to comply with our guidelines also exposes us to various risks, including with respect to use of acceptable labor practices and compliance with applicable laws. We do not independently investigate whether our vendors and manufacturers use acceptable labor practices and comply with applicable laws, such as child labor and other labor laws, and instead rely on audits performed by several unrelated third-party auditors. Our business may be negatively impacted should any of our manufacturers experience an interruption in operations, including due to labor disputes and failure to comply with laws, and our business may suffer from negative publicity for using manufacturers that do not engage in acceptable labor practices and comply with applicable laws. Any of these results could harm our brand image and have a material adverse effect on our business and growth.

***The interruption of the flow of merchandise from international manufacturers could disrupt our supply chain.***

We purchase the majority of our merchandise outside of the United States through arrangements with approximately 90 vendors, utilizing approximately 350 foreign manufacturing facilities located throughout the world, primarily in Asia and Central and South America. Political, social or economic instability in Asia, Central or South America, or in other regions in which our manufacturers are located, could cause disruptions in trade, including exports to the United States. Other events that could also cause disruptions to exports to the United States include:

the imposition of additional trade law provisions or regulations;

the imposition of additional duties, tariffs and other charges on imports and exports;

quotas imposed by bilateral textile agreements;

foreign currency fluctuations;

restrictions on the transfer of funds;

the financial instability or bankruptcy of manufacturers; and

significant labor disputes, such as dock strikes.

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We cannot predict whether the countries in which our merchandise is manufactured, or may be manufactured in the future, will be subject to new or additional trade restrictions imposed by the United States or other foreign governments, including the likelihood, type or effect of any such restrictions. Trade restrictions, including new or increased tariffs or quotas, embargos, safeguards and customs restrictions against apparel items, as well as United States or foreign labor strikes and work stoppages or boycotts, could increase the cost or reduce the supply of apparel available to us and adversely affect our business, financial condition or results of operations.

***If we encounter difficulties associated with distribution facilities or if they were to shut down for any reason, we could face shortages of inventory, delayed shipments to our online customers and harm to our reputation. Any of these issues could have a material adverse effect on our business operations.***

Our distribution facilities are operated by third parties. Our Columbus, Ohio facility operates as our central distribution facility and supports our entire business, as all of our merchandise is shipped to the central distribution facility from our vendors, and is then packaged and shipped to our stores or the e-commerce distribution facility in Groveport, Ohio for further distribution to our online customers. The success of our stores and the satisfaction of our online customers depend on their timely receipt of merchandise. The efficient flow of our merchandise requires that the third parties who operate the distribution facilities have adequate capacity in both distribution facilities to support our current level of operations, and any anticipated increased levels that may follow from the growth of our business. If we encounter difficulties with the distribution facilities or in our relationships with the third parties who operate the facilities or if either facility were to shut down for any reason, including as a result of fire or other natural disaster, we could face shortages of inventory, resulting in out of stock conditions in our stores, incur significantly higher costs and longer lead times associated with distributing our products to both our stores and online customers and experience dissatisfaction from our customers. Any of these issues could have a material adverse effect on our business and harm our reputation.

***We rely upon independent third-party transportation providers for substantially all of our product shipments and are subject to increased shipping costs as well as the potential inability of our third-party transportation providers to deliver on a timely basis.***

We currently rely upon independent third-party transportation providers for substantially all of our product shipments, including shipments to and from all of our stores. Our utilization of these delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs, and employee strikes and inclement weather which may impact a shipping company's ability to provide delivery services that adequately meet our shipping needs. If we change the shipping companies we use, we could face logistical difficulties that could adversely affect deliveries and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from independent third-party transportation providers which in turn would increase our costs.

***Our growth strategy, including our international expansion plan, is dependent on a number of factors, any of which could strain our resources or delay or prevent the successful penetration into new markets.***

Our growth strategy is partially dependent on opening new stores across North America, remodeling existing stores in a timely manner and operating them profitably. Additional factors required for the successful implementation of our growth strategy include, but are not limited to, obtaining desirable store locations, negotiating acceptable leases, completing projects on budget, supplying proper levels of merchandise and successfully hiring and training store managers and sales associates. In order to optimize profitability for new stores, we must secure desirable retail lease space when opening stores in new and existing markets. We must choose store sites, execute favorable real estate transactions on terms that are acceptable to us, hire competent personnel and effectively open and operate these new stores. We historically have received landlord allowances for store build outs, which offset certain capital expenditures we must make to open a new store. If landlord allowances cease to be available to us in the future or are decreased, opening new stores would require more capital outlay, which could adversely affect our ability to continue opening new stores.

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To the extent we open new stores in markets where we have existing stores, our existing stores in those markets may experience reduced net sales. Our planned growth will also require additional infrastructure for the development, maintenance and monitoring of those stores. In addition, if our current management systems and information systems are insufficient to support this expansion, our ability to open new stores and to manage our existing stores would be adversely affected. If we fail to continue to improve our infrastructure, we may be unable to implement our growth strategy or maintain current levels of operating performance in our existing stores.

Additionally, we plan to expand outside of North America through development agreements with third parties and these plans could be negatively impacted by a variety of factors. We may be unable to find acceptable partners with whom we can enter into joint development agreements, negotiate acceptable terms for franchise and development agreements and gain acceptance from consumers outside of North America. Our planned usage of development agreements outside of North America also creates the inherent risk as to whether such third parties are able to both effectively operate the businesses and appropriately project our brand image in their respective markets. Ineffective or inappropriate operation of our partners' businesses or projection of our brand image could create difficulties in the execution of our international expansion plan.

Our domestic growth plans and our international expansion plan will place increased demands on our financial, operational, managerial and administrative resources. These increased demands may cause us to operate our business less efficiently, which in turn could cause deterioration in the performance of our existing stores. Furthermore, relating to our international expansion, our ability to conduct business in international markets may be affected by legal, regulatory, political and economic risks, including our unfamiliarity with local business and legal environments in other areas of the world. Our international expansion strategy and success could also be adversely impacted by the global economy, as well as by fluctuations in the value of the dollar against foreign currencies.

***Our business depends in part on a strong brand image, and if we are not able to maintain and enhance our brand, particularly in new markets where we have limited brand recognition, we may be unable to attract sufficient numbers of customers to our stores or sell sufficient quantities of our products.***

Our ability to maintain our reputation is critical to our brand image. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity about these types of concerns may reduce demand for our merchandise. Failure to maintain high ethical, social and environmental standards for all of our operations and activities or adverse publicity regarding our responses to these concerns could also jeopardize our reputation. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence for any of these reasons could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation.

***We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs.***

We lease all of our store locations, our corporate headquarters and our central distribution facility. We typically occupy our stores under operating leases with terms of ten years, with options to renew for additional multi-year periods thereafter. In the future, we may not be able to negotiate favorable lease terms. Our inability to do so may cause our occupancy costs to be higher in future years or may force us to close stores in desirable locations.

Some of our leases have early cancellation clauses, which permit the lease to be terminated by us or the landlord if certain sales levels are not met in specific periods or if the center does not meet specified occupancy standards. In addition to future minimum lease payments, some of our store leases provide for additional rental payments based on a percentage of net sales, or percentage rent, if sales at the respective stores exceed

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specified levels, as well as the payment of common area maintenance charges, real property insurance and real estate taxes. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. As we expand our store base, our lease expense and our cash outlays for rent under the lease terms will increase.

We depend on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially harm our business.

If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

### ***Our failure to find store employees who reflect our brand image and embody our culture could adversely affect our business.***

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of store employees, including store managers, who understand and appreciate our corporate culture and customers, and are able to adequately and effectively represent this culture and establish credibility with our customers. The store employee turnover rate in the retail industry is generally high. Excessive store employee turnover will result in higher employee costs associated with finding, hiring and training new store employees. If we are unable to hire and retain store personnel capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture, understanding of our customers and knowledge of the merchandise we offer, our ability to open new stores may be impaired, the performance of our existing and new stores could be materially adversely affected and our brand image may be negatively impacted. Competition for such qualified individuals could require us to pay higher wages to attract a sufficient number of employees. Additionally, our labor costs are subject to many external factors, including unemployment levels, prevailing wage rates, minimum wage laws, potential collective bargaining arrangements, health insurance costs and other insurance costs and changes in employment and labor legislation or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). Any increase in labor costs may adversely impact our profitability, or if we fail to pay such higher wages we could suffer increased employee turnover.

We are also dependent upon temporary personnel to adequately staff our stores and distribution facilities, with heightened dependence during busy periods such as the holiday season and when multiple new stores are opening. There can be no assurance that we will receive adequate assistance from our temporary personnel, or that there will be sufficient sources of suitable temporary personnel to meet our demand. Any such failure to meet our staffing needs or any material increases in employee turnover rates could have a material adverse effect on our business or results of operations.

### ***We depend on key executive management and may not be able to retain or replace these individuals or recruit additional personnel, which could harm our business.***

We depend on the leadership and experience of our key executive management. The loss of the services of any of our executive management members could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all. We believe that our future success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for experienced, successful personnel in the retail industry. Our inability to meet our staffing requirements in the future could impair our growth and harm our business.

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***We work with Limited Brands to provide us with certain key services for our business. If Limited Brands fails to perform its obligations to us or if we do not find appropriate replacement services, we may be unable to provide these services or implement substitute arrangements on a timely and cost-effective basis on terms favorable to us.***

Limited Brands, our former parent and a current equity holder, provides certain services to us under various agreements and arrangements. MAST Industries, Inc., an affiliate of Limited Brands ( "MAST" ), currently provides us with certain support services relating to our product production and sourcing. Under a logistics services agreement with Limited Brands that was entered into on October 5, 2009 and took effect in February 2010, Limited Brands has agreed to provide certain inbound and outbound transportation and delivery services, distribution services, customs and brokerage services and rental of warehouse/distribution space. The logistics services agreement ends on April 30, 2016. The agreement will continue thereafter unless it is terminated by either party on no less than 24 months' prior notice. Notwithstanding the foregoing, we have the right to terminate the agreement on 24 months' prior notice, which may be given any time after February 1, 2011. In no event may the termination of the agreement occur between October 1 of any calendar year and the last day of February of the next calendar year. If Limited Brands fails to perform its obligations under either the logistics services agreement or other agreements we may be unable to obtain substitute arrangements in a timely and cost-effective manner. In addition, we may be unable to obtain replacement services for these arrangements, or may be required to incur additional costs and may experience delays or business interruptions as a result of our transition to other service providers, which could have a material adverse effect on our business. See "Certain Relationships and Related Party Transactions."

***We rely significantly on information systems and any failure, inadequacy, interruption or security failure of those systems could harm our ability to effectively operate our business.***

Our ability to effectively manage and maintain our inventory, and to ship products to our stores and our customers on a timely basis, depends significantly on our information systems. To manage the growth of our operations, personnel and real estate portfolio, we will need to continue to improve and expand our operational and financial systems, real estate management systems, transaction processing, internal controls and business processes; in doing so, we could encounter implementation issues and incur substantial additional expenses. The failure of our information systems to operate effectively, problems with transitioning to upgraded or replacement systems or expanding them into new stores, or a breach in security of these systems could adversely impact the promptness and accuracy of our merchandise distribution, transaction processing, financial accounting and reporting, the efficiency of our operations and our ability to properly forecast earnings and cash requirements. We could be required to make significant additional expenditures to remediate any such failure, problem or breach. Such events may have a material adverse effect on us.

We sell merchandise over the Internet through our website, [express.com](http://express.com). Our Internet operations may be affected by our reliance on third-party hardware and software providers, technology changes, risks related to the failure of computer systems that operate the Internet business, telecommunications failures, electronic break-ins and similar disruptions. Furthermore, our ability to conduct business on the Internet may be affected by liability for online content and state and federal privacy laws.

In addition, we may now and in the future implement new systems to increase efficiencies and profitability. To manage growth of our operations and personnel, we will need to continue to improve and expand our operational and financial systems, transaction processing, internal controls and business processes. When implementing new or changing existing processes, we may encounter transitional issues and incur substantial additional expenses.



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***System security risk issues could disrupt our internal operations or information technology services, and any such disruption could harm our net sales, increase our expenses and harm our reputation.***

Experienced computer programmers and hackers, or even internal users, may be able to penetrate our network security and misappropriate our confidential information or that of third parties, including our customers, create system disruptions or cause shutdowns. In addition, employee error, malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties outside of our network. As a result, we could incur significant expenses addressing problems created by any such inadvertent disclosure or any security breaches of our network. This risk is heightened because we collect and store customer information, including credit card information, and use certain customer information for marketing purposes. Any compromise of customer information could subject us to customer or government litigation and harm our reputation, which could adversely affect our business and growth. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures or breaches. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including bugs and other problems, that could unexpectedly interfere with the operation of the systems. The costs to us to eliminate or alleviate security problems, viruses and bugs, or any problems associated with the outsourced services, could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions.

***There are claims made against us from time to time that can result in litigation or regulatory proceedings which could distract management from our business activities and result in significant liability.***

We face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include commercial disputes, intellectual property issues, product-oriented allegations and slip and fall claims. In addition, we could face a wide variety of employee claims against us, including general discrimination, privacy, labor and employment, ERISA and disability claims. For example, Express, LLC is named as a defendant in a purported class action lawsuit alleging various California state labor law violations. See Business Legal Proceedings. Any claims could result in litigation against us and could also result in regulatory proceedings being brought against us by various federal and state agencies that regulate our business, including the United States Equal Employment Opportunity Commission. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant management time. Litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liability, and could also materially adversely affect our operations and our reputation.

In addition, we may be subject to liability if we infringe the trademarks or other intellectual property rights of third parties. If we were to be found liable for any such infringement, we could be required to pay substantial damages and could be subject to injunctions preventing further infringement. Such infringement claims could subject us to boycotts by our customers and harm to our brand image. In addition, any payments we are required to make and any injunctions we are required to comply with as a result of such infringement actions could adversely affect our financial results.

***Changes in laws, including employment laws and laws related to our merchandise, could make conducting our business more expensive or otherwise change the way we do business.***

We are subject to numerous regulations, including labor and employment, 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 stores and warehouse facilities. If these regulations were to change or were violated by our management, employees, vendors, 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.

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In addition to increased regulatory compliance requirements, changes in laws could make ordinary conduct of our business more expensive or require us to change the way we do business. For example, changes in federal and state minimum wage laws could raise the wage requirements for certain of our employees, which would likely cause us to reexamine our entire wage structure for stores. Other laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, could also negatively impact us, such as by increasing compensation and benefits costs for overtime and medical expenses.

Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. It is often difficult for us to plan and prepare for potential changes to applicable laws and future actions or payments related to such changes could be material to us.

### ***We may be unable to protect our trademarks or other intellectual property rights, which could harm our business.***

We rely on certain trademark registrations and common law trademark rights to protect the distinctiveness of our brand. However, there can be no assurance that the actions we have taken to establish and protect our trademarks will be adequate to prevent imitation of our trademarks by others or to prevent others from claiming that sales of our products infringe, dilute or otherwise violate third-party trademarks or other proprietary rights in order to block sales of our products.

The laws of certain foreign countries may not protect the use of unregistered trademarks to the same extent as do the laws of the United States. As a result, international protection of our brand image may be limited and our right to use our trademarks outside the United States could be impaired. Other persons or entities may have rights to trademarks that contain portions of our marks or may have registered similar or competing marks for apparel and/or accessories in foreign countries in which our vendors source our merchandise. There may also be other prior registrations of trademarks identical or similar to our trademarks in other foreign countries of which we are not aware. Accordingly, it may be possible for others to prevent the manufacture of our branded goods in certain foreign countries or the sale or exportation of our branded goods from certain foreign countries to the United States. If we were unable to reach a licensing arrangement with these parties, our vendors may be unable to manufacture our products in those countries. Our inability to register our trademarks or purchase or license the right to use the relevant trademarks or logos in these jurisdictions could limit our ability to obtain supplies from less costly markets or penetrate new markets in jurisdictions outside the United States.

Litigation may be necessary to protect our trademarks and other intellectual property rights, to enforce these rights or to defend against claims by third parties alleging that we infringe, dilute or otherwise violate third-party trademark or other intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, or whether successful or not, could result in substantial costs and diversion of our resources, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. Any intellectual property litigation or claims against us could result in the loss or compromise of our intellectual property rights, could subject us to significant liabilities, require us to seek licenses on unfavorable terms, if available at all, prevent us from manufacturing or selling certain products and/or require us to redesign or re-label our products or rename our brand, any of which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

### ***We have a limited operating history as a standalone company, which may make it difficult to compare our current operating results to prior periods.***

On July 6, 2007, investment funds managed by Golden Gate acquired 75% of the equity interests in our business from Limited Brands. As a result of the Golden Gate Acquisition, a new basis of accounting was created beginning July 7, 2007 for the Successor periods ending after such date. Prior to the Golden Gate Acquisition,

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our consolidated financial statements were prepared on a carve-out basis from Limited Brands. The carve-out consolidated financial statements include allocations of certain costs of Limited Brands. In the Successor periods we no longer incur these charges, but do incur certain expenses as a standalone company for similar functions, including for certain support services provided by Limited Brands under the Limited Brands Transition Services Agreements, which are discussed further in the section entitled "Certain Relationships and Related Party Transactions." These allocated costs were based upon various assumptions and estimates and actual results may differ from these allocated costs, assumptions and estimates. Accordingly, the carve-out consolidated financial statements may not provide a comparable presentation of our financial position or results of operations as if we had operated as a standalone entity during the Predecessor periods.

### ***Our substantial indebtedness and lease obligations could adversely affect our financial flexibility and our competitive position.***

We have, and we will continue to have, a significant amount of indebtedness. As of October 30, 2010, we had \$367.6 million of outstanding indebtedness (net of unamortized original issue discounts of \$3.3 million). As of October 30, 2010, we had no borrowings outstanding and \$196.4 million available under our Opco revolving credit facility. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. We also have, and will continue to have, significant lease obligations. As of October 30, 2010, our minimum annual rental obligations under long-term operating leases for the remainder of fiscal 2010 and fiscal 2011 were \$39.4 million and \$140.2 million, respectively. Our substantial indebtedness and lease obligations could have other important consequences to you and significant effects on our business. For example, they could:

increase our vulnerability to adverse changes in general economic, industry and competitive conditions;

require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness and leases, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

restrict us from exploiting business opportunities;

make it more difficult to satisfy our financial obligations, including payments on our indebtedness;

place us at a disadvantage compared to our competitors that have less debt and lease obligations; and

limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

In addition, our existing credit agreements and the indenture governing the Senior Notes contain, and the agreements evidencing or governing other future indebtedness may contain, restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

### ***Our indebtedness may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.***

Our existing credit agreements and the indenture governing the Senior Notes contain financial restrictions on us and our restricted subsidiaries, including restrictions on our or our restricted subsidiaries' ability to, among other things:

place liens on our or our restricted subsidiaries' assets;

make investments other than permitted investments;

incur additional indebtedness;

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prepay or redeem certain indebtedness;

merge, consolidate or dissolve;

sell assets;

engage in transactions with affiliates;

change the nature of our business;

change our or our subsidiaries' fiscal year or organizational documents; and

make restricted payments (including certain equity issuances).

In addition, we are required to maintain compliance with various financial ratios in the agreements governing our Opco credit facilities, including:

pursuant to our Opco revolving credit facility, a fixed charge coverage ratio of 1.00 to 1.00, if excess availability plus eligible cash collateral is less than \$30.0 million; and

pursuant to our Opco term loan, a leverage ratio of not more than 1.75 to 1.00.

A failure by us or our subsidiaries to comply with the covenants or to maintain the required financial ratios contained in the agreements governing our indebtedness could result in an event of default under such indebtedness, which could adversely affect our ability to respond to changes in our business and manage our operations. Additionally, a default by us under one agreement covering our indebtedness may trigger cross-defaults under other agreements covering our indebtedness. Upon the occurrence of an event of default or cross-default under any of the agreements governing our indebtedness, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the agreements. If any of our indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could have a material adverse effect on our ability to continue to operate as a going concern. See Description of Certain Indebtedness.

### ***Our results may be adversely affected by fluctuations in energy costs.***

Energy costs have fluctuated dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase product from our manufacturers. A continual rise in energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our financial condition and results of operations.

### ***Changes in taxation requirements or the results of tax audits could adversely affect our financial results.***

In connection with the Reorganization, we elected to be treated as a corporation under Subchapter C of Chapter 1 of the Internal Revenue Code of 1986, as amended (the "Code") effective May 2, 2010 which will subject us to additional taxes and risks, including tax on our income. As a result of the Reorganization, we recorded a net deferred tax asset and a one-time non-cash tax benefit of \$31.8 million in the second quarter of 2010. In addition, we may be subject to periodic audits by the Internal Revenue Service and other taxing authorities. These audits may challenge

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certain of our tax positions, such as the timing and amount of deductions and allocations of taxable income to the various jurisdictions. These additional taxes and the results of any tax audits could adversely affect our financial results.

In addition, we are subject to income tax in numerous jurisdictions, and in the future as a result of our expansion we may be subject to income tax in additional jurisdictions, including international and domestic locations. Our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. Fluctuations in tax rates and duties could have a material adverse effect on our financial condition, results of operations or cash flows.

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### ***We may recognize impairment on long-lived assets.***

Our long-lived assets, primarily stores and intangible assets, are subject to periodic testing for impairment. Store assets are reviewed using factors including, but not limited to, our future operating plans and projected future cash flows. Failure to achieve our future operating plans or generate sufficient levels of cash flow at our stores could result in impairment charges on long-lived assets, which could have a material adverse effect on our financial condition or results of operations.

### ***If we fail to establish and maintain adequate internal controls over financial reporting, we may not be able to report our financial results in a timely and reliable manner, which could harm our business and impact the value of our securities.***

We depend on our ability to produce accurate and timely financial statements in order to run our business. If we fail to do so, our business could be negatively affected and our independent registered public accounting firm may be unable to attest to the accuracy of our financial statements and effectiveness of our internal controls.

We restated our 2007 Successor period and fiscal 2008 financial statements after certain accounting errors were identified that we determined to be material. Management identified the following material weaknesses in its internal controls: (1) we did not have the appropriate resources and controls to properly account for our deferred taxes and (2) we did not have adequate oversight and controls related to the accounting for complex agreements arising from transactions unrelated to our core business operations, which resulted in accounting errors. A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. See Management's Discussion and Analysis of Financial Condition and Results of Operations Internal Control Over Financial Reporting.

We remediated the material weakness associated with accounting for deferred taxes as a result of expanding our senior level resources in our tax, accounting and financial reporting groups in fiscal 2008. During the second quarter of 2010, we remediated the material weakness associated with accounting for complex agreements arising from transactions unrelated to our core business operations, by establishing an internal committee of accounting, finance, tax, legal and internal audit personnel to review our policies and the accounting treatment and business implications of complex agreements outside the ordinary course of business. This committee established a charter, selected members and holds regular meetings. In addition, we hired a Director of External Reporting to expand our financial reporting resources and a Senior Corporate Counsel to expand our legal resources.

If we fail to maintain effective internal controls in the future, it could result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis, which could cause investors to lose confidence in our financial information or cause our stock price to decline.

### **Risks Related to Ownership of Our Common Stock**

#### ***We are a controlled company under the rules of the New York Stock Exchange Listed Company Manual, controlled by Golden Gate and Limited Brands, whose interests in our business may be different from yours.***

Golden Gate, our principal stockholder, beneficially owned approximately 55% of our common stock as of December 1, 2010, and upon completion of this offering, Golden Gate will beneficially own approximately 44% of our common stock. As a result of this ownership, Golden Gate will have a substantial influence on our affairs and its voting power will constitute a large percentage of any quorum of our stockholders voting on any matter requiring the approval of our stockholders. Such matters include the election of directors, the adoption of amendments to our certificate of incorporation and bylaws and approval of mergers or sales of substantially all of our assets. This concentration of ownership may also have the effect of delaying or preventing a change in

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control of our company or discouraging others from making tender offers for our shares, which could prevent stockholders from receiving a premium for their shares. In addition, two of our five directors, including the chairman of our board, are Managing Directors of Golden Gate. Golden Gate may cause corporate actions to be taken even if the interests of Golden Gate conflict with the interests of our other stockholders. See Principal and Selling Stockholders.

In connection with the IPO, Golden Gate entered into a Stockholders Agreement with Limited Brands, pursuant to which Golden Gate has the right to nominate (1) three directors to our board of directors, so long as Golden Gate holds at least 50% of the number of shares of our common stock held by Golden Gate immediately prior to the completion of the IPO, and (2) two directors, so long as Golden Gate holds at least 25% of the number of shares of our common stock held by Golden Gate immediately prior to the IPO. Limited Brands has the right to nominate (1) two directors to our board of directors, so long as Limited Brands holds at least 50% of the number of shares of our common stock held by Limited Brands immediately prior to the IPO, and (2) one director, so long as Limited Brands holds at least 25% of the number of shares of our common stock held by Limited Brands immediately prior to the IPO. The Stockholders Agreement requires Golden Gate and Limited Brands to vote their shares of common stock in favor of those persons nominated pursuant to rights under the Stockholders Agreement.

Upon completion of this offering, Golden Gate will beneficially own approximately 39.4 million shares, or 44%, of our common stock and 75% of the number of shares that Golden Gate owned immediately prior to the completion of the IPO, and will have the right to nominate directors to our board of directors. Upon completion of this offering, Limited Brands will own approximately 13.1 million shares, or 15%, of our common stock and 75% of the number of shares that Limited Brands owned immediately prior to the completion of the IPO, and will have the right to nominate directors to our board of directors. As a result, Golden Gate and Limited Brands together will be able to nominate and elect 100% of the members of our board of directors. The directors so elected will have the authority, subject to the terms of our indebtedness and the rules and regulations of the New York Stock Exchange ( NYSE ), to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions, including determining what matters are submitted to a vote of our stockholders. In addition, Golden Gate and Limited Brands, acting together, will be able to control virtually all matters requiring stockholder approval, including amendments to our certificate of incorporation and bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets.

Because of the equity ownership of Golden Gate and Limited Brands and the Stockholders Agreement, we will be considered a controlled company for purposes of the NYSE listing requirements. As such, we will be exempt from the NYSE corporate governance requirement that our board of directors meet the specified standards of independence and exempt from the requirement that we have a Compensation and Governance Committee made up entirely of directors who meet such independence standards. The NYSE independence standards are intended to ensure that directors who meet the independence standard are free of any conflicting interest that could influence their actions as directors. It is possible that the interests of Golden Gate and Limited Brands may in some circumstances conflict with our interests and the interests of our other stockholders, including you.

***Our stock price may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the offering price.***

The market price for our common stock is likely to be volatile, in part because our shares have a short history of being traded publicly. In addition, the market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

quarterly variations in our operating results compared to market expectations;

changes in preferences of our customers;

announcements of new products or significant price reductions by us or our competitors;



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size of the public float;

stock price performance of our competitors;

fluctuations in stock market prices and volumes;

default on our indebtedness or foreclosure of our properties;

actions by competitors or other shopping center tenants;

changes in senior management or key personnel;

changes in financial estimates by securities analysts;

negative earnings or other announcements by us or other retail apparel companies;

downgrades in our credit ratings or the credit ratings of our competitors;

issuances of capital stock; and

global economic, legal and regulatory factors unrelated to our performance.

Numerous factors affect our business and cause variations in our operating results and affect our net sales and comparable store sales, including consumer preferences, buying trends and overall economic trends; our ability to identify and respond effectively to fashion trends and customer preferences; actions by competitors and other shopping center tenants; changes in our merchandise mix; pricing; the timing of our releases of new merchandise and promotional events; the level of customer service that we provide in our stores; changes in sales mix among sales channels; our ability to source and distribute products effectively; inventory shrinkage; weather conditions, particularly during the holiday season; and the number of stores we open, close and convert in any period.

The offering price of our common stock will be determined by the price at which our stock is selling on the NYSE. Volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the offering price. As a result, you may suffer a loss on your investment.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to be involved in securities litigation, we would incur substantial costs and our resources and the attention of management would be diverted from our business.

***Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.***

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. As of

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December 1, 2010, we had 88,735,895 million shares of common stock outstanding. The shares of common stock offered in this offering will be freely tradable without restriction under the Securities Act of 1933, as amended (the Securities Act ), except for any shares of our common stock that may be held or acquired by our directors, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

We, each of our officers and directors and the selling stockholders have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of the shares of common stock or securities convertible into or exchangeable for, or that represent the right to receive, shares of common stock during the period from the date of this prospectus continuing through the date that is 90 days after the date of this prospectus, subject to extension in certain circumstances, except with the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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Pursuant to the Registration Rights Agreement entered into in connection with the IPO (the "Registration Rights Agreement"), Golden Gate and Limited Brands will have the right to request three long-form demand registrations and an unlimited number of demand registrations on Form S-3 subject to the terms and conditions set forth in the Registration Rights Agreement and the lock-up agreements. In addition, Golden Gate, Limited Brands and certain management stockholders have piggyback registration rights in connection with offerings initiated by us, Golden Gate or Limited Brands. Also, subject to compliance with the federal securities laws, all of our outstanding shares may be sold on the open market following the expiration of the lock-up period. By exercising their registration rights or otherwise selling a large number of shares on the open market, these holders could cause the price of our common stock to decline. See "Principal and Selling Stockholders," "Shares Eligible for Future Sale" and "Underwriting."

In addition, in the future, we may also issue our securities if we need to raise capital in connection with an acquisition or another capital raise. The amount of shares of our common stock issued in connection with a capital raise or acquisition could constitute a material portion of our then-outstanding shares of our common stock and thus materially dilute our stockholders.

***Antitakeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.***

Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors. These provisions:

establish a classified board of directors so that not all members of our board of directors are elected at one time;

authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; and

establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Our certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporate Law, and will prevent us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, except for Golden Gate and, in certain instances, persons who purchase common stock from Golden Gate and unless board or stockholder approval is obtained prior to the acquisition. These antitakeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

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***Our ability to pay dividends is subject to restrictions in our existing credit arrangements, results of operations and capital requirements.***

Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. Our ability to pay dividends on our common stock is limited by our existing credit agreements, and may be further restricted by the terms of any of our future debt or preferred securities. Additionally, because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness.

***We incur substantial costs as a result of being a public company.***

As a public company, we incur significant legal, accounting, insurance and other expenses, including costs associated with public company reporting requirements. We incur costs associated with complying with the requirements of the Sarbanes-Oxley Act of 2002 and related rules implemented by the Securities and Exchange Commission ( SEC ) and the NYSE. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these laws and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

***Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 will require significant expenditures and effort by management, and if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, our stock price could be adversely affected.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and related rules and regulations and beginning with our Annual Report on Form 10-K for the year ending January 28, 2012, our management will be required to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. We are currently in the process of reviewing, documenting and testing our internal control over financial reporting. We may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal control over financial reporting. In addition, in connection with the attestation process by our independent registered public accounting firm, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, investors could lose confidence in our financial information and our stock price could decline.

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**FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are based on current expectations, estimates, forecasts and projections about us, our future performance, our liquidity, the apparel industry, our beliefs and management's assumptions. Words such as anticipate, assume, believe, estimate, expect, intend, plan, seek, project, target, goal and variations of such words and similar expressions are intended to identify forward-looking statements. All statements in this prospectus regarding our business strategy, future operations, financial position, cost savings, prospects, plans and objectives, as well as information concerning industry trends and expected actions of third parties, are forward-looking statements. All forward-looking statements speak only as of the date on which they are made. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions concerning future events that are difficult to predict. Therefore, actual future events or results may differ materially from these statements. We believe that the factors that could cause our actual results to differ materially include the factors that we describe in Risk Factors. These factors, risks and uncertainties include, but are not limited to, the following:

changes in consumer spending and general economic conditions;

our ability to identify and respond to new and changing fashion trends, customer preferences and other related factors;

fluctuations in our sales and results of operations on a seasonal basis and due to store events, promotions and a variety of other factors;

increased competition from other retailers;

the success of the malls and shopping centers in which our stores are located;

our dependence upon independent third parties to manufacture all of our merchandise;

interruptions of the flow of our merchandise from international manufacturers causing disruptions in our supply chain;

shortages of inventory, delayed shipments to our online customers and harm to our reputation due to difficulties or shut-downs at our distribution facilities;

our reliance upon independent third-party transportation providers for substantially all of our product shipments;

our growth strategy, including our international expansion plan;

our dependence on a strong brand image;

our leasing substantial amounts of space;

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the failure to find store employees that reflect our brand image and embody our culture;

our dependence upon key executive management;

our reliance on Limited Brands to provide us with certain key services for our business;

our reliance on information systems;

our substantial indebtedness and lease obligations;

system security risk issues that could disrupt our internal operations or information technology services;

claims made against us resulting in litigation;

changes in laws and regulations applicable to our business;

our inability to protect our trademarks or other intellectual property rights;

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our limited operating history as a standalone company;

restrictions imposed by our indebtedness on our current and future operations;

fluctuations in energy costs;

changes in taxation requirements or the results of tax audits;

impairment charges on long-lived assets;

increased costs as a result of being a public company;

our failure to maintain adequate internal controls; and

potential conflicts of interest with our principal stockholders.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this prospectus. These risks and uncertainties, as well as other risks of which we are not aware or which we currently do not believe to be material, may cause our actual future results to be materially different than those expressed in our forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. We do not undertake any obligation to make any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, except as required by law, including the securities laws of the United States and rules and regulations of the SEC.

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**USE OF PROCEEDS**

All shares of our common stock offered by this prospectus will be sold by the selling stockholders. We will not receive any proceeds from this offering.

We will pay estimated transaction expenses of \$1.1 million in connection with this offering.



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**MARKET PRICE OF OUR COMMON STOCK**

Our common stock began trading on the NYSE on May 13, 2010 under the symbol **EXPR** in connection with the IPO. Prior to that date, there was no public market for our common stock. As of December 1, 2010, there were approximately 72 holders of record of our common stock.

The table below sets forth for the periods indicated the high and low sales prices per share of our common stock reported on the NYSE since the IPO.

	<b>Common Stock Price Range</b>	
	<b>High</b>	<b>Low</b>
<b>Fiscal Year 2010</b>		
Second Quarter (beginning May 13, 2010)	\$ 19.10	\$ 12.89
Third Quarter	\$ 18.00	\$ 12.90
Fourth Quarter (through December 9, 2010)	\$ 17.00	\$ 13.65

The last reported sale price of our common stock on December 9, 2010 was \$15.64 per share.

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**DIVIDEND POLICY**

Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, capital requirements, contractual restrictions, compliance with current and future agreements governing our indebtedness, restrictions imposed by applicable law and other factors our board of directors deems relevant. Because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. See Description of Certain Indebtedness.

Prior to the Reorganization, pursuant to our limited liability company agreement, we paid cash distributions to our equity holders to fund their tax obligations in respect of their equity interests on March 25, 2008, April 18, 2008, December 22, 2009, January 26, 2010 and May 4, 2010 in aggregate amounts of \$26.0 million, \$7.6 million, \$15.0 million, \$18.0 million and \$31.0 million, respectively. See Certain Relationships and Related Party Transactions Golden Gate Acquisition LLC Agreement. In addition, in April 2008 we made a distribution to our equity holders in an aggregate amount of \$168.0 million, in July 2008 we made a distribution to our equity holders in an aggregate amount of \$289.5 million and in March 2010, in connection with the issuance of the Senior Notes, we made a distribution to our equity holders in an aggregate amount of approximately \$230.0 million. See Description of Certain Indebtedness Senior Notes. As of May 4, 2010, Golden Gate had been paid an aggregate of \$577.8 million in these distributions, including distributions for taxes.

On December 1, 2010, we announced that our board of directors declared a special dividend of \$0.56 per share of our common stock, for a total special dividend of \$50.0 million. The special dividend will be paid on December 23, 2010 to shareholders of record at the close of business on December 16, 2010.

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The following table sets forth our cash and cash equivalents and our capitalization as of October 30, 2010.

You should read the following table in conjunction with the sections entitled "Selected Historical Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited consolidated financial statements and the related notes included elsewhere in this prospectus.

	<b>As of October 30, 2010 (dollars in thousands)</b>
Cash and cash equivalents	\$ 81,780
Debt, including current portion:	
Opco long-term liabilities:	
Opco revolving credit facility	\$
Opco term loan	120,938
8 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2018(1)	246,701
Total long-term debt, including current portion	367,639
Total stockholders' equity	130,379
Total capitalization	\$ 498,018

(1) As of October 30, 2010, the principal balance of the Senior Notes reflected \$3.3 million of unamortized original issue discount. An affiliate of Golden Gate holds \$50.0 million in principal amount of the Senior Notes. See "Certain Relationships and Related Party Transactions."

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### **SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following tables set forth our selected historical consolidated financial and operating data as of the dates and for the periods indicated. We have derived the selected historical consolidated financial and operating data for the period ended July 6, 2007 and as of and for the period ended February 2, 2008 from our consolidated financial statements as of and for such periods, which were audited by Ernst & Young LLP, an independent registered public accounting firm. We have derived the selected historical consolidated financial and operating data as of and for the fiscal year ended February 3, 2007 from our audited consolidated financial statements as of and for such fiscal year, which are not included in this prospectus. We have derived the selected unaudited historical consolidated financial and operating data as of and for the fiscal year ended January 28, 2006 from our unaudited consolidated financial statements as of and for such year, which include all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and results of operations for such year. We have derived the selected historical consolidated financial and operating data as of and for the fiscal years ended January 31, 2009 and January 30, 2010 from our consolidated financial statements as of and for such fiscal years, which were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Our audited consolidated financial statements as of January 31, 2009 and January 30, 2010 and for the fiscal years or periods, as applicable, ended July 6, 2007, February 2, 2008, January 31, 2009 and January 30, 2010 are included elsewhere in this prospectus. We have derived the selected historical consolidated financial and operating data as of and for the thirty-nine weeks ended October 31, 2009 and October 30, 2010 from our unaudited consolidated financial statements, which include all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of the financial position and results of operations for such periods. Operating results for the thirty-nine week periods are not necessarily indicative of results for a full fiscal year, or for any other period. Our unaudited consolidated financial statements as of October 30, 2010 and for the thirty-nine week periods ended October 31, 2009 and October 30, 2010 are included elsewhere in this prospectus.

On July 6, 2007, investment funds managed by Golden Gate acquired 75% of the equity interests in our business from Limited Brands. As a result of the Golden Gate Acquisition, a new basis of accounting was created beginning July 7, 2007 for the Successor periods ending after such date. Prior to the Golden Gate Acquisition, our consolidated financial statements were prepared on a carve-out basis from Limited Brands. The carve-out consolidated financial statements include allocations of certain costs of Limited Brands. In the Successor periods we no longer incur these charges, but do incur certain expenses as a standalone company for similar functions, including for certain support services provided by Limited Brands under the Limited Brands Transition Services Agreements, which are discussed further in the section entitled "Certain Relationships and Related Party Transactions." These allocated costs were based upon various assumptions and estimates and actual results may differ from these allocated costs, assumptions and estimates. Accordingly, the carve-out consolidated financial statements may not provide a comparable presentation of our financial position or results of operations as if we had operated as a standalone entity during the Predecessor periods. See "Risk Factors—Risks Related to Our Business." We have a limited operating history as a standalone company, which may make it difficult to compare our current operating results to prior periods.

On May 12, 2010, in connection with the IPO, we converted from a Delaware limited liability company into a Delaware corporation and changed our name to Express, Inc. See "Certain Relationships and Related Party Transactions—Reorganization as a Corporation." In connection with this conversion, all of our equity interests, which consisted of Class L, Class A and Class C units, were converted into shares of our common stock at a ratio of 0.702, 0.649 and 0.442, respectively. All share and per share information in the accompanying consolidated financial statements and the related notes has been retrospectively recast to reflect this conversion.

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The selected historical consolidated data presented below should be read in conjunction with the sections entitled Risk Factors, Management Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and the related notes and other financial data included elsewhere in this prospectus.

	Predecessor				Successor			
	Year Ended		February 4, 2007	July 7, 2007 through February 2, 2008	Year Ended		Thirty-Nine Weeks Ended	
	January 28, 2006 (unaudited)	February 3, 2007	February 4, 2007 through July 6, 2007	February 2, 2008	January 31, 2009	January 30, 2010	October 31, 2009 (unaudited)	October 30, 2010 (unaudited)
(dollars in thousands, excluding net sales per gross square foot data)								
<b>Statement of Operations Data:</b>								
Net sales	\$ 1,793,963	\$ 1,748,873	\$ 659,019	\$ 1,137,327	\$ 1,737,010	\$ 1,721,066	\$ 1,174,227	\$ 1,284,316
Cost of goods sold, buying and occupancy costs	1,435,343	1,254,762	451,514	890,063	1,280,018	1,175,088	813,998	832,770
Gross profit	358,620	494,111	207,505	247,264	456,992	545,978	360,229	451,546
General, administrative, and store operating expenses	461,847	470,117	170,100	275,150	447,071	409,198	285,259	325,155
Other operating expense, net			302	5,526	6,007	9,943	6,514	17,844
Operating (loss) income	(103,227)	23,994	37,103	(33,412)	3,914	126,837	68,456	108,547
Interest expense				6,978	36,531	53,222	40,204	51,699
Interest income				(5,190)	(3,527)	(484)	(403)	(12)
Other expense (income), net				4,712	(300)	(2,444)	(1,578)	(1,968)
Income (loss) before income taxes	(103,227)	23,994	37,103	(39,912)	(28,790)	76,543	30,233	58,828
Provision for income taxes	(41,154)	6,525	7,161	487	246	1,236	923	(20,148)
Net (loss) income	\$ (62,073)	\$ 17,469	\$ 29,942	\$ (40,399)	\$ (29,036)	\$ 75,307	\$ 29,310	\$ 78,976
<b>Statement of Cash Flows Data:</b>								
Net cash provided by (used in):								
Operating activities	\$ 39,040	\$ 84,913	\$ 45,912	\$ 282,192	\$ 35,234	\$ 200,721	\$ 87,284	\$ 50,857
Investing activities	(72,184)	(53,867)	(22,888)	(15,258)	(51,801)	(26,873)	(22,883)	(41,950)
Financing activities	32,636	(24,130)	(29,939)	39,361	(127,347)	(115,559)	(82,121)	(161,531)
<b>Other Financial and Operating Data:</b>								
Comparable store sales change(1)	(8)%	(1)%	6%	12%	(3)%	(6)%	(10)%	6%
Net sales per gross square foot(2)	\$ 263	\$ 282	\$ 118	\$ 213	\$ 337	\$ 321	\$ 221	\$ 237
Total gross square feet (in thousands) (average)	6,822	6,195	5,604	5,348	5,060	5,033	5,032	5,002
Number of stores (at period end)	743	658	622	587	581	573	581	582
Capital expenditures	\$ 72,184	\$ 53,867	\$ 22,888	\$ 15,258	\$ 50,551	\$ 26,853	\$ 22,883	\$ 41,950
<b>Balance Sheet Data (at period end):</b>								
	\$ 13,733	\$ 20,649	\$	\$ 320,029	\$ 176,115	\$ 234,404	\$ 158,395	\$ 81,780

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Cash and cash  
equivalents

Working capital (excluding cash and cash equivalents)(3)	60,253	60,455	(63,308)	(28,317)	(65,794)	(22,502)	12,600
Total assets	483,346	479,184	1,025,817	860,413	869,554	861,537	833,210
Total debt (including current portion)			124,375	498,478	416,763	416,921	367,639
Total stockholders equity	270,855	265,849	615,290	97,099	141,453	127,916	130,379

- (1) Comparable store sales have been calculated based upon stores that were open at least thirteen full fiscal months as of the end of the reporting period. For the year ended February 3, 2007, which was a fifty-three week year, sales from the fifty-third week were excluded from the calculation to present comparable periods.
- (2) Net sales per gross square foot is calculated by dividing net sales for the applicable period by the average gross square footage during such period. For the purpose of calculating net sales per gross square foot, e-commerce sales and other revenues are excluded from net sales.
- (3) Working capital is defined as current assets, less cash and cash equivalents, less current liabilities excluding the current portion of long-term debt.

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

*The following discussion and analysis summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly in the section entitled "Risk Factors."*

#### **Overview**

Express is the sixth largest specialty retail apparel brand in the United States. With 30 years of experience offering a distinct combination of style and quality at an attractive value, we believe we are a core shopping destination for our customers and that we have developed strong brand awareness and credibility with them. We target an attractive and growing demographic of women and men between 20 and 30 years old. We offer our customers an edited assortment of fashionable apparel and accessories to address fashion needs across multiple aspects of their lifestyles, including work, casual and going-out occasions. Since we became an independent company in 2007, we have made several significant changes to our business model, including completing the conversion of our stores to a dual-gender format, re-designing our go-to-market strategy and launching our e-commerce platform, all of which we believe have improved our operating profits and positioned us well for future growth and profitability.

As of October 30, 2010, we operated 582 stores. Our stores are located primarily in high-traffic shopping malls, lifestyle centers and street locations across the United States and in Puerto Rico, and average approximately 8,700 square feet. We also sell our products through our e-commerce website, express.com. Our stores and website are designed to create an exciting shopping environment that reflects the sexy, sophisticated and social brand image that we seek to project. Our product offering includes both women's and men's apparel and accessories, of which women's represented 66% of our net sales and men's represented 34% of our net sales during the thirty-nine weeks ended October 30, 2010. Our product assortment is a mix of core styles balanced with the latest fashions, a combination we believe our customers look for and value in our brand. For fiscal 2009, we generated net sales, net income and Adjusted EBITDA of \$1,721.1, \$75.3 and \$229.8 million, respectively. Our Adjusted EBITDA increased 168% from \$85.9 million in fiscal 2006 to \$229.8 million in fiscal 2009. For the thirty-nine weeks ended October 30, 2010, we generated net sales, net income and Adjusted EBITDA of \$1,284.3, \$79.0 and \$196.8 million, respectively. Our Adjusted EBITDA increased 36% from \$145.1 million in the thirty-nine weeks ended October 31, 2009 to \$196.8 million in the thirty-nine weeks ended October 30, 2010. See "Prospectus Summary Summary Historical Consolidated Financial and Operating Data" for a discussion of Adjusted EBITDA, an accompanying presentation of the most directly comparable GAAP financial measure and a reconciliation of the differences between Adjusted EBITDA and the most directly comparable GAAP financial measure, net income.

#### **Factors Affecting Our Operating Results**

Various factors affect our operating results during each period, including:

*Overall Economic Trends.* Consumer purchases of clothing generally remain constant or may increase during stable economic periods and decline during recessionary periods and other periods when disposable income is adversely affected. As a result, our results of operations during any given period are often impacted by the overall economic conditions in the markets in which we operate. According to the Bureau of Economic Analysis, during 2008, apparel expenditures in the United States decreased by 1% compared to 2007, and by 4%

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in 2009 compared to 2008, in each case primarily as a result of the global economic recession, in which the United States economy was significantly adversely affected by increased unemployment levels, high levels of consumer debt, reductions in net worth based on recent severe market declines, significant declines in residential real estate and mortgage markets and the resulting significant declines in consumer confidence. Similarly, primarily as a result of the overall decline in consumer spending due to the economic recession, our net sales decreased by 3.3% in fiscal 2008 compared to pro forma 2007 and decreased by 1% in fiscal 2009 compared to fiscal 2008.

*Consumer Preferences and Fashion Trends.* Our ability to maintain our appeal to our existing customers and to attract new customers depends on our ability to anticipate fashion trends. Periods in which we have successfully anticipated fashion trends generally have had more favorable results. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and be required to mark down those products in order to sell them or we may be required to discard those products, either of which would impact our gross profit. In recent periods we have redesigned our go-to-market strategy by focusing on early season testing and managing timing on purchases and production to reduce our exposure to changes in specific styles, which we believe has led to higher product margins from reduced markdowns and lower inventory risk.

*Competition.* The retail industry is highly competitive, and retailers compete based on a variety of factors, including design, quality, price and customer service. Levels of competition and the ability of our competitors to more accurately predict fashion trends and otherwise attract customers through competitive pricing or other factors impact our results of operations.

*Pricing and Changes in Our Merchandise Mix.* Our fashion offerings change from period to period, so the prices at which goods are sold and the margins we are able to earn from those goods also change. For example, if an item with a high price and/or a high margin is popular with our customers, then our results will be positively impacted. In fiscal 2009, for instance, our margins were positively impacted by increases in sales in items within our accessories assortment, all of which have high margins. The levels at which we are able to price our merchandise are influenced by a variety of factors, including the quality of the product, cost of production for those products, prices at which our competitors are selling similar items and willingness of our customers to pay for higher priced items. During certain periods we reduce prices or put items on sale if we determine that we need to do so in order to sell inventory before fashion seasons change. For instance, during the third and fourth quarters of 2008, we had disproportionately higher markdowns on excess inventory due to the global economic recession, which resulted in a decrease in our product margins for 2008. In some cases, we have increased prices for specific items if it was supported by customer demand.

*The Timing of Our Releases of New Merchandise and Promotional Events.* We incur expenditures relating to planning and production when we release new merchandise. If a release is successful, this new merchandise will have a positive impact on our sales until consumer preferences change or until those items are replaced in our stores by new items. Promotional events are intended to generate increased consumer awareness of our products and to increase sales in later periods. These may result in increased expenses in the periods in which the promotions are taking place, with the intent of increasing sales in later periods.

*Seasonality.* Our business is seasonal. As a result, our net sales fluctuate from quarter to quarter, which often affects the comparability of our results between periods. Net sales are historically higher in the third and fourth fiscal quarters due primarily to early Fall selling patterns and the impact of the holiday season. Generally, the annual sales split is approximately 45% for the Spring season (February through July) and 55% for the Fall season (August through January). Working capital requirements are typically higher in the second and fourth quarters due to inventory-related working capital requirements for early Fall and holiday selling periods. Our business is also subject, at certain times, to calendar shifts, which may occur during key selling periods close to holidays such as Easter, Thanksgiving and Christmas and regional fluctuations for events such as sales tax holidays.



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*Changes in Sales Mix Among Sales Channels.* Our results of operations may vary according to the amount of products we sell in our stores versus the amount of products we sell through e-commerce. Most of our store operating costs are fixed in the short term, with the exceptions of incentive compensation for our employees and discretionary spending, while our e-commerce operating model has a larger variable cost component and depends in large part on the amount of goods sold. Our sales from e-commerce increased by 231% from 2008 (which reflects sales after we launched our website in July 2008) to 2009, and comprised 1.6% of our net sales in 2008 and 5.3% of our net sales in 2009. Our sales from e-commerce increased by 58% from the thirty-nine weeks ended October 31, 2009 to the thirty-nine weeks ended October 30, 2010, and comprised 4.7% of our net sales in the thirty-nine weeks ended October 31, 2009 and 6.8% of our net sales in the thirty-nine weeks ended October 30, 2010. As sales from e-commerce continue to increase, we expect our gross margins to be positively affected.

*Our Ability to Source and Distribute Products Effectively.* Our costs of sales are impacted by our ability to find third parties who can manufacture our products at favorable costs while maintaining the levels of quality that we desire to deliver to our customers. Our costs of distribution are affected by a number of items, such as the cost of fuel and the amount of product being transported through similar distribution networks in the markets in which we operate (which affects our ability to obtain more favorable pricing with our providers).

*The Number of Stores We Open, Close and Convert to a Dual-Gender Format in Any Period.* During any period in which we are constructing additional stores, we will incur capital expenditures as a result of that expansion. In the past, when we converted stores to a dual-gender format, we incurred capital expenditures. Because our dual-gender store conversion efforts are complete, store conversions are not expected to have a significant impact on our results going forward. The number of stores that we operate in any period will impact our results for that period.

### **How We Assess the Performance of Our Business**

In assessing the performance of our business, we consider a variety of performance and financial measures. These key measures include net sales, comparable store sales and other individual store performance factors, gross profit and general, administrative and store operating expenses. We also review other metrics such as EBITDA and Adjusted EBITDA.

*Net Sales.* Net sales reflects revenues from the sale of our merchandise, less returns and discounts, as well as shipping and handling revenue received related to e-commerce, gift card breakage and royalties earned from our international Development Agreement.

*Comparable Store Sales and Other Individual Store Performance Factors.* Comparable store sales are calculated based upon stores that were open at least thirteen full fiscal months as of the end of the reporting period. A store is not considered a part of the comparable store sales base if the square footage of the store changed by more than 20% due to remodel or relocation activities. As we continue to increase our store count, we expect that non-comparable store sales will begin to contribute more to our total net sales than they currently do. We also review sales per gross square foot, average unit retail price, units per transaction, dollars per transaction, traffic and conversion, among other things, in order to evaluate the performance of individual stores. We also review sales per gross square foot on a company-wide basis.

*Gross Profit.* Gross profit is equal to net sales minus cost of goods sold, buying and occupancy costs. Gross margin measures gross profit as a percentage of our net sales. Cost of goods sold, buying and occupancy costs includes the direct cost of purchased merchandise, inventory shrinkage, inventory adjustments, inbound freight to our distribution center, outbound freight costs to get merchandise from our distribution center to stores, merchandising, design, planning and allocation and manufacturing/production costs, occupancy costs related to store operations, such as rent and common area maintenance, utilities and depreciation on assets, and all logistics costs associated with our e-commerce business.

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Our cost of goods sold, buying and occupancy costs increase in higher volume quarters because the direct cost of purchased merchandise is tied to sales. Buying and occupancy costs are largely fixed and do not necessarily increase as volume increases. Changes in the mix of our products, such as changes in the proportion of accessories, which are higher margin, may also impact our overall cost of goods sold, buying and occupancy costs. We review our inventory levels on an ongoing basis in order to identify slow-moving merchandise and generally use markdowns to clear such merchandise. The timing and level of markdowns are driven primarily by seasonality and customer acceptance of our merchandise. We use third-party vendors to dispose of marked-out-of-stock merchandise which, in turn, is sold to third-party discounters. The primary drivers of the costs of individual goods are the raw materials, labor in the countries where our merchandise is sourced and logistics costs associated with transporting our merchandise.

*General, Administrative, and Store Operating Expenses.* General, administrative, and store operating expenses include all operating costs not included in cost of goods sold, buying and occupancy costs, with the exception of costs such as advisory fees, proceeds received from insurance claims and gain/loss on disposal of assets, which are included in other operating expense, net. These costs include payroll and other expenses related to operations at our corporate home office, store expenses other than occupancy, and marketing expenses, which primarily includes production, mailing and print advertising costs. With the exception of store payroll and marketing, these expenses generally do not vary proportionally with net sales. As a result, general, administrative, and store operating expenses as a percentage of net sales is usually higher in lower volume quarters and lower in higher volume quarters.

*Other Operating Expense, net.* Other operating expense, net includes proceeds received from insurance claims and gain/loss on disposal of assets. Other operating expense, net also includes advisory fees paid to Golden Gate and Limited Brands under the terms of the Advisory Agreement and LLC Agreement, respectively, for the periods in which these fees were incurred. See Certain Relationships and Related Party Transactions. In connection with the IPO and Reorganization, the Advisory Agreement with Golden Gate and the LLC Agreement with Limited Brands were terminated effective May 12, 2010, and, therefore, the costs related to these agreements have been eliminated subsequent to the IPO. Changes in other operating expense, net relate primarily to the fees related to and the termination of the Advisory Agreement and the LLC Agreement.

## **Other Factors Affecting Our Results**

Certain important factors impacted the results presented in this Management's Discussion and Analysis of Financial Condition and Results of Operations, including (1) the Golden Gate Acquisition, (2) our transition from a division of Limited Brands to a standalone private company and (3) our tax structure. In the future, our results will be impacted by costs we incur as a public company, our change in tax status as a result of the Reorganization, the prepayment of our Term C Loan, which occurred concurrently with the issuance of our Senior Notes on March 5, 2010, and the prepayment of our Term B Loan, which occurred concurrently with the IPO on May 18, 2010.

*Purchase Accounting Impact of Golden Gate Acquisition.* On July 6, 2007, we were acquired by investment funds managed by Golden Gate through a transaction that was accounted for under SFAS 141, Business Combinations. The purchase price was allocated to state our assets and liabilities at fair value. The allocation of the purchase price had the effect of increasing the carrying amount of inventory by \$86.9 million, property and equipment by \$38.5 million and amortizable intangible assets by \$24.5 million. The \$86.9 million increase in inventory value had the effect of reducing gross margin during pro forma 2007 and the 2007 Successor period (as defined below). We have depreciated the \$38.5 million increase in property and equipment over the useful life of each asset, which has had the effect of reducing gross margin in all periods subsequent to the Golden Gate Acquisition in 2007. The \$24.5 million increase in amortizable intangible assets is being amortized over the remaining life of each asset and has reduced gross margin in all periods subsequent to the Golden Gate Acquisition.

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*Standalone Private and Public Company Costs.* During our transition from a division of Limited Brands, a public company, to a standalone private company, we incurred one-time costs related to the establishment of infrastructure associated with information technology, tax, risk management, internal audit, treasury, real estate and benefits administration. As a result of the IPO, we will incur additional legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting and corporate governance requirements. These requirements include compliance with the Sarbanes-Oxley Act of 2002 as well as other rules implemented by the SEC and applicable stock exchange rules. We expect these rules and regulations to substantially increase our legal and financial compliance costs and to make certain financial reporting and other activities more time-consuming and costly.

*Tax Structure.* During the Predecessor periods, taxable income resulting from our operations was included in the consolidated income tax returns of Limited Brands. For the Predecessor period ended February 3, 2007, and through July 6, 2007, we operated as a division of Limited Brands, and reported income taxes on a separate company basis as if we were taxable as a corporation. As part of the Golden Gate Acquisition, Limited Brands, as the legal obligor, retained income tax liabilities and related income tax contingencies and reserves arising out of our operations for any Predecessor periods.

After the Golden Gate Acquisition and prior to May 2, 2010, we were treated as a partnership for tax purposes and therefore were not subject to federal and state income tax (subject to exceptions in a limited number of state and local jurisdictions). Instead, our equity holders were subject to income tax on their distributive share of our earnings and we made distributions to them to fund their tax obligations.

On May 12, 2010, we converted from a Delaware limited liability into a Delaware corporation named Express, Inc. See Basis of Presentation. In connection with the Reorganization, we elected to be treated as a corporation under Subchapter C of Chapter 1 of the Code effective May 2, 2010 and are subject to federal and state income tax expense. The Reorganization, for tax purposes, was deemed a contribution by Express Parent of its assets and liabilities to Express, Inc., followed by the liquidation of Express Parent. The Reorganization resulted in a taxable gain to the partners which correspondingly increased the tax basis in the assets deemed acquired by Express, Inc. in the Reorganization. The tax basis of our assets and liabilities after the Reorganization reflects the increased tax basis in the assets and liabilities deemed acquired in the Golden Gate Acquisition and certain gains resulting from the Reorganization. As a result, we recorded a net deferred tax asset and one-time non-cash tax benefit of \$31.8 million.

We expect our effective tax rate will be between 40% and 42% for the remainder of 2010 in connection with the Reorganization. Actual tax payments may differ from such effective tax rate due to timing and permanent differences between book income and taxable income. Subsequent to the Golden Gate Acquisition but prior to the Reorganization, our annual effective tax rate ranged from 0.9% to 1.6%.

*Issuance of Senior Notes and Prepayment of Term C Loan.* On March 5, 2010, Express, LLC and Express Finance Corp., as co-issuers, issued, in a private placement, \$250.0 million of 8<sup>3</sup>/<sub>4</sub>% Senior Notes due 2018 at an offering price of 98.599% of the face value of the Senior Notes. A portion of the proceeds from the issuance of the Senior Notes was used to prepay all of the 14.5% Term C Loan outstanding under the Topco credit facility, plus accrued and unpaid interest and prepayment penalties, in an aggregate amount equal to approximately \$154.9 million.

*Initial Public Offering and Prepayment of Term B Loan.* On May 18, 2010, we issued 10.5 million shares of our common stock. The proceeds from the issuance of the common stock, together with cash on hand, were used to prepay all of the 13.5% Term B Loan, plus accrued and unpaid interest and prepayment penalties, in an aggregate amount equal to approximately \$164.9 million.

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**Basis of Presentation and Results of Operations**

The following discussion contains references to years 2007, 2008 and 2009, which represent our fiscal years ended February 2, 2008, January 31, 2009 and January 30, 2010, respectively. Our fiscal year ends each year on the Saturday closest to January 31. Fiscal years 2008 and 2007 were fifty-two week accounting periods. Our business was acquired by investment funds managed by Golden Gate on July 6, 2007 and, as such, we have Predecessor and Successor periods in fiscal 2007. The twenty-two week Predecessor period is from February 4, 2007 through July 6, 2007 and is referred to as our 2007 Predecessor period, and the thirty week Successor period is from July 7, 2007 through February 2, 2008 and is referred to as our 2007 Successor period.

Due to the Golden Gate Acquisition, the financial statements for all Successor periods are not comparable to those of the Predecessor periods presented in the accompanying table. Prior to the Golden Gate Acquisition, our consolidated financial statements were prepared on a carve-out basis from Limited Brands. The carve-out consolidated financial statements include allocations of certain costs of Limited Brands. In the Successor periods we no longer incur these charges, but do incur certain expenses as a standalone company for similar functions, including for certain support services provided by Limited Brands under the Limited Brands Transition Services Agreements, which are discussed further in the section entitled Certain Relationships and Related Party Transactions. These allocated costs were based upon various assumptions and estimates and actual results may differ from these allocated costs, assumptions and estimates. Accordingly, the carve-out consolidated financial statements may not provide a comparable presentation of our financial position or results of operations as if we had operated as a standalone entity during the Predecessor periods.

Prior to our registration statement on Form S-1 (File No. 333-164906) for the IPO being declared effective on May 12, 2010, (1) EIC, the holding company that held 67.3% of our equity interests on behalf of certain investment funds managed by Golden Gate and (2) the Management Holding Companies that directly or indirectly held 6.1% of our equity interests on behalf of certain members of management, merged with and into us. In connection with our conversion into a corporation and these mergers, Golden Gate (indirectly through a limited liability company) and certain members of management received, in exchange for their equity interests in the entities being merged into us, the number of shares of our common stock that they would have held had they held our equity interests directly. EIC did not have any independent operations or any significant assets or liabilities and did not comprise a business. Accordingly, this legal merger represented in substance a reorganization and transfer of EIC's income tax payables or receivables between entities under common control. Accordingly, for financial reporting purposes, the transaction was reflected as a contribution of certain of EIC's income tax payables or receivables to us, in exchange for a net receivable or payable of equal amount with an affiliate of Golden Gate.

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The summary unaudited pro forma consolidated financial data for the fiscal year ended February 2, 2008 presented in the table below has been prepared to give effect to the Golden Gate Acquisition as if such transaction had occurred on February 4, 2007. We have presented in the accompanying discussions of our results comparisons of fiscal 2009 to fiscal 2008 and fiscal 2008 to our 2007 Successor period and pro forma fiscal 2007 results. We believe that presenting the discussion and analysis of the results of operations in this manner promotes the overall usefulness of the comparison given the complexities involved with comparing two significantly different periods. The information contained in the table below should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	<b>Predecessor Period from February 4, 2007 through July 6, 2007</b>	<b>Successor Period from July 7, 2007 through February 2, 2008</b>	<b>Pro Forma February 2, 2008 (unaudited)</b>	<b>Year Ended January 31, 2009</b>	<b>January 30, 2010</b>	<b>Successor Thirty-Nine Weeks Ended October 31, 2009 (unaudited)</b>	<b>Thirty-Nine Weeks Ended October 30, 2010 (unaudited)</b>
<b>(dollars in thousands)</b>							
<b>Statement of Operations Data:</b>							
Net sales	\$ 659,019	\$ 1,137,327	\$ 1,796,346	\$ 1,737,010	\$ 1,721,066	\$ 1,174,227	\$ 1,284,316
Cost of goods sold, buying and occupancy costs	451,514	890,063	1,352,056	1,280,018	1,175,088	813,998	832,770
Gross profit	207,505	247,264	444,290	456,992	545,978	360,229	451,546
General, administrative, and store operating expenses	170,100	275,150	447,352	447,071	409,198	285,259	325,155
Other operating expense, net	302	5,526	7,488	6,007	9,943	6,514	17,844
Operating income (loss)	37,103	(33,412)	(10,550)	3,914	126,837	68,456	108,547
Interest expense		6,978	12,064	36,531	53,222	40,204	51,699
Interest income		(5,190)	(5,190)	(3,527)	(484)	(403)	(12)
Other expense (income), net		4,712	4,712	(300)	(2,444)	(1,578)	(1,968)
Income (loss) before income taxes	37,103	(39,912)	(22,136)	(28,790)	76,543	30,233	58,828
Provision for income taxes	7,161	487	1,583	246	1,236	923	(20,148)
Net income (loss)	\$ 29,942	\$ (40,399)	\$ (23,719)	\$ (29,036)	\$ 75,307	\$ 29,310	\$ 78,976

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The following table sets forth, for the periods presented, our consolidated statements of operations as a percentage of total revenues.

	Predecessor	Successor	Pro Forma	Year Ended		Successor	
	Period from February 4, 2007 through July 6, 2007	Period from July 7, 2007 through February 2, 2008				Thirty-Nine Weeks Ended	Thirty-Nine Weeks Ended
			February 2, 2008 (unaudited)	January 31, 2009	January 30, 2010	October 31, 2009 (unaudited)	October 30, 2010 (unaudited)
<b>Statement of Operations Data:</b>							
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold, buying and occupancy costs	68.5%	78.3%	75.3%	73.7%	68.3%	69.3%	64.8%
Gross profit	31.5%	21.7%	24.7%	26.3%	31.7%	30.7%	35.2%
General, administrative, and store operating expenses	25.8%	24.2%	24.9%	25.7%	23.8%	24.3%	25.3%
Other operating expense, net	0.0%	0.5%	0.4%	0.3%	0.6%	0.6%	1.4%
Operating income (loss)	5.6%	(2.9)%	(0.6)%	0.2%	7.4%	5.8%	8.5%
Interest expense		0.6%	0.7%	2.1%	3.1%	3.4%	4.0%
Interest income		(0.5)%	(0.3)%	(0.2)%	(0.0)%	(0.0)%	(0.0)%
Other expense (income), net		0.4%	0.3%	(0.0)%	(0.2)%	(0.1)%	(0.2)%
Income (loss) before income taxes	5.6%	(3.5)%	(1.2)%	(1.7)%	4.5%	2.6%	4.6%
Provision for income taxes	1.1%	0.0%	0.1%	0.0%	0.1%	0.1%	(1.6)%
Net income (loss)	4.5%	(3.6)%	(1.3)%	(1.7)%	4.4%	2.5%	6.1%

**Unaudited Pro Forma Consolidated Financial Information**

The supplemental unaudited pro forma consolidated statements of operations data set forth below for pro forma 2007 has been derived by applying pro forma adjustments to our historical consolidated statements of operations. We were acquired by investment funds managed by Golden Gate on July 6, 2007. The accompanying unaudited pro forma consolidated financial information is presented for the Predecessor and Successor periods, respectively. As a result of the Golden Gate Acquisition, we applied purchase accounting standards and a new basis of accounting effective July 7, 2007. The unaudited pro forma consolidated statement of operations for the year ended February 2, 2008 gives effect to the Golden Gate Acquisition as if it had occurred on February 4, 2007. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma consolidated financial information.

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The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited pro forma consolidated financial information is presented for supplemental informational purposes only. The unaudited pro forma consolidated financial information does not purport to represent what our results of operations would have been had the Golden Gate Acquisition and related transactions actually occurred on the date indicated, and they do not purport to project our results of operations or financial condition for any future period. The unaudited pro forma consolidated statements of operations should be read in conjunction with other sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as Selected Historical Consolidated Financial and Operating Data and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	<b>Predecessor Period from February 4, 2007 through July 6, 2007</b>	<b>Successor Period From July 7, 2007 through February 2, 2008</b>	<b>Total Adjustments</b>	<b>Pro Forma  Year Ended February 2, 2008 (unaudited)</b>
	<b>(dollars in thousands)</b>			
Net sales	\$ 659,019	\$ 1,137,327	\$	\$ 1,796,346
Cost of goods sold, buying and occupancy costs	451,514	890,063	10,479(a)(b)(c)(d)	1,352,056
Gross profit	207,505	247,264	(10,479)	444,290
General, administrative, and store operating expenses	170,100	275,150	2,102(c)	447,352
Other operating expense, net	302	5,526	1,660(e)	7,488
Operating income (loss)	37,103	(33,412)	(14,241)	(10,550)
Interest expense		6,978	5,086(f)	12,064
Interest income		(5,190)		(5,190)
Other expense, net		4,712		4,712
Income (loss) before income taxes	37,103	(39,912)	(19,327)	(22,136)
Provision for income taxes	7,161	487	(6,065)(g)	1,583
Net income (loss)	\$ 29,942	\$ (40,399)	\$ (13,262)	\$ (23,719)

- (a) As a result of the Golden Gate Acquisition, we recorded intangible assets at fair value, including a credit card relationship, our customer list and certain favorable lease obligations based on purchase accounting standards at a total amount of \$24.5 million. These assets amortize over varying periods and the pro forma financials have been adjusted to reflect these costs over the full fiscal year.
- (b) As a result of the Golden Gate Acquisition, we adjusted property and equipment to reflect a fair value increase equal to \$38.5 million. These assets depreciate over various periods greater than two years and the pro forma financials have been adjusted to reflect this additional depreciation expense over the full fiscal year.
- (c) In connection with the Golden Gate Acquisition, we entered into a transition services agreement with Limited Brands to provide ongoing services at an agreed upon rate which includes a margin on Limited Brands' cost to provide the services. See Certain Relationships and Related Party Transactions. Prior to the Golden Gate Acquisition, we were billed for these services at cost. The pro forma financials have been adjusted to reflect this change as if we had entered into the transition services agreement on February 4, 2007.
- (d) We have leases that contain pre-determined fixed escalations of minimum rents. The related rent expense is recognized on a straight-line basis. The pro forma financials have been adjusted to reflect an effective straight-line reset date of February 4, 2007.
- (e) In connection with the Golden Gate Acquisition, we entered into an Advisory Agreement with Golden Gate to provide services to us in exchange for an annual advisory fee. Under the terms of our limited liability company agreement, Limited Brands was entitled to a fee calculated as a percentage of the Golden Gate advisory fee. See Certain Relationships and Related Party Transactions. The pro forma financials have been adjusted to reflect this fee for the full fiscal year.
- (f) In connection with the Golden Gate Acquisition, on July 6, 2007, we entered into the \$125.0 million Opco term loan and the \$200.0 million Opco revolving credit facility. The pro forma financials have been adjusted to reflect the interest expense, scheduled amortization of principal, and amortization of debt financing costs related to the borrowings as if we had entered into the Opco term loan and the Opco revolving credit facility on February 4, 2007. See Liquidity and Capital Resources Existing Credit Facilities.

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- (g) For the Predecessor periods, we operated as a division of Limited Brands and recorded a tax provision based on a separate-return methodology. For the period from May 6 through July 6, 2007 and subsequent to the Golden Gate Acquisition, we were treated as a partnership for tax purposes and therefore did not record a provision for income taxes. The pro forma financials have been adjusted to reflect our tax status as a partnership for the full fiscal year.



**Table of Contents****Thirty-Nine Weeks Ended October 30, 2010 Compared to Thirty-Nine Weeks Ended October 31, 2009*****Net sales***

Net sales increased from \$1,174.2 million in the thirty-nine weeks ended October 31, 2009 to \$1,284.3 million in the thirty-nine weeks ended October 30, 2010, an 9% increase. Comparable store sales increased by \$69.8 million, or 6%, for the thirty-nine weeks ended October 30, 2010 compared to the thirty-nine weeks ended October 31, 2009. The comparable store sales increase was primarily due to an increase in transactions and growth in average dollar sales during the period. Sales growth for the thirty-nine weeks ended October 30, 2010 was also attributable to growth in e-commerce sales and the opening of a net nine new stores during 2010. Online merchandise sales for the thirty-nine weeks ended October 30, 2010 (which are not included in comparable store sales) increased 58% to \$87.0 million. Other revenue was \$11.4 million for the thirty-nine weeks ended October 30, 2010, an increase of \$3.6 million, compared to other revenue of \$7.8 million for the thirty-nine weeks ended October 31, 2009, primarily as a result of more shipping and handling revenue related to e-commerce merchandise sales growth.

***Gross profit***

Gross profit was \$451.5 million, or 35.2% of net sales, in the thirty-nine weeks ended October 30, 2010, an increase of \$91.3 million, or 25.3%, compared to \$360.2 million, or 30.7% of net sales, in the thirty-nine weeks ended October 31, 2009.

The 450 basis point improvement in gross margin, or gross profit as a percentage of net sales, for the thirty-nine weeks ended October 30, 2010 compared to the thirty-nine weeks ended October 31, 2009 reflected higher full-priced merchandise sales and less markdown activity. We believe this was driven by our evolving go-to-market strategy, which is designed to reduce markdowns and inventory risk through increased product testing, more informed inventory buys, and chasing into proven styles.

***General, administrative, and store operating expenses***

General, administrative, and store operating expenses were \$325.2 million, or 25.3% of net sales, in the thirty-nine weeks ended October 30, 2010, an increase of \$39.9 million, or 14.0%, compared to \$285.3 million, or 24.3% of net sales, in the thirty-nine weeks ended October 31, 2009. The increase in general, administrative, and store operating expenses during the thirty-nine weeks ended October 30, 2010 as compared to the thirty-nine weeks ended October 31, 2009 was driven by \$12.8 million of payroll costs associated with additional information technology and e-commerce headcount, stock compensation expense due to accelerated vesting and higher tax and fringe rate due to the reinstatement of the company contributions for the 401(K) and retirement plans, \$12.7 million of marketing expense as a result of additional investments in brand development and print advertising to heighten awareness and maximize the strength of our brand, \$2.7 million in costs related to the Senior Notes offering completed on March 5, 2010 and the IPO completed on May 18, 2010, and a \$2.1 million increase in professional fees primarily related to new public company costs.

***Other operating expense, net***

Other operating expense, net was \$17.8 million in the thirty-nine weeks ended October 30, 2010, an increase of \$11.3 million, or 173.9% compared to the thirty-nine weeks ended October 31, 2009. Changes in other operating expense, net relate primarily to advisory fees paid to Golden Gate and associated LLC Agreement fees paid to Limited Brands. The \$11.3 million increase for the thirty-nine weeks ended October 30, 2010 as compared to the thirty-nine weeks ended October 31, 2009 was driven by the \$10.0 million paid to Golden Gate and \$3.3 million paid to Limited Brands to terminate the Advisory Agreement and LLC Agreement, respectively, upon completion of the IPO on May 18, 2010. This increase was partially offset by the fact that, as a result of these terminations, no costs were incurred in the third quarter of 2010 related to these agreements. Fees under both the Advisory Agreement and LLC Agreement were incurred during the thirty-nine weeks ended October 31, 2009.

**Table of Contents*****Interest expense***

Interest expense was \$51.7 million in the thirty-nine weeks ended October 30, 2010, an increase of \$11.5 million, or 28.6%, compared to \$40.2 million in the thirty-nine weeks ended October 31, 2009. Interest expense includes various charges, including amortization of debt issuance costs, amortization of debt discount and prepayment penalties on the early extinguishment of debt. The increase of \$11.5 million during the thirty-nine weeks ended October 30, 2010 as compared to the thirty-nine weeks ended October 31, 2009 resulted primarily from the \$20.8 million loss on extinguishment of debt associated with the prepayments of the Topco Term C Loan and Topco Term B Loan in the first quarter of 2010 and second quarter of 2010, respectively, partially offset by \$9.4 million lower interest expense on the Senior Notes at an interest rate of 8<sup>3</sup>/<sub>4</sub>% versus the Topco Term C and Topco Term B Loans at an interest rate of 14.5% and 13.5%, respectively.

***Other income, net***

Other income, net was \$2.0 million in the thirty-nine weeks ended October 30, 2010, as compared to \$2.0 million in the thirty-nine weeks ended October 31, 2009. Other income, net was primarily composed of changes in the fair market value of our interest rate swap, which was terminated on August 6, 2010.

***Provision for income taxes***

Provision for income taxes was a benefit of \$20.1 million for the thirty-nine weeks ended October 30, 2010, a benefit increase of \$21.1 million, as compared to an expense of \$0.9 million for the thirty-nine weeks ended October 31, 2009. The effective income tax rate fluctuated significantly due to a one-time non-cash tax benefit of \$31.8 million, which was recorded as a result of the Reorganization. The one-time non-cash benefit of \$31.8 million was partially offset by the income tax expense on our earnings for the second and third quarters at an effective rate of 40.9%, excluding discrete items recorded. We were previously treated as a partnership for tax purposes. Therefore, we were not generally subject to income taxes at the corporate level. See **Other Factors Affecting Our Results** for additional information related to our tax structure.

**Fiscal 2009 Compared to Fiscal 2008*****Net sales***

Net sales were \$1,721.1 million in fiscal 2009, a decrease of \$15.9 million, or 0.9%, compared to \$1,737.0 million in fiscal 2008. We had 573 and 581 stores open at the end of fiscal 2009 and fiscal 2008, respectively. During fiscal 2009, we opened seven new stores, closed six non-productive stores and converted the women's and men's stores in nine malls to single dual-gender stores. Net sales per gross square foot were \$321 in fiscal 2009 compared to \$337 in fiscal 2008. Comparable store sales declined 6%, or \$98.1 million, in fiscal 2009 as a result of a decrease in transactions, due primarily to the decline in general economic conditions, which was partially offset by an increase in the average dollars spent per transaction. Comparable store sales performance improved from each quarter to the next during fiscal 2009 in comparison to the same quarter in fiscal 2008 with the first quarter down 16%, or \$67.3 million, second quarter down 12%, or \$44.9 million, third quarter down 1%, or \$3.8 million, and fourth quarter up 4%, or \$17.9 million. Fiscal 2009 represented our first full fiscal year of e-commerce sales, which generated net sales of \$92.2 million in fiscal 2009, an increase of \$64.4 million compared to fiscal 2008, primarily as a result of increases in traffic to our website since its launch in July 2008, and the fact that the website was only operational for part of fiscal 2008. Other revenue was \$12.2 million in fiscal 2009, an increase of \$7.4 million, compared to other revenue of \$4.8 million in fiscal 2008 primarily as a result of shipping and handling revenue related to the increase in e-commerce net sales.

***Gross profit***

Gross profit was \$546.0 million, or 31.7% of net sales, in fiscal 2009, an increase of \$89.0 million, or 19.5%, compared to \$457.0 million, or 26.3% of net sales, in fiscal 2008. Gross profit was impacted by purchase

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accounting related to the Golden Gate Acquisition which had the effect of increasing the carrying amount of property and equipment by \$38.5 million which is being depreciated over the remaining useful life of each asset and recording an intangible asset of \$19.8 million related to net favorable lease obligations that is being amortized over the remaining life of each lease.

The improvement in gross profit was due primarily to a \$76.5 million increase resulting from our redesigned go-to-market strategy, which we believe reduces markdowns and lowers inventory risk through increased product testing. This increase was realized through higher revenue margin (product price plus other revenue less product cost), a reduction in distressed carry-over inventory at the end of fiscal 2009 and lower product cancellation expense. The remaining increase in gross margin was driven primarily by a \$5.3 million reduction in freight and a \$1.4 million reduction in corporate headquarters buying expense. The impact of purchase accounting had the effect of reducing gross profit by \$11.8 million and \$19.5 million for fiscal 2009 and fiscal 2008, respectively.

### ***General, administrative, and store operating expenses***

General, administrative, and store operating expenses were \$409.2 million, or 23.8% of net sales, for fiscal 2009, a decrease of \$37.9 million, or 8.5%, compared to \$447.1 million, or 25.7% of net sales, for fiscal 2008. The decline in general, administrative, and store operating expenses was due primarily to a \$35.3 million reduction in store expenses resulting from efforts to optimize payroll and increase operational efficiencies, and a \$2.2 million savings in benefits and payroll administration related to our transition to a standalone business. These reductions were partially offset by a \$1.7 million investment in home office headcount to support our e-commerce growth strategy.

### ***Other operating expense, net***

Other operating expense, net was \$9.9 million in fiscal 2009, an increase of \$3.9 million, or 65.5%, compared to \$6.0 million in fiscal 2008. Changes in other operating expense, net relate primarily to changes in advisory fees which are calculated as a percentage of Adjusted EBITDA.

### ***Interest expense***

Interest expense was \$53.2 million in fiscal 2009, an increase of \$16.7 million, or 45.6%, compared to \$36.5 million in fiscal 2008. This increase resulted primarily from our entering into the \$300.0 million Topco credit facility on June 26, 2008, and therefore interest expense for fiscal 2008 only reflects thirty-one weeks of interest relating to this facility. This was offset by lower interest expense of \$3.0 million related to our Opco term loan, which had a lower interest rate during fiscal 2009 and accrued interest on a lower outstanding principal balance.

### ***Interest income***

Interest income was \$0.5 million for fiscal 2009, a decrease of \$3.0 million, or 86.3%, as compared to \$3.5 million for fiscal 2008. The decrease in interest income resulted primarily from a reduction in interest rates on investments in overnight treasury securities.

### ***Other income (expense), net***

Other income was \$2.4 million for fiscal 2009, an increase of \$2.1 million, or 714.7%, as compared to \$0.3 million for fiscal 2008. Other (income) expense, net was primarily composed of changes in the fair market value of our interest rate swap.

### ***Provision for income taxes***

Provision for income taxes was \$1.2 million for fiscal 2009, an increase of \$1.0 million, as compared to \$0.2 million for fiscal 2008. See Other Factors Affecting Our Results for additional information related to our tax structure.

**Table of Contents****Fiscal 2008 Compared to Pro Forma 2007 and the 2007 Successor period*****Net sales***

Net sales were \$1,737.0 million in fiscal 2008, a decrease of \$59.3 million, or 3.3%, compared to \$1,796.3 million for pro forma fiscal 2007, and were \$1,137.3 million in the 2007 Successor period. We had 581 and 587 stores open at the end of fiscal 2008 and fiscal 2007, respectively. During fiscal 2008, we opened nine new stores, closed nine non-productive stores and converted the women's and men's stores in six malls to single dual-gender stores. Fiscal 2008 net sales increased \$599.7 million compared to the 2007 Successor period primarily due to the comparison of a fifty-two week period in 2008 to a thirty-week period in 2007. Net sales per gross square foot were \$337 in fiscal 2008 compared to \$213 in the 2007 Successor period. The increase in sales per gross square foot primarily resulted from the inclusion of an additional twenty-two weeks of net sales in the fiscal 2008 period. Comparable store sales during the same thirty-week period in 2008 were down 10%, or \$109.9 million, compared to the 2007 Successor period due primarily to a decline in transaction volumes resulting from an overall decline in consumer spending late in the third quarter and throughout the fourth quarter in 2008. Net sales generated through e-commerce were \$27.8 million in fiscal 2008, which represents sales from our website launch in July 2008 through the fiscal year end. Other revenue for fiscal 2008 was \$4.8 million and was related primarily to shipping and handling revenue on e-commerce sales.

Net sales per gross square foot were \$337 in fiscal 2008, up \$8, or 2.4%, compared to \$329 in pro forma 2007. Comparable store sales declined by 3%, or \$42.4 million, in fiscal 2008 compared to pro forma 2007, due primarily to a decrease in transaction volumes resulting from an overall decline in consumer spending late in the third quarter and throughout the fourth quarter of 2008. This resulted in comparable store sales declines of 4%, or \$17.5 million, in third quarter and 17%, or \$93.3 million, in fourth quarter 2008. This decrease was partially offset by an increase in the first and second quarter comparable store sales which were up 13%, or \$46.2 million, and 6%, or \$22.2 million, respectively, due to an increased number of transactions.

***Gross profit***

Gross profit was \$457.0 million, or 26.3% of net sales, for fiscal 2008, an increase of \$12.7 million, or 2.9%, compared to \$444.3 million, or 24.7% of net sales, for pro forma fiscal 2007. For the 2007 Successor period, gross profit was \$247.3 million, or 21.7% of net sales. Gross profit was impacted by purchase accounting related to the Golden Gate Acquisition, which increased the carrying amount of inventories by \$86.9 million during 2007, increased property and equipment by \$38.5 million, which is being depreciated over the remaining useful life of each asset, and recorded an intangible asset of \$19.8 million related to net favorable lease obligations that is being amortized over the remaining life of each lease. The entire impact of the \$86.9 million purchase accounting inventory adjustment was reflected in gross profit for pro forma fiscal 2007 and the 2007 Successor period, while the property and equipment and intangible adjustments impacted fiscal 2008, pro forma fiscal 2007 and the 2007 Successor period by \$19.5 million, \$20.9 million and \$14.0 million respectively.

The \$209.7 million increase in gross profit for fiscal 2008 compared to the 2007 Successor period primarily resulted from the comparison of a fifty-two week period in 2008 to a thirty-week period in 2007. A portion of the increase in fiscal 2008 compared to the 2007 Successor period was driven by the \$86.9 million inventory-related purchase accounting adjustment that reduced gross profit during the 2007 Successor period. Revenue margin was negatively impacted in fiscal 2008 due to the proportionately higher markdowns on excess inventory during late third quarter and all of fourth quarter, primarily driven by the challenging economic environment. For the comparable thirty-week period in 2008, revenue margin decreased \$101.4 million compared to the 2007 Successor period.

The \$12.7 million improvement in gross profit for fiscal 2008 compared to pro forma 2007 was driven primarily by the \$86.9 million inventory-related purchase accounting adjustment that reduced gross profit in pro forma 2007. Gross profit was negatively impacted by a decrease in consumer spending on discretionary items during the recessionary period in fiscal 2008 which contributed to a \$59.4 million decline in revenue margin, a \$9.8 million increase in product cancellation expense and a \$6.2 million increase in shrink related expense.

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### ***General, administrative, and store operating expenses***

General, administrative, and store operating expenses were \$447.1 million, or 25.7% of net sales, for fiscal 2008, a decrease of \$0.3 million, or 0.1%, compared to \$447.4 million, or 24.9% of net sales, for pro forma 2007. For the 2007 Successor period, general, administrative, and store operating expenses were \$275.2 million, or 24.2% of net sales.

The \$171.9 million increase in general, administrative, and store operating expenses in fiscal 2008 compared to the 2007 Successor period primarily resulted from the comparison of a fifty-two week period in 2008 to a thirty-week period in 2007. For the comparable thirty-week period in 2008, general, administrative, and store operating expenses were down \$21.6 million due primarily to a \$30.8 million decrease related to efforts to optimize store payroll and increase operational efficiencies in store expense, offset by a \$5.4 million increase in corporate home office expense related to a re-investment in our merchant and design organization, investments to support our e-commerce growth strategy and an \$8.6 million investment in marketing campaigns and programs.

The \$0.3 million decline in general, administrative, and store operating expenses in fiscal 2008 compared to pro forma 2007 was driven by a \$30.3 million reduction in store expenses driven by efforts to optimize store payroll and increase operational efficiencies, offset by a \$14.4 million increase in corporate home office expense related to a re-investment in our merchant and design organization, investments to support our e-commerce growth strategy and a \$12.4 million investment in marketing campaigns and programs.

### ***Other operating expense, net***

Other operating expense, net was \$6.0 million in fiscal 2008, a decrease of \$1.5 million, or 19.8%, compared to \$7.5 million in pro forma 2007 and \$5.5 million in the 2007 Successor period. Changes in other operating expense, net relate primarily to changes in advisory fees which are calculated as a percentage of Adjusted EBITDA.

### ***Interest expense***

Interest expense was \$36.5 million in fiscal 2008, an increase of \$24.5 million, or 203%, compared to \$12.1 million in pro forma 2007 and was \$7.0 million in the 2007 Successor period. This increase resulted primarily from our entering into the \$300.0 million Topco credit facility on June 26, 2008. This increase was offset slightly by lower interest expense related to our Opco term loan, which had a lower interest rate during fiscal 2008 and accrued interest on a lower outstanding principal balance.

### ***Interest income***

Interest income was \$3.5 million in fiscal 2008, a decrease of \$1.7 million, or 32.0%, compared to \$5.2 million in pro forma fiscal 2007 and was \$5.2 million in the 2007 Successor period. The decrease in interest income during fiscal 2008 was due primarily to a reduction in interest rates on investments in overnight treasury securities and a decline in the average amount of cash and cash equivalents on hand.

### ***Other expense (income), net***

Other income was \$0.3 million in fiscal 2008, compared to expense of \$4.7 million in pro forma fiscal 2007 and expense of \$4.7 million in the 2007 Successor period. Other expense (income), net is primarily composed of changes in the fair market value of our interest rate swap and the proceeds from the settlement of insurance claims. Other expense in pro forma 2007 and the 2007 Successor period was due primarily to an increase in liability related to our interest rate swap.

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### ***Provision for income taxes***

Provision for income taxes was \$0.2 million in fiscal 2008 compared to \$1.6 million in pro forma fiscal 2007 and \$0.5 million in the 2007 Successor period. See Other Factors Affecting Our Results for additional information related to our tax structure.

### **Quarterly Results and Seasonality**

The following table sets forth our historical unaudited quarterly consolidated statements of income for each of the last eight fiscal quarters ended January 30, 2010, as well as the first, second and third quarters of fiscal year 2010. This unaudited quarterly information has been prepared on the same basis as our annual consolidated audited financial statements included elsewhere in this prospectus, and includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented.

Our business is seasonal and, historically, we have realized a higher portion of our net sales and net income in the third and fourth fiscal quarters due primarily to early Fall selling patterns and the impact of the holiday season. Generally, the annual sales split is approximately 45% for the Spring season (February through July) and 55% for the Fall season (August through January). Working capital requirements are typically higher in the second and fourth quarters due to inventory-related working capital requirements for early Fall and holiday selling periods. Our business is also subject, at certain times, to calendar shifts, which may occur during key selling periods close to holidays such as Easter, Thanksgiving and Christmas and regional fluctuations for events such as sales tax holidays. As such, results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

The quarterly data should be read in conjunction with our consolidated financial statements and the related notes included in this prospectus.

**Table of Contents****Quarterly Results of Operations**

	Fiscal 2008				Fiscal 2009 (unaudited)				Fiscal 2010		
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter
(dollars in thousands)											
Net sales	\$ 422,696	\$ 399,066	\$ 409,882	\$ 505,366	\$ 374,358	\$ 373,823	\$ 426,046	\$ 546,839	\$ 426,462	\$ 407,277	\$ 450,577
Cost of goods sold, buying and occupancy costs	289,461	285,729	295,118	409,710	262,274	271,024	280,700	361,090	269,256	277,260	286,254
Gross profit	133,235	113,337	114,764	95,656	112,084	102,799	145,346	185,749	157,206	130,017	164,323
General, administrative, and store operating expenses	116,471	111,420	112,306	106,874	89,524	94,716	101,019	123,939	102,910	110,936	111,309
Other operating expense, net	3,768	1,282	17	940	1,617	1,827	3,070	3,429	3,014	14,031	799
Operating income (loss)	12,996	635	2,441	(12,158)	20,943	6,256	41,257	58,381	51,282	5,050	52,215
Interest expense	2,737	6,029	13,625	14,140	13,649	13,198	13,357	13,018	20,780	23,349	7,570
Interest income	(2,131)	(870)	(400)	(126)	(76)	(98)	(229)	(81)	(10)	(1)	(1)
Other (income) expense, net	(1,155)	(576)	615	816	(443)	(467)	(668)	(866)	(432)	(1,474)	(62)
Income (loss) before income taxes	13,545	(3,948)	(11,399)	(26,988)	7,813	(6,377)	28,797	46,310	30,944	(16,824)	44,708
Provision for income taxes	199	(76)	(37)	160	214	379	330	313	383	(38,938)	18,407
Net income (loss)	\$ 13,346	\$ (3,872)	\$ (11,362)	\$ (27,148)	\$ 7,599	\$ (6,756)	\$ 28,467	\$ 45,997	\$ 30,561	\$ 22,114	\$ 26,301
Adjusted EBITDA	\$ 53,949	\$ 25,557	\$ 31,973	\$ 25,719	\$ 45,150	\$ 33,564	\$ 66,415	\$ 84,621	\$ 76,312	\$ 45,874	\$ 74,593
Comparable store sales(1)	13%	6%	(4)%	(17)%	(16)%	(12)%	(1)%	4%	12%	6%	2%

(1) Comparable store sales have been calculated based upon stores that were open at least thirteen full fiscal months as of the end of the reporting period.

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The following table presents a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to EBITDA and Adjusted EBITDA for the periods indicated. See note 3 to the table included in Prospectus Summary Summary Historical Consolidated Financial and Operating Data.

	Fiscal 2008				Fiscal 2009				Fiscal 2010		
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter (unaudited)	Second Quarter (unaudited)	Third Quarter (unaudited)	Fourth Quarter (unaudited)	First Quarter	Second Quarter	Third Quarter
(dollars in thousands)											
Net income (loss)	\$ 13,346	\$ (3,872)	\$ (11,362)	\$ (27,148)	\$ 7,599	\$ (6,756)	\$ 28,467	\$ 45,997	\$ 30,561	\$ 22,114	\$ 26,301
Depreciation and amortization	19,376	19,458	19,752	20,519	18,796	18,356	16,318	16,198	16,111	16,557	16,192
Interest expense, net	607	5,350	13,226	14,016	13,573	13,099	13,127	12,939	20,780	23,348	7,559
Provision for income taxes	199	(76)	(37)	160	214	379	330	313	383	(38,938)	18,407
<b>EBITDA</b>	<b>33,528</b>	<b>20,860</b>	<b>21,579</b>	<b>7,547</b>	<b>40,182</b>	<b>25,078</b>	<b>58,242</b>	<b>75,447</b>	<b>67,835</b>	<b>23,081</b>	<b>68,459</b>
Non-cash deductions, losses, charges	2,254	1,101	6,261	11,496	922	3,647	4,225	3,334	2,707	3,047	4,824
Non-recurring expenses	13,926	386	1,148	3,200	1,100	1,580	1,127	2,101	794	1,296	
Transaction expenses	567	1,103	826	1,100	674	533	236	213	239	2,389	
Permitted Advisory Agreement fees and expenses	1,716	1,320	(29)	1,231	1,193	1,253	2,279	2,428	2,275	10,477	
Non-cash expense related to equity incentives	499	532	503	535	503	501	506	542	1,563	2,007	841
Other adjustments allowable under our existing credit agreements	1,459	255	1,685	610	576	972	(200)	556	899	3,577	469
<b>Adjusted EBITDA</b>	<b>\$ 53,949</b>	<b>\$ 25,557</b>	<b>\$ 31,973</b>	<b>\$ 25,719</b>	<b>\$ 45,150</b>	<b>\$ 33,564</b>	<b>\$ 66,415</b>	<b>\$ 84,621</b>	<b>\$ 76,312</b>	<b>\$ 45,874</b>	<b>\$ 74,593</b>

**Liquidity and Capital Resources****General**

Our business relies on cash flows from operations as our primary source of liquidity. We do, however, have access to additional liquidity, if needed, through borrowings under our existing Opco revolving credit facility. Our primary cash needs are for merchandise inventories, payroll, store rent, capital expenditures associated with opening new stores and updating existing stores, and information technology. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts payable, and other current liabilities. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day or, in the case of credit or debit card transactions, within a few days of the related sale and have up to 75 days to pay certain merchandise vendors and 45 days to pay the majority of our non-merchandise vendors. In March of 2010, we used the net proceeds from the Senior Notes offering, together with cash on hand of \$153.8 million, to prepay the Topco Term C Loan, including the related prepayment penalty and accrued interest and to make a distribution of \$230.0 million to our equity holders. In May 2010, we received \$166.9 million (excluding underwriting discount) in net proceeds from the IPO. These proceeds were used to prepay the Topco Term B Loan, including the related prepayment penalty and accrued interest. Following these transactions, as of October 30, 2010, we had cash and cash equivalents of approximately \$81.8 million and \$196.4 million of availability under the Opco revolving credit facility. Our working capital is seasonal as a result of building up inventory for the next selling season and, as a result, our cash and cash equivalents during the spring are usually lower when compared to the rest of our fiscal year. Our cash balances generally increase during the summer selling season, and then increase further during the fall and holiday seasons. As our cash balances and inventory increase during the summer, fall, and holiday seasons, our borrowing base under our Opco revolving credit facility increases. We believe that cash



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generated from operations and the availability of borrowings under our Opco revolving credit facility or other financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures and scheduled debt payments for at least the next twelve months.

**Cash Flow Analysis**

A summary of operating, investing and financing activities are shown in the following table:

	Predecessor Period from February 4, 2007 through July 6, 2007	Period from July 7, 2007 through February 2, 2008	Successor Year Ended		Thirty-Nine Weeks Ended	
			January 31, 2009	January 30, 2010	October 31, 2009	October 30, 2010
					(unaudited)	
			(dollars in thousands)			
Provided by operating activities	\$ 45,912	\$ 282,192	\$ 35,234	\$ 200,721	\$ 87,284	\$ 50,857
Used in investing activities	(22,888)	(15,258)	(51,801)	(26,873)	(22,883)	(41,950)
(Used in) provided by financing activities	(29,939)	39,361	(127,347)	(115,559)	(82,121)	(161,531)
(Decrease) increase in cash and cash equivalents	(6,915)	306,295	(143,914)	58,289	(17,720)	(152,624)
Cash and cash equivalents at end of period	\$ 13,734	\$ 320,029	\$ 176,115	\$ 234,404	\$ 158,395	\$ 81,780
<b>Net Cash Provided by Operating Activities</b>						

Operating activities consist primarily of net income adjusted for non-cash items, including depreciation and amortization, and the effect of working capital changes.

Net cash provided by operating activities was \$50.9 million for the thirty-nine weeks ended October 30, 2010 compared to \$87.3 million for the thirty-nine weeks ended October 31, 2009, a decrease of \$36.4 million. During the thirty-nine weeks ended October 30, 2010, we had the following significant cash outflows: (1) \$13.3 million in one-time fees related to the termination of the Advisory Agreement and the LLC Agreement, and (2) \$12.0 million in prepayment penalties related to the prepayments of the Term B Loan and the Term C Loan. In addition, we had cash outflows related to changes in working capital primarily related to an increase in inventories of \$68.6 million to support our sales growth. Further, we had a \$32.4 million non-cash gain related to an increase in deferred tax assets as a result of our conversion to a corporation and an \$8.8 million non-cash loss on extinguishment of debt related to the prepayments of the Term B Loan and the Term C Loan.

Net cash provided by operating activities was \$200.7 million for fiscal 2009 compared to \$35.2 million for fiscal 2008. The \$165.5 million increase in cash provided by operating activities was due primarily to a \$104.3 million increase in net income, a \$21.6 million source of cash related to the change in accounts payable, deferred revenue and accrued expenses and a \$44.1 million source of cash related to the change in accounts payable and accrued expenses related parties.

Net cash provided by operating activities was \$35.2 million for fiscal year 2008 compared to \$282.2 million in the 2007 Successor period. The cash provided by operating activities in the 2007 Successor period was impacted by our transition to a standalone company and establishing working capital accounts with our third-party vendors. The \$247.0 million decrease in cash provided by operating activities was due primarily to a \$59.9 million use of cash related to inventory and accounts payable and accrued expenses for related parties in fiscal 2008 compared to a \$230.6 million source of cash during the 2007 Successor period. These decreases in cash were partially offset by a \$11.4 million increase in net income and a \$32.2 million increase in depreciation and amortization expense. Both of these decreases are primarily the result of the comparison of fiscal 2008 to a partial year period in 2007.

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### ***Net Cash Used in Investing Activities***

Investing activities consist primarily of capital expenditures for growth (new store openings), store maintenance (remodels, conversions to a dual-gender format, visual, fixtures, heating, ventilation and air conditioning improvements and gates) and non-store maintenance (information technology and expenses associated with operations at our corporate home office).

Capital expenditures were \$42.0 million during the thirty-nine weeks ended October 30, 2010, a \$19.1 million increase compared to \$22.9 million during the thirty-nine weeks ended October 31, 2009. Capital expenditures, gross of landlord allowances, attributed to the opening of new stores, store remodels and store conversions to a dual-gender format totaled \$19.2 million during the thirty-nine week period ended October 30, 2010 and \$10.3 million during the thirty-nine week period ended October 31, 2009. The remaining capital expenditures in each period relate primarily to investments in store fixtures, heating, ventilation and air conditioning improvements, gates, information technology and investments in the operations at our corporate home office.

Capital expenditures were \$26.9 million in fiscal 2009, \$50.6 million in fiscal 2008, \$15.3 million in the 2007 Successor period and \$22.9 million in the 2007 Predecessor period. Capital expenditures, gross of landlord allowances, for the opening of new stores, store remodels and store conversions to a dual-gender format were \$14.4 million in fiscal 2009, \$29.5 million in fiscal 2008, \$14.9 million for the 2007 Successor period and \$17.2 million in the 2007 Predecessor period. In fiscal 2009, \$10.2 million was spent on investments in information technology primarily related to our transition to a standalone business. The remaining capital expenditures in each period relate primarily to investments in store fixtures, heating, ventilation and air conditioning improvements, gates, information technology and investments in the operations at our corporate home office.

Management expects capital expenditures for fiscal 2010 to be approximately \$57.0 to \$63.0 million, including landlord allowances, with the increase compared to fiscal 2009 driven by new store openings and the final phase of our information technology transition from Limited Brands which relates primarily to point-of-sale and customer marketing database investments. Landlord allowances related to fiscal 2010 capital expenditures are expected to be approximately \$9.0 to \$11.0 million.

### ***Net Cash (Used in) Provided by Financing Activities***

Financing activities consist primarily of borrowings and repayments related to the Senior Notes, the Opco term loan, the Topco credit facility and the Opco revolving credit facility, as well as distributions to our equity holders and fees and expenses paid in connection with our credit facilities and the IPO.

Net cash used by financing activities was \$161.5 million during the thirty-nine weeks ended October 30, 2010. This use of cash included \$261.0 million in distributions to equity holders, including a \$31.0 million tax distribution in the second quarter of 2010, repayments of \$300.0 million for borrowings under the Topco Term C and Topco Term B Loans, and \$18.6 million in costs incurred in connection with our debt arrangements, the Senior Notes offering and the IPO. These uses were offset by net proceeds of \$246.5 million (net of original issue discount) received from issuing the Senior Notes and \$166.9 million (net of underwriters' discount) received from the IPO. This compares to \$82.1 million in net cash used by financing activities for the thirty-nine week period ended October 31, 2009. This use of cash was primarily related to the repayment of \$75.0 million borrowed under our Opco revolving credit facility and \$7.1 million of repayments related primarily to the accrued paid-in-kind interest on our Topco Term C Loan.

Net cash used by financing activities was \$115.6 million in fiscal 2009. This use of cash included \$75.0 million of repayments of borrowings under our Opco revolving credit facility, \$7.1 million of repayments of borrowings under our Opco term loan and Topco credit facility and a \$33.0 million distribution to equity holders.

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Net cash used by financing activities was \$127.3 million for fiscal 2008. This reflected a source of cash related to borrowings of \$294.0 million under the Topco credit facility and \$75.0 million in borrowings under our Opco revolving credit facility, offset by a distribution to equity holders of \$491.2 million as well as \$3.9 million in expenses paid in connection with the Topco credit facility, and \$1.3 million in repayments related to the Opco term loan. This compares to \$39.4 million in net cash provided by financing activities for the 2007 Successor period. This source of cash was primarily from cash equity contributions by our equity holders.

Net cash used by financing activities was \$29.9 million for the 2007 Predecessor period. These declines resulted from lower net cash investments in the business by Limited Brands during each respective period.

### ***Historical Credit Facility***

#### ***Topco Credit Facility***

On June 26, 2008, Express Topco, as borrower, entered into a \$300.0 million secured term loan facility. The Topco credit facility was scheduled to mature on June 26, 2015 and was comprised of a \$150.0 million Term B Loan and a \$150.0 million Term C Loan. On March 5, 2010, in connection with the issuance of the Senior Notes, all of the Term C Loan was prepaid, plus all prepayment penalties and accrued interest thereon. On May 18, 2010, in connection with the IPO, all of the Term B Loan was prepaid, plus all prepayment penalties and accrued and unpaid interest thereon.

The Term B Loan bore interest at 13.5% per annum. The Term C Loan bore interest at 14.5% per annum. Amounts representing payment in kind interest were treated as and bore interest as Term C Loan under the Topco credit facility. Term C Loan for which interest was paid in kind bore interest at 16.0% per annum for the interest period ending on the applicable payment date. For fiscal 2008 and 2009, Express Topco accumulated \$6.2 million of in-kind interest on the Term C Loan, which was paid in cash on October 19, 2009 prior to the issuance of the Senior Notes. On March 5, 2010, in connection with the issuance of the Senior Notes, the Topco Term C Loan was prepaid in full, plus a prepayment penalty and accrued and unpaid interest thereon. A separate affiliate of Golden Gate purchased an additional \$8.3 million of principal amount of the Topco Term B Loan on April 8, 2010. On May 18, 2010, in connection with the IPO, we prepaid the Topco Term B Loan in full, which included a prepayment penalty and accrued and unpaid interest thereon.

### ***Existing Credit Facilities***

#### ***Opco Revolving Credit Facility***

On July 6, 2007, Express Holding and Express, LLC entered into a \$200.0 million secured Asset-Based Loan Credit Agreement. The Opco revolving credit facility is available to be used for working capital and other general corporate purposes and is scheduled to expire on July 6, 2012. The Opco revolving credit facility, as amended, allows for swing line advances of up to \$30.0 million and up to \$45.0 million to be available in the form of letters of credit.

On February 5, 2010, Express Holding and Express, LLC entered into an amendment to the Opco revolving credit facility that became effective March 5, 2010 in connection with the issuance of the Senior Notes. The amendment, among other things, (1) permitted the issuance of the Senior Notes and the guarantees thereof by Express Holding and its subsidiaries, (2) increased the applicable interest rate margins and unused line fee, (3) permitted a distribution by Express, LLC to allow Express Topco to prepay the Term C Loan under the Topco credit facility in their entirety (plus any applicable prepayment penalties and accrued and unpaid interest thereon) and Express Parent to make a cash distribution to its equity holders in an aggregate amount equal to approximately \$230.0 million, (4) permitted Express, LLC to pay distributions to allow Express Topco to make regularly scheduled interest payments on the Term B Loan under the Topco credit facility and (5) permits Express Holding to own the equity interests of Express Finance Corp., the co-issuer of the Senior Notes. We paid customary amendment fees to consenting lenders in connection with the amendment.

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Borrowings under the Opco revolving credit facility bear interest at a rate equal to LIBOR plus an applicable margin rate or the higher of The Wall Street Journal's prime lending rate and 0.50% per annum above the federal funds rate, plus an applicable margin rate. The applicable margin rate is determined based on excess availability as determined with reference to our borrowing base. Prior to the effectiveness of the amendment described above, the applicable margin rate for LIBOR-based advances was 1.25% per annum or 1.00% if excess availability was \$100.0 million or greater, and for base rate-based advances was 0.25% per annum or 0.00% if excess availability was \$100.0 million or greater. As a result of the amendment described above, effective March 5, 2010, the applicable margin rate for LIBOR-based advances is 2.25% per annum or 2.00% if excess availability is \$100.0 million or greater, and for base rate-based advances is 1.25% per annum or 1.00% if excess availability is \$100.0 million or greater. The borrowing base components are 90% of credit card receivables plus 85% of the liquidation value of eligible inventory, less certain reserves. At the end of fiscal 2008, we borrowed \$75.0 million under the Opco revolving credit facility, which was reflected as a current liability on our balance sheet. This amount was paid in full during the first quarter of fiscal 2009. We had no borrowings outstanding and \$196.4 million available under the Opco revolving credit facility as of October 30, 2010.

Prior to the effectiveness of the amendment described above, unused line fees payable under the Opco revolving credit facility were based on 0.25% of the average daily unused revolving commitment during each quarter payable quarterly in arrears. As a result of the amendment described above, effective March 5, 2010, unused line fees payable under the Opco revolving credit facility are based on 0.50% of the average daily unused revolving commitment during each quarter payable quarterly in arrears.

Interest payments under the Opco revolving credit facility are due quarterly on the last calendar day of each April, July, October and January for base rate-based advances and on the last day of the interest period for LIBOR-based advances for interest periods of one, two, three and six months (or if available to all lenders, nine or twelve months), and additionally every three months after the first day of the interest period for LIBOR-based advances for interest periods of greater than three months.

The Opco revolving credit facility contains customary covenants and restrictions on Express Holding and its subsidiaries' activities, including, but not limited to, limitations on the incurrence of additional indebtedness; liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions and prepayment of other debt; distributions, dividends and the repurchase of capital stock; transactions with affiliates; the ability to change the nature of our business or our fiscal year; the ability to amend the terms of the Opco term loan and the Advisory Agreement; and permitted activities of Express Holding. All obligations under the Opco revolving credit facility are guaranteed by Express Holding and its subsidiaries and secured by a lien on substantially all of the assets of Express Holding and its subsidiaries; provided that the liens on certain assets of Express Holding and its subsidiaries shall be junior in priority to the liens securing the Opco term loan.

Prior to the effectiveness of the amendment described above, the Opco revolving credit facility required Express Holding to maintain a fixed charge coverage ratio of 1.00 to 1.00 if excess availability plus eligible cash collateral was less than \$20.0 million. This amount was raised to \$30.0 million as part of the amendment noted above. Our excess availability was \$196.4 million as of October 30, 2010. We were not subject to this covenant as of October 30, 2010 because excess availability plus eligible cash collateral was greater than \$30.0 million.

### *Opco Term Loan Facility*

On July 6, 2007, Express Holding and Express, LLC entered into a \$125.0 million secured term loan. The proceeds of these borrowings were used to finance, in part, the Golden Gate Acquisition and to pay transaction fees and expenses related to the Golden Gate Acquisition. Borrowings under the Opco term loan bear interest at a rate equal to LIBOR plus an applicable margin rate or the higher of The Wall Street Journal's prime lending rate and 0.50% per annum above the federal funds rate, plus an applicable margin rate.

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On February 5, 2010, Express Holding and Express, LLC entered into an amendment to the Opco term loan that became effective March 5, 2010 in connection with the issuance of the Senior Notes. The amendment, among other things, (1) permitted the issuance of the Senior Notes and the guarantees thereof by Express Holding and its subsidiaries, (2) increased the applicable interest rate margins (subject to a further increase in the event Express, LLC's corporate family rating is not B2 or better by Moody's Investors Service, Inc. (Moody's) and Express, LLC's corporate credit rating is not B or better by Standard & Poor's Rating Services (S&P)), (3) permitted a distribution by Express, LLC to allow Express Topco to prepay the Term C Loan under the Topco credit facility in their entirety (plus any applicable prepayment penalties and accrued and unpaid interest thereon), and Express Parent to make a cash distribution to its equity holders in an aggregate amount equal to approximately \$230.0 million, (4) permitted Express, LLC to pay distributions to allow Express Topco to make regularly scheduled interest payments on the Term B Loan under the Topco credit facility and (5) permits Express Holding to own the equity interests of Express Finance Corp., the co-issuer of the Senior Notes. We paid customary amendment fees to consenting lenders in connection with the amendment.

The applicable margin rate is determined by Express Holding's leverage ratio of consolidated debt for borrowed money (net of cash and cash equivalents provided that, after giving effect to the amendment described above, no more than \$75.0 million of cash and cash equivalents may be netted against consolidated debt for borrowed money for this purpose), including amounts drawn under letters of credit and any synthetic debt, to Adjusted EBITDA (Leverage Ratio), in effect on the first day of each interest period with respect to LIBOR-based advances and by the Leverage Ratio in effect from time to time with respect to base rate-based advances. Prior to the effectiveness of the amendment described above, the applicable margin rate for LIBOR-based advances was 2.75% per annum or 2.50% if the Leverage Ratio was less than 1.00 to 1.00, and for base rate-based advances was 1.75% per annum or 1.50% if the Leverage Ratio was less than 1.00 to 1.00. As a result of the amendment described above, effective March 5, 2010, the applicable margin rate for LIBOR-based advances is 4.25% per annum or 4.00% if the Leverage Ratio is less than 1.00 to 1.00, and for base rate-based advances is 3.25% per annum or 3.00% if the Leverage Ratio is less than 1.00 to 1.00; additionally, these rates may be further increased by 50 basis points per annum in the event that Express, LLC fails to maintain, at the time of determination, a corporate family rating of B2 or better by Moody's and a corporate credit rating of B or better by S&P. As of October 30, 2010, the interest rate under the Opco term loan was 4.68%.

Interest payments under the Opco term loan are due quarterly on the last calendar day of each April, July, October and January for base rate-based advances and on the last day of the applicable interest period for LIBOR-based advances for interest periods of one, two, three and six months (or if available to all lenders, nine or twelve months), and additionally every three months after the first day of the interest period for LIBOR-based advances for interest periods of greater than three months. Principal payments under the Opco term loan are due quarterly on the last business day of each April, July, October and January through July 6, 2013, in equal installments of 0.25% of the initial principal balance with the balance of principal due on July 6, 2014.

The agreement governing the Opco term loan requires that annual prepayments of principal be made within five business days after the 120th calendar day following the end of each fiscal year in the amount by which an applicable percentage of excess cash flow (as defined in the agreement) that corresponds to Express Holding's Leverage Ratio, exceeds any voluntary prepayments of the Opco term loan over the fiscal year.

The Opco term loan contains customary covenants and restrictions on Express Holding and its subsidiaries' activities, including, but not limited to, limitations on the incurrence of additional indebtedness; liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions and prepayment of other debt; distributions, dividends and the repurchase of capital stock; transactions with affiliates; the ability to change the nature of our business or our fiscal year; the ability to amend the terms of the purchase agreement pertaining to the Golden Gate Acquisition, the Opco revolving credit facility and the Advisory Agreement; and permitted activities of Express Holding. All obligations under the Opco term loan are guaranteed by Express Holding and its subsidiaries and secured by a lien on substantially all of the assets of Express Holding and its subsidiaries; provided that the liens on certain assets of Express Holding and its subsidiaries shall be junior in priority to the liens securing the Opco revolving credit facility.

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The Opco term loan also requires that Express Holding maintain a Leverage Ratio for the most recently completed reporting period (last four consecutive fiscal quarters as of the end of each quarter) of not more than 1.75 to 1.00. Express Holding was in compliance with the covenant requirement as of October 30, 2010.

Effective July 6, 2007, Express, LLC entered into a receive variable/pay fixed interest rate swap agreement to mitigate exposure to interest rate fluctuations on a notional principal amount of \$75.0 million of the \$125.0 million variable-rate Opco term loan. The interest rate swap agreement terminated on August 6, 2010. The Opco term loan required that Express, LLC maintain interest rate hedge agreements on a notional amount of at least 50% of the term commitments of lenders under the Opco term loan for at least three years.

### *Senior Notes*

On March 5, 2010, Express, LLC and Express Finance Corp., as co-issuers, issued, in a private placement, \$250.0 million of 8 <sup>3</sup>/<sub>4</sub>% Senior Notes due 2018 at an offering price of 98.599% of the face value of the Senior Notes. An affiliate of Golden Gate purchased \$50.0 million of Senior Notes in the offering. Interest on the Senior Notes is payable on March 1 and September 1 of each year. A portion of the proceeds from the issuance of the Senior Notes was used to prepay all of the Term C Loan outstanding under the Topco credit facility of \$150.0 million, plus prepayment penalties of \$3.0 million and accrued and unpaid interest thereon of \$1.9 million. The remaining proceeds, together with cash on hand, were used to make a cash distribution of approximately \$230.0 million to our equity holders and pay related fees and expenses, including discounts and commissions to the initial purchasers of the Senior Notes, of \$15.4 million. In connection with the issuance of the Senior Notes, \$10.8 million of costs were capitalized as debt issuance costs within other assets on the consolidated balance sheets and will be amortized over the eight year term of the Senior Notes using the effective interest method.

Prior to March 1, 2014, the Senior Notes may be redeemed in part or in full at a redemption price equal to 100% of the principal amount of the Senior Notes, plus a make-whole premium calculated in accordance with the indenture governing the Senior Notes and accrued and unpaid interest. In addition, prior to March 1, 2013, a portion of the Senior Notes may be redeemed with the net proceeds of certain equity offerings at 108.75%. On or after March 1, 2014, the Senior Notes may be redeemed in part or in full at the following percentages of the outstanding principal amount prepaid: 104.375% prior to March 1, 2015; 102.188% on or after March 1, 2015, but prior to March 1, 2016; and 100% on or after March 1, 2016.

The indenture governing the Senior Notes contains customary covenants and restrictions on the activities of Express, LLC, Express Finance Corp. and Express, LLC's restricted subsidiaries, including, but not limited to, the incurrence of additional indebtedness; payment of dividends or distributions in respect of capital stock or certain other restricted payments or investments; entering into agreements that restrict distributions from restricted subsidiaries; the sale or disposal of assets, including capital stock of restricted subsidiaries; transactions with affiliates; the incurrence of liens; and mergers, consolidations or the sale of substantially all of Express, LLC's assets. Certain of these covenants will be suspended if the Senior Notes are assigned an investment grade rating by both S&P and Moody's and no default has occurred or is continuing. If either rating on the Senior Notes should subsequently decline to below investment grade, the suspended covenants will be reinstated.

**Table of Contents****Contractual Obligations**

We enter into long-term contractual obligations and commitments in the normal course of business, primarily debt obligations and non cancelable operating leases. As of January 30, 2010, our contractual cash obligations over the next several periods are set forth below.

Contractual Obligations:	Total	Payments Due by Period			
		<1 Year	2-3 Years	4-5 Years	Thereafter
		(dollars in millions)			
Existing Debt Facilities(1)	\$ 422.0	\$ 1.3	\$ 2.6	\$ 118.1	\$ 300.0
Interest Costs(2)	259.3	47.5	106.3	73.0	32.5
Other Long-Term Obligations(3)	203.4	37.6	58.2	64.7	42.9
Operating Leases(4)	725.8	152.9	244.7	182.9	145.3
Letters of Credit	25.1	8.8	3.6	3.6	9.0
Purchase Obligations(5)	218.6	218.6			
<b>Total</b>	<b>\$ 1,854.2</b>	<b>\$ 466.7</b>	<b>\$ 415.4</b>	<b>\$ 442.3</b>	<b>\$ 529.7</b>

- (1) As of January 30, 2010, we had the following amounts outstanding under our existing credit facilities: no amounts outstanding under the Opco revolving credit facility; \$121.9 million under the Opco term loan; \$150.0 million under the Term B Loan; and \$150.0 million under the Term C Loan. The Opco revolving credit facility matures on July 6, 2012 and the Opco term loan matures on July 6, 2014. The Term B Loan was prepaid in full on May 18, 2010 with the proceeds from the IPO together with cash on hand, and the Term C Loan was prepaid in full on March 5, 2010 with a portion of the proceeds of the issuance of the \$250 million Senior Notes. See Liquidity and Capital Resources Historical Credit Facility.
- (2) Includes interest under existing debt facilities. Interest costs for the Opco term loan and revolving credit facility have been estimated based on interest rates in effect for such indebtedness as of January 30, 2010.
- (3) Other long-term obligations consist of self insurance liabilities, severance agreements, transitional services agreement with Limited Brands and Golden Gate and Limited Brands advisory fees.
- (4) We enter into operating leases in the normal course of business. Most lease arrangements provide us with the option to renew the leases at defined terms. The future operating lease obligations would change if we were to exercise these options, or if we were to enter into additional new operating leases.
- (5) Purchase obligations are made up of merchandise purchase orders, unreserved fabric commitments and liabilities to our third-party travel administrator.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of our assets, liabilities, revenues and expenses, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are most significant to reporting its results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. However, our historical results for the periods presented in the consolidated financial statements have not been materially impacted by such variances. More information on all of our significant accounting policies can be found in Note 1, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus.

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### ***Revenue Recognition***

We recognize sales at the time the customer takes possession of the merchandise which, for e-commerce revenues, reflects an estimate of shipments that have not yet been received by the customer. This estimate is based on shipping terms and historical delivery times. Amounts related to shipping and handling revenues billed to customers in an e-commerce sale transaction are classified as net sales, and the related shipping and handling costs are classified as cost of goods sold, buying and occupancy costs in our consolidated statements of operations. Associate discounts are classified as a reduction of net sales in our consolidated statements of operations. Net sales exclude sales tax collected from customers which is ultimately remitted to governmental authorities.

Additionally, we earn royalties on a development agreement with an unaffiliated franchisee for stores operating in the Middle East. Under this agreement, the third-party operates stores that sell Express branded apparel and accessories purchased from us. We recognize royalty revenue when sales entitling us to royalty revenue occur at each of the franchisee locations, and receive payment for these royalties one month in arrears. Royalties are included in net sales in our consolidated statements of operations.

We reserve for projected merchandise returns based on historical experience and various other assumptions that we believe to be reasonable. Merchandise returns are often resaleable merchandise and are refunded by issuing the same payment tender of the original purchase. Merchandise exchanges of the same product and price are not considered merchandise returns and, therefore, are not included in the population when calculating the sales returns reserve.

We sell gift cards in our retail stores and through our e-commerce website and third parties, which do not expire or lose value over periods of inactivity. We account for gift cards by recognizing a liability at the time a gift card is sold. We recognize income from gift cards when they are redeemed by the customer. In addition, income on unredeemed gift cards is recognized when it can be determined that the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The gift card breakage rate is based on historical redemption patterns.

### ***Inventories***

Inventories are principally valued at the lower of cost or market on a weighted-average cost basis. We record a lower of cost or market adjustment to our inventories, which is reflected in cost of goods sold, buying and occupancy costs in our consolidated statements of operations, if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. The lower of cost or market adjustment calculation requires management to make assumptions and estimates, which are based on factors such as merchandise seasonality, historical trends and estimated inventory levels, including sell-through of remaining units.

We also record an inventory shrinkage reserve calculated as a percentage of cost of sales for estimated merchandise losses for the period between the last physical inventory count and the balance sheet date. These estimates are based on historical percentages and can be affected by changes in merchandise mix and/or changes in shrinkage trends. We perform physical inventory counts twice a year (once each season) for the entire chain of stores and adjust the shrinkage reserve accordingly. If actual physical inventory losses differ significantly from the estimate, our results of operations could be adversely impacted. The shrinkage reserve reduces the value of total inventory and is a component of inventories on our consolidated balance sheets.

### ***Business Combinations***

We account for business combinations under the purchase accounting method. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired



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requires us to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over fair value of the tangible and intangible assets acquired, if any, is allocated to goodwill. On July 6, 2007, we were subject to a business combination in which Limited Brands sold a 75% interest in our company to investment funds managed by Golden Gate in exchange for cash. As a result, the purchase price paid to effect the Golden Gate Acquisition was allocated to state the assets acquired and liabilities assumed at their fair value.

***Valuation of Long-lived Assets***

Property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset at the store level, the lowest identifiable level of cash flow, if applicable. If the sum of the estimated undiscounted future cash flows related to the asset are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted cash flow analysis of the asset. Factors used in the valuation of long-lived and intangible assets with finite lives include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows. Impairment charges are included in cost of goods sold, buying and occupancy costs in our consolidated statement of operations.

Intangible assets with indefinite lives, primarily trade names, are reviewed for impairment annually in the fourth quarter and may be reviewed more frequently if indicators of impairment are present. The impairment review is performed by comparing the carrying value to the estimated fair value, usually determined using a discounted cash flow methodology. Factors used in the valuation of intangible assets with indefinite lives include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows.

The discounted cash flow models used to estimate the applicable fair values involve numerous estimates and assumptions that are highly subjective. Changes to these estimates and assumptions could materially impact the fair value estimates. The estimates and assumptions critical to the overall fair value estimates include: (1) estimated future cash flow generated at the store level; and (2) discount rates used to derive the present value factors used in determining the fair values. These and other estimates and assumptions are impacted by economic conditions and expectations of management and may change in the future based on period-specific facts and circumstances. If economic conditions were to deteriorate, future impairment charges may be required.

***Claims and Contingencies***

We are subject to various claims and contingencies related to legal, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the consolidated financial statements is based on management's view of the expected outcome of the applicable claim or contingency. Management may also use outside legal advice on matters related to litigation to assist in the estimating process. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible, or if an estimate is not determinable, disclosure of a material claim or contingency is disclosed in the notes to our consolidated financial statements. We re-evaluate these assessments on a quarterly basis or as new and significant information becomes available to determine whether a liability should be established or if any existing liability should be adjusted. However, the ultimate outcome of various legal issues could be different than management's estimates and, as a result, adjustments may be required.

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### ***Income Taxes***

Effective May 7, 2007, we reorganized as a partnership for federal income tax purposes. As such, with the exception of a limited number of state and local jurisdictions, we were no longer subject to income taxes. The members of the company, and not the company itself, were subject to income tax on their distributive share of our earnings from May 7, 2007 forward. We paid distributions to the members to fund their tax obligations attributable to taxable income of our company.

We account for income taxes using the asset and liability method. Under this method, the amount of taxes currently payable or refundable is accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences that currently exist between the tax basis and the financial reporting basis of our assets and liabilities. For periods up to the effective date of our reorganization as a partnership for federal income tax purposes, deferred taxes were recognized on a separate company basis because we were taxable as a corporation until then. When we were taxed as a partnership, our deferred taxes for periods ending after May 7, 2007 were related to a limited number of state and local jurisdictions.

Deferred tax assets and liabilities are measured using the enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized through continuing operations in the period that includes the enactment date of the change. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future.

In July 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Financial Interpretation 48 ( FIN 48 ), Accounting for Uncertainty in Income Taxes (codified primarily in Accounting Standards Codification 740 ( ASC 740 )), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards 109, Accounting for Income Taxes (codified primarily in ASC 740). FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more- likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with ASC 740 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense and the effective tax rate in the period in which the new information becomes available.

We adopted FIN 48 effective February 4, 2007. As a result of the implementation of FIN 48, we recognized an increase of \$0.7 million in our liability for unrecognized tax benefits, which was accounted for as a reduction to the February 4, 2007 retained earnings balance. Including this adjustment, we had \$9.7 million of unrecognized tax benefits at February 4, 2007. Limited Brands retained the amount of FIN 48 liability for unrecognized tax benefits for any Predecessor period up to and including the date of the Golden Gate Acquisition.

We recognize interest and penalties related to unrecognized tax benefits within income tax expense in the consolidated statements of operations. Accrued interest and penalties are included within the related tax liability line on our consolidated balance sheets.

We may be subject to periodic audits by the Internal Revenue Service and other taxing authorities. These audits may challenge certain of our tax positions, such as the timing and amount of deductions and allocation of taxable income to the various jurisdictions.

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### ***Share-Based Payments***

We recognize share-based compensation expense over the requisite service period expected to vest for stock awards issued to members of management based upon fair values at the grant date. We granted our first stock awards in December 2007 as a standalone company.

We use a contingent claims approach utilizing the Black-Scholes option pricing model to estimate the fair value of share-based payment awards on the grant date. We also take into consideration the rights and preferences of awarded equity incentives. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the valuation of stock awards, which affects compensation expense related to these awards. These assumptions include an estimate of the time to liquidity event, volatility and risk free rate over a period of time corresponding to the time to liquidity event. Since, prior to the IPO, our stock had not been publicly traded and there is no historical or implied volatility information available, it is necessary to use historical volatility of shares of comparable publicly traded companies. When selecting comparable companies, consideration is given to industry similarity, financial data availability, active trading volume and capital structure.

Another factor involving judgment that affects the expensing of share-based payments includes estimated forfeiture rates of share-based awards. These assumptions represent our best estimates and involve inherent uncertainties and the application of management judgment. If any of the assumptions used in the Black-Scholes model change significantly, share-based compensation for future awards may differ materially from the awards previously granted.

In the absence of a public trading market prior to the IPO, management considered numerous objective and subjective factors, including information provided by an outside valuation firm, to determine its best estimate of the fair market value of our common stock as of each valuation date. Valuations were performed annually, around the end of the third quarter or in the fourth quarter. We used the most recent valuation closest to the date shares were granted, and evaluated the results of the next valuation to determine if adjustments to the grant date fair value were required. In valuing Express Parent's Class A and Class C Units, we first determined a business enterprise value by taking an average of the values calculated under two valuation approaches, the Income Approach and the Market Approach.

The Income Approach indicates the fair value of total invested capital based on the value of cash flows that the business can be expected to generate in the future. This approach is typically estimated through a discounted cash flow method using our weighted average cost of capital, which is calculated by weighting the required return on interest-bearing debt and common and preferred equity capital in proportion to their estimated percentages in an expected capital structure and is composed of four steps: estimate future cash flows for a certain discrete projection period; discount these cash flows to present value at a rate of return that considers the relative risk of achieving the cash flows and the time value of money; estimate the residual value of normalized cash flows subsequent to the discrete projection period; and combine the present value of the residual cash flows with the discrete projection period cash flows to indicate the fair value of a marketable controlling interest in the business.

The Market Approach indicates the fair value of total invested capital based on a comparison of our company to comparable companies in similar lines of business that are publicly traded or which are part of a public or private transaction as well as prior company transactions. This approach can be estimated through the market comparable method, which compares our company to publicly traded companies in similar lines of business. The conditions and prospects of companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar businesses yields insight into investor perceptions and, therefore, the value of our company. After identifying and selecting the comparable publicly traded companies, their business and financial profiles are analyzed for relative similarity. Consideration for factors such as size, growth, profitability, risk and return on investment are also analyzed and compared to the comparable businesses. Once these differences and similarities

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are determined and proper adjustments are made, multiples of the publicly traded companies are calculated and applied to our operating results to estimate a marketable, minority interest value, to which a control premium is applied, as appropriate, to indicate a marketable, controlling interest value.

The amount of share-based compensation expense we recognize during a period is based on the portion of the awards that are ultimately expected to vest. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates.

### **Recently Issued Accounting Pronouncements**

#### ***Accounting Standard Codification ( Codification ) and the Hierarchy of GAAP***

In June 2009, the FASB issued Accounting Standards Codification ( ASC ) Subtopic 105, Generally Accepted Accounting Principles, which reorganizes the thousands of United States GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. This standard establishes two levels of GAAP, authoritative and non-authoritative. The Codification is the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. Effective February 1, 2009, we changed our historical United States GAAP references to comply with the Codification. The adoption of this guidance did not impact our results of operations, financial condition or liquidity since the Codification is not intended to change or alter existing United States GAAP.

#### ***Subsequent Events***

In May 2009 and February 2010, the FASB issued authoritative guidance included in ASC Subtopic 855, Subsequent Events, which incorporates guidance on subsequent events into authoritative accounting literature and clarifies the time following the balance sheet date that must be considered for subsequent events disclosures in the financial statements. We adopted this guidance effective February 1, 2009, and there was no material impact on our consolidated financial statements.

#### ***Fair Value Measurements***

In April 2009, the FASB issued authoritative guidance included in ASC Subtopic 825, Financial Instruments, intended to provide additional accounting guidance and enhanced disclosures of fair values of certain financial instruments in interim and annual financial statements. We adopted this guidance effective February 1, 2009, and there was no material impact on our consolidated financial statements.

#### ***Intangibles Goodwill and Other***

In April 2008, the FASB issued authoritative guidance included in ASC Subtopic 350 Intangibles Goodwill and Other, which is intended to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted this guidance effective February 1, 2009, and there was no material impact on our consolidated financial statements.

#### ***Fair Value Measurements***

In September 2006, the FASB issued authoritative guidance included in ASC Subtopic 820, Fair Value Measurements and Disclosures, which provides guidance for fair value measurement of assets and liabilities and instruments measured at fair value that are classified in shareholders equity. This guidance defines fair value, establishes a fair value measurement framework and expands fair value disclosures. It emphasizes that fair value

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is market-based with the highest measurement hierarchy level being market prices in active markets. This guidance requires fair value measurements be disclosed by hierarchy level, an entity to include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption. In February 2008, the FASB delayed the effective date for this guidance to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Accordingly, as of February 3, 2008, we adopted the authoritative guidance for financial assets and liabilities only on a prospective basis. As of February 1, 2009, we adopted the remaining provisions. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

## **Quantitative and Qualitative Disclosures About Market Risk**

### ***Interest Rate Risk***

We are subject to interest rate risk in connection with borrowings under our Opco credit facilities, which bear interest at variable rates. Borrowings under our Senior Notes bear interest at fixed rates. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

From July 6, 2007 until August 6, 2010, we were party to a receive variable/pay fixed interest rate swap agreement to mitigate exposure to interest rate risk on a notional principal amount of \$75.0 million of the \$125.0 million variable-rate Opco term loan. The interest rate swap agreement terminated on August 6, 2010. As of October 30, 2010, the weighted average rate on the outstanding balance of our Opco term loan and Opco revolving credit facility was 4.68%. As of October 30, 2010, a 100 basis point change in interest rates would have increased or decreased interest expense by approximately \$1.2 million.

### ***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 immaterial.

## **Internal Control Over Financial Reporting**

We restated our 2007 Successor period and fiscal 2008 financial statements after certain accounting errors were identified that we determined to be material. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weaknesses in its internal controls: (1) we did not have the appropriate resources and controls to properly account for our deferred taxes, which resulted in adjustments to our income tax expense of \$1.1 million and \$0.2 million in the 2007 Successor period and in fiscal 2008, respectively, and (2) we did not have adequate oversight and controls related to the accounting for complex agreements arising from transactions unrelated to our core business operations, which resulted in the following errors.

*Golden Gate Advisory Agreement.* Prior to the IPO, we were required to pay an annual management fee to Golden Gate under an Advisory Agreement entered into with Golden Gate in connection with the Golden Gate Acquisition. The actual advisory fee and out-of-pocket expenses payable to Golden Gate were \$3.6 million and \$4.2 million in the 2007 Successor period and in fiscal 2008, respectively. We had previously only accrued or paid \$3.1 million and \$2.4 million related to the 2007 Successor period and in 2008, respectively. This resulted in the understatement of accounts payable and accrued expenses related parties and other operating expense, net by \$0.5 million and \$1.8 million in the 2007 Successor period and in fiscal 2008, respectively. See Certain Relationships and Related Party Transactions Golden Gate Acquisition Golden Gate Advisory Agreement.

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*LLC Agreement.* Prior to the IPO, we were required to pay an advisory fee to Limited Brands under the LLC Agreement. The fee payable to Limited Brands was \$1.2 million and \$1.3 million in the 2007 Successor period and in fiscal 2008, respectively. We did not accrue or pay these amounts, which resulted in the understatement of accounts payable and accrued expenses related parties and other operating expense, net by \$1.2 million and \$1.3 million in the 2007 Successor period and in fiscal 2008, respectively. See Certain Relationships and Related Party Transactions Golden Gate Acquisition LLC Agreement.

*Transition Services Agreement.* We were required to pay certain fees to Limited Brands for certain services provided to us under a transition services agreement. In transitioning services from Limited Brands, we overstated accrued expenses for real estate charges because payments we made were not reflected as reductions to the related liability. This resulted in an overstatement of cost of goods sold, building and occupancy costs of \$0.4 million in fiscal 2008. See Certain Relationships and Related Party Transactions Golden Gate Acquisition Limited Brands Transition Services Agreement.

*Unit Purchase Agreement.* When we accounted for the Golden Gate Acquisition under the Unit Purchase Agreement, we adopted an accounting policy that caused us to prematurely recognize as a liability the expense for costs related to employee relocation before the costs were actually incurred. This resulted in an overstatement of general, administrative and store operating expenses of \$0.6 million and \$0.3 million in the 2007 Successor period and in fiscal 2008, respectively. We also incorrectly accounted for certain property tax payments made pursuant to the unit purchase agreement which resulted in an overstatement of \$0.3 million and an understatement of \$0.4 million of general, administrative and store operating expenses in the 2007 Successor period and in fiscal 2008, respectively. See Certain Relationships and Related Party Transactions Golden Gate Acquisition Purchase Agreement.

We have remediated the material weakness associated with accounting for deferred taxes as a result of expanding our senior level resources in our tax, accounting and financial reporting groups in fiscal 2008. During the second quarter of 2010, we remediated the material weakness associated with accounting for complex agreements arising from transactions unrelated to our core business operations, by, among other things, establishing an internal committee of accounting, finance, tax, legal and internal audit personnel to review our policies and the accounting treatment and business implications of complex agreements outside the ordinary course of business. This committee established a charter, selected members and holds regular meetings. In addition, we hired a Director of External Reporting to expand our financial reporting resources and a Senior Corporate Counsel to expand our legal resources.

**Table of Contents****BUSINESS****Our Company**

Express is the sixth largest specialty retail apparel brand in the United States. With 30 years of experience offering a distinct combination of style and quality at an attractive value, we believe we are a core shopping destination for our customers and that we have developed strong brand awareness and credibility with them. We target an attractive and growing demographic of women and men between 20 and 30 years old. We offer our customers an edited assortment of fashionable apparel and accessories to address fashion needs across multiple aspects of their lifestyles, including work, casual and going-out occasions. Since we became an independent company in 2007, we have made several significant changes to our business model, including completing the conversion of our stores to a dual-gender format, re-designing our go-to-market strategy and launching our e-commerce platform, all of which we believe have improved our operating profits and positioned us well for future growth and profitability.

As of October 30, 2010, we operated 582 stores. Our stores are located primarily in high-traffic shopping malls, lifestyle centers and street locations across the United States and in Puerto Rico, and average approximately 8,700 square feet. We also sell our products through our e-commerce website, [express.com](http://express.com). Our stores and website are designed to create an exciting shopping environment that reflects the sexy, sophisticated and social brand image that we seek to project. Our product offering includes both women's and men's apparel and accessories, of which women's represented 66% of our net sales and men's represented 34% of our net sales during the thirty-nine weeks ended October 30, 2010. Our product assortment is a mix of core styles balanced with the latest fashions, a combination we believe our customers look for and value in our brand. For fiscal 2009, we generated net sales, net income and Adjusted EBITDA of \$1,721.1, \$75.3 and \$229.8 million, respectively. Our Adjusted EBITDA increased 168% from \$85.9 million in fiscal 2006 to \$229.8 million in fiscal 2009. For the thirty-nine weeks ended October 30, 2010, we generated net sales, net income and Adjusted EBITDA of \$1,284.3, \$79.0 and \$196.8 million, respectively. Our Adjusted EBITDA increased 36% from \$145.1 million in the thirty-nine weeks ended October 31, 2009 to \$196.8 million in the thirty-nine weeks ended October 30, 2010. See Prospectus Summary Summary Historical Consolidated Financial and Operating Data for a discussion of Adjusted EBITDA, an accompanying presentation of the most directly comparable GAAP financial measure and a reconciliation of the differences between Adjusted EBITDA and the most directly comparable GAAP financial measure, net income.

**History and Recent Accomplishments**

We opened our first store in 1980, in Chicago, Illinois as a division of Limited Brands, Inc., and launched our men's apparel line in 1987, which we rebranded under the name Structure in 1989. In the mid 1990's, we experienced a period of rapid expansion, resulting in the operation of over 1,000 stores by 2000, including in many cases a women's and men's store in the same shopping center. In 2001, we began to consolidate our separate women's and men's stores into combined dual-gender stores under the Express brand. In 2007, we began to operate as a standalone company and have since implemented and completed numerous initiatives to strengthen our business, including:

*Transitioned to Standalone Company.* As a standalone company, we have made a number of changes to improve our organization, reinvest in our business and align incentives with our performance. Among these, we rehired Michael Weiss as our President and Chief Executive Officer in July 2007. Mr. Weiss has been President of Express for over 20 years and has more than 40 years of experience in our industry. We have also worked to build depth in our organization, including by strengthening our merchandising and design teams and improving the processes by which we make product decisions. In addition, we have transitioned our corporate structure and team to be more entrepreneurial and focus decisions on profitability and return on investment instead of sales volume maximization.

*Completed Dual-Gender Store Conversion.* During the last nine years, we have significantly improved the efficiency of our store base by consolidating separate women's and men's stores that were located in the

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same shopping center into combined dual-gender stores. Over this time period, this conversion has allowed us to reduce our total gross square footage by approximately 30%. In shopping centers where conversions took place, we reduced our square footage per center from approximately 13,500 square feet to approximately 8,700 square feet. We believe our converted store model has resulted in higher store productivity and lower store expenses, leading to increased profitability.

*Redesigned Go-To-Market Strategy.* Since 2007, we have revised the process by which we design, source and merchandise our product assortment. We now design a greater number of styles, colors and fits of key items for each season and test approximately three-quarters of our product early in each season at a select group of stores before ordering for our broader store base. Based on the data gathered from product testing, our merchants are able to refine and narrow the items ordered for each season. We have also worked with our vendors to reduce our lead times, allowing us to make buying decisions closer to each selling season. We believe the results of these changes are higher product margins from reduced markdowns, lower inventory risk and a more relevant product offering for our customers.

*Reinvested in Our Business to Support Growth.* Over the past three years, we have expanded several of our key functional departments and shifted our marketing focus to better position our company for long-term growth. For example, we have increased the number of merchants by 50%, allowing our merchandising organization to focus on specific sub-categories and lines to ensure we have consistent quality and design offered across our broad range of fashion products. In addition, we have placed increased focus on long-term brand-building initiatives.

*Launched Express.com.* We launched our e-commerce website, express.com, in July 2008, offering our customers a new channel to access our products. We believe our e-commerce platform has improved the efficiency of our business by allowing us to monitor real-time customer feedback, enhancing our product testing capabilities, expanding our advertising reach and providing us with a merchandise clearance channel. In fiscal 2009, our e-commerce sales increased 231% relative to fiscal 2008 but still only represented approximately 5% of our net sales. In the thirty-nine weeks ended October 30, 2010, our e-commerce sales increased 58% over the thirty-nine weeks ended October 31, 2009, but still only represented approximately 7% of our net sales through the first thirty-nine weeks of fiscal 2010.

## **Competitive Strengths**

We attribute our success to the following competitive strengths:

*Established Lifestyle Brand.* With 30 years of brand heritage, we have developed a distinct and widely recognized brand that we believe fosters loyalty and credibility among our customers who look to us to provide the latest fashions and quality at an attractive value. We are the sixth largest specialty retail apparel brand in the United States in terms of 2009 sales and we believe we are the largest specialty lifestyle brand focused on the 20 to 30 year old customer demographic. According to the 2007 Market Survey, we have more than 90% aided brand awareness among our core customer demographic. We believe that our brand awareness and product offering make our stores a compelling and frequent destination for our customers.

*Attractive Market and Customer Demographic.* According to the NPD Group, in the twelve months ended September 30, 2010, our brand represented approximately 5% of the \$19 billion specialty apparel market for 18 to 30 year old women and men in the United States. During that period, this specialty apparel market accounted for 43% of the \$44 billion total apparel market for 18 to 30 year old women and men in the United States. Our customer demographic is a growing segment of the United States population, and we believe that the Express brand appeals to a particularly attractive subset of this group. Based on the 2007 Market Survey, our customers are frequent, fashion-conscious shoppers who spend a higher percentage of their budget on fashion compared to the broader population and shop for clothing at least once every few weeks, and our female customers spend approximately \$1,700 on clothing annually, nearly 50% more than the average female specialty retail shopper.



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*Sophisticated Design, Sourcing and Merchandising Model.* We believe that we have an efficient, diversified and flexible supply chain that allows us to quickly identify and respond to trends and to bring a tested assortment of products to our stores. We believe our model allows us to better meet customer needs and enables us to reduce inventory risk and improve product margins from reduced markdowns. We design our entire product assortment in our New York City design studio based on an extensive review of fashion trends, styles, fabrics, colors and fits for the upcoming season. Our product testing processes early in the season allow us to test approximately three-quarters of our merchandise in select stores before placing orders for our broader store base. In addition, we assess sales data and new product development on a weekly basis in order to make in-season inventory adjustments where possible and to allow us to respond to the latest trends. We utilize a diversified network of third-party manufacturers located throughout the world that we believe allows us to source the high quality products that our customers demand at competitive prices.

*Optimized Real Estate Portfolio.* Our stores are located in high-traffic shopping malls, lifestyle centers and street locations in 47 states across the United States, and are diversified across all regions. During the last nine years we have completed the conversion of our store base into dual-gender stores from separate women's and men's stores, which has reduced our total square footage by approximately 30%. We believe that over this period, this conversion has brought our average store size in-line with other dual-gender specialty retailers, has contributed to improved per store sales and profitability and has positioned us to continue to drive improvement in store sales and margins. We believe we also benefit from 30 years of operating experience identifying and opening new stores. As a result of our strong brand and established presence, we have been able to acquire high-traffic locations in most retail centers in which we operate. Substantially all of our stores were profitable in fiscal 2009.

*Proven and Experienced Team.* Michael Weiss, our President and Chief Executive Officer, has more than 40 years of experience in the fashion industry and has served as our President for over 20 years. In addition, our senior management team has an average of 25 years of experience across a broad range of disciplines in the specialty retail industry, including design, sourcing, merchandising and real estate. Experience and tenure with Express extends deep into our organization. For example, our district managers and store managers have been with Express for an average of ten years and seven years, respectively.

## **Business Strategy**

Key elements of our business and growth strategies include the following:

*Improve Productivity of Our Retail Stores.* We believe that the efforts we have taken over the last several years to optimize our store base through conversion to dual-gender stores and to improve our go-to-market strategy have positioned us well for future growth. We seek to grow our comparable store sales and operating margins by executing the following initiatives:

*Continuing to Refine Our Go-to-Market Strategy.* As we increase testing and refine our go-to-market strategy, we believe our in-store product assortment will be more appealing to our customers and will help us to decrease markdowns and increase sales and product margins;

*Recapture Market Share in Our Core Product Categories.* Approximately five years ago we shifted our product mix, which included a high percentage of tops, casual bottoms and denim to increase our focus on a more premium wear-to-work assortment. In the last several years we have re-focused on a broader lifestyle clothing mix consistent with our brand heritage. Based on our historical peak sales levels across product categories, we believe there is opportunity for us to recapture sales as our customers re-discover Express in certain product categories, which are specifically casual and party tops, dresses and denim. We believe our efforts to deliver a clear and consistent brand message provides us with additional opportunities to increase sales in core categories that will allow us to return to historical volumes; and

*Improve Profit Margins.* We believe we have the opportunity to continue to improve margins through further efficiencies in sourcing and continued refinement of our merchandising strategy. We plan to leverage our infrastructure, corporate overhead and fixed costs through our converted dual-gender store format.

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*Expand Our Store Base.* While there has been significant growth in retail shopping centers during the last decade, we have focused on converting our existing store base to a dual-gender format and have opened few new stores over this time period. As a result, we believe there are numerous attractive, high-traffic locations that present opportunities for us to expand our store base. We currently plan to open an average of 30 stores across the United States and Canada over each of the next five years, which represents annual store growth of approximately 5%, with slightly less than 30 stores in the earlier years and slightly more than 30 stores in the latter years.

*Expand Our e-Commerce Platform.* In July 2008, we launched our e-commerce platform at express.com, providing us with a direct-to-consumer sales channel. In fiscal 2009, our e-commerce sales increased 231% relative to fiscal 2008 but still only represented approximately 5% of our net sales in fiscal 2009. In the thirty-nine weeks ended October 30, 2010, our e-commerce sales increased 58% over the thirty-nine weeks ended October 31, 2009, but still only represented approximately 7% of our net sales through the first thirty-nine weeks of fiscal 2010. We believe that our target customer regularly shops online, and we see continued opportunity to grow our e-commerce business by providing our customers with a seamless retailing experience. In addition, we believe our multi-channel platform will allow us to continue to improve overall profit margins as our e-commerce business becomes an increased percentage of our sales.

*Expand Internationally with Development Partners.* We believe Express has the potential to be a successful global brand. We recently have begun to bolster our brand image and awareness outside of the United States. As of October 30, 2010, there were six Express stores in the Middle East, which were constructed through a development agreement with Alshaya Trading Co. Through our development agreement, we earn royalty payments from these stores with no capital investment or inventory risk. The agreement allows us to control our brand image, store design and the product assortment offered in these stores. Over the next five years, we believe there are additional opportunities to expand the Express brand internationally through additional low capital development arrangements.

## **Our Industry**

According to the NPD Group, a leading provider of global market information, retail sales of domestic apparel totaled \$190 billion in the United States in the twelve months ended September 30, 2010. We operate primarily in the specialty retail distribution channel of this market, which represented 31.7% of the total industry, or \$60.2 billion in retail sales, in the twelve months ended September 30, 2010. According to the United States Census Bureau, the specialty retail channel has grown 37% from 2000 to 2007 and continues to gain share from the department store channel. Our core customer demographic within this segment is 20 to 30 year old women and men. According to the United States Census Bureau, this segment of the population is growing, with steady growth projected through 2015.

## **Our Products**

We offer our customers an edited assortment of fashionable merchandise to address multiple aspects of their lifestyle, including work, casual and going-out occasions. Our products are created by our in-house design team and range from core styles to the latest fashions. We believe we have developed a portfolio of products that have significant brand value, including the Editor pant, of which we have sold approximately 17.5 million over the last seven years, Essential and IMX shirts, and our Stella, Zelda and Eva lines of denim. We believe our products offer our customer an attractive value. We focus on providing our customers with items made from high-quality materials that are designed to last for several seasons, and we believe our customers have come to expect durability from our brand. For the thirty-nine weeks ended October 30, 2010, approximately 66% of our net sales were from women's apparel and accessories and 34% were from men's apparel and accessories.

We design our products and display them in our stores in a coordinated manner to encourage our customers to purchase multi-item outfits as opposed to individual items. We believe this allows us to better meet our

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customers' shopping objectives while differentiating our product line from competitors. On average, our customers purchase two to three items per transaction. In season, we monitor cross-selling trends in order to optimize our in-store and online product assortment and collection recommendations.

### **Design and Merchandising**

Our internal design and merchandising team designs high-quality products that reinforce our brand image. Our products are designed to reflect the latest fashions and colors, and we seek to incorporate high-quality fabrics and construction as well as consistent fits and detailing. We have strategically located our design studio on 5th Avenue in New York City to ensure that our staff of over 50 designers are immersed in the heart of New York City's fashion community and have easy access to inspiration from other high-fashion markets in Europe and abroad. We believe our dual offices in New York City and Columbus, Ohio provide us a balanced design and merchandising perspective.

We develop four seasonal collections per year and then subdivide them so that we have monthly product introductions in our stores. The seasonal design process begins approximately 45 weeks in advance of store delivery with a collaborative planning effort between our designers, merchandisers and finance staff. Each season is carefully planned based on a number of inputs, including the previous year's sales, recent fashion trends and customer feedback. Over the course of the design process, the seasonal assortment is refined based on in-store tests and continual review of fashion trends. We engage in early season testing across all product categories and test approximately three-quarters of our merchandise in select stores before placing orders for our company-wide store base. In addition, our designers establish contingency plans in the event that a particular product performs differently than anticipated. We assess sales data on a weekly basis in order to make in-season inventory adjustments where possible and to allow us to respond to the latest trends. We utilize a broad base of manufacturers located throughout the world that we believe produce goods at the levels of quality that our customers demand, and we are able to use manufacturers from this base that can supply products to us on a timely basis at competitive prices relative to our other providers. We conduct extensive post-season reviews of our products to identify areas in which our merchandising process can be improved. We believe that each of these components of our merchandising model helps us to maximize our sales and margins and reduce our inventory risk. As a result, a greater percentage of our products are sold at full-price, and we have experienced an approximate 30% reduction in markdowns since 2007.

### **Sourcing**

#### *Our Sourcing Strategy*

Our sourcing approach is focused on optimizing quality, speed of production and cost of our merchandise and is a key element of our success. To accomplish this, we have established collaborative relationships with our third-party vendors and agents. We believe our sourcing strategy maximizes our speed to market and allows us to respond quickly to customers' preferences. We have weekly calls with many of our vendors to optimize the use of fabric and supplies to meet the needs of our customers. We have the ability in our supply chain to place and receive orders within eight to twelve weeks, and also have the ability to track popular items and place refill orders and re-stock merchandise at our distribution center within five to eight weeks.

#### *Our Sourcing Methods*

We do not own or operate any manufacturing facilities and as a result contract with third-party vendors for production of our merchandise. We purchase apparel and accessories both from importers, including through intermediaries, and directly from manufacturers. Our relationships with our direct manufacturers are sometimes supported by intermediaries, who help coordinate our purchasing requirements with the factories. In exchange for a commission, these buying agents identify suitable vendors and coordinate our purchasing requirements with vendors by placing orders for merchandise on our behalf, ensuring the timely delivery of goods to us, obtaining samples of merchandise produced in factories, inspecting finished merchandise and carrying out administrative

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communications on our behalf. One of the buying agents we work with is MAST Industries, Inc., an affiliate of Limited Brands. Our relationship with MAST is discussed in the section entitled *Certain Relationships and Related Party Transactions*.

We purchase the majority of our merchandise outside of the United States through arrangements with approximately 90 vendors utilizing approximately 350 foreign manufacturing facilities located throughout the world, primarily in Asia and Central and South America. Our top ten manufacturers, based on cost, supplied 34% of our merchandise in fiscal 2009. MAST assisted us with the purchase of \$359.9 million, \$616.3 million and \$480.7 million of our goods in the 2007 Successor period, fiscal 2008 and fiscal 2009, respectively, representing 87%, 76% and 68% of total goods purchased during those periods. Approximately 92% to 96% of the amounts paid to MAST consist of pass through costs for products sourced from manufacturers that we have a direct relationship with. The remainder of the amounts paid to MAST relate to fees charged to us in their capacity as a buying agent. Our unit volumes, long-established vendor relationships and our knowledge of fabric and production costs, combined with a flexible, diversified sourcing base, enable us to buy high-quality, low cost goods. We source from over 25 countries and are not subject to long-term production contracts with any of our vendors, manufacturers or buying agents.

### *Quality Assurance and Compliance Monitoring*

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, contained within our Master Sourcing Agreement, 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 it forbids the use of practices such as child labor or forced labor. We monitor compliance through the use of third parties who conduct regular factory audits.

### **Distribution**

We centrally distribute finished products from third-party distribution centers in Columbus, Ohio and Groveport, Ohio. The Columbus, Ohio facility is approximately 418,000 square feet and is operated under a long-term logistics services agreement with an affiliate of Limited Brands. Our long-term contract with an affiliate of Limited Brands is discussed in the section entitled *Certain Relationships and Related Party Transactions*. All of our merchandise is received, inspected, processed, warehoused and distributed through the Columbus distribution facility. Merchandise is typically shipped to our stores and to the Groveport distribution facility via third-party delivery services multiple times per week, providing them with a steady flow of new inventory.

The third-party distribution facility in Groveport, Ohio is used to fulfill all orders placed through our website. This facility is owned and operated by an affiliate of Golden Gate. Merchandise at this facility is received from our Columbus, Ohio distribution facility and is sent directly to customers via third-party delivery services. We recently transitioned our fulfillment operations to the facility in Groveport, Ohio from a facility in Warren, Pennsylvania, which was also owned and operated by an affiliate of Golden Gate. We believe that this transition will provide several benefits including faster replenishment of out-of-stock inventory, more efficient trucking lanes to our customers, reduced delivery costs, and ease of oversight and management of our third party provider.

We believe our customer call center, order fulfillment and distribution operations are designed to handle customer orders and distribute merchandise to stores in a customer-friendly, efficient and cost-effective manner. We believe that these facilities are sufficient to accommodate our expected growth over the next several years.

For additional information on our third-party distribution relationships, see *Certain Relationships and Related Party Transactions*.

**Table of Contents****Our Stores**

As of October 30, 2010, we operated 582 stores in 47 states throughout the United States, District of Columbia and Puerto Rico, including 539 dual-gender stores, 25 women's stores and 18 men's stores. Our retail stores are located in high-traffic shopping malls, lifestyle centers and street locations. Over the last several years, we have actively consolidated our presence in most of our shopping centers into one dual-gender store from separate women's and men's stores. We believe this consolidation allows us to compete more effectively with other dual-gender specialty retailers and has significantly improved our productivity, contributing to an increase in net sales per gross square foot from \$260 in 2001 to \$321 in 2009. These stores are generally in locations that we consider to be favorable and in some cases where adequate space for a dual-gender store is not available.

Our average retail store is approximately 8,700 square feet and generates sales of approximately \$2.9 million per year. The first table below indicates certain historical information regarding the number of stores by type of location, the total gross square footage (which includes retail selling, storage and back-office space) of all stores and the average gross square footage of our stores as of the end of the fiscal year indicated. The second table below indicates certain historical information regarding the number of women's stores, men's stores and dual-gender stores as of the end of the fiscal period indicated.

	2004	2005	2006	2007	2008	2009
Mall	760	627	551	490	480	473
Lifestyle Center	71	73	69	68	74	75
Street	53	43	38	29	27	25
Total	884	743	658	587	581	573
Total gross square footage (in thousands)	6,867	6,477	5,777	5,142	5,032	4,995
Average gross square footage	7,768	8,718	8,780	8,760	8,661	8,716
Women's stores	467	326	195	67	42	29
Men's stores	223	113	69	34	26	19
Dual-gender stores	194	304	394	486	513	525
Total stores	884	743	658	587	581	573
Percentage of total stores that are dual-gender stores	22%	41%	60%	83%	88%	92%

**Table of Contents*****Store Locations***

The following store list shows the number of stores we operated as of October 30, 2010:

<b>State</b>	<b>Count</b>
Alabama	9
Arizona	8
Arkansas	2
California	71
Colorado	11
Connecticut	9
Delaware	3
District of Columbia	2
Florida	39
Georgia	18
Hawaii	1
Idaho	1
Illinois	32
Indiana	11
Iowa	8
Kansas	4
Kentucky	5

<b>State</b>	<b>Count</b>
Louisiana	7
Maine	2
Maryland	9
Massachusetts	18
Michigan	20
Minnesota	14
Mississippi	2
Missouri	11
Nebraska	3
Nevada	7
New Hampshire	4
New Jersey	21
New Mexico	3
New York	39
North Carolina	15
North Dakota	1
Ohio	20

<b>State</b>	<b>Count</b>
Oklahoma	5
Oregon	3
Pennsylvania	25
Puerto Rico	2
Rhode Island	3

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South Carolina	9
South Dakota	1
Tennessee	11
Texas	52
Utah	5
Vermont	1
Virginia	19
Washington	7
West Virginia	1
Wisconsin	8
<b>Total</b>	<b>582</b>

*Store Design and Environment.* We design our stores to create a distinctive and engaging shopping environment that we believe resonates with our customers. Our stores feature a vibrant and youthful look, bright signage and popular music. Our stores are constructed and finished to allow us to efficiently shift merchandise displays throughout the year as seasons dictate. To further enhance our customers' experience, we seek to attract enthusiastic store associates who are knowledgeable about our products and are able to offer superior customer service and expertise. We believe that our store atmosphere enhances our brand as a provider of the latest fashions.

### ***North American Store Growth***

Now that we have completed our transition to a dual-gender store base, we plan to open an average of 30 new stores per year in the United States and Canada in each of the next five years. Our new store strategy is to open stores of the same size, location type and productivity as in our current fleet. Based on our new stores opened since July 2008, opening new stores has consistently been an attractive use of capital by generating an average pretax cash return on investment of approximately 50%. Our average net investment to open a new store during the last three fiscal years was approximately \$0.6 million.

We intend to focus on opening stores in high-traffic malls, lifestyle centers and street locations. We plan to utilize our in-house real estate team to identify attractive locations, negotiate leases and manage the construction costs for our new stores. In selecting shopping centers in which to locate a new store, we target locations with demographics that resemble those of our current locations, including a large 18 to 30 year old customer base, and favorable lease terms. We generally seek to locate our stores in malls in which similar fashion retailers have performed well. Within the shopping centers in which we seek to locate stores, we target locations in high-traffic areas of the shopping center and near other popular retailers that cater to our customers. We also focus on evaluating the market and mall-specific competitive environment for potential new store locations. We seek to diversify our store locations regionally and by caliber of mall. We have currently identified approximately 300 potential sites for new stores with appropriate market characteristics.

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### ***International Stores***

In 2009, we entered into a development agreement in the Middle East with Alshaya Trading Co. under which the Alshaya Trading Co. constructs and operates Express stores, and we charge a royalty based on monthly sales volume. As of October 30, 2010, the Alshaya Trading Co. operated six Express stores located in Saudi Arabia, Kuwait and the United Arab Emirates under this arrangement. Beyond North America, we intend to continue to pursue development agreements to expand our global presence in the Middle East and other select regions internationally. We believe that partnering with companies and individuals who have significant experience and proven success in the target country is to our advantage because it allows us to leverage our partners' knowledge of local markets to improve our probability of success and reduce capital investment and risk.

### **Properties**

We do not own any real property. Our 161,000 square foot principal executive office and 418,000 square foot distribution facility are located in Columbus, Ohio and are leased from Limited Brands. Our Columbus, Ohio distribution facility is also operated by Limited Brands. Our lease for both facilities expires in 2016. See Certain Relationships and Related Party Transactions Golden Gate Acquisition Logistics Services Agreement. We also lease office space for our design and merchandising functions in New York City at 111 Fifth Avenue under a lease agreement that expires in July 2014.

All of our stores are leased from third parties, including three subleases from Limited Brands, and the leases typically have terms of ten years with options to renew for additional multi-year periods thereafter. Some of our leases have early cancellation clauses, which permit the lease to be terminated by us or the landlord if certain sales levels are not met in specific periods or if a shopping center does not meet specified occupancy standards. In addition to future minimum lease payments, most of our store leases provide for additional rental payments based on a percentage of net sales if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance and real estate taxes. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions.

We believe that our facilities are generally adequate for current and anticipated future use, although we may from time to time lease new facilities or vacate existing facilities as our operations require.

### **Internet Website**

Since 2008, our customers have been able to purchase our merchandise over the Internet at our website, [express.com](http://express.com). In fiscal 2009, our e-commerce sales increased 231% relative to fiscal 2008, but still only represented approximately 5% of our net sales in fiscal 2009. For the thirty-nine weeks ended October 30, 2010, our e-commerce sales increased 58% over the thirty-nine weeks ended October 31, 2009, but still only represented approximately 7% of our net sales through the first thirty-nine weeks of fiscal 2010. We design and operate our website using an in-house technical staff. Our website emphasizes simplicity and ease of customer use while integrating the Express brand's fashion-oriented imagery used in our stores. 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.

Our current fulfillment operation is located in Groveport, Ohio and is owned and operated by an affiliate of Golden Gate. We recently transitioned our fulfillment operations to the facility in Groveport, Ohio from a facility in Warren, Pennsylvania, which was also owned and operated by an affiliate of Golden Gate.

### **Store Management and Training**

We believe that our store managers and associates are key to our success. Each of our retail stores is led by a store manager and, depending on the volume of the store, one or two co-managers as well as part-time management associates. We believe that our managers and associates are committed to our customers and are



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passionate about our brand. On average, our store managers have been with Express for seven years. The number of store associates we employ generally increases during peak selling seasons, particularly the early fall shopping trends as well as the winter holiday seasons, and will increase to the extent that we open new stores.

We empower our managers and associates to deliver a superior shopping experience through training, fostering a culture of accountability and providing them with sales data that helps them to optimize their own store. While general guidelines for our merchandise assortments, store layouts and in-store visuals are provided by our home office, we give our store managers and district managers substantial discretion to tailor their stores to the individual market and empower them to make store-level business decisions. Our comprehensive training programs are offered at the store, regional and national levels. Our programs allow managers from all geographic locations to interact with each other and to exchange ideas to better operate stores. Our regional, district and store managers are compensated in part based on the sales volume of the store or stores they manage.

Through our training, evaluation and incentive programs, we seek to enhance the productivity of our store associates. Our store associates receive extensive training from their managers to improve their product expertise and selling skills. We evaluate our store associates on measures such as sales per associate hour, items per transaction and dollars per transaction to ensure consistent productivity, to reward top performers and to identify potential training opportunities. We bring our top managers to a conference each year in order to reward them for their performance and provide them with additional management training.

## **Marketing and Advertising**

We use a variety of marketing vehicles to increase customer traffic and build brand loyalty. These include direct mail offers, e-mail communications, in-store promotions and magazine, web-based banner and search advertising and social networking sites, such as Facebook and Twitter. We use our proprietary database, which includes the purchasing habits, fashion preferences and other key information on over 7.8 million households who have made purchases within the last twelve months, to tailor our marketing efforts to our customers. We have begun testing new media channels to increase our exposure to our customers in order to increase our brand value.

The success of our products also results in frequent placement and promotion of our products and brand in the mainstream media, including editorial print and television credits. We also actively work to expose our products by encouraging celebrities to wear our fashions and regularly receive press coverage of our products as a result of celebrities who wear Express clothing. In 2009, Express was referenced in approximately 500 editorial and television credits through outlets such as *Lucky*, *Cosmopolitan*, *Glamour*, *Elle*, *Marie Claire*, *InStyle*, *GQ* and *Vogue*. We believe such references reinforce our brand image and we have an in-house public relations group that works to maximize such opportunities.

We offer a private-label credit card through an agreement with World Financial Network National Bank, under which World Financial Network National Bank owns the credit card accounts and Alliance Data Systems Corporation provides services to our private-label credit card customers. All of our proprietary credit cards carry the Express brand. We believe that our credit card rewards program encourages frequent store and website visits and promotes multiple-item purchases, thereby cultivating customer loyalty to the Express brand and increasing sales.

## **Management Information Systems**

Our management information systems provide a full range of business process support and information to our store, merchandising, financial and real estate business teams. We believe the combination of our business processes and systems provides us with improved operational efficiencies, scalability, increased management control and timely reporting that allow us to identify and respond to trends in our business. We utilize a combination of customized and industry standard software systems to provide various functions related to:

point-of-sales;

inventory management;

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design;

planning and distribution; and

financial reporting.

We believe our management information systems benefit us through enhanced customer service, more efficient operations and increased control over our business.

Over the last few years, we have been transitioning to standalone information technology platforms from sharing many parts of our information systems and hardware with our former parent, Limited Brands. We completed our transition in the second quarter of 2010 after working with our existing point of sale equipment vendor to upgrade certain elements of our existing system.

### **Competition**

The specialty apparel retail market is highly competitive. We compete primarily with other specialty retailers, higher-end department stores and Internet businesses that engage in the retail sale of women's and men's apparel, accessories and similar merchandise targeting customers aged 18 to 30. We believe the principal bases upon which we compete are design, quality, price and customer service. We believe that our primary competitive advantages are consumer recognition of the Express brand name, strong real estate locations and a passionate employee sales force that creates a customer focused shopping experience. We believe that we also differentiate ourselves from competitors on the basis of our consistent look by our in-house product design team, our ability to offer a balanced assortment of core styles and the latest fashions, our focus on the quality of our product offerings and the attractive value we offer to our customers.

Our success also depends in substantial part on our ability to originate and define product and fashion trends so that we can anticipate, gauge and react to changing consumer demands on a timely basis. While we do not believe that any retailer directly competes with us on all of these attributes, we believe our competitors include other specialty retailers and department stores, including Aéropostale, American Eagle Outfitters, Banana Republic, Bebe, Forever21, Gap, Guess?, J. Crew, Macy's and Zara. Further, we may face new competitors and increased competition from existing competitors as we expand into new markets and increase our presence in existing markets.

### **Intellectual Property**

The Express trademark and certain variations thereon, such as Express Fashion, 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. In addition, we own domain names, including express.com, for our primary trademarks. We believe our material trademarks have significant value and we vigorously protect them against infringement.

### **Regulation and Legislation**

We are subject to labor and employment laws, including minimum wage requirements, laws governing advertising and promotions, privacy laws, safety regulations and other laws, such as consumer protection regulations that govern product standards and regulations with respect to the operation of our 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 United States 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

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United States customs authorities if shipments exceed quota limits, we closely monitor import quotas and believe we have a diversified sourcing network to allow us to efficiently shift production to factories located in countries with a similar manufacturing base if necessary.

### **Employees**

We currently have over 17,000 employees of which approximately 15,000 were part-time employees. Of this total number, approximately 500 employees were based at our corporate headquarters, approximately 100 regional and district managers were employed in the field and approximately 1,500 store managers and co-managers and approximately 14,000 sales associates were located in our stores. None of our employees are represented by a union and we have had no labor-related work stoppages. We believe our relations with our employees are good.

### **Seasonality**

Our business is seasonal and, historically, we have realized a higher portion of our net sales and net income in the third and fourth fiscal quarters due primarily to early fall selling patterns as well as the impact of the holiday season. In fiscal 2009, 57% of our net sales were generated in the third and fourth fiscal quarters, while 43% were generated in the first and second fiscal quarters. Working capital requirements are typically higher in the second and fourth quarters due to inventory-related working capital requirements for early Fall and holiday selling periods. Our business is also subject, at certain times, to calendar shifts, which may occur during key selling periods close to holidays such as Easter, Thanksgiving and Christmas and regional fluctuations for events such as sales tax holidays.

### **Legal Proceedings**

In addition to the matter described below, we are subject to various other legal claims and proceedings which arise in the ordinary course of our business, including employment related claims, involving routine claims incidental to our business. Although the outcome of these routine claims cannot be predicted with certainty, we do not believe that the ultimate resolution of these claims will have a material adverse effect on our results of operations, financial condition or cash flows.

In February 2009, Express, LLC was named as a defendant in a purported class action lawsuit in a complaint filed in the Superior Court of California in the County of Santa Clara. The complaint alleges claims concerning the failure by Express, LLC to provide meal and rest periods to its employees and various related claims. See Note 14 to our unaudited consolidated financial statements included elsewhere in this prospectus.

**Table of Contents****MANAGEMENT**

Below is a list of the names and ages as of December 1, 2010 of our directors and executive officers and a brief account of the business experience of each of them.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael A. Weiss	69	President and Chief Executive Officer, Director
Matthew C. Moellering	44	Executive Vice President Chief Administrative Officer, Chief Financial Officer, Treasurer and Secretary
Colin Campbell	51	Executive Vice President Sourcing and Production
Lisa A. Gavales	47	Executive Vice President Chief Marketing Officer
Fran Horowitz-Bonadies	47	Executive Vice President Women's Merchandising and Design
David G. Kornberg	43	Executive Vice President Men's Merchandising and Design
John J. ( Jack ) Rafferty	58	Executive Vice President Planning and Allocation
Jeanne L. St. Pierre	51	Executive Vice President Stores
Douglas H. Tilson	52	Executive Vice President Real Estate
Elliott R. Tobias	50	Executive Vice President Human Resources
Michael F. Devine, III	52	Director
David C. Dominik	54	Director
Stefan L. Kaluzny	44	Chairman of the Board
Mylle H. Mangum	62	Director

**Executive Officers**

*Michael A. Weiss* has served as our President and Chief Executive Officer and a member of our board of directors since returning to our company in July 2007. From 2004 to July 2007 he was retired, but returned to our company in connection with the Golden Gate Acquisition. He previously served as our President and Chief Executive Officer from 1997 to 2004. Prior to that, he served as the Vice Chairman of Limited Brands from 1993 to 1997. He served as our President from 1982 to 1993 and prior to that served with Express when it was founded, starting as a merchandise manager for what was then an eight store experimental division of Limited Brands. In addition to his prior service as a director at Borders Group, Inc., Chico's FAS, Inc. and Pacific Sunwear of California Inc., Mr. Weiss currently serves as a director at Collective Brands, Inc., a position he has held since 2005, and is a member of its governance and compensation committees. As a result of these and other professional experiences, Mr. Weiss possesses particular knowledge and experience in retail and merchandising; branded apparel and consumer goods; and leadership of complex organizations that strengthen the board's collective qualifications, skills and experience.

*Matthew C. Moellering* has served as our Executive Vice President, Chief Administrative Officer, Chief Financial Officer, Treasurer and Secretary since October 2009. Prior to that, he served as our Senior Vice President, Chief Financial Officer, Treasurer and Secretary from July 2007 to October 2009 and our Vice President of Finance from September 2006 to July 2007. Prior to that, he served in various roles with Limited Brands from February 2003 to September 2006, most recently as Vice President of Financial Planning. He started with Limited Brands as a Finance Director from 2003 until 2004. Prior to that, Mr. Moellering served in various roles with Procter and Gamble where he was employed from July 1995 until February 2003 and prior to that as an officer in the United States Army.

*Colin Campbell* has served as our Executive Vice President of Sourcing and Production since June 2005. Prior to that, from March 1997 to June 2005, Mr. Campbell held a number of leadership positions for various divisions of Limited Brands including Cacique and Limited Stores and was an Executive Vice President of Western Hemisphere Operations at MAST from 2003 to 2005. Prior to that, from 1985 to 1997, Mr. Campbell was Vice President of Operations for the dress division of Liz Claiborne. He has also worked in production leadership positions with Bentwood Brothers LTD in England and Daks-Simpson LTD in Scotland.

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*Lisa A. Gavales* has served as our Executive Vice President and Chief Marketing Officer since January 2008. Prior to that, she worked with Bloomingdale's for 13 years in a number of merchandising and marketing roles, most recently as Senior Vice President of Marketing from 2000 to 2007. Ms. Gavales has also worked for Pricewaterhouse and Habberstad International. She began her career in the training program at R. H. Macy's & Co.

*Fran Horowitz-Bonadies* has served as our Executive Vice President of Women's Merchandising and Design since December 2007. Prior to that, she served as our Senior Vice President and General Merchandise Manager from December 2005 to December 2007. Prior to that, she served as our Vice President and Merchandise Manager from March 2005 to December 2005. Prior to that, she worked at Bloomingdale's for 13 years in various merchandising roles. Ms. Horowitz-Bonadies also worked early in her career in buying positions at Bergdorf Goodman, Bonwit Teller and Saks Fifth Avenue.

*David G. Kornberg* has served as our Executive Vice President of Men's Merchandising and Design since December 2007. He served as our Senior Vice President and General Merchandise Manager from 2005 to December 2007. Prior to that, he was a Vice President of Business Development with Disney Stores. Mr. Kornberg spent the first ten years of his career with Marks & Spencer PLC in the United Kingdom.

*John J. ( Jack ) Rafferty* has served as our Executive Vice President of Planning and Allocation since 1999 after joining Express as Vice President of Planning and Allocation in 1998. Prior to Express, Mr. Rafferty held a number of planning and allocation leadership roles with Limited Brands. These roles include Vice President of Planning and Allocation for Lerner from 1990 to 1998, Vice President of Lane Bryant from 1988 until 1990 and Director of Planning and Allocation for Sizes Unlimited from 1984 to 1986. Mr. Rafferty started his career in various planning and allocation roles with Korvettes, Casual Corner and Brooks Fashion.

*Jeanne L. St. Pierre* has served as our Executive Vice President of Stores since March 2004. Prior to that, she was the Zone Vice President for Bath & Body Works from November 1998 until March 2004. Prior to that, she served as both a Regional Vice President and a District Manager with Ann Taylor. Ms. St. Pierre was also a District Manager for Abercrombie & Fitch, a Training Store Manager for Talbots and an Allocator for Express earlier in her career.

*Douglas H. Tilson* has served as our Executive Vice President of Real Estate since October 2009. Prior to that, he served as our Senior Vice President of Real Estate from October 2007 to October 2009. Prior to that, he was with Steiner & Associates as Senior Vice President of Leasing from April 2005 until October 2007. Prior to that, Mr. Tilson was Senior Vice President of Real Estate for Tween Brands from July 1999 until April 2005 and served in a number of senior Real Estate positions with Limited Brands from January 1987 until July 1999. Prior to that he was a labor attorney with the Columbus, Ohio-based law firm Porter, Wright, Morris & Arthur LLP from June 1984 until January 1987.

*Elliott R. Tobias* has served as our Executive Vice President of Human Resources since October 2009. He joined Express as our head of Human Resources in March 2006 and was promoted to Senior Vice President in March 2007. Prior to that, Mr. Tobias held numerous human resources leadership roles with Limited Brands from October 2001 to March 2006 and with Macy's Department Stores from November 1986 to October 2001. Prior to that, Mr. Tobias started his career in human resources in various roles with Modell's Sporting Goods and Fortunoff's.

## **Directors**

As the sixth largest specialty retail apparel brand in the United States, we believe our board of directors should be composed of individuals with sophistication and experience in many substantive areas that impact our business. We believe experience, qualifications, or skills in the following areas are most important: retail merchandising; marketing and advertising; apparel and consumer goods; manufacturing, sales and distribution;

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accounting, finance, and capital structure; strategic planning and leadership of complex organizations; legal/regulatory and government affairs; people management; and board practices of other major corporations. We believe that all our current board members possess the professional and personal qualifications necessary for board service, and have highlighted particularly noteworthy attributes for each board member in the individual biographies below, or above in the case of Mr. Weiss.

*Michael F. Devine, III* has served as a member of our board of directors since May 2010. Mr. Devine was appointed Senior Vice President and Chief Financial Officer of Coach in December 2001 and Executive Vice President in August 2007. Prior to that, Mr. Devine served as Chief Financial Officer and Vice President Finance of Mothers Work, Inc. (now known as Destination Maternity Corporation) from February 2000 until November 2001. From 1997 to 2000, Mr. Devine was Chief Financial Officer of Strategic Distribution, Inc. Prior to that, Mr. Devine was Chief Financial Officer at Industrial System Associates, Inc. from 1995 to 1997, and for the prior six years he was the Director of Finance and Distribution for McMaster-Carr Supply Co. He also serves as a member of the Board of Directors of NutriSystem, Inc. Mr. Devine holds a B.S. in Finance and Marketing from Boston College and an M.B.A. in Finance from the Wharton School of the University of Pennsylvania. As a result of these and other professional experiences, Mr. Devine possesses particular knowledge and experience in retail merchandising; accounting, finance, and capital structure; strategic planning and leadership of complex organizations; and board practices of other major corporations that strengthen the board's collective qualifications, skills and experience.

*David C. Dominik* has served as a member of our board of directors since July 2007. Mr. Dominik has been a Managing Director of Golden Gate Capital since 2000, when he co-founded the firm. Mr. Dominik previously spent ten years as a Managing Director at Bain Capital. Mr. Dominik managed Information Partners, a specialized fund within Bain Capital, that focused on opportunities in the information services and software markets and also served on the investment committee of Brookside, Bain Capital's public equity hedge fund. Mr. Dominik has a J.D. from Harvard Law School and an A.B. from Harvard College. Mr. Dominik is also a member of the board of directors of Infor Global Solutions, Aspect Communications, Lantiq, Escalate Retail and Orchard Brands. As a result of these and other professional experiences, Mr. Dominik possesses particular knowledge and experience in accounting, finance, and capital structure; strategic planning and leadership of complex organizations; and board practices of other major corporations that strengthen the board's collective qualifications, skills and experience.

*Stefan L. Kaluzny* has served as a member of our board of directors since July 2007, and is currently Chairman of the Board. Mr. Kaluzny is a Managing Director of Golden Gate Capital and has been with the firm since its inception in 2000. Prior to Golden Gate Capital, Mr. Kaluzny was co-founder and CEO of Delray Farms, a Hispanic specialty food company. Mr. Kaluzny has also held positions at consulting firms Bain & Company and LEK. He has an M.B.A. from Harvard Business School and a B.A. from Yale University. Mr. Kaluzny serves on the Yale University Investment Committee and is also a member of the board of directors of Apogee Retail, Eddie Bauer, J. Jill, Romano's Macaroni Grill and Orchard Brands. As a result of these and other professional experiences, Mr. Kaluzny possesses particular knowledge and experience in retail merchandising; accounting, finance, and capital structure; strategic planning and leadership of complex organizations; and board practices of other major corporations that strengthen the board's collective qualifications, skills and experience.

*Mylle H. Mangum* has served as a member of our board of directors since August 2010. Ms. Mangum has served as Chief Executive Officer of IBT Enterprises, LLC (formerly International Banking Technologies) since October 2003 and has also served as Chairman and CEO of IBT Holdings since July 2007. Prior to this, Ms. Mangum served as Chief Executive Officer of True Marketing Services, LLC since July 2002. She served as Chief Executive Officer of MMS Incentives, Inc. from 1999 to 2002. From 1997 to 1999 she served as President-Global Payment Systems and Senior Vice President-Expense Management and Strategic Planning for Carlson Wagonlit Travel, Inc. From 1992 to 1997 she served as Executive Vice President-Strategic Management for Holiday Inn Worldwide. Ms. Mangum was previously employed with BellSouth Corporation as Director-Corporate Planning and Development from 1986 to 1992, and President of BellSouth International from 1985 to

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1986. Prior to that she was with General Electric. Ms. Mangum served as a Director of Emageon, Inc. from June 2004 to April 2009, Scientific-Atlanta, Inc. from November 1993 to February 2006 and Respiroics, Inc. from May 2004 to March 2008. She is currently a Director of Barnes Group Inc. since December 2002, Haverty Furniture Companies, Inc. since May 1999 and Decatur First Bank, a privately-held company, since May 2007. As a result of these and other professional experiences, Ms. Mangum possesses particular knowledge and experience in retail, merchandising, marketing, strategy, technology, supply chain, logistics, international business, accounting, finance, compliance with internal controls and multi-division general management experience that strengthen the Board's collective qualifications, skills and experience.

## **Family Relationships**

There are no family relationships between any of our executive officers or directors.

## **Corporate Governance**

### *Board Composition*

Our certificate of incorporation provides that, subject to any rights applicable to any then outstanding preferred stock, our board of directors shall consist of such number of directors as determined from time to time by resolution adopted by a majority of the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. Our board of directors currently consists of five seats. Subject to any rights applicable to any then outstanding preferred stock, any additional directorships resulting from an increase in the number of directors may only be filled by the directors then in office unless otherwise required by law or by a resolution passed by the board of directors. The term of office for each director will be until his or her successor is elected at our annual meeting or his or her death, resignation or removal, whichever is earliest to occur. Shareholders will elect directors each year at our annual meeting.

Our board of directors is divided into three classes, with each director serving a three-year term, and one class being elected at each year's annual meeting of stockholders. Mr. Dominik is a Class I director with an initial term expiring in 2011. Mr. Devine and Ms. Mangum are Class II directors with an initial term expiring in 2012. Mr. Kaluzny and Mr. Weiss are Class III directors with an initial term expiring in 2013. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors. Our board of directors has affirmatively determined that Mr. Devine and Ms. Mangum are independent directors, as defined under the rules of the NYSE.

In connection with the Reorganization, our company, Golden Gate and Limited Brands entered into a new Stockholders Agreement that provides, among other things, for board nomination rights. Pursuant to the Stockholders Agreement, Golden Gate has the right to nominate (1) three directors to our board of directors, so long as Golden Gate holds at least 50% of the number of shares of our common stock held by Golden Gate immediately prior to the completion of the IPO, and (2) two directors, so long as Golden Gate holds at least 25% of the number of shares of our common stock held by Golden Gate immediately prior to the completion of the IPO. Limited Brands has the right to nominate (1) two directors to our board of directors, so long as Limited Brands holds at least 50% of the number of shares of our common stock held by Limited Brands immediately prior to the completion of the IPO, and (2) one director, so long as Limited Brands holds at least 25% of the number of shares of our common stock held by Limited Brands immediately prior to the completion of the IPO. The Stockholders Agreement requires Golden Gate and Limited Brands to vote their shares of common stock in favor of those persons nominated pursuant to rights under the Stockholders Agreement. Accordingly, Golden Gate and Limited Brands, acting together, will be able to control the election of a majority of our directors.

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As a result, we will be a controlled company under the NYSE corporate governance standards. As a controlled company, exemptions under the standards will free us from the obligation to comply with certain corporate governance requirements, including the requirements:

that we have a compensation committee or nominating and corporate governance committee;

that a majority of our board of directors consists of independent directors, as defined under the rules of the NYSE;

that any compensation committee or nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

for an annual performance evaluation of our committees.

These exemptions do not modify the independence requirements for our Audit Committee, and we intend to comply with the requirements of Rule 10A-3 of the Exchange Act and the rules of the NYSE within the applicable time frame.

### *Board Leadership Structure*

Our board of directors currently consists of five directors, including our President and Chief Executive Officer. Our board has two standing committees—Audit Committee and Compensation and Governance Committee—each with a director serving as committee chair. Each of these committees reports to the board of directors as they deem appropriate, and as the board may request.

With respect to the roles of Chairman of the Board and Chief Executive Officer, our Corporate Governance Guidelines provide that the roles may be separated or combined, and the board exercises its discretion in combining or separating these positions as it deems appropriate in light of prevailing circumstances. Our board of directors believes that the combination or separation of these positions should continue to be considered as part of the succession planning process. Currently the roles are separated, with Mr. Kaluzny serving as Chairman. Our Corporate Governance Guidelines provide the flexibility for our board to modify our leadership structure in the future as appropriate. We believe that Express, like many U.S. companies, is well-served by this flexible leadership structure.

### *Board Committees*

Our board of directors currently has an Audit Committee and a Compensation and Governance Committee. The composition, duties and responsibilities of these committees are as set forth below. In the future, our board may establish other committees, as it deems appropriate, to assist it with its responsibilities.

#### *Audit Committee*

The Audit Committee is responsible for, among other matters: (1) appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm; (2) discussing with our independent registered public accounting firm their independence from management; (3) reviewing with our independent registered public accounting firm the scope and results of their audit; (4) approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm; (5) overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC; (6) reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements; (7) establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters; and (8) reviewing and approving related person transactions.



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Our Audit Committee consists of Mr. Devine, Mr. Kaluzny and Ms. Mangum. Rule 10A-3 of the Exchange Act and the NYSE rules require us to have all independent Audit Committee members by May 12, 2011. Our board of directors has affirmatively determined that Mr. Devine and Ms. Mangum meet the definition of independent director for purposes of serving on an Audit Committee under Rule 10A-3 of the Exchange Act and the NYSE rules, and we intend to have an entirely independent Audit Committee within the time period specified. In addition, our board of directors has determined that Mr. Devine qualifies as an audit committee financial expert, as such term is defined in Item 407(d)(5) of Regulation S-K. The Audit Committee charter is available on our corporate website at [express.com](http://express.com). Our website is not part of this prospectus.

### *Compensation and Governance Committee*

The Compensation and Governance Committee is responsible for, among other matters: (1) reviewing key employee compensation goals, policies, plans and programs; (2) reviewing and approving the compensation of our directors, chief executive officer and other executive officers; (3) reviewing and approving employment agreements and other similar arrangements between us and our executive officers; (4) administration of stock plans and other incentive compensation plans; (5) identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors; (6) overseeing the organization of our board of directors to discharge the board's duties and responsibilities properly and efficiently; (7) identifying best practices and recommending corporate governance principles; and (8) developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to us.

Our Compensation and Governance Committee consists of Mr. Dominik, Mr. Kaluzny and Ms. Mangum. As a controlled company, we rely upon the exemption from the requirement that we have a separate compensation committee and nominating and corporate governance committee with each composed entirely of independent directors. The Compensation and Governance Committee charter is available on our corporate website at [express.com](http://express.com). Our website is not part of this prospectus.

### *Risk Oversight*

Our board of directors is responsible for overseeing our risk management process. The board focuses on our general risk management strategy, the most significant risks facing Express, and ensures that appropriate risk mitigation strategies are implemented by management. The board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and significant transactions.

The board has delegated to the Audit Committee oversight of our risk management process. Our Compensation and Governance Committee also considers and addresses risk as it performs its committee responsibilities. Both committees report to the full board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Our management is responsible for day-to-day risk management. Our internal audit function serves as the primary monitoring and testing function for company-wide policies and procedures and manages the day-to-day oversight of the risk management strategy for the ongoing business of Express. This oversight includes identifying, evaluating and addressing potential risks that may exist at the enterprise, strategic, financial, operational, and compliance and reporting levels.

### *Compensation Committee Interlocks and Insider Participation*

For fiscal year 2009, the members of the Compensation Committee of the board of managers were Mr. Dominik, Mr. Kaluzny and Timothy J. Faber. Neither Mr. Dominik, Mr. Kaluzny nor Mr. Faber is an officer or employee, or former officer or employee, of us or any of our subsidiaries. Mr. Dominik and Mr. Kaluzny are Managing Directors of Golden Gate and Mr. Faber is Senior Vice President, Treasury, for Limited Brands. Golden Gate provided advisory and consulting services to us. Our current Compensation and Governance Committee consists of Mr. Dominik, Mr. Kaluzny and Ms. Mangum. Like Messrs. Dominik and Kaluzny, Ms. Mangum is not an officer or employee, or former officer or employee, of us or any of our subsidiaries.

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No interlocking relationships exist between the members of our board of directors or compensation committee and the board of directors or compensation committee of any other company.

### *Director Compensation*

None of the directors serving on our board of directors as of January 30, 2010 received compensation from us for serving as a director during fiscal 2009. All directors receive reimbursement for reasonable out-of-pocket expenses incurred in connection with meetings of the board. Only those non-employee directors who are not affiliated with Golden Gate and Limited Brands are eligible to receive compensation from us for their service on our board of directors. Non-employee directors who are not affiliated with Golden Gate and Limited Brands are paid an annual retainer of \$100,000. An additional \$10,000 is paid annually for each committee on which a non-employee director serves and an additional \$10,000 is paid annually for serving as the chairman of a committee other than the Audit Committee. The chairman of the Audit Committee is paid an additional \$15,000 annually for serving in that capacity. Finally, such non-employee directors who are not affiliated with Golden Gate or Limited Brands are entitled to receive options to purchase 10,000 shares of our common stock which vest ratably on each of the first four anniversaries following the applicable date of grant.

**Table of Contents****EXECUTIVE COMPENSATION****Compensation Discussion and Analysis*****Introduction***

This Compensation Discussion and Analysis describes the compensation arrangements we have with our named executive officers as required under the rules of the SEC. The SEC rules require disclosure for the principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), regardless of compensation level, and the three most highly compensated executive officers in our last completed fiscal year, other than the CEO and CFO. All of these executive officers are referred to in this Compensation Discussion and Analysis as our NEOs.

Our NEOs are:

<b>Name</b>	<b>Title</b>
Michael A. Weiss	President and Chief Executive Officer, Director
Matthew C. Moellering	Executive Vice President Chief Administrative Officer, Chief Financial Officer, Treasurer and Secretary
Fran Horowitz-Bonadies	Executive Vice President Women's Merchandising and Design
Colin Campbell	Executive Vice President Sourcing and Production
John J. ( Jack ) Rafferty	Executive Vice President Planning and Allocation

Our business previously operated as a division of Limited Brands, Inc. and was acquired in July 2007 by investment funds managed by Golden Gate Private Equity, Inc. All of our current NEOs, other than Mr. Weiss, were executives of Limited Brands at the time of the acquisition of our business by Golden Gate. With respect to these NEOs, our board that was put in place upon completion of the Golden Gate Acquisition resolved to maintain the same compensation levels and similar compensation plans as were in place prior to the Golden Gate Acquisition in order to maintain continuity with our senior leadership team. Subsequent to July 6, 2007, as part of our compensation program, our NEOs made equity contributions to us and acquired co-invest and incentive equity units, which are described later in this Compensation Discussion and Analysis. Mr. Weiss, who had retired in 2004 after leading our business for 22 years, was recruited by Golden Gate to return to the business in connection with the Golden Gate Acquisition.

In connection with the Golden Gate Acquisition, our board of directors established a compensation committee composed of Mr. Dominik, Mr. Kaluzny and Mr. Faber (the Compensation Committee). Prior to the IPO, the Compensation Committee was responsible for the oversight, implementation and administration of all of our executive compensation plans and programs. The Compensation Committee determined all of the components of compensation of the CEO, and, in consultation with the CEO, the compensation of the remaining executive officers.

Upon completion of the IPO, we established a Compensation and Governance Committee composed of Mr. Dominik, Mr. Faber and Mr. Kaluzny, and replaced the Compensation Committee. Mr. Faber resigned from the Compensation and Governance Committee in July 2010 and Ms. Mangum was appointed to the vacancy. Our Compensation and Governance Committee will undertake a substantial review of our existing compensation programs, objectives and philosophy and determine whether such programs, objectives and philosophy are appropriate given that we have become a public company. In addition, as we gain experience as a public company, we expect that the specific direction, emphasis and components of our executive compensation program will continue to evolve.

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### *Executive Compensation Objectives and Philosophy*

The key objectives of our executive compensation programs are (1) to attract, motivate, reward and retain superior executive officers with the skills necessary to successfully lead and manage our business, (2) to achieve accountability for performance by linking annual cash incentive compensation to the achievement of measurable performance objectives and (3) to align the interests of the executive officers and our equity holders through short- and long-term incentive compensation programs. For our NEOs, these short- and long-term incentives are designed to accomplish these objectives by providing a significant financial correlation between our financial results and their total compensation.

A significant portion of the compensation of the NEOs has historically consisted of equity compensation and/or cash incentive compensation contingent upon the achievement of financial performance metrics. We expect to continue to provide our NEOs with a majority of their compensation in this manner. These two elements of executive compensation are aligned with the interests of our stockholders because the amount of compensation ultimately received will vary with our company's financial performance. Equity compensation derives its value from our equity value, which is likely to fluctuate based on our financial performance. Payment of cash incentives is dependent on our achievement of pre-determined financial objectives.

We seek to apply a consistent philosophy to compensation for all executive officers. Our compensation philosophy is based on the following core principles:

#### ***To Pay-for-Performance***

Individuals in leadership roles are compensated based on a combination of total company and individual performance factors. Total company performance is evaluated primarily based on the degree to which pre-established financial objectives are met. Individual performance is evaluated based upon several individualized leadership factors, including:

attaining specific financial objectives;

building and developing individual skills and a strong leadership team; and

developing an effective infrastructure to support business growth and profitability.

A significant portion of total compensation is delivered in the form of equity-based award opportunities to directly link compensation with stockholder value.

#### ***To Pay Competitively***

We are committed to providing a total compensation program designed to retain our high-caliber performers and attract superior leaders to our company. To achieve this goal, we annually compare our pay practices and overall pay levels with other leading specialty retail organizations and, where appropriate, with non-specialty retail organizations when establishing our pay guidelines.

#### ***To Pay Equitably***

We believe that it is important to apply generally consistent guidelines for all executive officer compensation programs. In order to deliver equitable pay levels, we expect that the Compensation and Governance Committee will consider depth and scope of accountability, complexity of responsibility, qualifications and executive performance, both individually and collectively as a team.

In addition to short- and long-term compensation, we have found it important to provide our executive officers with competitive post-employment compensation. Post-employment compensation consists of two main types: qualified and nonqualified defined contribution retirement plan benefits and termination benefits. We



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believe that retirement plan benefits and termination benefits are important components in a well-structured executive officer compensation package, and have sought to ensure that the combined package is competitive at the time the package is negotiated with the executive officer.

### *Compensation and Governance Committee Review of Compensation*

We expect that the Compensation and Governance Committee will review compensation elements and amounts for NEOs on an annual basis, at the time of a promotion or other change in level of responsibilities, as well as when competitive circumstances or business needs may require. We may, but do not currently, use a third-party consultant to assist us with determining compensation levels. We expect that each year our head of human resources will compile a report of benchmark data for executive positions for similar companies, including summaries of base salary, annual cash incentive plan opportunities and awards and long-term incentive award values. We expect that the Compensation and Governance Committee will determine a list of companies that we will benchmark our compensation packages against and will compare our pay practices and overall pay levels with other leading retail organizations and, where appropriate, with non-retail organizations when establishing our pay guidelines.

We expect that the CEO will provide compensation recommendations to the Compensation and Governance Committee for executives other than himself based on this data and the other considerations mentioned in this Compensation Discussion and Analysis. We expect that the Compensation and Governance Committee will recommend a compensation package that is consistent with our compensation philosophy strategically positioned above the median of the peer group and competitive with other leading retail organizations. We expect that the Compensation and Governance Committee will then discuss these recommendations with the CEO and the head of human resources and will make a recommendation to the board, which the board will consider and approve, if appropriate.

We expect that the Compensation and Governance Committee will consider input from our CEO and CFO when setting financial objectives for our incentive plans. We also expect that the Compensation and Governance Committee, in determining compensation, will consider input from our CEO, with the assistance of our head of human resources (for officers other than for themselves), regarding benchmarking and recommendations for base salary, annual incentive targets and other compensation awards. The Compensation and Governance Committee will likely give significant weight to our CEO's judgment when assessing each of the other officers' performance and determining appropriate compensation levels and incentive awards. The members of the board of directors or the Compensation and Governance Committee (in each case, other than the CEO), meeting in executive session, will determine the compensation of the CEO, including his annual incentive targets.

### *Elements of Compensation*

As discussed throughout this Compensation Discussion and Analysis, the compensation policies applicable to our NEOs are reflective of our pay-for-performance philosophy, whereby a significant portion of both cash and equity compensation is contingent upon achievement of measurable financial objectives and enhanced equity value, as opposed to current cash compensation and perquisites not directly linked to objective financial performance. This compensation mix is consistent with our performance-based philosophy that the role of executive officers is to enhance equity holder value over the long term.

The elements of our compensation program are:

base salary;

performance-based cash incentives;

equity incentives; and

certain additional executive benefits and perquisites.

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Base salary, performance-based cash incentives and long-term equity-based incentives are the most significant elements of our executive compensation program and, on an aggregate basis, they are intended to substantially satisfy our program's overall objectives. Prior to the IPO, the Compensation Committee typically sought to set each of these elements of compensation at the same time to enable the Compensation Committee to simultaneously consider all of the significant elements and their impact on total compensation; and, the extent to which the determinations made reflected the principles of the compensation philosophy and related guidelines with respect to allocation of compensation among certain of these elements and total compensation. We strive to achieve an appropriate mix between the various elements of our compensation program to meet our compensation objectives and philosophy; however, we do not apply any rigid allocation formula in setting our executive compensation, and we may make adjustments to this approach for various positions after giving due consideration to prevailing circumstances.

### ***Base Salary***

We provide a base salary to our executive officers to compensate them for their services during the year and to provide them with a stable source of income. The base salaries for our NEOs in 2008 were established by our board of directors, based in large part on the salaries established for these persons when they were with Limited Brands and our Compensation Committee's review of other factors, including:

the individual's performance, results, qualifications and tenure;

the job's responsibilities, pay mix (base salary, annual cash incentives, equity incentives, perquisites and other executive benefits) and compensation practices in our markets; and

our ability to replace the individual.

In setting base salaries, our Compensation Committee considered the factors described above. However, the Compensation Committee was primarily concerned with the continued impact of global economic conditions and their effect on our company and our markets. Consequently, the 2009 base salaries of our NEOs remained unchanged and identical to their 2008 annual base salaries. This conscientious decision was made despite the fact that our NEOs continued to meet and exceed the expectations of our board of directors and equity holders. Mr. Moellering was promoted from Senior Vice President, Chief Financial Officer, Treasurer and Secretary to Executive Vice President, Chief Administrative Officer, Chief Financial Officer, Treasurer and Secretary on October 4, 2009. In consideration of establishing a new compensation level with this promotion, the Compensation Committee reviewed several factors including Mr. Moellering's new level of responsibility, the compensation levels of other Express executive officers, practices in the marketplace for similar roles and Mr. Moellering's performance and qualifications. As a result, his annual base salary was increased from \$400,000 to \$500,000 in late 2009.

The annual base salaries in effect for each of our NEOs as of January 30, 2010 are as follows:

<b>Name</b>	<b>Annual Salary</b>
Michael A. Weiss	\$ 750,000(1)
Matthew C. Moellering	\$ 500,000
Fran Horowitz-Bonadies	\$ 500,000(2)
Colin Campbell	\$ 485,000(2)
John J. ( Jack ) Rafferty	\$ 430,000(2)

- (1) In January 2010, the board of directors reviewed competitive market practices for CEO compensation levels, as well as the performance and qualifications of Mr. Weiss. As a result, effective February 1, 2010, the board of directors increased the annual base salary for Mr. Weiss from \$750,000 to \$1,000,000.
- (2) In March 2010, the board of directors reviewed competitive market practices, internal pay equity for senior executives, and individual performance and approved pay increases for the following named executive officers effective April 4, 2010: (a) Ms. Horowitz-Bonadies' annual base salary increased from \$500,000 to \$520,000; (b) Mr. Campbell's annual base salary increased from \$485,000 to \$500,000; and (c) Mr. Rafferty's annual base salary increased from \$430,000 to \$455,000. This effective date is consistent with merit-based pay increases provided to other executives and employees at the corporate headquarters. Mr. Moellering's annual base salary was not increased because he was promoted in October 2009 and received a pay increase at that time as noted above.





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In the future, we expect that salaries for executive officers will be reviewed annually, as well as at the time of a promotion or other change in level of responsibilities, or when competitive circumstances or business needs may require. As noted above, we expect that the Compensation and Governance Committee will recommend a compensation package that is consistent with our compensation philosophy strategically positioned above the median of our to be determined peer group.

***Performance-Based Cash Incentives***

We pay performance-based cash incentives in order to align the compensation of our NEOs with our short-term operational and performance goals and to provide near-term rewards for our NEOs to meet these goals. Our short-term, performance-based cash incentive plan provides for incentive payments for each six-month operating season for our NEOs. These incentive payments are based on the attainment of pre-established objective financial goals and are intended to motivate executives to work effectively to achieve financial performance objectives and reward them when objectives are met and results are certified by the Compensation and Governance Committee. Using short-term incentives tied to the traditional retail selling seasons of Spring (February through July) and Fall (August through January) allows us to establish appropriately aggressive performance expectations that align business performance expectations with the prevailing market and economic conditions. In connection with the rehiring of Mr. Weiss, his employment agreement was structured with an annual incentive plan. This was consistent with other executive agreements familiar to our board and as a result his compensation in previous periods has been based on this annual plan. However, the Compensation Committee determined that beginning in 2010, the CEO will be moving to the same six-month seasonal incentive plan as all other executives and that this change will better align the incentives of the CEO with other executives within our company as well as our company's seasonal business cycle. In addition to this incentive period change and in connection with the review of the CEO's compensation by the Compensation Committee noted under the Base Salary section above, the Compensation Committee determined that beginning with fiscal year 2010, the annual performance-based incentive compensation plan target payout for Mr. Weiss will remain at 100%; however, his maximum payout opportunity will change from 300% to 200%. This change will result in his short-term incentive opportunity ranging from zero to double his incentive target, which is consistent with other NEOs.

The pre-established objective financial incentive target goal under this plan for fiscal 2009 is based on operating income plus depreciation, amortization and advisory and related fees and expenses ( Adjusted Operating Income ). Adjusted Operating Income is a non-GAAP measure specific to this plan and may not be comparable to other similarly titled measures of other companies. We use Adjusted Operating Income because it measures performance over the periods in which executives can have significant impact, and is also directly linked to our long-term growth plan. Our board of directors sets the performance goals at the beginning of each six-month season based on an analysis of (1) historical performance; (2) income, expense and margin expectations; (3) financial results of other comparable businesses; (4) economic conditions and (5) progress toward achieving our strategic plan.

The target cash incentive compensation opportunity for each eligible executive is set at a percentage of base salary. For fiscal 2009, the amount of performance-based cash incentive opportunity for participating executives, other than the CEO, ranged from zero to double their incentive target and for the CEO the amount of performance-based incentive compensation opportunity ranged from zero to triple his incentive target (see table below), based upon the extent to which the pre-established performance goals were achieved or exceeded.

As a result of the uncertain business climate, in 2009, we made a one-year change to our short-term performance-based cash incentive plan for 2009. In 2009, the Compensation Committee set targets that reflected the challenging economic environment, recognizing that historical growth rates were no longer appropriate considering the significant downturn in the retail environment. We also made the decision to change the plan payout timing and Spring season eligibility requirements to an annual schedule versus our historical practice of paying short-term performance-based compensation seasonally. Effective in 2009, the cash incentive earned in Spring would be earned only if we achieved the goal for threshold payout for Adjusted Operating Income for

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the Fall selling season (\$57.0 million), and would actually be paid in conjunction with the Fall 2009 cash incentive to remaining participants. We believe that these short-term changes led to long-term preservation of stockholder value in an economic downturn and did not encourage our executive officers to take unnecessary and excessive risks.

The threshold, target and maximum short-term performance-based cash incentive payout opportunities of our NEOs for fiscal year 2009 are set forth in the Grants of Plan-Based Awards table below.

The following tables show each NEO's performance-based cash incentive targets and actual payout as a percentage of base salary and Adjusted Operating Income goals used to determine the incentive payment for fiscal year 2009.

*Michael Weiss*

For fiscal year 2009, Mr. Weiss was on an annual incentive plan, while the other executives were on a seasonal incentive plan. However, beginning with fiscal year 2010, Mr. Weiss and the other executives will be on the same seasonal incentive plan.

Name	Threshold Payout	Fiscal Year 2009 Percentage of Base Salary (February 2009 thru January 2010)			Actual Payout
		Target Payout	Maximum Payout		
Michael A. Weiss	20.0%	100.0%	300.0%		300%
Performance Goal	Goal for Threshold Payout	Goal for Target Payout	Goal for Maximum Payout		Actual Achieved
Adjusted Operating Income (in millions)(1)	\$ 107.0	\$ 142.0	\$ 182.7		\$ 209.1
<i>All Other NEOs</i>					

Name	Threshold Payout	Spring 2009 Percentage of Base Salary (February 2009 through July 2009)			Actual Payout
		Target Payout	Maximum Payout		
Matthew C. Moellering	4.0%	20.0%	40.0%		40.0%
Fran Horowitz-Bonadies	4.4%	22.0%	44.0%		44.0%
Colin Campbell	4.0%	20.0%	40.0%		40.0%
John J. ( Jack ) Rafferty	4.8%	24.0%	48.0%		48.0%
Performance Goal	Goal for Threshold Payout	Goal for Target Payout	Goal for Maximum Payout		Actual Achieved
Adjusted Operating Income (in millions)(1)	\$ 50.0	\$ 58.0	\$ 68.0		\$ 68.7

Name	Threshold Payout	Fall 2009 Percentage of Base Salary (August 2009 through January 2010)			Actual Payout
		Target Payout	Maximum Payout		
Matthew C. Moellering(2)	7.2%	36.0%	72.0%		72.0%
Fran Horowitz-Bonadies	6.6%	33.0%	66.0%		66.0%
Colin Campbell	6.0%	30.0%	60.0%		60.0%
John J. ( Jack ) Rafferty	7.2%	36.0%	72.0%		72.0%
Performance Goal	Goal for Threshold Payout	Goal for Target Payout	Goal for Maximum Payout		Actual Achieved
Adjusted Operating Income (in millions)(1)	\$ 57.0	\$ 84.0	\$ 104.0		\$ 140.4

(1) This is a non-GAAP measure specific to our incentive plan and is defined above.

(2) In connection with Mr. Moellering's promotion in October 2009 (See Base Salary), his Spring and Fall performance-based cash incentive targets were increased by 4% and 6% respectively.



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The following table shows each NEO's performance-based cash incentive targets as a percentage of base salary for fiscal 2010. For fiscal 2010, we are using Adjusted EBITDA (as calculated under Prospectus Summary Summary Historical Consolidated Financial and Operating Data ) as the financial measure for the plan. We are using Adjusted EBITDA for the same reasons we used Adjusted Operating Income for fiscal year 2009, as well as because Adjusted EBITDA is a key metric used by management and the board to assess our operating performance. We do not believe that disclosure of our 2010 Adjusted EBITDA goals are relevant to an understanding of compensation for our 2009 fiscal year. In addition, because the components of Adjusted EBITDA for 2010 contain highly sensitive data such as targeted net income, we do not disclose specific future measures and targets because we believe that such disclosure would result in serious competitive harm and be detrimental to our operating performance. Our 2010 Adjusted EBITDA goals are intended to be realistic and reasonable, but challenging, in order to drive performance on an individual basis.

Name	Spring 2010 Percentage of Base Salary (February 2010 through July 2010)			Fall 2010 Percentage of Base Salary (August 2010 through January 2011)		
	Threshold Payout	Target Payout	Maximum Payout	Threshold Payout	Target Payout	Maximum Payout
Michael A. Weiss	8.0%	40.0%	80.0%	12.0%	60.0%	120.0%
Matthew C. Moellering	4.8%	24.0%	48.0%	7.2%	36.0%	72.0%
Fran Horowitz-Bonadies	4.4%	22.0%	44.0%	6.6%	33.0%	66.0%
Colin Campbell	4.0%	20.0%	40.0%	6.0%	30.0%	60.0%
John J. ( Jack ) Rafferty	4.8%	24.0%	48.0%	7.2%	36.0%	72.0%

Although Adjusted EBITDA was used as the financial measure for fiscal 2010, in the future the Compensation and Governance Committee may use other objective financial performance indicators for the plan, including, without limitation, the price of our common stock, shareholder return, return on equity, return on investment, return on capital, sales productivity, comparable store sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating company contribution, EBITDA (or any derivative thereof) or market share.

**Equity Incentives Summary of Our Prior Plan**

In November 2007, we implemented our employee equity incentive program, which provides members of our management team (referred to as management participants) the opportunity to acquire units and participate in the equity appreciation of the company. We formed Express Management Investors LLC for the sole purpose of indirectly holding units (through another holding company named Express Management Investors Blocker, Inc.) on behalf of our employees other than Mr. Weiss. In lieu of issuing units directly to our employees, we issued Units to Express Management Investors Blocker, Inc., which in turn issued equity interests in Express Management Investors Blocker, Inc. to Express Management Investors LLC, which in turn issued equity interests in Express Management Investors LLC to our employees having substantially the same terms and economic value as the Units we issued to Express Management Investors Blocker, Inc. on their behalf. Prior to the mergers in connection with the Reorganization, 742,460 Class L Units of Express Management Investors LLC, 3,330,000 Class A Units of Express Management Investors LLC and 4,705,000 Class C Units of Express Management Investors LLC had been purchased by management participants. Our President and Chief Executive Officer, Mr. Weiss, had purchased units of Express Parent, the terms of which are summarized below.

Our long-term equity incentive awards were generally intended to accomplish the following main objectives: create a direct correlation between our financial and equity value performance and compensation paid to the NEOs, long-term retention of the NEOs, assist in building equity ownership of the NEOs to increase alignment with long-term stockholder interests, attract and motivate key employees, reward participants for performance in relation to the creation of stockholder value and deliver competitive levels of compensation consistent with our compensation philosophy.

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The Class L Units of Express Management Investors LLC were purchased by management participants at a purchase price per unit of \$6.47, which is the same purchase price per unit paid by Golden Gate for Class L Units of Express Parent in connection with the Golden Gate Acquisition. Management participants were allowed to purchase the Class L Units of Express Management Investors LLC with a promissory note in favor of Express Holding for 50% of the purchase price, with the remainder of the purchase price paid in cash. The promissory note provided for an annual cash interest payment of 4.39%, and was due in full on the seventh anniversary of the note, except that a mandatory prepayment was due if the management participant ceased to be employed by us, we liquidated, the management participant became bankrupt, such prepayment was required pursuant to applicable law (including pursuant to Section 402 of the Sarbanes-Oxley Act) or the management participant received cash in connection with his or her ownership of us. Each management participant that made a promissory note was required to pledge all of his or her units in Express Management Investors LLC (whether held currently or acquired in the future) as security to us to secure the repayment of his or her promissory note. Each of the aforementioned promissory notes (including for Mr. Weiss (\$3,320,176.03), Mr. Moellering (\$251,713.90), Ms. Horowitz-Bonadies (\$251,713.90), Mr. Campbell (\$302,056.69) and Mr. Rafferty (\$503,427.81)) was repaid by each management participant in full effective as of February 9, 2010. The Class A Units and Class C Units of Express Management Investors LLC were purchased by management participants with cash for a nominal price per unit of \$0.01 and \$0.0025, respectively. In general, the number of Class A Units and Class C Units issued to our NEOs was determined at the discretion of our board. The board considered the value the executive brought to us based on their expertise and leadership capabilities, the size of his or her total compensation package and his or her position with us. No formal benchmarking efforts were made by our board or Compensation Committee.

Class L Units of Express Management Investors LLC were fully vested. The Class A Units of Express Management Investors LLC and Class C Units of Express Management Investors LLC generally vested over four years on an anniversary date set forth in the management participant's purchase agreement. The anniversary date was generally based on the employee's start date or the unit grant date, provided, that units granted in November 2007 vested based upon the anniversary date of the Golden Gate Acquisition. On the first anniversary date, 25% of the Class A Units and 25% of the Class C Units purchased by a management participant vested, with quarterly vesting of the Class A Units and Class C Units thereafter. All unvested Class A and Class C Units held by our executive officers, including our NEOs, fully vested in connection with the IPO.

All classes of units of Express Management Investors LLC (including Class L Units) were subject to repurchase by us if an employee ceased to be employed by us on or prior to July 6, 2011. We could repurchase units at (1) the lower of original cost or fair market value with respect to units that were unvested or all units if the management participant was terminated for cause or participated in a competitive activity and (2) fair market value if the management participant was terminated for any other reason. No employee transferred his or her units in Express Management Investors LLC without our prior written consent. The decision whether or not to make a repurchase was approved by the board of managers of Express Parent prior to Express Management Blocker Inc. exercising its right to repurchase a manager's equity interests (through Express Management Investors LLC).

On July 24, 2007, our President and Chief Executive Officer, Mr. Weiss, purchased (1) 1,000,000 of our Class L Units at a purchase price per unit of \$6.47, which is the same purchase price per unit paid by Golden Gate for our Class L Units in connection with the Golden Gate Acquisition and (2) 4,000,000 of our Class A Units for a nominal price per unit of \$0.01. Mr. Weiss paid cash for such Class A Units, and purchased such Class L Units with a promissory note in favor of Express Holding for 50% of the purchase price, with the remainder of the purchase price paid in cash. The promissory note provided for an annual cash interest payment of 4.95% and was due in full on the seventh anniversary of the note, except that a mandatory prepayment was due if we liquidated, Mr. Weiss became bankrupt, such prepayment was required pursuant to applicable law (including pursuant to Section 402 of the Sarbanes-Oxley Act) or Mr. Weiss received cash in connection with his ownership of us. Mr. Weiss was required to pledge all of his units in us (whether held currently or acquired in the future) as security to us to secure the repayment of his promissory note. Mr. Weiss' promissory note was repaid

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in full by him effective as of February 9, 2010 and, as a result, all such units were released from the aforementioned pledge. Effective March 13, 2008, Mr. Weiss transferred an aggregate of 333,338 of our Class L Units and an aggregate of 1,333,338 of our Class A Units to certain of Mr. Weiss' family trusts and his spouse. All of the Units held by Mr. Weiss, his wife and Mr. Weiss' family trusts are fully vested. In connection with the IPO, all unit awards outstanding under our prior plan were converted into restricted stock awards.

### ***Equity and Cash Incentives Express, Inc. 2010 Incentive Compensation Plan***

Effective upon the completion of the IPO, we implemented the 2010 Plan. The 2010 Plan provides for grants of stock options, stock appreciation rights, restricted stock, performance awards and other stock-based and cash-based awards. Independent directors, officers and other employees of us and our affiliates, as well as others performing consulting or advisory services for us or our affiliates, are eligible for grants under the 2010 Plan. The purpose of the 2010 Plan is to provide incentives that will attract, retain and motivate high performing officers, directors, employees and consultants by providing them with appropriate incentives and rewards either through a proprietary interest in our long-term success or compensation based on their performance in fulfilling their personal responsibilities. The following is a summary of the material terms of the 2010 Plan, but does not include all of the provisions of the 2010 Plan. For further information about the 2010 Plan, we refer you to the complete copy of the 2010 Plan, which was filed as an exhibit to the registration statement of Express, Inc. on Form S-1 (File No. 333-164906) filed April 30, 2010.

### ***Administration***

The 2010 Plan is administered by the Compensation and Governance Committee designated by our board of directors. Among the Compensation and Governance Committee's powers are to determine the form, amount and other terms and conditions of awards, clarify, construe or resolve any ambiguity in any provision of the 2010 Plan or any award agreement, amend the terms of outstanding awards and adopt such rules, forms, instruments and guidelines for administering the 2010 Plan as it deems necessary or proper. All actions, interpretations and determinations taken in good faith by the Compensation and Governance Committee or by our board of directors are final and binding.

The Compensation and Governance Committee has full authority to administer and interpret the 2010 Plan, to grant discretionary awards under the 2010 Plan, to determine the persons to whom awards will be granted, to determine the types of awards to be granted, to determine the terms and conditions of each award, to determine the number of shares of common stock to be covered by each award and to make all other determinations in connection with the 2010 Plan and the awards thereunder as the Compensation and Governance Committee, in its sole discretion, deems necessary or desirable.

### ***Available Shares***

The aggregate number of shares of common stock which may be issued or used for reference purposes under the 2010 Plan or with respect to which awards may be granted is 15.0 million shares, subject to automatic increase on the first day of each fiscal year beginning in 2011 and ending in 2019 by the lesser of (1) 2% of the shares of common stock outstanding on the last day of the immediately preceding fiscal year, or (2) such lesser number of shares as determined by the Compensation and Governance Committee. In connection with the IPO, we granted options to purchase an aggregate of 1,311,500 shares of our common stock equal to the initial public offering price of our common stock and 12,500 restricted stock units. Since the IPO, we have granted options to purchase an additional 51,000 shares of our common stock at a price equal to the closing stock price on the day before the grant date and 62,500 options have been forfeited. Of these grants, options to acquire 690,000 shares of our common stock were granted to our executive officers at the time of the IPO, including options to acquire 250,000 shares to Mr. Weiss, 60,000 shares to Mr. Moellering, 50,000 shares to Ms. Horowitz-Bonadies, 50,000 shares to Mr. Rafferty and 40,000 shares to Mr. Campbell. The shares may be either authorized and unissued shares of our common stock or shares of common stock held in or acquired for our treasury. To equitably compensate current option holders and restricted stock unit holders as a result of the special dividend to be paid on December 23, 2010, we currently expect that we will grant between 32,000 and 42,000 additional restricted stock units to holders of outstanding stock-based awards. In general, if awards under the 2010 Plan are for any reason cancelled, or expire or terminate unexercised, the shares covered by such awards will again be available for the grant of awards under the 2010 Plan.

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### *Eligibility for Participation*

Independent members of our board of directors, as well as employees of, and consultants to, us or any of our subsidiaries and affiliates, are eligible to receive awards under the 2010 Plan. The selection of participants is within the sole discretion of the Compensation and Governance Committee.

### *Award Agreement*

Awards granted under the 2010 Plan are evidenced by award agreements, which need not be identical, that provide additional terms, conditions, restrictions and/or limitations covering the grant of the award, including, without limitation, additional terms providing for the acceleration of exercisability or vesting of awards in the event of a change in control or conditions regarding the participant's employment, as determined by the Compensation and Governance Committee in its sole discretion.

### *Stock Options*

The Compensation and Governance Committee may grant nonqualified stock options to purchase shares of our common stock to any eligible participant and incentive stock options to purchase shares of our common stock only to eligible employees. The Compensation and Governance Committee determines the number of shares of our common stock subject to each option, the term of each option, which may not exceed ten years, or five years in the case of an incentive stock option granted to a 10.0% stockholder, the exercise price, the vesting schedule, if any, and the other material terms of each option. No incentive stock option or nonqualified stock option may have an exercise price less than the fair market value of a share of our common stock at the time of grant or, in the case of an incentive stock option granted to a 10.0% stockholder, 110.0% of such share's fair market value. Options are exercisable at such time or times and subject to such terms and conditions as determined by the Compensation and Governance Committee at grant and the exercisability of such options may be accelerated by the Compensation and Governance Committee in its sole discretion.

### *Stock Appreciation Rights*

The Compensation and Governance Committee may grant stock appreciation rights (SARs) either with a stock option, which may be exercised only at such times and to the extent the related option is exercisable (a Tandem SAR) or independent of a stock option (a Non-Tandem SAR). A SAR is a right to receive a payment in shares of our common stock or cash, as determined by the Compensation and Governance Committee, equal in value to the excess of the fair market value of one share of our common stock on the date of exercise over the exercise price per share established in connection with the grant of the SAR. The term of each SAR may not exceed ten years. The exercise price per share covered by a SAR is the exercise price per share of the related option in the case of a Tandem SAR and is the fair market value of our common stock on the date of grant in the case of a Non-Tandem SAR. The Compensation and Governance Committee may also grant limited SARs, either as Tandem SARs or Non-Tandem SARs, which may become exercisable only upon the occurrence of a change in control, as defined in the 2010 Plan, or such other event as the Compensation and Governance Committee may, in its sole discretion, designate at the time of grant or thereafter.

### *Restricted Stock*

The Compensation and Governance Committee may award shares of restricted stock. Except as otherwise provided by the Compensation and Governance Committee upon the award of restricted stock, the recipient generally has the rights of a stockholder with respect to the shares, including the right to receive dividends, the right to vote the shares of restricted stock and, conditioned upon full vesting of shares of restricted stock, the right to tender such shares, subject to the conditions and restrictions generally applicable to restricted stock or specifically set forth in the recipient's restricted stock agreement. Except as otherwise provided in the applicable award agreement, and with respect to an award of restricted stock, a participant has no rights as a stockholder.

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with respect to shares of our common stock covered by any award until the participant becomes the record holder of such shares. The Compensation and Governance Committee may determine at the time of award that the payment of dividends, if any, is deferred until the expiration of the applicable restriction period.

Recipients of restricted stock are required to enter into a restricted stock agreement with us that states the restrictions to which the shares are subject, which may include satisfaction of pre-established performance goals and the criteria or date or dates on which such restrictions will lapse.

If the grant of restricted stock or the lapse of the relevant restrictions is based on the attainment of performance goals, the Compensation and Governance Committee will establish for each recipient the applicable performance goals, formulae or standards and the applicable vesting percentages with reference to the attainment of such goals or satisfaction of such formulae or standards while the outcome of the performance goals is substantially uncertain. Such performance goals may incorporate provisions for disregarding, or adjusting for, changes in accounting methods, corporate transactions, including, without limitation, dispositions and acquisitions, and other similar events or circumstances. Section 162(m) of the Code requires that performance awards be based upon objective performance measures. The performance goals for performance-based restricted stock will be based on one or more of the objective criteria set forth on Exhibit A to the 2010 Plan and are discussed in general below.

### *Other Stock-Based Awards*

The Compensation and Governance Committee may, subject to limitations under applicable law, make a grant of such other stock-based awards, including, without limitation, performance units, dividend equivalent units, stock equivalent units, restricted stock units and deferred stock units under the 2010 Plan that are payable in cash or denominated or payable in or valued by shares of our common stock or factors that influence the value of such shares. The Compensation and Governance Committee determines the terms and conditions of any such other awards, which may include the achievement of certain minimum performance goals for purposes of compliance with Section 162(m) of the Code and/or a minimum vesting period. The performance goals for performance-based other stock-based awards will be based on one or more of the objective criteria set forth on Exhibit A to the 2010 Plan and discussed in general below.

### *Performance Awards*

The Compensation and Governance Committee may grant a performance award to a participant payable upon the attainment of specific performance goals. The Compensation and Governance Committee may grant performance awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code as well as performance awards that are not intended to qualify as performance-based compensation under Section 162(m) of the Code. Based on service, performance and/or such other factors or criteria, if any, as the Compensation and Governance Committee may determine, the Compensation and Governance Committee may, at or after grant, accelerate the vesting of all or any part of any performance award.

### *Other Cash-Based Awards*

The Compensation and Governance Committee may grant a cash-based award to a participant in such amount, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law, as the Compensation and Governance Committee may determine.

### *Performance Goals*

The Compensation and Governance Committee may grant awards of restricted stock, performance awards, and other stock-based awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code. These awards may be granted, vest and be paid based on attainment of specified



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performance goals established by the Compensation and Governance Committee. These performance goals are based on the attainment of a certain target level of, or a specified increase or decrease in, one or more of the following measures selected by the Compensation and Governance Committee: (1) earnings per share; (2) operating income; (3) gross income; (4) net income (before or after taxes); (5) cash flow; (6) gross profit; (7) gross profit return on investment; (8) gross margin return on investment; (9) gross margin; (10) operating margin; (11) working capital; (12) earnings before interest and taxes; (13) earnings before interest, tax, depreciation and amortization; (14) return on equity; (15) return on assets; (16) return on capital; (17) return on invested capital; (18) net revenues; (19) gross revenues; (20) revenue growth; (21) annual recurring revenues; (22) recurring revenues; (23) license revenues; (24) sales or market share; (25) total shareholder return; (26) economic value added; (27) specified objectives with regard to limiting the level of increase in all or a portion of our bank debt or other long-term or short-term public or private debt or other similar financial obligations, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Compensation and Governance Committee in its sole discretion; (28) the fair market value of a share of our common stock; (29) the growth in the value of an investment in the common stock assuming the reinvestment of dividends; or (30) reduction in operating expenses.

To the extent permitted by law, the Compensation and Governance Committee may also exclude the impact of an event or occurrence which it determines should be appropriately excluded, including: (1) restructurings, discontinued operations, extraordinary items or events and other unusual or non-recurring charges; (2) an event either not directly related to our operations or not within the reasonable control of management; or (3) a change in tax law or accounting standards required by generally accepted accounting principles.

Performance goals may also be based on an individual participant's performance goals, as determined by the Compensation and Governance Committee, in its sole discretion.

In addition, all performance goals may be based upon the attainment of specified levels of our performance, or the performance of a subsidiary, division or other operational unit, under one or more of the measures described above relative to the performance of other corporations. The Compensation and Governance Committee may designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria.

### *Change in Control*

In connection with a change in control, as defined in the 2010 Plan, the Compensation and Governance Committee may, in its sole discretion, accelerate vesting of or lapse of restrictions on outstanding awards under the 2010 Plan. In addition, such awards may be, in the discretion of the Compensation and Governance Committee, (1) assumed and continued or substituted in accordance with applicable law or (2) purchased by us or an affiliate for an amount equal to the excess of the price of a share of our common stock paid in a change in control over the exercise price of the award(s).

### *Amendment and Termination*

Notwithstanding any other provision of the 2010 Plan, our board of directors may at any time amend any or all of the provisions of the 2010 Plan, or suspend or terminate it entirely, retroactively or otherwise; provided, however, that, unless otherwise required by law or specifically provided in the 2010 Plan, the rights of a participant with respect to awards granted prior to such amendment, suspension or termination may not be adversely affected without the consent of such participant.

### *Transferability*

Awards granted under the 2010 Plan are generally nontransferable (other than by will or the laws of descent and distribution), except that the Compensation and Governance Committee may provide for the transferability of nonqualified stock options at the time of grant or thereafter to certain family members.

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### *Effective Date*

The 2010 Plan was adopted effective May 12, 2010 in connection with the IPO.

### *Additional Executive Benefits and Perquisites*

We provide our executive officers with executive benefits and perquisites that the Compensation and Governance Committee believes are reasonable and in the best interests of the company and its stockholders. Consistent with our compensation philosophy, we intend to continue to maintain our current benefits for our executive officers, including retirement plans, executive medical benefits, life insurance benefits, housing relocation benefits, paid vacation and other perquisites described below. The Compensation and Governance Committee, in its discretion, may revise, amend or add to an officer's executive benefits if it deems it advisable. We believe these benefits are generally equivalent to benefits provided by comparable companies. We have no current plans to change the levels of benefits provided thereunder.

### *Retirement Plan Benefits*

We do not sponsor a defined benefit retirement plan as we do not believe that such a plan best serves the needs of our employees or the business at this time. We sponsor a tax-qualified defined contribution retirement plan and a nonqualified defined contribution retirement plan. Participation in the qualified plan is available to employees who meet certain age and service requirements. Participation in the nonqualified plan is made available to employees who meet certain age, service and job level requirements. Our executive officers participate in these plans based on these requirements.

*Qualified Retirement Plan.* The qualified plan is available to all eligible employees, including executive officers, and allows them to elect to make contributions up to the maximum limits allowable under the Code. We match employees' contributions according to a predetermined formula and contribute additional discretionary contribution amounts based on a percentage of the employees' eligible annual compensation and years of service. Employees' contributions and company matching contributions vest immediately. Additional company contributions and the related investment earnings are subject to vesting based on years of service.

As a result of the uncertain business climate, in 2009 we made the decision to not make the 2008 discretionary annual contribution to the qualified retirement plan and suspended the 401(k) match for 2009. However in light of improved market and business conditions, at the end of 2009, we made the decision to provide all eligible and active employees with a lump sum bonus equivalent to what their 2008 retirement contribution would have been had we made it. At the end of 2009, we also made the decision to reinstate the 401(k) match beginning in 2010.

*Nonqualified Deferred Compensation Plan.* The nonqualified deferred compensation plan is available to all director-level employees and above and certain employees who were participants in a prior supplemental retirement plan sponsored by us, and is an unfunded plan which provides benefits beyond the Code limits for qualified defined contribution plans. The plan permits participating employees to elect contributions up to a maximum percentage of eligible compensation. We match employees' contributions according to a predetermined formula and credit additional amounts equal to a percentage of the employees' eligible compensation beyond the compensation taken into account under the Code limits for qualified defined contribution plans based on years of service. The plan also permits employees to defer additional compensation up to a maximum amount which we do not match. Employees' accounts are credited with interest using a rate determined annually based on related factors or indices, including, but not limited to, our cost of funds or cost of borrowing. The interest rate for the 2009 plan year was 7.7%. Employees' contributions and the related interest vest immediately. Our contributions and credits and the related interest are subject to vesting based on years of service. Employees generally may elect in-service distributions for the unmatched deferred compensation component only. The remaining vested portion of employees' accounts in the plan will be distributed upon termination of employment in either a lump sum or in equal annual installments over a specified period of up to ten years as elected by the participant.

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### ***Health and Welfare Benefits***

*Executive Medical.* In addition to the group health plans eligible to all full-time employees, the Executive Medical Program provides benefits to reimburse executives for certain out-of-pocket healthcare-related expenses. This program reimburses 100% of eligible expenses up to a total of \$10,000 per family per calendar year. All executive officers are eligible for the Executive Medical Program.

*Executive Life Insurance.* We provide all executive officers with executive life insurance that offers a benefit equal to two times their annual base salary up to a maximum of one million dollars.

*Executive Disability Insurance.* We also provide all executive officers with disability coverage that provides a benefit of 100% base salary continuation for up to 365 days and then 60% of the executive's base salary plus the annual average of the last three years of incentive cash compensation, up to a maximum benefit of \$25,000 per month.

### ***Perquisites***

*Personal Use of Airplane.* For security and personal safety reasons, we require Mr. Weiss to use a private aircraft for both business and personal travel (up to 100 hours of personal use). Use of the corporate aircraft for business and personal reasons also allows Mr. Weiss to be more productive and efficient when he is required to travel. We provide Mr. Weiss with a tax gross-up payment on the income associated with his use of such private aircraft for personal use.

*Housing Allowance.* We provide Mr. Weiss and Mr. Campbell with reimbursement allowances for the business use of their private residences in the New York metropolitan area, which they use when required to be at our New York design studio or otherwise required by us to be in the New York City area, along with a tax gross-up payment to Mr. Weiss on the income associated therewith.

### **Accounting and Tax Considerations**

In determining which elements of compensation are to be paid, and how they are weighted, we also take into account whether a particular form of compensation will be deductible under Section 162(m) of the Code. Section 162(m) generally limits the deductibility of compensation paid to our NEOs to \$1 million during any fiscal year unless such compensation is performance-based under Section 162(m). However, under a Section 162(m) transition rule for compensation plans or agreements of corporations which are privately held and which become publicly held in an initial public offering, compensation paid under a plan or agreement that existed prior to the initial public offering will not be subject to Section 162(m) until the earliest of (1) the expiration of the plan or agreement, (2) a material modification of the plan or agreement, (3) the issuance of all employer stock and other compensation that has been allocated under the plan, or (4) the first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the year of the initial public offering (the "Transition Date"). After the Transition Date, rights or awards granted under the plan, other than options and stock appreciation rights, will not qualify as performance-based compensation for purposes of Section 162(m) unless such rights or awards are granted or vest upon pre-established objective performance goals, the material terms of which are disclosed to and approved by our stockholders.

Our compensation program is intended to maximize the deductibility of the compensation paid to our NEOs to the extent that we determine it is in our best interests. Consequently, we may rely on the exemption from Section 162(m) afforded to us by the transition rule described above for compensation paid pursuant to our pre-existing plans.

Many other Code provisions, SEC regulations and accounting rules affect the payment of executive compensation and are generally taken into consideration as programs are developed. Our goal is to create and maintain plans that are efficient, effective and in full compliance with these requirements.

**Table of Contents****Compensation Tables**

The purpose of the following tables is to provide information regarding the compensation earned during our most recently completed fiscal year by our NEOs.

*Summary Compensation Table*

The following table shows the compensation earned by our NEOs during the fiscal year ended January 30, 2010, referred to as fiscal year 2009.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation \$(2)	Nonqualified Deferred Compensation Earnings \$(3)	All Other Compensation \$(5)	Total (\$)
Michael A. Weiss <i>President and CEO</i>	2009	750,000	209,768			2,250,000		510,317	3,720,085
Matthew C. Moellering <i>Executive Vice President Chief Administrative Officer, CFO, Treasurer &amp; Secretary</i>	2009	432,692	25,295	138,000(4)		520,000	4,809	68,678	1,189,474
Fran Horowitz-Bonadies <i>Executive Vice President Women's Merchandising &amp; Design</i>	2009	500,000	21,715			550,000	8,619	80,317	1,160,651
Colin Campbell <i>Executive Vice President Sourcing &amp; Production</i>	2009	485,000	27,490			485,000	29,142	111,119	1,137,751
John J. ( Jack ) Rafferty <i>Executive Vice President Planning &amp; Allocation</i>	2009	430,000	36,270			516,000	69,812	82,888	1,134,970

- (1) Special discretionary bonus paid to reimburse our NEOs for the interest payable on their promissory notes, which were repaid in full effective February 9, 2010. See Compensation Discussion and Analysis Elements of Compensation Equity Incentives Summary of Our Prior Plan. Also includes for each NEO, except Mr. Weiss, a special bonus equivalent to what their 2008 annual company contribution under the qualified retirement plan would have been had we made it in 2008. For Mr. Weiss, also includes payment to reimburse him for his expenses related to employer Medicare and Social Security taxes.
- (2) Represents amounts paid under our performance-based cash incentive plan. See Compensation Discussion and Analysis Elements of Compensation Performance-Based Cash Incentives for more details.
- (3) We do not sponsor any tax-qualified or nonqualified defined benefit retirement plans. For fiscal year 2009, the amounts shown represent the amount by which earnings of 7.7% on each NEO's nonqualified deferred compensation account balance exceeded 120% of the applicable federal long-term rate.
- (4) Reflects the aggregate grant date fair value of the grant made in fiscal 2009, computed in accordance with applicable accounting guidelines. See Note 11 to our audited consolidated financial statements included elsewhere in this prospectus.
- (5) The following table details All Other Compensation paid to each NEO during fiscal year 2009:

Name	Tax Payments \$(a)	Executive Health Benefits \$(b)	Executive Life and Disability Insurance \$(c)	Personal Aircraft Usage \$(d)	Housing Allowance \$(e)	Relocation Benefits (\$)	Qualified Retirement Plan(f)	Nonqualified Supplemental Retirement Plan(g)	Annual Company Contribution \$(h)	Annual Company Contribution \$(i)
							401(k) Company Match \$(j)	Annual Company Contribution \$(k)	Company Match \$(l)	Company Contribution \$(m)
Michael A. Weiss	224,863	10,090	1,656	263,208	10,500		*	*	*	*
Matthew C. Moellering	7,469	14,373	1,038				3,385	15,328	11,608	15,477
Fran Horowitz-Bonadies	8,058	13,505	1,188				3,846	15,328	16,454	21,938
Colin Campbell	8,961	12,192	1,177		6,500	19,669	3,731	15,328	15,519	28,042
John J. ( Jack ) Rafferty	14,100	13,449	1,138				3,308	15,328	12,092	23,473

\* Per his employment agreement, Mr. Weiss was not eligible for company retirement plans in 2009, but will be eligible to participate in 2010.

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- (a) For all NEOs, except for Mr. Weiss, this column represents the gross-up amount on Medicare and the city tax for company contributions into the nonqualified deferred compensation plan and gross-up for a special discretionary bonus paid to reimburse our NEOs for the interest payable on their promissory notes, which were repaid in full effective February 9, 2009. For Mr. Weiss, this column includes (1) gross-up for personal aircraft usage in the amount of \$48,654, (2) gross-up for housing allowance in the amount of \$8,548, (3) gross-up for employee Medicare and Social Security taxes in the amount of \$40,014 and (4) gross-up for special discretionary bonus paid to reimburse Mr. Weiss for the interest payable on his promissory note in the amount of \$127,647.
- (b) The following items are included in Executive Health Benefits : Average company cost per employee for the Employee Medical Plan and Employee Dental Plan; actual company expenses for the Executive Physical Program; and actual premiums paid by the company for the Executive Medical Program.
- (c) Amounts represent the annual premiums paid by the company for executive life insurance and executive disability insurance.
- (d) This represents the expense for use of purchased aircraft time for personal private aircraft usage for Mr. Weiss.
- (e) Amounts include payments to Mr. Weiss and Mr. Campbell for nights stayed at their New York apartments while on business in New York at a nightly rate approximately equivalent to a nightly rate at a hotel.
- (f) See Compensation Discussion and Analysis Elements of Compensation Additional Executive Benefits and Perquisites Retirement Plan Benefits Qualified Retirement Plan.
- (g) See Compensation Discussion and Analysis Elements of Compensation Additional Executive Benefits and Perquisites Retirement Plan Benefits Nonqualified Deferred Compensation Plan.

### Grants of Plan-Based Awards

During fiscal year 2009, each of our NEOs participated in our performance-based cash incentive plan in which each officer was eligible for awards set forth under Estimated Potential Payouts Under Non-Equity Incentive Plan Awards below. The actual payout for the NEOs is set forth above under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. For a detailed discussion of our performance-based cash incentive plan, refer to Compensation Discussion and Analysis Elements of Compensation Performance-Based Cash Incentives.

We did not make any equity awards to our NEOs in fiscal year 2009, other than to Mr. Moellering in connection with his promotion in October 2009.

Name	Grant Date	Estimated Potential Payouts Under Non-Equity Incentive Plan Awards			Estimated Potential Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Exercise or Base Price of Stock Underlying Option of Stock			Grant Date Fair Value of Stock Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	Number of Shares or Units (#)	Number of Securities (#)	Price (\$/Sh)	
Michael A. Weiss		150,000	750,000	2,250,000							
Matthew C. Moellering	11/2/09	52,000	260,000	520,000				200,000			138,000
Fran Horowitz-Bonadies		55,000	275,000	550,000							
Colin Campbell		48,500	242,500	485,000							
John J. ( Jack ) Rafferty		51,600	258,000	516,000							

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### Outstanding Equity Awards at Fiscal Year-End

The table below sets forth certain information regarding the outstanding equity awards held by our NEOs as of January 30, 2010.

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Expiration Date	Grant Date(1)	Unit Class(2)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Michael A. Weiss						7/24/2007	A	1,500,000	4,470,000
Matthew C. Moellering						12/14/2007	A	93,750	279,375
						12/14/2007	C	93,750	64,688
						11/2/2009	C	200,000	138,000
Fran Horowitz-Bonadies						12/14/2007	A	131,250	391,125
						12/14/2007	C	131,250	90,563
Colin Campbell						12/14/2007	A	75,000	223,500
						12/14/2007	C	75,000	51,750
John J. ( Jack ) Rafferty						12/14/2007	A	131,250	391,125
						12/14/2007	C	131,250	90,563

- (1) Mr. Moellering was awarded 200,000 additional Class C Units in connection with his promotion in October 2009.
- (2) These Class A Units and Class C Units vest incrementally over a four-year period as described in Compensation Discussion and Analysis Elements of Compensation Equity Incentives Summary of Our Prior Plan, except the Units for Mr. Weiss, which are fully vested as of February 2010. All unvested Class A and Class C Units held by our executive officers, including our NEOs, fully vested in connection with the IPO.
- (3) Prior to the IPO, in the absence of a public trading market, management, in conjunction with a third-party valuation firm, considered numerous objective and subjective factors to determine its best estimate of the fair value of our common stock as of each valuation date. Valuations were performed annually, around the end of the third quarter or in the fourth quarter. We used the most recent valuation closest to the date shares were granted, and evaluated the results of the next valuation to determine if adjustments to the grant date fair value were required.

### Option Exercises and Stock Vested

The following table provides information relating to the Stock Awards vested during the fiscal year 2009. There were no Option Awards exercised during fiscal year 2009.

Name	Option Awards			Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Unit Class	Number of Units Acquired on Vesting (#)	Value Realized on Vesting (1)(\$)

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Michael A. Weiss	A	1,000,000	1,970,000
Matthew C. Moellering	A	62,500	123,125
	C	62,500	34,062
Fran Horowitz Bonadies	A	87,500	172,375
	C	87,500	47,687
Colin Campbell	A	50,000	98,500
	C	50,000	27,250
John J. ( Jack ) Rafferty	A	87,500	172,375
	C	87,500	47,687



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- (1) Prior to the IPO, in the absence of a public trading market, management, in conjunction with a third-party valuation firm, considered numerous objective and subjective factors to determine its best estimate of the fair value of our common stock as of each valuation date. Valuations were performed annually, around the end of the third quarter or in the fourth quarter. We used the most recent valuation closest to the date shares were granted, and evaluated the results of the next valuation to determine if adjustments to the grant date fair value were required.

*Pension Benefits*

Our NEOs did not participate in or have account balances in any qualified or nonqualified defined benefit plans sponsored by us. Our board of directors or Compensation and Governance Committee may elect to adopt qualified or nonqualified benefit plans in the future if it determines that doing so is in our best interest.

*Deferred Compensation*

We provide a nonqualified deferred compensation plan for our executive officers. See Compensation Discussion and Analysis Elements of Compensation Additional Executive Benefits and Perquisites Retirement Plan Benefits Nonqualified Deferred Compensation Plan. The following table provides the figures related to our Nonqualified Deferred Compensation Plan for fiscal year 2009.

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Company Contributions in Last Fiscal Year \$(2)	Aggregate Earnings in Last Fiscal Year \$(3)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance At Last Fiscal Year (\$)
Michael A. Weiss(1)					
Matthew C. Moellering	5,804	27,085	13,205		200,555
Fran Horowitz-Bonadies	8,227	38,392	23,669		348,802
Colin Campbell	7,760	43,562	80,027		1,111,835
John J. ( Jack ) Rafferty	6,046	35,565	191,709		2,624,003

- (1) Under his employment agreement, Mr. Weiss was not eligible for the company's nonqualified deferred compensation plan in 2009, but will be eligible to participate in 2010.
- (2) These amounts were included in the All Other Compensation column of the Summary Compensation Table.
- (3) The above-market portion of these earnings was included in the Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table.

**Employment and Other Agreements**

The Compensation and Governance Committee believes that our current severance arrangements protect stockholder interests by retaining management should periods of uncertainty arise. Because our severance arrangements are structured to serve the above purposes and because severance agreements represent a contractual obligation of our company, decisions relating to other elements of compensation have minimal effect on decisions relating to existing severance agreements.

These agreements generally provide that, if we fail to extend the executive's agreement or terminate the executive's employment without cause, or if the executive terminates the executive's employment for good reason, the executive will continue to receive the executive's base salary and medical and dental benefits for one year after the termination date. If the executive agrees to execute a general release of claims against our company, the executive will also be entitled to receive the amount of the incentive compensation that the executive would have otherwise received during the first year after termination.

*Michael A. Weiss*

We are party to an employment agreement with Mr. Weiss, our President and Chief Executive Officer. Under the terms of his employment agreement, effective February 1, 2010, Mr. Weiss is entitled to an annual



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base salary of \$1,000,000, subject to annual review thereof by our Compensation and Governance Committee for potential increase. Mr. Weiss is also eligible to earn a short-term, performance-based cash incentive payment for each six-month operating season. The target payout for Mr. Weiss is 100% of his annual base salary, with a maximum annual payout opportunity of 200% of his annual base salary.

Mr. Weiss is also eligible to receive benefits in accordance with the standard benefit plans we provide to our other senior executives. In addition, we provide Mr. Weiss with the use of a private jet for his business-related travel (necessitated primarily by his frequent trips to our New York design studio) and for up to 100 hours of his personal travel, along with a tax gross-up payment to Mr. Weiss on the income associated therewith. Mr. Weiss is also entitled to up to four weeks of paid time off and reimbursement for all business travel, entertainment and other business expenses, including a reasonable daily reimbursement allowance for the business use of his private residence in New York, New York, which he uses when required to be at our New York design studio, along with a tax gross-up payment to Mr. Weiss on the income associated therewith, if any.

Mr. Weiss' employment continues until the earlier of his resignation (with or without good reason), death or disability, or termination by us (with or without cause). If we terminate Mr. Weiss' employment without cause or Mr. Weiss resigns for good reason, Mr. Weiss is entitled to receive severance equal to (1) twelve months of his then-current base salary payable within sixty days and continuation of his medical and dental benefits, (2) a guaranteed bonus payment equal to 100% of his then-current base salary, and (3) the bonus described in the first paragraph of this section for the season in which Mr. Weiss' employment was terminated if Mr. Weiss would have otherwise been entitled to receive such bonus (prorated based on the number of days Mr. Weiss was employed during the season in which any such termination may occur). The foregoing amounts are payable at such times as Mr. Weiss would have otherwise been entitled to receive them had his employment not been terminated. Mr. Weiss' receipt of severance is contingent upon execution of a general release of any and all claims arising out of or related to his employment with us and the termination of his employment.

Mr. Weiss has also agreed to customary restrictions with respect to the use of our confidential information and has agreed that all intellectual property developed or conceived by Mr. Weiss while he is employed by us which relates to our business is our property. During the term of Mr. Weiss' employment with us and during the twelve-month period immediately thereafter, Mr. Weiss has agreed not to (1) solicit or hire any of our employees, (2) induce or attempt to induce any supplier, licensee, licensor or other material business relation of ours to cease doing business with us, or (3) participate (whether as an officer, director, employee or otherwise) in any competitive business (subject to Mr. Weiss' ability to serve as a member of the board of directors of certain agreed-upon public companies). During any period in which Mr. Weiss has breached the above restrictions, we have no obligations to pay Mr. Weiss any severance described above.

If any payment by us to Mr. Weiss under his employment agreement or the lapse or termination of any vesting restriction with respect to the units held by Mr. Weiss, his family trusts or his spouse would be subject to the excise tax imposed by Code Section 4999 by reason of being contingent on a change in ownership or control within the meaning Code Section 280G, then Mr. Weiss shall be entitled to receive a gross-up payment from us in an amount such that after payment by Mr. Weiss of all taxes (including any penalties or interest with respect thereto) and excise tax imposed on such gross-up payment, Mr. Weiss is entitled to retain an amount of such gross-up payment equal to the excise tax imposed on any such payment under his employment agreement or the lapse or termination of any vesting restriction with respect to the units held by Mr. Weiss, his family trusts or his spouse determined to be subject to the excise tax imposed by Code Section 4999.

We have agreed to indemnify and hold Mr. Weiss harmless in any and all actions resulting from the good faith performance of his duties and obligations with us.

### *All Other NEOs*

We have entered into the below described employment agreements with all other NEOs. The term of each of these employment agreements is five years with automatic renewals thereafter on a year-to-year basis unless we

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or the applicable executive provides prior written notice of non-renewal. Notwithstanding the foregoing, the employment agreements may be terminated in the case of the applicable executive's resignation, death or disability or termination by us.

Each such employment agreement provides for an annual base salary that is subject to annual review by us for potential increase, as well as short-term, performance-based cash incentive payment opportunities for each six-month operating season based on a percentage of the applicable executive's base salary. See Compensation Discussion and Analysis Elements of Compensation Performance-Based Cash Incentives. In addition, each such employment agreement provides that the applicable executive is eligible for equity-based compensation awards that are commensurate with his or her performance and position. Each such executive is also entitled to participate in all employee benefit plans that we maintain and make available to our senior executives and is entitled to paid time off in accordance with our policies as in effect from time to time.

Each such employment agreement provides that, if we fail to extend the executive's agreement or terminate the executive's employment without cause, or if the executive terminates the executive's employment for good reason, the executive will continue to receive one year of his or her then-current base salary and (subject to certain exceptions) medical and dental benefits during the one-year period following such termination. If the executive agrees to execute a general release of claims against our company, the executive will also be entitled to receive the amount of the cash incentive compensation that the executive would have otherwise received during the first year after termination.

**Potential Payments Upon Termination and Change in Control**

The information below describes and quantifies certain compensation that would become payable under employment agreements with the following NEOs if, as of January 30, 2010, his/her employment with us had been terminated. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event. Further, the information below does not incorporate the terms of any agreement entered into after January 30, 2010.

*Michael A. Weiss*

		Involuntary without Cause or Voluntary with Good Reason		Involuntary without Cause following Change in Control		
Component	Voluntary Resignation	Without Signed Release	With Signed Release		Disability(4)	Retirement
Base Salary	\$	\$	\$ 750,000	\$ 750,000	\$ 750,000	\$
Bonus(1)			3,000,000	3,000,000		
Total Cash Severance	\$	\$	\$ 3,750,000	\$ 3,750,000	\$ 750,000	\$
Value of Accelerated Equity(2)						
Benefits and Perquisites(3)			10,192	10,192	8,900	
Total Severance	\$	\$	\$ 3,760,192	\$ 3,760,192	\$ 758,900	\$

(1) This amount includes a guaranteed bonus payment of \$750,000 and the fiscal year 2009 performance-based cash compensation plan payout of \$2,250,000 which has been earned but not yet paid.

(2) Equity is fully vested as of February 2010.

(3) Estimates for benefits and perquisites include the continuation of medical and dental.

(4) If Mr. Weiss became permanently and totally disabled on January 30, 2010, he would receive 12 months of salary continuation from us and 9 months of benefits continuation. Additional eligible disability compensation would be provided by a third-party insurance company and not paid by us.

**Table of Contents***Matthew C. Moellering*

Component	Voluntary Resignation	Involuntary without Cause or Voluntary with Good Reason		Involuntary without Cause following Change in Control	Disability(2)	Retirement
		Without Signed Release	With Signed Release			
Base Salary	\$	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$
Bonus			300,000	300,000		
Total Cash Severance	\$	\$ 500,000	\$ 800,000	\$ 800,000	\$ 500,000	\$
Value of Accelerated Equity Benefits and Perquisites(1)		12,294	12,294	12,294	10,089	
Total Severance	\$	\$ 512,294	\$ 812,294	\$ 812,294	\$ 510,089	\$

(1) Estimates for benefits and perquisites include the continuation of medical and dental, as well as the value of unvested qualified and nonqualified retirement plan balances that would become vested.

(2) If Mr. Moellering became permanently and totally disabled on January 30, 2010, he would receive 12 months of salary continuation from us and 9 months of benefits continuation. Additional eligible disability compensation would be provided by a third-party insurance company and not paid by us.

*Fran Horowitz-Bonadies*

Component	Voluntary Resignation	Involuntary without Cause or Voluntary with Good Reason		Involuntary without Cause following Change in Control	Disability(2)	Retirement
		Without Signed Release	With Signed Release			
Base Salary	\$	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$
Bonus			275,000	275,000		
Total Cash Severance	\$	\$ 500,000	\$ 775,000	\$ 775,000	\$ 500,000	\$
Value of Accelerated Equity Benefits and Perquisites(1)		12,294	12,294	12,294	10,238	
Total Severance	\$	\$ 512,294	\$ 787,294	\$ 787,294	\$ 510,238	\$

(1) Estimates for benefits and perquisites include the continuation of medical and dental, as well as the value of unvested qualified and nonqualified retirement plan balances that would become vested.

(2) If Ms. Horowitz-Bonadies became permanently and totally disabled on January 30, 2010, she would receive 12 months of salary continuation from us and 9 months of benefits continuation. Additional eligible disability compensation would be provided by a third-party insurance company and not paid by us.

**Table of Contents***Colin Campbell*

Component	Voluntary Resignation	Involuntary without Cause or Voluntary with Good Reason		Involuntary without Cause following Change in Control	Disability(2)	Retirement
		Without Signed Release	With Signed Release			
Base Salary	\$	\$ 485,000	\$ 485,000	\$ 485,000	\$ 485,000	\$
Bonus			242,500	242,500		
Total Cash Severance	\$	\$ 485,000	\$ 727,500	\$ 727,500	\$ 485,000	\$
Value of Accelerated Equity						
Benefits and Perquisites(1)		12,294	12,294	12,294	10,221	
Total Severance	\$	\$ 497,294	\$ 739,794	\$ 739,794	\$ 495,221	\$

(1) Estimates for benefits and perquisites include the continuation of medical and dental, as well as the value of unvested qualified and nonqualified retirement plan balances that would become vested.

(2) If Mr. Campbell became permanently and totally disabled on January 30, 2010, he would receive 12 months of salary continuation from us and 9 months of benefits continuation. Additional eligible disability compensation would be provided by a third-party insurance company and not paid by us.

*John J. ( Jack ) Rafferty*

Component	Voluntary Resignation	Involuntary without Cause or Voluntary with Good Reason		Involuntary without Cause following Change in Control	Disability(2)	Retirement
		Without Signed Release	With Signed Release			
Base Salary	\$	\$ 430,000	\$ 430,000	\$ 430,000	\$ 430,000	\$
Bonus			258,000	258,000		
Total Cash Severance	\$	\$ 430,000	\$ 688,000	\$ 688,000	\$ 430,000	\$
Value of Accelerated Equity						
Benefits and Perquisites(1)		12,294	12,294	12,294	10,162	
Total Severance	\$	\$ 442,294	\$ 700,294	\$ 700,294	\$ 440,162	\$

(1) Estimates for benefits and perquisites include the continuation of medical and dental, as well as the value of unvested qualified and nonqualified retirement plan balances that would become vested.

(2) If Mr. Rafferty became permanently and totally disabled on January 30, 2010, he would receive 12 months of salary continuation from us and 9 months of benefits continuation. Additional eligible disability compensation would be provided by a third-party insurance company and not paid by us.

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### **Director Compensation**

See Management Corporate Governance Director Compensation.

### **Director and Officer Indemnification and Limitation of Liability**

Our bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by the General Corporation Law of the State of Delaware ( DGCL ). In addition, our certificate of incorporation provides that our directors are not liable for monetary damages for breach of fiduciary duty.

In addition, we are party to indemnification agreements with each of our executive officers and directors. The indemnification agreements provide the executive officers and directors with contractual rights to indemnification, expense advancement and reimbursement, to the fullest extent permitted under the DGCL. We are also party to indemnification priority agreements with Golden Gate and Limited Brands to clarify the priority of advancement of expenses and indemnification obligations among us, our subsidiaries and any of our directors appointed by Golden Gate or its affiliates and Limited Brands or its affiliates and other related matters.

There is no pending litigation or proceeding naming any of our directors or officers in which indemnification is being sought, and we are not aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

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**PRINCIPAL AND SELLING STOCKHOLDERS**

Unless otherwise noted, the following table sets forth the beneficial ownership of our common stock immediately prior to this offering and the anticipated beneficial ownership of our common stock following this offering by:

each person or group who is known by us to own beneficially more than 5% of our outstanding shares of common stock;

each of our named executive officers;

each of our directors;

all of our executive officers and directors as a group; and

each selling stockholder.

The selling stockholders have collectively granted the underwriters an option to purchase up to 1,875,000 additional shares of our common stock, and the table below assumes no exercise of that option. To the extent that the underwriters exercise this option, the underwriters will purchase additional shares from the selling stockholders in approximately the same proportions as the shares to be sold in this offering shown in the table below.

Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof, or has the right to acquire such powers within 60 days. Common stock subject to options that are currently exercisable or exercisable within 60 days of the date of this prospectus are deemed to be outstanding and beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person and any group of which that person is a member. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of beneficial ownership is based on 88,735,895 shares of common stock outstanding. Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. Unless otherwise indicated in the table or footnotes below, the address for each beneficial owner is c/o Express, Inc., 1 Express Drive, Columbus, Ohio 43230. For further information regarding material transactions between us and certain of our stockholders, see Certain Relationships and Related Party Transactions.



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Name	Shares Beneficially Owned Prior to This Offering		Shares To Be Sold in This Offering Assuming No Exercise of the Option to Purchase Additional Shares	Shares To Be Sold in This Offering Assuming Full Exercise of the Option to Purchase Additional Shares	Shares Beneficially Owned After This Offering Assuming No Exercise of the Option to Purchase Additional Shares		Shares Beneficially Owned After This Offering Assuming Full Exercise of the Option to Purchase Additional Shares	
	Number	Percent	Number	Number	Number	Percent	Number	Percent
<b>5% Stockholders:</b>								
Funds managed by Golden Gate Private Equity, Inc.(1)	48,799,844	55.0%	9,375,000	10,781,250	39,424,844	44.4%	38,018,594	42.8%
Limited Brands, Inc.(2)	16,266,615	18.3%	3,125,000	3,593,750	13,141,615	14.8%	12,672,865	14.3%
<b>Executive Officers and Directors:</b>								
Michael A. Weiss(3)	3,021,391	3.4%			3,021,391	3.4%	3,021,391	3.4%
John J. Rafferty	451,389	*			451,389	*	451,389	*
Fran Horowitz-Bonadies	437,429	*			437,429	*	437,429	*
Jeanne L. St. Pierre	432,929	*			432,929	*	432,929	*
Matthew C. Moellering	382,984	*			382,984	*	382,984	*
David G. Kornberg	352,947	*			352,947	*	352,947	*
Elliott R. Tobias	310,978	*			310,978	*	310,978	*
Lisa A. Gavales	315,678	*			315,678	*	315,678	*
Colin Campbell	260,797	*			260,797	*	260,797	*
Douglas H. Tilson	239,037	*			239,037	*	239,037	*
David C. Dominik(1)	48,799,844	55.0%	9,375,000	10,781,250	39,424,844	44.4%	38,018,594	42.8%
Stefan L. Kaluzny(1)	48,799,844	55.0%	9,375,000	10,781,250	39,424,844	44.4%	38,018,594	42.8%
Michael F. Devine, III								
Mylle H. Mangum								
<b>Executive officers and directors as a group (14 persons)</b>	<b>55,005,403</b>	<b>62.0%</b>	<b>9,375,000</b>	<b>10,781,2500</b>	<b>45,630,403</b>	<b>51.4%</b>	<b>44,224,153</b>	<b>49.8%</b>

\* Represents beneficial ownership of less than one percent (1%) of our outstanding common stock.

- (1) Includes shares of common stock that are held directly by Multi-Channel Retail Holdings LLC Series G, a Delaware limited liability company, and shares of common stock held indirectly (through their respective ownership in Multi-Channel Retail Holdings LLC) by (a) Golden Gate Capital Investment Fund II, L.P., (b) Golden Gate Capital Investment Fund II-A, L.P., (c) Golden Gate Capital Investment Annex Fund II, L.P., (d) Golden Gate Capital Investment Fund II (AI), L.P., (e) Golden Gate Capital Investment Fund II-A (AI), L.P., (f) Golden Gate Capital Investment Annex Fund II (AI), L.P., (g) Golden Gate Capital Associates II-QP, L.L.C., (h) Golden Gate Capital Associates II-AI, L.L.C., (i) CCG AV, L.L.C. Series C, (j) CCG AV, L.L.C. Series I and (k) CCG AV, L.L.C. Series L (the entities listed in clauses (a) through (k) above, the Golden Gate Entities ), each of which are funds managed by Golden Gate. Golden Gate may be deemed to be the beneficial owner of the shares owned by Multi-Channel Retail Holdings LLC and the Golden Gate Entities, but disclaims beneficial ownership pursuant to the rules under the Exchange Act. Each of Mr. Dominik and Mr. Kaluzny is a Managing Director of Golden Gate, and each may be deemed to be the beneficial owners of shares owned by Multi-Channel Retail Holdings LLC and the Golden Gate Entities. Each of Mr. Dominik and Mr. Kaluzny disclaims beneficial ownership of any securities owned by Multi-Channel Retail Holdings LLC or the Golden Gate Entities, except, in each case, to the extent of his pecuniary interest therein. The address for Golden Gate, Multi-Channel Retail Holdings LLC, the Golden Gate Entities and Mr. Dominik and Mr. Kaluzny is c/o Golden Gate Private Equity, Inc., One Embarcadero Center, 39th Floor, San Francisco, California 94111.
- (2) Includes shares of common stock that are owned by American Apparel Investments, Inc., which is a wholly-owned indirect subsidiary of, and controlled by, Limited Brands, Inc. The address for American Apparel Investments, Inc. is c/o Limited Brands, Inc., Three Limited Parkway, Columbus, Ohio 43230.
- (3) Represents 1,014,255 shares owned by the Declaration of Trust of Michael A. Weiss dated December 22, 1998, as amended, 1,000,000 shares owned by the Michael A. Weiss Trust Agreement Gamma #2 (the Gamma Trust ), 7 shares owned by the Declaration of Trust of Arlene Weiss dated December 22, 1998, as amended, 431,627 shares owned by the Weiss Descendents 2008 Irrevocable Trust dated March 13, 2008 (the Weiss Irrevocable Descendents Trust ), 287,751 shares owned by the Weiss Family 2008 Irrevocable Trust Alpha dated March 13, 2008 (the Weiss Irrevocable Trust Alpha ) and 287,751 shares owned by the Weiss Family 2008 Irrevocable Trust Beta dated March 13, 2008 (the Weiss Irrevocable Trust Beta ), together with the Weiss Irrevocable Descendents Trust and the Weiss Irrevocable Trust Alpha, the Descendents Trusts ). The Gamma Trust is a grantor retained annuity trust for the benefit of Mr. Weiss and his descendents. Mr. Weiss is not the trustee of the Gamma Trust. The beneficiaries of the Descendents Trusts are descendents of Mr. Weiss. Mr. Weiss is neither a beneficiary nor a trustee of the Descendents Trusts. As such, Mr. Weiss disclaims beneficial ownership of any securities owned by the Gamma Trust and the Descendents Trusts.

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### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

In connection with the IPO, we adopted a written policy with respect to related party transactions. Under our Related Person Transaction policy, a Related Person Transaction is any transaction, arrangement or relationship between us or any of our subsidiaries and a Related Person not including any transactions involving \$120,000 or less when aggregated with all similar transactions. A Related Person is any of our executive officers, directors or director nominees, any stockholder beneficially owning in excess of 5% of our stock or securities exchangeable for our stock, any immediate family member of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is an executive officer, a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest in such entity.

Pursuant to our Related Person Transaction policy, any Related Person Transaction must be approved or ratified by a majority of the disinterested directors on the board of directors or a designated committee thereof consisting solely of disinterested directors. In approving any Related Person Transaction, the board of directors or the committee must determine that the transaction is on terms no less favorable in the aggregate than those generally available to an unaffiliated third-party under similar circumstances.

Transactions with Related Persons, though not classified as Related Person Transactions by our policy and thus not subject to its review and approval requirements, may still need to be disclosed if required by the applicable securities laws, rules and regulations.

Other than compensation agreements and other arrangements which are described under Executive Compensation, and the transactions described below, since February 4, 2007, there has not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors, executive officers, stockholders beneficially owning in excess of 5% of our stock or securities exchangeable for our stock or any member of the immediate family of the foregoing persons had or will have a direct or indirect material interest.

#### **Golden Gate Acquisition**

In connection with the Golden Gate Acquisition, we entered into the following agreements:

a Unit Purchase Agreement pursuant to which Golden Gate acquired a controlling interest in us for \$484.9 million;

a transition services agreement pursuant to which Limited Brands agreed to provide us with support services in various operational and administrative areas, including product sourcing services through MAST. We incurred charges under this agreement of \$809.0 million, \$772.7 million, \$532.2 million and \$354.4 million during the 2007 Successor period, fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively, of which \$471.4 million, \$584.5 million, \$464.7 and \$310.0 million related to MAST, in its capacity as a buying agent;

a master sublease and store leases agreement pursuant to which we lease certain stores and our New York design center from Limited Brands;

an advisory agreement with Golden Gate, under which we incurred fees of \$3.6 million, \$4.2 million, \$7.2 million and \$12.8 million in the 2007 Successor period, fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively; and

a limited liability company agreement, which included an advisory fee arrangement for Limited Brands, pursuant to which we incurred fees of \$1.1 million, \$1.3 million, \$2.2 million and \$4.2 million during the 2007 Successor period, fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively.

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We have amended, replaced or terminated certain of these agreements, and we currently are party to the following agreements or arrangements with Golden Gate and/or Limited Brands:

a product sourcing services arrangement with MAST;

the master sublease and the store leases agreement discussed above pursuant to which we lease certain stores and our New York design center from Limited Brands;

a logistics services agreement effective as of February 1, 2010 pursuant to which an affiliate of Limited Brands provides us with transportation and delivery and other related services, and pursuant to which we lease our distribution space in Columbus, Ohio;

an office space lease agreement effective as of February 1, 2010 pursuant to which we lease office space from Limited Brands;

certain other transactions with Golden Gate described in *Other Golden Gate Transactions* below, pursuant to which we incurred charges of \$8.4 million, \$19.5 million and \$13.2 million in fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively;

a Conversion Agreement and a Merger Agreement entered into with our controlling equity holders to effect Express, Inc.'s conversion into a corporation and the mergers effected in connection with the conversion described in the section entitled *Basis of Presentation*;

a Registration Rights Agreement with an affiliate of Golden Gate, Multi-Channel Retail Holdings, LLC *Series G* ( *MCRH* ), Limited Brands and certain management stockholders; and

a Stockholders Agreement with MCRH and Limited Brands.

Each of these agreements and arrangements is described in further detail below.

### *Purchase Agreement*

Pursuant to the Unit Purchase Agreement, dated May 15, 2007 (as amended, the *Purchase Agreement* ), an affiliate of Limited Brands sold 75% of the equity interests in Express Holding, LLC to an entity that is wholly-owned by Golden Gate, Express Investment Corp., for a cash payment of \$484.9 million, which amount includes a \$34.3 million net tangible asset adjustment paid by Express Investment Corp. to Express Holding. In addition, on the closing of the Golden Gate Acquisition, we distributed to an affiliate of Limited Brands \$117.0 million in loan proceeds (which amount includes the expense reimbursement paid to Limited Brands described below) from a \$125.0 million term loan facility entered into with Morgan Stanley Senior Funding, Inc., as administrative agent, and certain other lenders. See *Description of Certain Indebtedness Opco Term Loan Facility*. The *Purchase Agreement* also required us to pay up to \$14.0 million and \$7.0 million, respectively, of the reasonable out-of-pocket costs and expenses incurred by Express Investment Corp. and Limited Brands, respectively, in connection with the Golden Gate Acquisition. The expense reimbursement to which Limited Brands was entitled under the *Purchase Agreement* was included in the aforementioned amounts paid to it at the closing of the Golden Gate Acquisition. The purchase price for the equity interests in Express Holding was also subject to a customary adjustment following the closing of the Golden Gate Acquisition based on the amount of our net tangible assets as of the closing. Limited Brands paid Express Holding \$1.9 million in connection with this adjustment.

The *Purchase Agreement* contains negotiated representations and warranties and covenants of each of Express Investment Corp. and Limited Brands and provides for indemnification in the event of a breach of these covenants and certain of these representations and warranties. None of the representations and warranties survived the closing of the Golden Gate Acquisition, except for claims with respect to (1) a breach of certain fundamental representations (including those made by a party as to its corporate existence, authority to enter into the *Purchase Agreement*, and

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capitalization) (the time period to bring a claim for any such breach survives until the latest date permitted by law), and (2) a breach of representations regarding financial statements and sufficiency of assets (the time period to bring a claim for any such breach expired on July 6, 2008). Covenants of the parties continue in full force and effect indefinitely or for the shorter period specified in the Purchase Agreement. Neither party has brought an indemnification claim against the other party as of the date of this prospectus.

**Table of Contents***Limited Brands Transition Services Agreements*

In connection with the Golden Gate Acquisition, we entered into a transition services agreement pursuant to which Limited Brands agreed to provide us support services in various operational areas including, among other things, human resources, real estate, tax, marketing, logistics, technology and product sourcing. We also used Limited Brands to process a portion of our normal course store operating lease payments so as to minimize the potential for disruption to our landlords during the transition. The product sourcing services are provided by MAST, an affiliate of Limited Brands, and are discussed separately below. See MAST Services Arrangements. The length of time the various transition services were provided ranged in duration from 3 months to 36 months. The provision of these services under the transition services agreement expired in July 2010. We incurred \$337.6 million, \$188.2 million, \$67.5 and \$44.4 million in charges from Limited Brands for various transition services, excluding services provided by MAST, during the 2007 Successor period, fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively.

The following table provides additional detail on these transition services charges from Limited Brands.

	Period from July 7, 2007 through February 2, 2008	2008	2009	Thirty-Nine Weeks Ended October 30, 2010
Store lease payments processed by Limited Brands	\$ 160.8	\$ 70.2	\$ 1.0	\$ 0.7
Payroll and related expenses processed by Limited Brands	81.5	24.6		
Logistics services	29.7	50.7	42.6	35.2
Information technology	14.0	20.6	17.0	4.2
Other general and administrative expenses	51.6	22.1	6.9	4.3
Total	\$ 337.6	\$ 188.2	\$ 67.5	\$ 44.4

Our outstanding liability, included in accounts payable and accrued expenses related parties, for transition services, excluding services provided by MAST, as of October 30, 2010 was \$9.5 million. The amounts we paid for the services provided pursuant to the transition services agreement, excluding services provided by MAST, varied depending on the applicable service and, in some instances, included a specified overhead charge. We were generally invoiced by Limited Brands monthly for these amounts and were generally required to pay within 30 days of the invoice. Since the Golden Gate Acquisition, we have made investments in our business so that we can operate as a standalone business. Effective July 6, 2010, Limited Brands no longer provides services to us under the transition services agreement.

*MAST Services Arrangements*

An affiliate of Limited Brands, MAST Industries, Inc., currently provides us with certain support services relating to our product production and sourcing. MAST is one of the largest contract manufacturers and importers of women's and men's apparel in the United States and has relationships with many other third-party retailers. These services include providing us support in connection with our product costing and specifications, assisting us with vendor certification, compliance and auditing, purchase order initiation and tracking, and product delivery services, including customs and other regulatory compliance and logistics services. This arrangement with Limited Brands requires Limited Brands and us to maintain as confidential all of the confidential information provided in connection with the performance of the services. In addition, this provision prohibits us and Limited Brands from using the other party's confidential information for their own benefit. Because of these contractual confidentiality restrictions, we do not believe that sharing competitive information with MAST or Limited Brands in connection with these arrangements places us at a disadvantage relative to Limited Brands or any of our other competitors.

For the twelve-month period ended July 6, 2010, we were obligated to purchase a minimum of 60% of our requirements for certain of our products, and related services, through MAST under the transition services

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agreement. After July 6, 2010, we may obtain all of our products and related services on the open market as we do with the other 40% of products not sourced through MAST. Although the transition services agreement has expired and we are no longer required to purchase minimum amounts through MAST, we anticipate no change in our sourcing strategy. We estimate that the cost of these required services will be approximately \$0.3 million per year. We incurred charges from MAST, in its capacity as buying agent, of \$471.4 million, \$584.5 million, \$464.7 million and \$310.0 million in the 2007 Successor period, fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively. These charges from MAST primarily consisted of payments in respect of the purchase price of sourced products, with an additional sourcing fee paid to MAST to compensate them for their services. Our outstanding liability, included in accounts payable and accrued expenses related parties, for merchandise sourcing as of October 30, 2010 was \$86.3 million. We pay MAST on terms comparable to our other large unrelated sourcing vendors.

### *Master Sublease and Store Leases Agreement*

In connection with the Golden Gate Acquisition, on July 6, 2007 we entered into a Master Sublease, a Store Leases Agreement and certain related agreements with Limited Brands and certain of its affiliates. The Master Sublease provides for Limited Brands or one of its affiliates to sublease us the space for approximately nine of our retail stores, as well as our design center in New York, New York. Fees incurred under this agreement were paid under the transition services agreement and are included in the expenses referenced above for the transition services agreement. Limited Brands has guaranteed for the benefit of the applicable landlord our performance of our obligations under each of the prime leases for these sites, including the obligation to pay rent. Under the Master Sublease, Limited Brands has agreed to cooperate with us so that we have the right and power to control all decisions in connection with the exercise or election not to exercise any and all rights of the tenant under the applicable lease agreement.

The Store Leases Agreement provides for the sublease (with us as either the subtenant or sublandlord party) of certain retail space shared by Limited Brands or one of its affiliates and us, including the retail space for certain of our stores, as well as the retail space for certain stores operated by Limited Brands or one of its affiliates. Depending on whether we or an affiliate of Limited Brands is the tenant under the applicable lease agreement, either we or an affiliate of Limited Brands are primarily responsible for the obligations under the applicable lease.

In general, the subleases effectuated pursuant to the terms of the Master Sublease and the Store Leases Agreement commenced on July 6, 2007 and expire on the day immediately preceding the day of expiration of the current term of the underlying lease agreement for the applicable retail store. In addition, the other arrangements provided for in the Master Sublease and the Store Leases Agreement (including the payment of rent and monetary expenses) mirror the terms of the underlying lease agreement with the landlord for the applicable site.

### *Golden Gate Advisory Agreement*

In connection with the Golden Gate Acquisition, we entered into an Advisory Agreement with Golden Gate that was to expire in July 2017, with automatic one-year extensions unless either we or Golden Gate provided a termination notice to the other at least 90 days prior to the expiration of the initial or any extension term. Under this agreement, Golden Gate provided us with consulting and advisory services, including general executive and management services, support and analysis with respect to financing alternatives and finance marketing and human resources services. Under the Advisory Agreement, we reimbursed Golden Gate for reasonable out-of-pocket expenses incurred in connection with providing us consulting and advisory services and also paid an annual advisory fee equal to the greater of (1) \$2.0 million per fiscal year and (2) 3% of our Adjusted EBITDA. These advisory fees were payable quarterly in advance. We incurred advisory fees of \$3.6 million, \$4.2 million, \$7.2 million and \$12.8 million in the 2007 Successor period, fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, respectively. These expenses were recorded as other operating expenses. Upon the consummation of each transaction that resulted in a change of control of Express Parent or its subsidiaries or an acquisition, divestiture or incremental financing (above and beyond the existing amount of

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funded debt being replaced, whether by debt or equity financing) by or involving Express Parent or its subsidiaries (including the issuance of the Senior Notes), we were also required to pay Golden Gate a transaction fee in an amount equal to 1% of the aggregate value of any such transaction. In addition, under the LLC Agreement described below, so long as Limited Brands owned any of Express Parent's equity interests, we were obligated to make a cash payment to it equal to a portion of the periodic quarterly advisory fees paid to Golden Gate under the Advisory Agreement, which payment was determined based on the amount of Express Parent's equity interests it held relative to that held by Golden Gate. In connection with the Refinancing Transactions, we paid Golden Gate \$2.5 million in transaction advisory fees. In connection with the IPO, we paid Golden Gate \$10.0 million in connection with terminating this agreement and Limited Brands \$3.3 million to terminate their advisory fee arrangement under the LLC Agreement but did not pay a separate 1% transaction fee.

### *Logistics Services Agreement*

On October 5, 2009, we negotiated a new logistics services agreement with an affiliate of Limited Brands to replace the logistics services provided to us by Limited Brands under the transition services agreement. The term of the agreement commenced on February 1, 2010 and ends on April 30, 2016 and will continue thereafter unless it is terminated by either party on no less than 24 months' prior notice. Notwithstanding the foregoing, we have the right to terminate the agreement on 24 months' prior notice, which may be given any time after February 1, 2011. In no event may the termination of the agreement occur between October 1 of any calendar year and the last day of February of the next calendar year.

Under the logistics services agreement, an affiliate of Limited Brands has agreed to provide us certain inbound and outbound transportation and delivery services, distribution services, and customs and brokerage services. This agreement also provides for the rental of approximately 418,000 square feet of warehouse/distribution space located in Columbus, Ohio commencing February 1, 2010, which lease replaced our current lease of 403,620 square feet in this warehouse/distribution space from an affiliate of Limited Brands. In addition, we have exercised the option to convert up to 30,000 square feet of the warehouse/distribution facility into office space. As a result, if we elect to renew our home office lease, our rent and operating expenses will be increased by an amount specified in the home office lease agreement.

The amounts we pay for the services provided pursuant to the logistics services agreement vary depending on the type of service but generally are based on the costs incurred by the Limited Brands affiliate to provide such service plus a mark-up. We pay monthly rent for the warehouse/distribution space of approximately \$0.1 million (subject to a 10% increase every five years), plus operating expenses. We are generally invoiced by the Limited Brands affiliate for amounts due under the logistics services agreement monthly and are required to pay within 30 days of the invoice.

### *Lease Agreement for Office Space*

On October 5, 2009, we and an affiliate of Limited Brands entered into an agreement for us to lease 160,519 square feet of office space located in Columbus, Ohio. This lease agreement replaces and supersedes a lease agreement we entered into at the closing of the Golden Gate Acquisition, which provided for the lease by us of the aforementioned office space. The lease agreement became effective on February 1, 2010 and has an initial term ending April 30, 2016. We also have the right to exercise a renewal option for five additional years. We are obligated to pay the Limited Brands affiliate monthly rent under the lease equal to approximately \$107,000 during the first five years of the lease with a slight increase during the remainder of the lease term and the optional renewal period, plus operating expenses.

### *LLC Agreement*

On June 26, 2008, as part of the corporate reorganization described below, each member of Express Parent (including an affiliate of Limited Brands) entered into a limited liability company agreement with Express Parent. This agreement governed the management of Express Parent, and the ownership and transfer of equity interests of Express Parent, which were referred to as units.

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Under the LLC Agreement, each member was required to take all actions (including voting its units) to cause the membership of Express Parent's board of managers to be composed of five managers. Limited Brands (through its affiliates) had the right to designate two managers as long as it owned at least 50% of the units it acquired in the Golden Gate Acquisition and one manager as long as it owned at least 25% of the units it acquired in the Golden Gate Acquisition. Golden Gate had the right to designate three managers as long as it owned at least 50% of the units it acquired in the Golden Gate Acquisition and two managers as long as it owned at least 25% of the units it acquired in the Golden Gate Acquisition. In the event our chief executive officer had not been designated as a manager by either Limited Brands or Golden Gate, he or she was to be an ex-officio, non-voting member of the board of managers.

The LLC Agreement provided that until the earlier of such time as (1) Express Parent or any of its subsidiaries had consummated an initial public offering of at least 15% of its outstanding equity interests after giving effect to the initial public offering which yielded gross proceeds of at least \$200.0 million (a "Qualified IPO") and (2) the first date when Limited Brands owned less than 20% of Express Parent's outstanding equity interests, we could not take certain actions without Limited Brands' prior written approval, including changing the size of the board, the designation of any subcommittee of the board, changing Express Parent's or any of its subsidiaries' organizational documents, the transfer of less than all of the equity interests of any subsidiary of Express Parent, changing our fiscal year, selecting or removing our principal auditors (unless certain named auditors were selected following such removal), certain issuances of securities, filing for insolvency or winding up or dissolving Express Parent or its subsidiaries, effecting an initial public offering that was not a Qualified IPO, certain mergers and similar transactions, certain sales of all or substantially all of Express Parent's or any of its subsidiaries' assets or equity, entering into certain transactions with Express Parent's equity holders or their affiliates and changing our line of business.

Under the LLC Agreement, certain of our equity holders had registration rights. At any time following the earlier of (1) 180 days after the effective date of the registration statement for our proposed initial public offering and (2) the expiration of any lock-up period in connection with our proposed initial public offering, each of Golden Gate, Limited Brands and our President and Chief Executive Officer, Michael A. Weiss, Mr. Weiss' spouse and certain of Mr. Weiss' family trusts (collectively, the "Weiss Holders") and other holders of our Class L Units could demand that we register under the Securities Act the shares of our common stock held by them. We were required to use our reasonable best efforts to effect and maintain the registration of the securities requested to be registered by Golden Gate, Limited Brands, the Weiss Holders and/or such other holders, as applicable, as well as any securities we elected to register. Each of Golden Gate, Limited Brands, the Weiss Holders and such other holders were entitled to no more than three long-form demand registrations and an unlimited number of short-form demand registrations. The aforementioned registration rights were subject to standard underwriter cutbacks and other customary limitations.

In addition, following the completion of an initial public offering, if we proposed to file a registration statement in connection with a public offering of our common stock, then, subject to certain limited exceptions, each of Golden Gate, Limited Brands, the Weiss Holders and other holders of our Class L Units had piggyback registration rights pursuant to which we were required to use our reasonable best efforts to register such number of securities as they requested. These registration rights were also subject to customary cutbacks and other limitations.

We were required to pay all fees and expenses incurred in connection with the aforementioned registrations, except that we were not required to pay any underwriting discounts or commissions or transfer taxes relating to the transfer of securities by any persons other than us. In addition, in connection with the aforementioned registrations, each of Golden Gate, Limited Brands, the Weiss Holders and other holders of our Class L Units had to consent and comply with any lock-up restrictions that were reasonably requested by the managing underwriters of such offering, regardless of whether such person's securities were included in such registration. In connection with the grant of these registration rights, we, Golden Gate, Limited Brands, the Weiss Holders and other holders of our Class L Units entered into customary cross-indemnification and contribution agreements with respect to the registration of our common stock.



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Furthermore, under the LLC Agreement, Limited Brands was entitled to receive a cash payment (at the same time payments were made under the Advisory Agreement with Golden Gate) equal to the product of (i) the amount of the advisory fees actually paid in cash by us and our subsidiaries under the Advisory Agreement and (ii) the quotient of the number of units held by Limited Brands over the number of units held by Golden Gate at the time of payment of such fees. In connection with the IPO, we paid Limited Brands \$3.3 million in connection with terminating this agreement.

### *Other Golden Gate Transactions*

From time to time we enter into various transactions with affiliates of Golden Gate. The LLC Agreement required that, prior to entering into transactions with affiliated parties, our board determine that the terms of the transaction were substantially similar to those that would be obtained with an unaffiliated third-party. From December 26, 2007 until August 9, 2010, we were party to an agreement with Appleseeds Intermediate Holdings (Appleseeds), an affiliate of Golden Gate, under which Appleseeds provided us with services related to our e-commerce business, including warehouse and fulfillment services. On August 9, 2010 in connection with the transition of our e-commerce fulfillment operations to Groveport, Ohio from Warren, Pennsylvania in August 2010, Trilogy Fulfillment (formerly known as Groveport, LLC), another Golden Gate affiliate, assumed Appleseeds' obligations under this agreement. During fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, we incurred charges in the amount of \$7.8 million, \$19.2 million and \$6.3 million for services rendered under this agreement, respectively. On March 25, 2010, we elected to prepay Appleseeds \$10.2 million for services from April 2010 through January 2011 in exchange for a 9% discount on the services Appleseeds provides to us, of which \$6.7 million of expense has been recognized for the thirty-nine weeks ended October 30, 2010. In addition, during fiscal 2008, fiscal 2009 and the thirty-nine weeks ended October 30, 2010, we purchased software licenses and consulting and software maintenance services from affiliates of Golden Gate in the amount of \$0.6 million, \$0.3 million and \$0.3 million, respectively. Our outstanding liability, included in accounts payable and accrued expenses related parties, for services rendered by affiliates of Golden Gate as of October 30, 2010 was \$0.8 million. In addition, we provide certain real estate services, including assistance with lease negotiations and site identification, to certain affiliates of Golden Gate. We have continued to operate in the ordinary course of business, including with respect to our transactions with affiliates of Golden Gate, after completing the IPO on May 18, 2010.

### **2008 Corporate Reorganization**

On June 26, 2008, we completed a corporate reorganization. In connection with the 2008 reorganization, on June 26, 2008, Express Topco entered into the \$300.0 million Topco credit facility, which was subsequently prepaid using proceeds of both the issuance of the Senior Notes and the IPO.

On June 26, 2008, Express Topco borrowed \$200.0 million under the Topco credit facility. KKR SCF Loan Administration, LLC was the administrative agent, and originally held \$100.0 million of Term B Loan and \$100.0 million of Term C Loan under the Topco credit facility. The terms of this facility, including the interest rates of 13.5% per annum for the Term B Loan and 14.5% for the Term C Loan, were established through negotiations between us and KKR SCF Loan Administration, LLC, which is not affiliated with our company. In 2008, based upon our board receiving various proposals from other third parties for financings similar to the Topco credit facility and our board's understanding of the debt markets at that time, we determined that the terms of the Topco credit facility, including the interest rates, were comparable to terms available from other lenders at that time. The Topco credit facility provided for higher interest rates relative to the Opco credit facilities because, among other things, the Topco credit facility was effectively subordinated to the borrowings under the Opco credit facilities and the proceeds were used to pay a distribution to equity holders. On or about July 15, 2008, Express Topco borrowed an additional \$100.0 million under the Topco credit facility. Total proceeds from these borrowings were \$300.0 million, less an original issue discount of \$6.0 million and fees and expenses of \$4.5 million, resulting in net proceeds of \$289.5 million. On or about July 15, 2008, Express Topco made a distribution to Express Parent of \$289.5 million with the net proceeds of the foregoing borrowings. Immediately following its receipt of such proceeds, Express Parent made a distribution of \$289.5 million to its equity holders.

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in accordance with the provisions of the LLC Agreement. See Golden Gate Acquisition LLC Agreement. On March 5, 2010, the Term C Loan was prepaid in full in connection with the issuance of the Senior Notes. On May 18, 2010, the Term B Loan was prepaid in full in connection with the IPO.

An affiliate of Golden Gate, GGC Unlevered Credit Opportunities, LLC, was a lender under the Topco credit facility and as of January 30, 2010 was owed approximately \$50.0 million in the original principal amount of the Term B Loan and \$50 million in the original principal amount of the Term C Loan, which indebtedness had the same terms, including interest rates, as the loans held by the other lenders, including KKR SCF Loan Administration, LLC, under the Topco credit facility. A separate affiliate of Golden Gate purchased an additional \$8.3 million of principal amount of Term B Loan on April 8, 2010. In 2008, Express Topco paid interest equal to \$2.9 million in cash to GGC Unlevered Credit Opportunities, LLC pursuant to the terms of the Topco credit facility. In 2009, Express Topco paid interest equal to \$14.4 million in cash to GGC Unlevered Credit Opportunities, LLC pursuant to the terms of the Topco credit facility, which included the payment in full of all payment-in-kind interest that we accrued in 2008 and 2009. The amount of interest and prepayment fees paid to GGC Unlevered Credit Opportunities, LLC was equal to its pro rata share of the total interest and fees paid by Express Topco pursuant to the terms of the Topco credit facility based on the amount loaned by GGC Unlevered Credit Opportunities, LLC relative to the other lenders.

## **Employment Agreements**

We have entered into employment agreements with Michael Weiss, our President and Chief Executive Officer, and other executives. See Executive Compensation Employment and Other Agreements.

## **Equity Incentive Program**

We have entered into equity purchase agreements with various members of our senior management, including with Michael Weiss, our President and Chief Executive Officer, in connection with our equity incentive program. In addition, members of our senior management executed promissory notes in favor of Express Holding to satisfy a portion of the purchase price for the equity, each of which was repaid in full by each member of management effective as of February 9, 2010. See Executive Compensation Compensation Discussion and Analysis Elements of Compensation Equity Incentives Summary of Our Prior Plan.

## **Senior Notes**

On March 5, 2010, investment funds managed by affiliates of Golden Gate purchased \$50.0 million of Senior Notes at a purchase price per note equal to 98.599% of the face value of the Senior Notes (the offering price) less the discount at which the initial purchasers purchased the Senior Notes.

## **Reorganization as a Corporation**

On May 12, 2010, we converted from a Delaware limited liability company into a Delaware corporation and changed our name from Express Parent LLC to Express, Inc. As was required by the LLC Agreement, the conversion was approved by our board of managers. Once a reorganization to a corporate form was approved by our board of managers, the LLC Agreement allowed certain of our equity holders to specify the manner of our reorganization as a corporation. As a result, we entered into a binding and enforceable conversion agreement with certain of our equity holders that documented their election to have the reorganization to a corporation take the form of a statutory conversion, and also provided that the conversion would occur immediately after the effectiveness of the registration statement for the IPO without any further action on the part of our board of managers or equity holders. Immediately after the conversion, all of our outstanding Class L Common Units, Class A Common Units and Class C Common Units were automatically converted into shares of our common stock based on their relative rights as set forth in the LLC Agreement. Any shares of common stock received in exchange for unvested Class A Common Units and Class C Common Units are subject to the same vesting

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restrictions that the Class A Common Units and Class C Common Units were subject to prior to the conversion. In addition, shares of common stock received in exchange for Units that were subject to repurchase rights continue to be subject to the same repurchase rights that the Units were subject to prior to the conversion.

Prior to our registration statement on Form S-1 (File No. 333-164906) for the IPO being declared effective on May 12, 2010, (1) EIC, the holding company that held 67.3% of our equity interests on behalf of certain investment funds managed by Golden Gate, and (2) the Management Holding Companies that directly or indirectly held 6.1% of our equity interests on behalf of certain members of management, merged with and into us. In connection with the conversion and these mergers, Golden Gate (indirectly through a limited liability company) and certain members of our management received, in exchange for their equity interests in the entities being merged into us, the number of shares of our common stock that they would have held had they held our equity interests directly.

In connection with the Reorganization, we entered into the following agreements:

### *Conversion Agreement and Merger Agreement*

We entered into a Conversion Agreement and a Merger Agreement with our controlling equity holders to effect our conversion into a corporation and the mergers described above. Concurrently with the consummation of the conversion into a corporation, the LLC Agreement was terminated (other than the provisions thereof relating to certain pre-closing tax matters and liabilities for breaches of the LLC Agreement). Concurrently with the completion of the IPO, the Advisory Agreement was terminated. As noted above, in connection with the termination of the advisory arrangements with Golden Gate and Limited Brands, we paid Golden Gate an amount equal to \$10.0 million and Limited Brands an amount equal to \$3.3 million.

In the Merger Agreement, the companies that merged into us represented and warranted that they do not have any liabilities, operations or businesses other than activities related to holding our common stock and other than liabilities for (i) deferred income taxes that reflect only timing differences between the treatment of items for accounting and income tax purposes and (ii) income taxes with respect to pre-closing periods which are not yet due and payable and for which we are fully indemnified. The mergers were structured so that we did not acquire any assets (other than certain income tax receivables and an amount of cash that has been estimated in good faith to be sufficient to pay all pre-closing income taxes of the entities to be merged into us) or become responsible for any liabilities other than (i) deferred income taxes that reflect only timing differences between the treatment of items for accounting and income tax purposes and (ii) income taxes with respect to pre-closing periods which are not yet due and payable and for which we are fully indemnified. An affiliate of Golden Gate, MCRH, will indemnify us with respect to any liabilities (including tax liabilities related to pre-closing periods, other than with respect to deferred income tax liabilities that reflect only timing differences between the treatment of items for accounting and income tax purposes) of EIC that we acquired in the merger. Members of our management who hold equity in the Management Holding Companies will indemnify us with respect to any liabilities (including tax liabilities related to pre-closing periods, other than with respect to deferred income tax liabilities that reflect only timing differences between the treatment of items for accounting and income tax purposes) of the Management Holding Companies that we acquired in the merger. Any assets (other than certain income tax receivables and an amount of cash that has been estimated in good faith to be sufficient to pay all pre-closing income taxes of the entities to be merged into us) in the entities to be merged into us were distributed to the investors in those entities prior to the mergers.

### *Registration Rights Agreement*

We entered into a Registration Rights Agreement that provides Golden Gate, Limited Brands and certain management stockholders, including each of our NEOs, with substantially equivalent registration rights as these holders had under the LLC Agreement that was terminated in connection with the Reorganization. Under the Registration Rights Agreement, Golden Gate, Limited Brands and certain management shareholders have agreed to comply with any lock-up restrictions reasonably requested by the managing underwriter of any underwritten

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offering of our securities, including a 90-day lock-up in connection with this offering that prohibits us from effecting any other public sale or distribution of our common stock for 90 days after the effective date of this registration statement. Subject to the terms and conditions set forth in the Registration Rights Agreement and the lock-up agreements, Golden Gate and Limited Brands will have the right to request three long-form demand registrations and an unlimited number of demand registrations on Form S-3. In addition, Golden Gate, Limited Brands and certain management stockholders, including each of our NEOs, have piggyback registration rights in connection with offerings initiated by us, Golden Gate or Limited Brands. The registration rights are subject to customary cutbacks and other limitations.

At any time after the date we are eligible to file a registration statement on Form S-3, Golden Gate or Limited Brands may request that we file a shelf-registration statement with respect to their common stock. We are required to pay all fees and expenses incurred in connection with the aforementioned registrations, except that we are not required to pay any underwriting discounts or commissions or transfer taxes relating to the transfer of securities by any persons other than us.

Under the Registration Rights Agreement, Golden Gate, Limited Brands and management stockholders will be required to comply with any lock-up restrictions that may be reasonably requested by the managing underwriters of an offering, regardless of whether such person's securities are included in a registration, and will be subject to customary cross-indemnification and contribution arrangements with respect to the registration of our common stock.

### *Stockholders Agreement*

We entered into a Stockholders Agreement with Golden Gate and Limited Brands. Under the Stockholders Agreement, Golden Gate has the right to nominate (1) three directors to our board of directors, so long as Golden Gate holds at least 50% of the number of shares of our common stock held by Golden Gate immediately prior to the completion of the IPO, or 26,321,259 shares, and (2) two directors, so long as Golden Gate holds at least 25% of the number of shares of our common stock held by Golden Gate immediately prior to the completion of the IPO, or 13,160,629 shares. Limited Brands has the right to nominate (1) two directors to our board of directors, so long as Limited Brands holds at least 50% of the number of shares of our common stock held by Limited Brands immediately prior to the completion of the IPO, or 8,773,753 shares, and (2) one director, so long as Limited Brands holds at least 25% of the number of shares of our common stock held by Limited Brands immediately prior to the completion of the IPO, or 4,386,876 shares. The Stockholders Agreement requires Golden Gate and Limited Brands to vote their shares of common stock in favor of those persons nominated pursuant to rights under the Stockholders Agreement. We are required to use commercially reasonable efforts to cause the nominees to be included in the Board of Directors' slate of nominees and in our annual proxy statement, subject to certain exceptions.

The Stockholders Agreement restricts Golden Gate's ability to make distributions of our common stock without consideration to the partners of investment funds managed by Golden Gate and restricts Limited Brands' ability to make distributions of our common stock without consideration to its stockholders, in each case during the eighteen-month period following the completion of the IPO. The Stockholders Agreement does not otherwise restrict the ability of Golden Gate or Limited Brands to transfer our common stock. The Stockholders Agreement also requires Golden Gate and Limited Brands to maintain the confidence of our confidential information and use it only in connection with their investment in us and for purposes of our business. As a result, the terms of the Stockholders Agreement prohibit Golden Gate and Limited Brands from using our confidential information in the operation of their own businesses (other than for investment decisions made with respect to the equity they own in our company), including in a manner that would be detrimental to our business. The Stockholders Agreement gives Limited Brands rights to receive certain of our financial information until such time that Limited Brands ceases to account for its investment in us pursuant to the equity method of accounting and such financial information will be subject to the confidentiality obligations in the agreement. Limited Brands ceased to account for its investment in us pursuant to the equity method of accounting in July 2010. As such, Limited Brands no longer receives such financial information.

**Table of Contents****DESCRIPTION OF CERTAIN INDEBTEDNESS****Opco Revolving Credit Facility**

On July 6, 2007, Express Holding and Express, LLC entered into a \$200.0 million secured Asset-Based Loan Credit Agreement with Wells Fargo Retail Finance, LLC, as administrative agent, and certain other lenders. The Opco revolving credit facility is available to be used for working capital and other general corporate purposes and is scheduled to expire on July 6, 2012. The Opco revolving credit facility, as amended, allows for swing line advances of up to \$30.0 million and up to \$45.0 million to be available in the form of letters of credit. At any time that the foregoing conditions to borrowings are not met, or after the occurrence and during the continuance of an event of default, the administrative agent and collateral agent are authorized to make protective advances to us to (1) preserve or protect the value of the collateral securing the Opco revolving credit facility, (2) enhance the likelihood or maximize the amount of repayment under the Opco revolving credit facility or (3) pay certain amounts payable by us pursuant to the Opco revolving credit facility, provided that such protective advances shall not exceed at any time the lesser of \$20.0 million and 10% of the borrowing base if made pursuant to clauses (1) and (2).

On February 5, 2010, Express Holding and Express, LLC entered into an amendment to the Opco revolving credit facility that became effective March 5, 2010 in connection with the issuance of the Senior Notes. The amendment, among other things, (1) permitted the issuance of the Senior Notes and the guarantees thereof by Express Holding and its subsidiaries, (2) increased the applicable interest rate margins and unused line fee, (3) permitted a distribution by Express, LLC to allow Express Topco to prepay the Term C Loan under the Topco credit facility in its entirety (plus any applicable prepayment penalties and accrued and unpaid interest thereon) and Express Parent to make a cash distribution to its equity holders in an aggregate amount equal to approximately \$230.0 million, (4) permitted Express, LLC to pay distributions to allow Express Topco to make regularly scheduled interest payments on the Term B Loan under the Topco credit facility and (5) permits Express Holding to own the equity interests of Express Finance Corp., the co-issuer of the Senior Notes. We paid customary amendment fees to consenting lenders in connection with the amendment.

Borrowings under the Opco revolving credit facility bear interest at a rate equal to LIBOR plus an applicable margin rate or the higher of The Wall Street Journal's prime lending rate and 0.50% per annum above the federal funds rate, plus an applicable margin rate. The applicable margin rate is determined based on excess availability as determined with reference to our borrowing base. As a result of the amendment described above, effective March 5, 2010, the applicable margin rate for LIBOR-based advances is 2.25% per annum or 2.00% if excess availability is \$100.0 million or greater, and for base rate-based advances is 1.25% per annum or 1.00% if excess availability is \$100.0 million or greater. The borrowing base components are 90% of credit card receivables plus 85% of the liquidation value of eligible inventory, less certain reserves. At the end of fiscal 2008, we borrowed \$75.0 million under the Opco revolving credit facility, which was reflected as a current liability on our balance sheet. This amount was paid in full during the first quarter of fiscal 2009. We had no borrowings outstanding and \$196.4 million available under the Opco revolving credit facility as of October 30, 2010.

As a result of the amendment described above, effective March 5, 2010, unused line fees payable under the Opco revolving credit facility are based on 0.50% of the average daily unused revolving commitment during each quarter payable quarterly in arrears. Additionally, fees for outstanding letter of credit balances are at the applicable margin rate for LIBOR-based advances based on the average daily aggregate amount during the quarter of all letters of credit outstanding, payable quarterly in arrears. There is also a fronting fee payable quarterly in arrears of 0.125% based on the average daily aggregate available amount during the quarter of all letters of credit outstanding.

Interest payments under the Opco revolving credit facility are due quarterly on the last calendar day of each April, July, October and January for base rate-based advances and on the last day of the interest period for LIBOR-based advances for interest periods of one, two, three and six months (or if available to all lenders, nine or twelve months), and additionally every three months after the first day of the interest period for LIBOR-based advances for interest periods of greater than three months.

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Voluntary prepayments are permitted in whole or in part, without premium or penalty, subject to certain minimum prepayment requirements and payment of costs and expenses incurred by the lenders in connection with prepayment of LIBOR-based borrowings prior to the end of the applicable interest period for such borrowings.

Express, LLC may terminate in whole or reduce in certain multiples the amount of commitments under the Opco revolving credit facility upon five business days' notice to the lenders.

Borrowings under the Opco revolving credit facility are subject to the accuracy of representations and warranties in all material respects and the absence of any defaults.

The Opco revolving credit facility contains customary covenants and restrictions on Express Holding and its subsidiaries' activities, including, but not limited to, limitations on the incurrence of additional indebtedness; liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions and prepayment of other debt; distributions, dividends and the repurchase of capital stock; transactions with affiliates; the ability to change the nature of our business or our fiscal year; the ability to amend the terms of the Opco term loan and the Advisory Agreement; and permitted activities of Express Holding.

As a result of the amendment described above, effective March 5, 2010, the Opco revolving credit facility requires Express Holding to maintain a fixed charge coverage ratio of 1.00 to 1.00 if excess availability plus eligible cash collateral is less than \$30.0 million.

Events of default under the Opco revolving credit facility include, but are not limited to, (1) Express, LLC's failure to pay principal, interest, fees or other amounts under the Opco revolving credit facility when due, taking into account any applicable grace period; (2) any representation or warranty proving to have been incorrect in any material respect when made; (3) failure to perform or observe covenants or other terms of the Opco revolving credit facility subject to certain grace periods; (4) a cross-default or failure to pay certain other debt; (5) bankruptcy events; (6) unsatisfied final judgments over a threshold; (7) a change of control; (8) certain defaults under the Employee Retirement Income Security Act of 1974; and (9) the invalidity or impairment of any loan document or any security interest.

All obligations under the Opco revolving credit facility are guaranteed by Express Holding and its subsidiaries and secured by a lien on substantially all of the assets of Express Holding and its subsidiaries, including owned real property; all fixtures and equipment; all intellectual property; all equity interests in Express, LLC and other subsidiaries of Express Holding; general intangibles; all of our intercompany indebtedness; all proceeds of insurance; all books and records; and all other proceeds. The lien of the Opco revolving credit facility lenders is first in priority with respect to the following: all accounts arising from the sale or other disposition of goods or services; all inventory; to the extent evidencing, governing, securing or otherwise related to the foregoing accounts and inventory, all general intangibles, chattel paper, instruments, documents, letter of credit rights and supporting obligations; all collection accounts, deposit accounts, commodity accounts, security accounts and any cash, cash equivalents or other assets in any such accounts (excluding any net cash proceeds from the sale or other disposition of any collateral as to which the Opco term loan lenders have first priority); all books, property and records related to the foregoing; and all products and proceeds of the foregoing.

### **Opco Term Loan Facility**

On July 6, 2007, Express Holding and Express, LLC entered into a \$125.0 million secured term loan. The proceeds of these borrowings were used to finance, in part, the Golden Gate Acquisition and to pay transaction fees and expenses related to the Golden Gate Acquisition. Borrowings under the Opco term loan bear interest at a rate equal to LIBOR plus an applicable margin rate or the higher of The Wall Street Journal's prime lending rate and 0.50% per annum above the federal funds rate, plus an applicable margin rate.

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On February 5, 2010, Express Holding and Express, LLC entered into an amendment to the Opco term loan that became effective March 5, 2010 in connection with the issuance of the Senior Notes. The amendment, among other things, (1) permitted the issuance of the Senior Notes and the guarantees thereof by Express Holding and its subsidiaries, (2) increased the applicable interest rate margins (subject to a further increase in the event Express, LLC's corporate family rating is not B2 or better by Moody's and Express, LLC's corporate credit rating is not B or better by S&P), (3) permitted a distribution by Express, LLC to allow Express Topco to prepay the Term C Loan under the Topco credit facility in their entirety (plus any applicable prepayment penalties and accrued and unpaid interest thereon) and Express Parent to make a cash distribution to its equity holders in an aggregate amount equal to approximately \$230.0 million, (4) permitted Express, LLC to pay distributions to allow Express Topco to make regularly scheduled interest payments on the Term B Loan under the Topco credit facility and (5) permits Express Holding to own the equity interests of Express Finance Corp., the co-issuer of the Senior Notes. We paid customary amendment fees to consenting lenders in connection with the amendment.

The applicable margin rate is determined by Express Holding's leverage ratio of consolidated debt for borrowed money (net of cash and cash equivalents, provided that after giving effect to the amendment described above, no more than \$75.0 million of cash and cash equivalents may be netted against consolidated debt for borrowed money for this purpose), including amounts drawn under letters of credit and any synthetic debt, to Adjusted EBITDA, in effect on the first day of each interest period with respect to LIBOR-based advances and by the Leverage Ratio in effect from time to time with respect to base rate-based advances. As a result of the amendment described above, effective March 5, 2010, the applicable margin rate for LIBOR-based advances is 4.25% per annum or 4.00% if the Leverage Ratio is less than 1.00 to 1.00, and for base rate-based advances is 3.25% per annum or 3.00% if the Leverage Ratio is less than 1.00 to 1.00; additionally, these rates may be further increased by 50 basis points per annum in the event that Express, LLC fails to maintain, at the time of determination, a corporate family rating of B2 or better by Moody's and a corporate credit rating of B or better by S&P. As of October 30, 2010, the interest rate under the Opco term loan was 4.68%.

Interest payments under the Opco term loan are due quarterly on the last calendar day of each April, July, October and January for base rate-based advances and on the last day of the applicable interest period for LIBOR-based advances for interest periods of one, two, three and six months (or if available to all lenders, nine or twelve months), and additionally every three months after the first day of the interest period for LIBOR-based advances for interest periods of greater than three months. Principal payments under the Opco term loan are due quarterly on the last business day of each April, July, October and January through July 6, 2013, in equal installments of 0.25% of the initial principal balance with the balance of principal due on July 6, 2014.

The agreement governing the Opco term loan requires that annual prepayments of principal be made within five business days after the 120th calendar day following the end of each fiscal year in the amount by which an applicable percentage of "excess cash flow" (as defined in the agreement) that corresponds to Express Holding's Leverage Ratio, exceeds any voluntary prepayments of the Opco term loan over the fiscal year.

The Opco term loan also requires prepayments of principal with respect to (1) 100% of certain asset transfers in excess of \$1.0 million per fiscal year, (2) 100% of certain debt issuances, and (3) 100% of certain other extraordinary receipts pertaining to casualty insurance and condemnation awards.

Voluntary prepayments are permitted in whole or in part, without premium or penalty, subject to certain minimum prepayment requirements and payment of costs and expenses incurred by the lenders in connection with prepayment of LIBOR-based borrowings prior to the end of the applicable interest period for such borrowings.

The Opco term loan contains customary covenants and restrictions on Express Holding and its subsidiaries' activities, including, but not limited, to limitations on the incurrence of additional indebtedness; liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions and prepayment of other debt; distributions, dividends and the repurchase of capital stock; transactions with affiliates; the ability to change the

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nature of our business or our fiscal year; the ability to amend the terms of the purchase agreement pertaining to the Golden Gate Acquisition, the Opco revolving credit facility and the Advisory Agreement; and permitted activities of Express Holding. Express Holding is also required to use commercially reasonable efforts to maintain corporate family ratings and corporate credit ratings with Moody's and S&P.

The Opco term loan also requires that Express Holding maintain a Leverage Ratio for the most recently completed reporting period (last four consecutive fiscal quarters as of the end of each quarter) of not more than 1.75 to 1.00. Express Holding was in compliance with the covenant requirement as of October 30, 2010.

Events of default under the Opco term loan include, but are not limited to, (1) Express, LLC's failure to pay principal, interest, fees or other amounts under the Opco term loan when due, taking into account any applicable grace period; (2) any representation or warranty proving to have been incorrect in any material respect when made; (3) failure to perform or observe covenants or other terms of the Opco term loan subject to certain grace periods; (4) a cross-default or failure to pay certain other debt; (5) bankruptcy events; (6) unsatisfied final judgments over a threshold; (7) a change of control; (8) certain defaults under the Employee Retirement Income Security Act of 1974; and (9) the invalidity or impairment of any loan document or any security interest.

Effective July 6, 2007, Express, LLC entered into a receive variable/pay fixed interest rate swap agreement to mitigate exposure to interest rate fluctuations on a notional principal amount of \$75.0 million of the \$125.0 million variable-rate Opco term loan. The interest rate swap agreement terminated on August 6, 2010. The Opco term loan required that Express, LLC maintain interest rate hedge agreements on a notional amount of at least 50% of the term commitments of lenders under the Opco term loan for at least three years.

All obligations under the Opco term loan are guaranteed by Express Holding and its subsidiaries and secured by a lien on substantially all of the assets of Express Holding and its subsidiaries, including owned real property; all fixtures and equipment; all intellectual property; all equity interests in Express, LLC and other subsidiaries of Express Holding; general intangibles; all of our intercompany indebtedness; all proceeds of insurance; all books and records; and all other proceeds. The lien of the Opco term loan lenders is first in priority with respect to the following: owned real property, fixtures and equipment; intellectual property; equity interests in Express, LLC and its subsidiaries; general intangibles, chattel paper, instruments and documents (other than any of those which are first lien collateral for the Opco revolving credit facility described above); payment intangibles that relate to real property, fixtures or equipment; intercompany debt; permits and licenses, and proceeds of insurance related to the foregoing; books and records related to the foregoing and not constituting first lien collateral for the Opco revolving credit facility described above; other collateral which is not first lien collateral for the Opco revolving credit facility described above; and all products and proceeds of the foregoing. As of October 30, 2010, there was \$120.9 million outstanding under the Opco term loan.

## **Senior Notes**

On March 5, 2010, Express, LLC and Express Finance Corp., as co-issuers, issued, in a private placement, \$250.0 million of 8 <sup>3</sup>/<sub>4</sub> % Senior Notes due 2018 at an offering price of 98.599% of the face value of the Senior Notes. An affiliate of Golden Gate purchased \$50.0 million of Senior Notes in the offering. Interest on the Senior Notes is payable on March 1 and September 1 of each year. A portion of the proceeds from the issuance of the Senior Notes was used to prepay all of the Term C Loan outstanding under the Topco credit facility of \$150.0 million, plus prepayment penalties of \$3.0 million and accrued and unpaid interest thereon of \$1.9 million. The remaining proceeds, together with cash on hand, were used to make a cash distribution of approximately \$230.0 million to our equity holders and pay related fees and expenses, including discounts and commissions to the initial purchasers of the Senior Notes, of \$15.4 million.

Prior to March 1, 2014, the Senior Notes may be redeemed in part or in full at a redemption price equal to 100% of the principal amount of the Senior Notes, plus a make-whole premium calculated in accordance with the



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indenture governing the Senior Notes (the "Senior Notes indenture") and accrued and unpaid interest. In addition, prior to March 1, 2013, a portion of the Senior Notes may be redeemed with the net proceeds of certain equity offerings at 108.75%. On or after March 1, 2014, the Senior Notes may be redeemed in part or in full at the following percentages of the outstanding principal amount prepaid: 104.375% prior to March 1, 2015; 102.188% on or after March 1, 2015, but prior to March 1, 2016; and 100% on or after March 1, 2016.

In the event of a "Change of Control" (as defined in the Senior Notes indenture and described in the following sentence), we will be required to offer to repurchase the Senior Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. "Change in Control" under the Senior Notes indenture means the occurrence of any of the following: (1) 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 Express, LLC and its subsidiaries, taken as a whole, other than to "Permitted Holders" or (2) Express, LLC becomes aware of the consummation of any transaction, the result of which is that any "Person" (as defined in the Senior Notes indenture) other than the Permitted Holders becomes the beneficial owner, directly or indirectly, of more than 50% of the voting power of Express, LLC. Both Golden Gate and Limited Brands, as well as certain of their affiliates and subsidiaries, are considered to be "Permitted Holders" under the Senior Notes indenture. In addition, we will be required to offer to repurchase the Senior Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, with "Excess Proceeds" from certain asset sales as defined under the Senior Notes indenture, if such proceeds have not otherwise been used in certain specified manners within 365 days of the date of the asset sale.

The Senior Notes indenture contains customary covenants and restrictions on the activities of Express, LLC, Express Finance Corp. and Express, LLC's restricted subsidiaries, including, but not limited to, the incurrence of additional indebtedness; dividends or distributions in respect of capital stock or certain other restricted payments or investments; entering into agreements that restrict distributions from restricted subsidiaries; the sale or disposal of assets, including capital stock of restricted subsidiaries; transactions with affiliates; the incurrence of liens; and mergers, consolidations or the sale of substantially all of Express, LLC's assets. The covenants in the Senior Notes indenture are subject to certain thresholds and exceptions described in the Senior Notes indenture, including exceptions that permit Express, LLC, Express Finance Corp. and Express, LLC's restricted subsidiaries to enter into affiliate transactions with, and to make restricted payments to, Golden Gate and Limited Brands, under certain circumstances specified in the Senior Notes indenture. Certain of these covenants will be suspended if the Senior Notes are assigned an investment grade rating by both S&P and Moody's and no default has occurred or is continuing. If either rating on the Senior Notes should subsequently decline to below investment grade, the suspended covenants will be reinstated.

Events of default under the Senior Notes indenture include, but are not limited to, (1) failure to pay principal or interest when due; (2) certain bankruptcy events; (3) failure to comply with the terms of the Senior Notes indenture after 60 days' notice; (4) a default with respect to other indebtedness for failure to pay amounts due or which results in the acceleration of such indebtedness if the aggregate amount of such indebtedness is \$20.0 million or greater; and (5) failure to pay final non-appealable judgments entered by a court aggregating in excess of \$20.0 million within 60 days.

All obligations under the Senior Notes are unconditionally guaranteed by Express, Inc. and all of the domestic subsidiaries of Express, LLC, other than immaterial subsidiaries. The Senior Notes are general unsecured obligations of Express, LLC and Express Finance Corp. and rank equally in right of payment with all existing and future senior indebtedness of Express, LLC and Express Finance Corp.

In connection with the issuance of the Senior Notes, we entered into a registration rights agreement, which requires us to use commercially reasonable efforts to register notes having substantially identical terms as the Senior Notes with the SEC. On September 27, 2010, we completed an exchange of \$200.0 million of the unregistered Senior Notes for registered Senior Notes having substantially identical terms as the unregistered Senior Notes. We intend to separately register the remaining \$50.0 million of unregistered Senior Notes held by an affiliate of Golden Gate in accordance with the agreement.

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### **DESCRIPTION OF CAPITAL STOCK**

On May 12, 2010, we converted from a Delaware limited liability company into a Delaware corporation and changed our name from Express Parent LLC to Express, Inc. The following is a description of the material terms of our certificate of incorporation and bylaws as in effect upon completion of our conversion into a corporation. The following description may not contain all of the information that is important to you. To understand them fully, you should read our certificate of incorporation and bylaws, copies of which were filed with the SEC as exhibits to our registration statement on Form S-8, filed with the SEC on July 14, 2010 (File No. 333-168097).

#### **Authorized Capitalization**

Our authorized capital stock consists of 500.0 million shares of common stock, par value \$0.01 per share, and 10.0 million shares of preferred stock, par value \$0.01 per share. As of December 1, 2010, we had 88,735,895 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding. In addition, an aggregate of 13,687,500 are reserved for issuance under the 2010 Incentive Plan.

As of December 1, 2010, there were options to purchase 1,300,000 shares of our common stock and 12,500 restricted stock units, each representing one share of our common stock, outstanding.

#### **Common Stock**

##### *Voting Rights*

Each share of common stock entitles the holder to one vote with respect to each matter presented to our stockholders on which the holders of common stock are entitled to vote. Subject to any rights that may be applicable to any then outstanding preferred stock, our common stock votes as a single class on all matters relating to the election and removal of directors on our board of directors and as provided by law. Holders of our common stock will not have cumulative voting rights. Except in respect of matters relating to the election and removal of directors on our board of directors and as otherwise provided in our certificate of incorporation or required by law, all matters to be voted on by our stockholders must be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of election of directors, all matters to be voted on by our stockholders must be approved by a plurality of the votes entitled to be cast by all shares of common stock.

##### *Dividend Rights*

Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of our outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. Because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. See Description of Certain Indebtedness. See also Dividend Policy.

##### *Liquidation Rights*

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to stockholders after payment of our debts and other liabilities. If we have any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distribution and/or liquidation preferences. In either such case, we must pay the applicable distribution to the holders of our preferred stock before we may pay distributions to the holders of our common stock.

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### *Other Rights*

Our stockholders have no preemptive, conversion or other rights to subscribe for additional shares. All outstanding shares are, and all shares offered by this prospectus will be, when sold, validly issued, fully paid and nonassessable. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

### *Listing*

Our common stock is listed on the New York Stock Exchange under the symbol EXPR.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

### **Preferred Stock**

Our certificate of incorporation authorizes our board of directors to provide for the issuance of shares of preferred stock in one or more series and to fix the preferences, powers and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference and to fix the number of shares to be included in any such series without any further vote or action by our stockholders. Any preferred stock so issued may rank senior to our common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up, or both. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, we have no plans to issue any preferred stock.

### **Corporate Opportunity**

As permitted under the DGCL, in our certificate of incorporation, we renounce any interest or expectancy in, or any offer of an opportunity to participate in, specified business opportunities that are presented to us or one or more of our officers, directors or stockholders. In recognition that directors, officers and/or employees of Golden Gate and Limited Brands may serve as directors and/or officers of ours, and Golden Gate and its affiliates, not including us (the "Golden Gate Entities"), and Limited Brands and its affiliates, not including us (the "Limited Brands Entities"), may engage in similar activities or lines of business that we do, our certificate of incorporation provides for the allocation of certain corporate opportunities between us and the Golden Gate Entities and us and the Limited Brands Entities. Specifically, none of the Golden Gate Entities and none of the Limited Brands Entities have any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business that we do. In the event that a director or officer of Golden Gate who is also a director or officer of ours or a director or officer of Limited Brands who is also a director or officer of ours acquires knowledge of a potential transaction or matter which may be a corporate opportunity for any of the Golden Gate Entities or Limited Brands Entities, as applicable, and us, we will not have any expectancy in such corporate opportunity, and the director or officer will not have any duty to present such corporate opportunity to us and may pursue or acquire such corporate opportunity for itself or direct such opportunity to another person. A corporate opportunity that an officer or director of ours who is also a director or officer of any of the Golden Gate Entities or Limited Brands Entities acquires knowledge of will not belong to us unless the corporate opportunity at issue is expressly offered in writing to such person solely in his or her capacity as a director or officer of ours. In addition, even if a business opportunity is presented to an officer or director of any of the Golden Gate Entities or Limited Brands Entities in his or her capacity as an officer or director of ours, the following corporate opportunities will not belong to us: (1) those we are not financially able, contractually

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permitted or legally able to undertake; (2) those not in our line of business; (3) those of no practical advantage to us; and (4) those in which we have no interest or reasonable expectancy. Except with respect to our directors and/or officers who are also directors and/or officers of any of the Golden Gate Entities or Limited Brands Entities, the corporate opportunity doctrine applies as construed pursuant to applicable Delaware laws, without limitation.

### **Antitakeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws**

Our certificate of incorporation and bylaws also contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

#### *Undesignated Preferred Stock*

The ability to authorize undesignated preferred stock will make it possible for our board of directors to issue preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire us. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our company.

#### *Classified Board of Directors*

Our certificate of incorporation provides that our board of directors will be divided into three classes, with each class serving three-year staggered terms. In addition, our certificate of incorporation provides that directors may only be removed from the board of directors with cause and by an affirmative vote of 66 <sup>2</sup>/<sub>3</sub>% of our common stock. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our company.

#### *Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals*

Our certificate of incorporation provides that special meetings of the stockholders may be called only by a resolution adopted by the affirmative vote of the majority of the directors then in office. Our bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. In addition, any stockholder who wishes to bring business before an annual meeting or nominate directors must comply with the requirements set forth in our bylaws. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our company.

#### *Stockholder Action by Written Consent*

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of stock entitled to vote thereon were present and voted, unless the company's certificate of incorporation provides otherwise. Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders may be effected at a duly called annual or special meeting of our stockholders and may not be effected by consent in writing by such stockholders.

#### *Business Combinations with Interested Stockholders*

We have elected in our certificate of incorporation not to be subject to Section 203 of the DGCL, an antitakeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting

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stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we are not subject to any antitakeover effects of Section 203. However, our certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that Golden Gate and any persons to whom Golden Gate sells their common stock will be deemed to have been approved by our board of directors, and thereby not subject to the restrictions set forth in Section 203.

## **Amendments**

Any amendments to the foregoing provisions of our certificate of incorporation (except related to preferred stock) and any amendments to our bylaws require the affirmative vote of at least 66<sup>2</sup>/3% of the voting power of all shares of our common stock then outstanding.

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### **SHARES ELIGIBLE FOR FUTURE SALE**

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our common stock. No prediction can be made as to the effect, if any, future sales of shares, or the availability of shares for future sales, will have on the market price of our common stock prevailing from time to time. The number of shares available for future sale in the public market is subject to legal and contractual restrictions, some of which are described below. The expiration of these restrictions will permit sales of substantial amounts of our common stock in the public market, or could create the perception that these sales may occur, which could adversely affect the prevailing market price of our common stock. These factors could also make it more difficult for us to raise funds through future offerings of common stock.

#### **Sale of Restricted Shares**

Upon completion of this offering, we will have 88,735,895 shares of common stock outstanding. Of these shares of common stock, the 12,500,000 shares of common stock being sold in this offering and the 16,000,000 shares sold in the IPO will be freely tradable without restriction under the Securities Act, except for any such shares which may be held or acquired by an affiliate of ours, as that term is defined in Rule 144 promulgated under the Securities Act ( Rule 144 ), which shares will be subject to the volume limitations and other restrictions of Rule 144 described below. The remaining shares of common stock that will be outstanding upon completion of this offering will be restricted securities, as that phrase is defined in Rule 144, and may be resold only after registration under the Securities Act or pursuant to an exemption from such registration, including, among others, the exemptions provided by Rule 144 and 701 under the Securities Act, which rules are summarized below. These remaining shares of common stock that will be outstanding upon completion of this offering will be available for sale in the public market after the expiration of the lock-up agreements described in Underwriting, taking into account the provisions of Rules 144 and 701 under the Securities Act.

#### **Rule 144**

The shares of our common stock being sold in this offering will generally be freely tradable without restriction or further registration under the Securities Act, except that any shares of our common stock held by an affiliate of ours may not be resold publicly except in compliance with the registration requirements of the Securities Act or under an exemption under Rule 144 or otherwise. Rule 144 permits our common stock that has been acquired by a person who is an affiliate of ours, or has been an affiliate of ours within the past three months, to be sold into the market in an amount that does not exceed, during any three-month period, the greater of:

1% of the total number of shares of our common stock outstanding which will equal approximately 887,359 shares after this offering; or

the average weekly reported trading volume of our common stock on the NYSE for the four calendar weeks prior to the sale. Such sales are also subject to specific manner-of-sale provisions, a six-month holding period requirement for restricted securities, notice requirements and the availability of current public information about us.

Rule 144 also provides that a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has for at least six months beneficially owned shares of our common stock that are restricted securities, will be entitled to freely sell such shares of our common stock subject only to the availability of current public information about us. A person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has for at least one year beneficially owned shares of our common stock that are restricted securities, will be entitled to freely sell such shares of common stock under Rule 144 without regard to the public information requirements of Rule 144.

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### **Rule 701**

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who acquired shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of the IPO are eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of the IPO. If such person is not an affiliate, the sale may be made subject only to the manner-of-sale restrictions of Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

### **Stock Plans**

We have filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock issued or reserved for issuance under the 2010 Plan. Accordingly, shares registered under such registration statement are available for sale in the open market unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lock-up restrictions described below.

### **Lock-Up Agreements**

We, each of our officers and directors and the selling stockholders have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of the shares of common stock or securities convertible into or exchangeable for, or that represent the right to receive, shares of common stock during the period from the date this prospectus continuing through the date that is 90 days after the date of this prospectus, except with the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. See Underwriting.

### **Registration Rights**

Under the Registration Rights Agreement, Golden Gate and Limited Brands each have the right to request three long-form demand registrations and an unlimited number of demand registrations on Form S-3 with respect to their shares. In addition, Golden Gate, Limited Brands and certain management stockholders have piggyback registration rights in connection with offerings initiated by us, Golden Gate or Limited Brands. See Certain Relationships and Related Party Transactions Registration Rights Agreement.

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### **MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS**

The following is a summary of material U.S. federal income tax consequences of the purchase, ownership and disposition of our common stock to a non-U.S. holder that purchases shares of our common stock in this offering. For purposes of this summary, a non-U.S. holder means a beneficial owner of our common stock that is, for U.S. federal income tax purposes:

a nonresident alien individual;

a foreign corporation (or entity treated as a foreign corporation for U.S. federal income tax purposes); or

a foreign estate or foreign trust.

In the case of a holder that is classified as a partnership for U.S. federal income tax purposes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partner and the partnership. If you are a partner in a partnership holding our common stock, then you should consult your own tax advisor.

This summary is based upon the provisions of the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. We cannot assure you that a change in law, possibly with retroactive application, will not alter significantly the tax considerations that we describe in this summary. We have not sought and do not plan to seek any ruling from the U.S. Internal Revenue Service (the "IRS"), with respect to statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with our statements and conclusions.

This summary does not address all aspects of U.S. federal income taxes that may be relevant to non-U.S. holders in light of their personal circumstances, and does not deal with federal taxes other than the U.S. federal income tax or with non-U.S., state or local tax considerations. Special rules, not discussed here, may apply to certain non-U.S. holders, including:

U.S. expatriates;

controlled foreign corporations;

passive foreign investment companies; and

investors in pass-through entities that are subject to special treatment under the Code.

Such non-U.S. holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

This summary applies only to a non-U.S. holder that holds our common stock as a capital asset (within the meaning of Section 1221 of the Code).

If you are considering the purchase of our common stock, you should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our common stock, as well as the consequences to you arising under U.S. tax laws other than the federal income tax law or under the laws of any other taxing jurisdiction.

### **Dividends**



## Edgar Filing: EXPRESS, INC. - Form 424B4

In the event that we make a distribution of cash or property (other than certain stock distributions) with respect to our common stock (or certain redemptions that are treated as distributions with respect to common

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stock), any such distributions will be treated as a dividend for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to you generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by you within the United States and, where a tax treaty applies, are generally attributable to a United States permanent establishment, are not subject to the withholding tax, but instead are subject to United States federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification and disclosure requirements including delivery of a properly executed IRS Form W-8ECI must be satisfied for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If the amount of a distribution paid on our common stock exceeds our current and accumulated earnings and profits, such excess will be allocated ratably among each share of common stock with respect to which the distribution is paid and treated first as a tax-free return of capital to the extent of your adjusted tax basis in each such share, and thereafter as capital gain from a sale or other disposition of such share of common stock that is taxed to you as described below under the heading **Gain on Disposition of Common Stock**. Your adjusted tax basis is generally the purchase price of such shares, reduced by the amount of any such tax-free returns of capital.

If you wish to claim the benefit of an applicable treaty rate to avoid or reduce withholding of U.S. federal income tax for dividends, then you must (a) provide the withholding agent with a properly completed IRS Form W-8BEN (or other applicable form) and certify under penalties of perjury that you are not a U.S. person and are eligible for treaty benefits, or (b) if our common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that act as intermediaries (including partnerships).

If you are eligible for a reduced rate of U.S. federal income tax pursuant to an income tax treaty, then you may obtain a refund or credit of any excess amounts withheld by filing timely an appropriate claim with the IRS.

### **Gain on Disposition of Common Stock**

You generally will not be subject to U.S. federal income tax with respect to gain realized on the sale or other taxable disposition of our common stock, unless:

the gain is effectively connected with a trade or business you conduct in the United States, and, in cases in which certain tax treaties apply, is attributable to a United States permanent establishment;

if you are an individual, you are present in the United States for 183 days or more in the taxable year of the sale or other taxable disposition, and you have a tax home (as defined in the Code) in the United States; or

we are or have been during a specified testing period a U.S. real property holding corporation for U.S. federal income tax purposes, and certain other conditions are met.

We believe that we have not been and are not, and we do not anticipate becoming, a U.S. real property holding corporation for U.S. federal income tax purposes. If you are an individual described in the first bullet point above, you will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. If you are an individual described in the second bullet point above, you will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States source capital losses (even though you are not considered a resident of the United States) but may not be offset by any capital loss carryovers. If you are a foreign corporation described in the first bullet point above, you will be subject to tax on your gain under regular graduated United States federal income tax rates and, in addition, may be subject to the branch profits tax equal to 30% of your effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

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### **Information Reporting and Backup Withholding Tax**

We must report annually to the IRS and to you the amount of dividends paid to you and the amount of tax, if any, withheld with respect to such dividends. The IRS may make this information available to the tax authorities in the country in which you are resident.

In addition, you may be subject to information reporting requirements and backup withholding tax with respect to dividends paid on, and the proceeds of disposition of, shares of our common stock, unless, generally, you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person or you otherwise establish an exemption. Additional rules relating to information reporting requirements and backup withholding tax with respect to payments of the proceeds from the disposition of shares of our common stock are as follows:

If the proceeds are paid to or through the U.S. office of a broker, the proceeds generally will be subject to backup withholding tax and information reporting, unless you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person or you otherwise establish an exemption.

If the proceeds are paid to or through a non-U.S. office of a broker that is not a U.S. person and is not a foreign person with certain specified U.S. connections (a U.S.-related person), information reporting and backup withholding tax generally will not apply.

If the proceeds are paid to or through a non-U.S. office of a broker that is a U.S. person or a U.S.-related person, the proceeds generally will be subject to information reporting (but not to backup withholding tax), unless you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person or you otherwise establish an exemption.

Any amounts withheld under the backup withholding tax rules may be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is timely furnished by you to the IRS.

### **New Legislation Affecting Taxation of Common Stock Held By or Through Foreign Entities**

Legislation enacted March 18, 2010 generally will impose a withholding tax of 30 percent on dividend income from our common stock and the gross proceeds of a disposition of our common stock paid to a foreign financial institution, unless such institution enters into an agreement with the United States government to collect and provide to the United States tax authorities substantial information regarding United States account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with United States owners). Absent any applicable exception, this legislation also generally will impose a withholding tax of 30 percent on dividend income from our common stock and the gross proceeds of a disposition of our common stock paid to a foreign entity that is not a foreign financial institution unless such entity provides the withholding agent with a certification identifying the substantial United States owners of the entity, which generally includes any United States person who directly or indirectly own more than 10 percent of the entity. Under certain circumstances, a non-United States holder of our common stock might be eligible for refunds or credits of such taxes, and a non-United States holder might be required to file a United States federal income tax return to claim such refunds or credits. This legislation generally is effective for payments made after December 31, 2012. Investors are encouraged to consult with their own tax advisors regarding the implications of this legislation on their investment in our common stock.

THE SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES ABOVE IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. POTENTIAL PURCHASERS OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON STOCK.

**Table of Contents****UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us, the selling stockholders and the underwriters, the selling stockholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from the selling stockholders, the number of shares of common stock set forth opposite its name below.

<b>Underwriter</b>	<b>Number of Shares</b>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	7,250,000
Morgan Stanley & Co. Incorporated	3,000,000
Piper Jaffray & Co.	750,000
Stifel, Nicolaus & Company, Incorporated	750,000
UBS Securities LLC	750,000
Total	12,500,000

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the several underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The representative has advised us and the selling stockholders that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$0.44 per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	<b>Per Share</b>	<b>Without Option</b>	<b>With Option</b>
Public offering price	\$ 15.50	\$ 193,750,000.00	\$ 222,812,500.00
Underwriting discount	\$ 0.73625	\$ 9,203,125.00	\$ 10,583,593.75
Proceeds, before expenses, to the selling stockholders	\$ 14.76375	\$ 184,546,875.00	\$ 212,228,906.25

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The company estimates that its share of the total expenses of the offering will be approximately \$1.1 million. In connection with the offering, the selling stockholders will only incur the underwriting discounts and commissions associated with the shares of common stock sold by the selling stockholders.

It is expected that delivery of the shares will be made against payment therefor on or about December 15, 2010, which is the fourth business day following the date of pricing of the shares (this settlement cycle being referred to as T+4 ). Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the shares on the date of pricing will be required, by virtue of the fact that the shares initially will settle in T+4, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the shares who wish to trade the shares on the date of pricing should consult their own advisor.

## **Overallotment Option**

The selling stockholders have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to 1,875,000 additional shares at the public offering price, less the underwriting discount. The underwriters may exercise this option solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

## **No Sales of Similar Securities**

We and the selling stockholders, our executive officers and directors have agreed, subject to certain exceptions, not to sell or transfer any common stock or securities convertible into or exchangeable or exercisable for, or that represent the right to receive, shares of common stock, for 90 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

offer, pledge, sell or contract to sell any common stock,

sell any option or contract to purchase any common stock,

purchase any option or contract to sell any common stock,

grant any option, right or warrant for the sale of any common stock,

make any short sale of any common stock,

lend or otherwise dispose of or transfer any common stock,

file, request or demand that we file a registration statement related to the common stock, or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock,

whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

## Edgar Filing: EXPRESS, INC. - Form 424B4

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement has or later acquires the power of disposition. The 90-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the lock-up period referred to above, we issue an earnings release or announce material news or a material event or (2) prior to the expiration of the lock-up period, we announce that

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we will release earnings results during the 15-day period following the last day of the lock-up period, in which case the restrictions described above will be automatically extended until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event, as applicable, unless Merrill Lynch, Pierce, Fenner & Smith Incorporated waives, in writing, such extension.

### **New York Stock Exchange**

The shares are listed on the NYSE under the symbol `EXPR`.

### **Price Stabilization, Short Positions**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representative may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short 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' over-allotment option described above. The underwriters may close out any covered short position by either exercising their over-allotment option 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 shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment 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 our 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 shares of common stock made by the underwriters in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Electronic Offer, Sale and Distribution of Shares**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, Merrill Lynch, Pierce, Fenner & Smith Incorporated may facilitate Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch, Pierce, Fenner & Smith Incorporated may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet web site maintained by Merrill Lynch, Pierce, Fenner & Smith Incorporated. Other than the prospectus in electronic format, the information on the Merrill Lynch, Pierce, Fenner & Smith Incorporated web site is not part of this prospectus.

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### **Other Relationships**

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In particular, affiliates of Morgan Stanley & Co. Incorporated act as administrative agent and collateral agent under our Opco term loan facility, for which services we have paid, and will continue to pay, customary fees.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Notice to Prospective Investors in the EEA**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ) an offer to the public of any securities which are the subject of the offering contemplated by this Prospectus (the Shares ) may not be made in that Relevant Member State once the Prospectus has been approved by the competent authority in such Member State and published in accordance with the Prospectus Directive as implemented in except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised 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;
- (c) by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representative for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement for the publication by Express or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of securities within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the underwriters which constitute the final offering of securities contemplated in this prospectus.

For the purposes of this provision, the expression an offer 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 any Shares to be offered so as to enable an investor to decide to purchase any 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.





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Each person in a Relevant Member State who receives any communication in respect of, or who acquires any securities under, the offer of securities contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

- (A) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (B) in the case of any securities acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the securities acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representative has been given to the offer or resale; or (ii) where securities have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those securities to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

### **Notice to Prospective Investors in Switzerland**

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ( SIX ) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Issuer, the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ( CISA ). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

### **Notice to Prospective Investors in the Dubai International Financial Centre**

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ( DFSA ). This document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for the document. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial advisor.

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### **Notice to Prospective Investors in Hong Kong**

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case 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 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, Laws of Hong Kong) and any rules made thereunder.

### **Notice to Prospective Investors in Singapore**

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 for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares 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 (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### **Notice to Prospective Investors in Japan**

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments 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 Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

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**LEGAL MATTERS**

The validity of the common stock offered hereby will be passed upon for us by Kirkland & Ellis LLP, Chicago, Illinois. Certain partners of Kirkland & Ellis LLP are members of a limited partnership that is an investor in one or more investment funds affiliated with Golden Gate. Kirkland & Ellis LLP represents entities affiliated with Golden Gate in connection with legal matters. Certain legal matters will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

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**EXPERTS**

The financial statements of Express, Inc. as of January 30, 2010 and January 31, 2009 and for the fiscal years ended January 30, 2010 and January 31, 2009 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Express, Inc. for the period from July 7, 2007 to February 2, 2008 (Successor) and the period from February 4, 2007 to July 6, 2007 (Predecessor) appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act that registers the shares of our common stock to be sold in this offering. The registration statement, including the attached exhibits, contains additional relevant information about us and our common stock. The rules and regulations of the SEC allow us to omit from this document certain information included in the registration statement.

You may read and copy the reports and other information we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Room at prescribed rates. You may obtain information regarding the operation of the Public Reference Room by calling 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about companies like us, who file electronically with the SEC. The address of that website is <http://www.sec.gov>. This reference to the SEC's website is an inactive textual reference only and is not a hyperlink.

We are subject to the reporting, proxy and information requirements of the Exchange Act, and are required to file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information are available for inspection and copying at the SEC's Public Reference Room and the website of the SEC referred to above, as well as on our website, [www.express.com](http://www.express.com). This reference to our website is an inactive textual reference only and is not a hyperlink. The contents of our website are not part of this prospectus, and you should not consider the contents of our website in making an investment decision with respect to our common stock.

We will furnish our stockholders with annual reports containing audited financial statements and make available to our stockholders quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Express, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders equity, and cash flows present fairly, in all material respects, the financial position of Express, Inc. and its subsidiaries at January 30, 2010 and January 31, 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

March 25, 2010, except with respect to our opinion on the consolidated financial statements as it relates to the changes resulting from the conversion from a limited liability company to a corporation as discussed in Note 1 and the guarantor subsidiaries condensed financial information as discussed in Note 16, as to which the date is August 5, 2010.

Columbus, Ohio



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Express, Inc.:

We have audited the accompanying consolidated statements of operations, changes in stockholders' equity, and cash flows of Express, Inc. and subsidiaries for the period from July 7, 2007 to February 2, 2008 (Successor) and the period from February 4, 2007 to July 6, 2007 (Predecessor). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of the operations and cash flows of Express, Inc. and subsidiaries for the period from July 7, 2007 to February 2, 2008 and the period from February 4, 2007 to July 6, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Columbus, Ohio

May 2, 2008, except for Note 1 (as it pertains to segment disclosure and the impact of the recapitalization of the Company) and Note 7, as to which the date is February 15, 2010, and except for the effect of the reorganization of the Company from a limited liability company to a corporation as disclosed in Notes 1, 10, 11, and 12 and the guarantor subsidiaries condensed financial information as disclosed in Note 16, as to which the date is August 5, 2010.

**Table of Contents****EXPRESS, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands, except per share amounts)**

	<b>January 31, 2009</b>	<b>January 30, 2010</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 176,115	\$ 234,404
Receivables, net	6,563	4,377
Inventories	170,202	171,704
Prepaid minimum rent	20,868	20,874
Other	7,269	5,289
Total current assets	381,017	436,648
Property and equipment, net	253,482	215,237
Tradename/domain name	197,394	197,414
Other assets	28,520	20,255
Total assets	\$ 860,413	\$ 869,554
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable	\$ 47,426	\$ 61,093
Line of credit	75,000	
Deferred revenue	21,601	22,247
Accrued bonus	94	22,541
Accrued expenses	65,336	73,576
Accounts payable and accrued expenses - related parties	100,012	89,831
Total current liabilities	309,469	269,288
Long-term debt	422,228	415,513
Other long-term liabilities	31,617	43,300
Total liabilities	763,314	728,101
<b>Commitments and Contingencies (Note 15)</b>		
<b>Stockholders' equity</b>		
Preferred Stock \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding		
Common Stock \$0.01 par value; 500,000 shares authorized; 78,139 and 78,246 shares issued and outstanding at January 31, 2009 and January 30, 2010, respectively	781	782
Additional paid-in capital	171,386	140,432
Accumulated (deficit) earnings	(69,435)	5,872
Notes receivable	(5,633)	(5,633)
Total stockholders' equity	97,099	141,453
Total liabilities and stockholders' equity	\$ 860,413	\$ 869,554

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

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**Table of Contents****EXPRESS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

	Predecessor Twenty-Two Weeks Ended July 6, 2007	Thirty Weeks Ended February 2, 2008	Successor Year Ended	
			2008	2009
Net sales	\$ 659,019	\$ 1,137,327	\$ 1,737,010	\$ 1,721,066
Cost of goods sold, buying and occupancy costs	451,514	890,063	1,280,018	1,175,088
Gross profit	207,505	247,264	456,992	545,978
General, administrative, and store operating expenses	170,100	275,150	447,071	409,198
Other operating expense, net	302	5,526	6,007	9,943
Operating income (loss)	37,103	(33,412)	3,914	126,837
Interest expense		6,978	36,531	53,222
Interest income		(5,190)	(3,527)	(484)
Other expense (income), net		4,712	(300)	(2,444)
Income (loss) before income taxes	37,103	(39,912)	(28,790)	76,543
Provision for income taxes	7,161	487	246	1,236
Net income (loss)	\$ 29,942	\$ (40,399)	\$ (29,036)	\$ 75,307
Pro forma income before income taxes (Note 13, unaudited)				\$ 76,543
Pro forma provision for income taxes (Note 13, unaudited)				29,622
Pro forma net income (Note 13, unaudited)				\$ 46,921
Net (loss) income per share of common stock (Note 12):				
Basic		\$ (0.57)	\$ (0.40)	\$ 1.01
Diluted		\$ (0.57)	\$ (0.40)	\$ 1.00
Pro forma net income per share (Note 13, unaudited):				
Basic				\$ 0.63
Diluted				\$ 0.62
Pro forma weighted average shares outstanding (Note 13, unaudited):				
Basic				74,566
Diluted				75,604

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Table of Contents****EXPRESS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated (Deficit) Earnings	Notes Receivable	Total Stockholders Equity
	Shares	Amount				
Predecessor balances, February 3, 2007		\$	\$	\$	\$	\$ 265,849
Adoption of ASC Subtopic 740-10						(702)
Changes in Limited Brands, Inc. net investment						12,423
Share-based compensation expense						545
Net income						29,942
Elimination of Predecessor equity in connection with sale						(308,057)
Predecessor balances, July 6, 2007						
Successor capital contribution, net	71,409	714	659,385			660,099
Issuance of restricted shares	6,803	68	(68)			
Issuance of notes receivable					(5,643)	(5,643)
Share-based compensation expense			1,233			1,233
Net loss				(40,399)		(40,399)
Successor balances, February 2, 2008	78,212	782	660,550	(40,399)	(5,643)	615,290
Distributions			(491,213)			(491,213)
Repurchase of equity shares	(361)	(4)	(20)			(24)
Issuance of restricted shares	288	3	(3)			
Repayment of notes receivable					10	10
Share-based compensation expense			2,072			2,072
Net loss				(29,036)		(29,036)
Successor balances, January 31, 2009	78,139	781	171,386	(69,435)	(5,633)	97,099
Distributions			(33,000)			(33,000)
Repurchase of equity shares	(229)	(2)	(1)			(3)
Issuance of restricted shares	336	3	(1)			2
Share-based compensation expense			2,048			2,048
Net income				75,307		75,307
Successor balances, January 30, 2010	78,246	\$ 782	\$ 140,432	\$ 5,872	\$ (5,633)	\$ 141,453

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Table of Contents****EXPRESS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Predecessor Twenty-Two Weeks Ended July 6, 2007	Thirty Weeks Ended February 2, 2008	Successor Year Ended	
			2008	2009
<b>Operating Activities</b>				
Net income (loss)	\$ 29,942	\$ (40,399)	\$ (29,036)	\$ 75,307
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	25,051	49,247	81,410	72,434
Interest expense paid in kind			6,049	132
Loss on disposal of property and equipment		410	1,732	545
Impairment charges		484	2,442	2,623
Bad debt expense			1,230	2,602
Change in fair value of interest rate swap		4,712	(300)	(2,444)
Share-based compensation	545	1,233	2,072	2,048
Deferred taxes	(5,023)	(381)	(234)	(337)
Change in assets and liabilities:				
Receivables, net	(9,951)	11,075	3,195	4,167
Inventories	(4,970)	76,245	(5,553)	(1,502)
Accounts payable, deferred revenue, and accrued expenses	2,285	18,271	22,775	44,397
Accounts payable and accrued expenses related parties	8,064	154,314	(54,302)	(10,181)
Other assets and liabilities	(31)	6,981	3,754	10,930
Net cash provided by operating activities	45,912	282,192	35,234	200,721
<b>Investing Activities</b>				
Capital expenditures	(22,888)	(15,258)	(50,551)	(26,853)
Purchase of intangible asset			(1,250)	(20)
Net cash used in investing activities	(22,888)	(15,258)	(51,801)	(26,873)
<b>Financing Activities</b>				
Borrowings under line of credit arrangement			75,000	
Borrowings under long-term debt arrangements			294,000	
Repayments of line of credit arrangement				(75,000)
Repayments of long-term debt arrangements		(625)	(1,250)	(7,118)
Costs incurred in connection with equity offering				(317)
Costs incurred in connection with debt arrangements and Senior Notes			(3,870)	(123)
Distributions paid to stockholders			(491,213)	(33,000)
Grant of equity shares				2
Repurchase of equity shares			(24)	(3)
Repayment of notes receivable			10	
Cash equity contributions by stockholders		39,986		
Decrease in Limited Brands, Inc. net investment	(29,939)			

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Net cash (used in) provided by financing activities	(29,939)	39,361	(127,347)	(115,559)
Net (decrease) increase in cash and cash equivalents	(6,915)	306,295	(143,914)	58,289
Cash and cash equivalents, beginning of period	20,649	13,734	320,029	176,115
Cash and cash equivalents, end of period	\$ 13,734	\$ 320,029	\$ 176,115	\$ 234,404

## **Supplemental disclosure of non-cash activities:**

Borrowings to effect GGC acquisition	\$	\$ 125,000	\$	\$
Push-down of fair value and equity contribution	\$	\$ 287,206	\$	\$
Notes received in connection with issuance of equity	\$	\$ 5,643	\$	\$

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

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### **1. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

On May 12, 2010, Express Parent LLC, a Delaware limited liability company ( **LLC** ) ( **Parent** ), converted into a Delaware corporation and changed its name from Express Parent LLC to Express, Inc. (the **Company** ). This conversion was effective May 2, 2010 for tax purposes. In connection with this conversion, all the equity interest in Parent, which consisted of Class L, Class A, and Class C units was converted into shares of common stock of the Company at a ratio of .702, .649, and .442, respectively. The accounting effects of the recapitalization are reflected retrospectively for all periods presented in the accompanying Consolidated Financial Statements and notes hereto. The aforementioned events are referred to collectively as the **Reorganization** within these Consolidated Financial Statements.

Parent was formed on June 10, 2008 and acquired all of the outstanding equity interest in Express Topco LLC, a Delaware LLC ( **Topco** ) which owns all of the outstanding equity interest in Express Holding, LLC, a Delaware LLC ( **Holding** ), on June 26, 2008. Holding owns all of the outstanding equity interest in Express, LLC ( **Express** ), which previously operated as a division of Limited Brands, Inc., a Delaware corporation ( **LBI** ), and Express Finance Corporation, a Delaware corporation ( **EFC** ). EFC was formed on January 28, 2010 for the purpose of serving as co-issuer of the Senior Notes described in Note 17. Express is a wholly-owned subsidiary of Holding and conducts the operations of the Company.

On June 26, 2008, the Company entered into an exchange agreement with Holding, Topco, and other security holders, whereby the members of Holding contributed, transferred, assigned, and delivered all issued and outstanding equity interests of Holding to the Company in exchange for issuance by the Company to each Holding member an equivalent number of identical equity interests of the Company (the **Recapitalization** ). Upon consummation of the exchange agreement, the Company and Topco entered into a contribution agreement, pursuant to which the Company contributed all of its equity interest in Holding to Topco as a contribution to Topco's capital. Immediately following the consummation of these transactions, Topco entered into the Second Amended and Restated LLC Agreement ( **Amended LLC Agreement** ) of Holding in order to recapitalize the membership interests of Holding into a single class of membership units. Following the Recapitalization, the Company owned 100% of the membership interests of Topco, and Topco owned 100% of the membership interests of Holding. Because the Recapitalization represented a transfer of equity interests between entities under common control, the Company recognized the assets and liabilities transferred at their historical carrying amounts, similar to the pooling-of-interests method.

Members of the Company are not obligated for any debts, obligations, or liabilities of the Company solely by reason of being a member. Members of the Company shall not act as agents for one another or incur debts, obligations, or liabilities on behalf of other members.

Due to the Golden Gate Capital Acquisition ( **GGC Acquisition** ) (see Note 2) on July 7, 2007, the Company applied purchase accounting and began a new basis of accounting. As a result, the financial reporting periods presented are as follows:

The 2007 periods presented reflect the twenty-two weeks of operating results of Express and its subsidiary from February 4, 2007 through July 6, 2007 (the **2007 Predecessor period** ) and the thirty weeks of operating results of Holding and its subsidiary from July 7, 2007 through February 2, 2008 (the **2007 Successor period** ), which includes the effects of purchase accounting as a result of the GGC Acquisition.

The 2008 presentation reflects the operating results of Holding and its subsidiary from February 3, 2008 through June 25, 2008 and the consolidated operating results of Holding, Topco, and the Company from June 26, 2008 (date of formation) through January 31, 2009 (a **Successor period**).

The 2009 presentation reflects the consolidated operating results of Holding, Topco, and the Company from February 1, 2009 through January 30, 2010 (a **Successor period**).



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### **1. Summary of Significant Accounting Policies (continued)**

The Consolidated Financial Statements for the 2007 Predecessor period have been prepared using a historical basis of accounting. As a result of purchase accounting, the Predecessor and Successor Consolidated Financial Statements are not comparable.

The Consolidated Financial Statements for the 2007 Predecessor period have been prepared on a standalone basis and are derived from the Consolidated Financial Statements and accounting records of LBI. These Consolidated Financial Statements include all costs historically allocated to the Company by LBI as well as income taxes as if the Company had been a standalone entity. Management believes the assumptions underlying the Consolidated Statements of Operations, Changes in Stockholders' Equity, and Cash Flows are reasonable. However, these Consolidated Statements of Operations, Changes in Stockholders' Equity, and Cash Flows for the 2007 Predecessor period may not be indicative of the Company's results of operations and cash flows on a standalone basis, and future results may differ materially. In the Successor periods, the Company no longer incurred these allocated costs, but does incur certain expenses as a standalone company for similar functions, including certain support services provided by LBI under the LBI Transition Services Agreements (TSAs) (See Note 6).

### **Business Description**

Express is a specialty retailer of women's and men's apparel, offering woven and knit tops, sweaters, pants, denim, intimate apparel, and accessories to a youthful clientele targeting 20 to 30 year olds. Express merchandise is sold through retail stores and its website. Express operated 573 primarily mall-based stores in the United States as of January 30, 2010.

### **Principles of Consolidation**

The Consolidated Financial Statements include the accounts of the Company and its subsidiary. All intercompany transactions and balances have been eliminated in consolidation.

### **Fiscal Year**

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. References to 2008 and 2009 represent the fiscal years ended January 31, 2009 and January 30, 2010, respectively.

### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities as of the date of the Consolidated Financial Statements. Actual results may differ from those estimates. The Company revises its estimates and assumptions as new information becomes available.

**Table of Contents****1. Summary of Significant Accounting Policies (continued)****Segment Reporting**

The Company defines an operating segment on the same basis that it uses to evaluate performance internally. The Company has determined that the Chief Executive Officer ( CEO ) is its Chief Operating Decision Maker and that there is one operating segment, and therefore reports as a single segment. This includes the operation of its Express brick and mortar retail stores and the Express.com e-commerce website.

	<b>Predecessor Twenty-Two Weeks Ended July 6, 2007</b>	<b>Thirty Weeks Ended February 2, 2008</b>	<b>Successor 2008</b>	<b>2009</b>
Classes:				
Apparel	\$ 620,204	\$ 1,057,453	\$ 1,592,468	\$ 1,564,060
Accessories and other	38,308	78,569	139,703	144,806
Other revenue	507	1,305	4,839	12,200
<b>Total net sales</b>	<b>\$ 659,019</b>	<b>\$ 1,137,327</b>	<b>\$ 1,737,010</b>	<b>\$ 1,721,066</b>

	<b>Predecessor Twenty-Two Weeks Ended July 6, 2007</b>	<b>Thirty Weeks Ended February 2, 2008</b>	<b>Successor 2008</b>	<b>2009</b>
Channels:				
Stores	\$ 658,512	\$ 1,136,022	\$ 1,704,376	\$ 1,616,642
E-commerce			27,795	92,224
Other revenue	507	1,305	4,839	12,200
<b>Total net sales</b>	<b>\$ 659,019</b>	<b>\$ 1,137,327</b>	<b>\$ 1,737,010</b>	<b>\$ 1,721,066</b>

Other revenue consists primarily of shipping and handling revenue, gift card breakage, and franchise royalties.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits with financial institutions, and treasury security investments with an original maturity of three months or less. As of January 31, 2009 and January 30, 2010, cash held primarily in treasury securities was \$159,236 and \$216,782, respectively.

Payments due from banks for third-party credit card and debit card transactions for up to five days of sales, classified as cash and cash equivalents, totaled approximately \$10,586 and \$11,412 as of January 31, 2009 and January 30, 2010, respectively.

Outstanding checks not yet presented for payment amounted to \$12,901 and \$18,422 as of January 31, 2009 and January 30, 2010, respectively, and are included in accounts payable on the Consolidated Balance Sheets.

**Fair Value of Financial Assets and Liabilities**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date.

Level 1 Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

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**Table of Contents****1. Summary of Significant Accounting Policies (continued)**

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Valuation is based upon other unobservable inputs that are significant to the fair value measurement. The Company incorporates credit valuation adjustments ( CVAs ) to appropriately reflect its non-performance risk and the respective counterparty's non-performance risk in its fair value measurements. Although the Company has determined that the majority of the inputs used to value its derivatives, such as forward interest rates, and the Company's and counterparty's credit ratings, fall within Level 2 of the fair value hierarchy, the CVAs associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparty. However, as of January 31, 2009 and January 30, 2010, the Company has assessed the significance of the impact of the CVAs on the overall valuation of its derivative positions and has determined that the CVAs are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of January 31, 2009 and January 30, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall.

	January 31, 2009		
	Level 1	Level 2	Level 3
Treasury securities	\$ 159,236	\$	\$
Interest rate swap	\$	\$ 4,412	\$

	January 30, 2010		
	Level 1	Level 2	Level 3
Treasury securities	\$ 216,782	\$	\$
Interest rate swap	\$	\$ 1,968	\$

The carrying amounts reflected on the Consolidated Balance Sheets for cash, cash equivalents, receivables, prepaid expenses, and payables as of January 31, 2009 and January 30, 2010 approximated their fair values.

**Concentration of Credit Risk**

The Company maintains cash and cash equivalents with various major financial institutions. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

**Receivables, Net**

Receivables consist primarily of tenant allowances from landlords and miscellaneous trade receivables, which are continuously reviewed for collectability. The Company maintains an allowance for doubtful accounts balance which totaled \$1,230 and \$3,832 as of January 31, 2009 and January 30, 2010, respectively.

## **Table of Contents**

### **1. Summary of Significant Accounting Policies (continued)**

#### **Inventories**

Inventories are principally valued at the lower of cost or market on a weighted-average cost basis. The Company records a lower of cost or market adjustment on its inventory, which is reflected in cost of goods sold, buying and occupancy costs in the Consolidated Statements of Operations, if the cost of specific inventory items on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. The lower of cost or market reserve was \$14,639 and \$5,508 as of January 31, 2009 and January 30, 2010, respectively.

The Company also records an inventory shrink reserve for estimated merchandise inventory losses for the period between the last physical inventory and the balance sheet date. This estimate is based on management's analysis of historical results. The shrink reserve was \$17,611 and \$15,415 as of January 31, 2009 and January 30, 2010, respectively.

#### **Advertising**

Advertising production costs are expensed at the time the promotion first appears in media, store, or on the website. Costs to publish or broadcast the promotion are expensed when incurred. Total advertising expense totaled \$14,825 in the 2007 Predecessor period, \$30,052 in the 2007 Successor period, \$57,551 in 2008, and \$53,685 in 2009. Advertising costs are included in general, administrative, and store operating expenses in the Consolidated Statements of Operations.

#### **Private Label Credit Card Rewards**

The Company has a credit card agreement (the "Card Agreement") with a third party to provide customers with private label credit cards ("credit card(s)"). Each credit card bears the logo of the Express brand and can be used at any of the Company's retail store locations or website. A third-party financing company is the sole owner of the accounts issued under the credit card program and absorbs the losses associated with non-payment by the card holders and a portion of any fraudulent usage of the accounts. The Company receives reimbursement for expenses incurred from the third-party financing company in accordance with the Card Agreement based on usage of the credit cards. Income is recognized when the amounts are fixed or determinable and collectability is reasonably assured, which is generally at the time that the actual usage of the credit cards or specified transaction occurs. In accordance with Accounting Standards Codification ("ASC") Subtopic 605-50, *Customer Payments and Incentives*, the income is classified in general, administrative, and store operating expenses in the Consolidated Statements of Operations.

Card holders earn reward certificates that result in discounts on future purchases. Upon reaching the target-earned threshold, card holders receive reward certificates for these discounts that expire within three months of issuance, at which time the certificate is forfeited. The Company accrues the anticipated redemptions of the discount earned. To calculate this expense, the Company estimates margin rates and makes assumptions related to card holder redemption rates, which are both based on historical experience. The accrued liability as of January 31, 2009 and January 30, 2010 was \$3,842 and \$3,489, respectively, and is included in accrued expenses on the Consolidated Balance Sheets.

**Table of Contents****1. Summary of Significant Accounting Policies (continued)****Property and Equipment, Net**

All property and equipment are stated at cost. Depreciation of property and equipment is computed on a straight line basis, using the following useful lives:

<b>Category</b>	<b>Depreciable Life</b>
Software, including software developed for internal use	3 years
Store related assets and other property and equipment	3 – 10 years
Leasehold improvements	Shorter of lease term or 10 years

When a decision is made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in other operating expense, net, in the Consolidated Statements of Operations. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The reviews are conducted at the store asset level, the lowest identifiable level of cash flow. If the estimated undiscounted future cash flows related to the property and equipment are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted cash flow analysis of the asset. Factors used to assess the fair value of property and equipment include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results, and projected future cash flows. The Company recorded impairment charges related to store leasehold improvements of \$0 in the 2007 Predecessor period, \$484 in the 2007 Successor period, \$2,442 in 2008 and \$2,623 in 2009. Impairment charges are included in cost of goods sold, buying and occupancy costs in the Consolidated Statements of Operations.

On February 1, 2009, the Company adopted the authoritative guidance included in ASC Topic 820 to fair value measurements of non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. Non-financial assets and liabilities measured at fair value on a non-recurring basis as of January 30, 2010 consisted of the following:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Long-lived assets to be held and used	\$	\$	\$ 712

Long-lived assets to be held and used with a carrying amount of \$3,335 were written down to their fair value of \$712, resulting in an impairment charge of \$2,623, which is included in cost of goods sold, buying and occupancy costs in 2009.

**Intangible Assets**

The Company has intangible assets, primarily its tradename resulting from the GGC Acquisition, and internet domain name purchased during 2008 prior to the launch of its e-commerce website. Intangible assets with indefinite lives are reviewed for impairment annually in the fourth quarter, or more frequently if indicators of impairment are present, by comparing the carrying value to the estimated fair value, usually determined using a discounted cash flow methodology. Factors used in the valuation of all intangible assets include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results, and projected future cash flows.

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### **1. Summary of Significant Accounting Policies (continued)**

Intangible assets with finite lives are amortized on a basis reflecting when the economic benefits of the assets are consumed or otherwise used up over their respective estimated useful lives. Intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

The Company did not have any intangible assets in the 2007 Predecessor period and did not incur any impairment charges on intangible assets in the 2007 Successor period, in 2008, or in 2009.

### **Leases and Leasehold Improvements**

The Company has leases that contain pre-determined fixed escalations of minimum rentals and/or rent abatements subsequent to taking possession of the leased property. The related rent expense is recognized on a straight-line basis commencing upon possession date. The Company records the difference between the recognized rent expense and amounts payable under the leases as deferred lease credits. The obligations for pre-determined fixed escalations of minimum rent and/or rent abatements were \$7,968 and \$11,775 as of January 31, 2009 and January 30, 2010, respectively, and are included in other long-term liabilities on the Consolidated Balance Sheets.

The Company receives allowances from landlords related to its retail stores. These allowances are generally comprised of cash amounts received from landlords as part of negotiated lease terms. Cash received from landlords was \$398 in the 2007 Predecessor period, \$4,160 in the 2007 Successor period, \$5,057 in 2008, and \$5,772 in 2009. The Company records a receivable and a landlord allowance upon satisfaction of the provisions for receiving the allowance. The landlord allowance is amortized on a straight-line basis as a reduction to rent expense over the term of the lease (including the pre-opening build-out period). The receivable is reduced as allowance amounts are received from landlords. The reduction to rent expense was \$3,320 in the 2007 Predecessor period, \$201 in the 2007 Successor period, \$697 in 2008, and \$1,648 in 2009, and is included in cost of goods sold, buying and occupancy costs in the Consolidated Statements of Operations. The unamortized portion of landlord allowances totaled \$9,670 and \$13,952 as of January 31, 2009 and January 30, 2010, respectively, and is included in other long-term liabilities on the Consolidated Balance Sheets.

Certain leases provide for contingent rents which are based on a percentage of gross sales in excess of predetermined levels and are not measured at inception. These amounts are excluded from minimum rent and are included in the determination of rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

The Company also has leasehold improvements which are depreciated over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term, including renewal periods, if reasonably assured. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

### **Debt Issuance Costs and Discount**

Fees and costs incurred in connection with the Company's borrowings are capitalized and included in other assets on the Consolidated Balance Sheets. Debt issuance costs and debt discounts are amortized to interest expense over the term of the respective loan agreements and are included in interest expense in the Consolidated Statements of Operations. Debt issuance costs were recorded as a result of the GGC Acquisition and the Recapitalization. As of January 31, 2009 and January 30, 2010, debt issuance costs totaled \$11,488 and \$10,061, respectively. The Company recorded amortization expense related to debt issuance costs of \$0 in the 2007

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### **1. Summary of Significant Accounting Policies (continued)**

Predecessor period, \$1,052 in the 2007 Successor period, \$2,001 in 2008, and \$2,181 in 2009. The Company recorded amortization expense for debt discounts of \$0 in the 2007 Predecessor period, \$0 in the 2007 Successor period, \$304 in 2008, and \$584 in 2009.

### **Derivative Financial Instruments**

The Company uses derivative financial instruments to manage its exposure to interest rates. The Company does not use derivative financial instruments to manage exposure to foreign currency exchange rates or for trading purposes. Derivative financial instruments are required to be recorded on the Consolidated Balance Sheets at fair value. The Company did not seek cash flow hedge accounting and, therefore, records the impact of the change in fair value of its derivative in other expense (income), net in the Consolidated Statements of Operations.

### **Income Taxes**

Effective May 7, 2007, the Company became recognized as a partnership for federal income tax purposes. As such, with the exception of a limited number of state and local jurisdictions, the Company is no longer subject to income taxes. The members of the Company, and not the Company itself, are subject to income tax on their distributive share of the Company's earnings from May 7, 2007 forward. The Company pays distributions to members to fund their tax obligations.

The Company accounts for income taxes using the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences that currently exist between the tax basis and the financial reporting basis of the Company's assets and liabilities. For periods up to the effective date of the Company's recognition as a partnership for federal income tax purposes, deferred taxes were recognized on a separate company basis as if the Company were taxable as a corporation. As a partnership, deferred taxes for periods ending after May 7, 2007 were related to a limited number of state and local jurisdictions.

Deferred tax assets and liabilities are measured using the enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect of a change in tax rates on deferred taxes is recognized through continuing operations in the period that includes the enactment date of the change. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. The Company is not aware of any such changes that would have a material effect on its results of operations, cash flows, or financial position.

In July 2006, the Financial Accounting Standards Board (FASB) issued authoritative guidance included in ASC Subtopic 740-10, *Income Taxes - Overall*, (ASC Subtopic 740-10) which clarifies the accounting for uncertainty in income taxes recognized in the financial statements. ASC Subtopic 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on its technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC Subtopic 740-10 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company recognizes tax liabilities in accordance with ASC Subtopic 740-10 and adjusts these liabilities when judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the liabilities. These differences will be reflected as increases or decreases in income tax expense and the effective tax rate in the period in which new information becomes available.



**Table of Contents****1. Summary of Significant Accounting Policies (continued)**

The Company adopted the authoritative guidance included in ASC Subtopic 740-10 effective February 4, 2007. As a result of the implementation of the authoritative guidance included in ASC Subtopic 740-10, the Company recognized an additional liability of \$702 for unrecognized tax benefits, which was accounted for as a reduction to the February 4, 2007 retained earnings balance. LBI retained the entire ASC Subtopic 740-10 liability of \$9,673 for unrecognized tax benefits for any Predecessor period up to and including the date of the GGC Acquisition. For the Successor periods, the Company recognized no liability for unrecognized tax benefits and, therefore, there was no effect on the Company's financial condition or results of operations for any Successor period.

The Company recognizes interest and penalties related to unrecognized tax benefits in provision for income taxes in the Consolidated Statements of Operations. Accrued interest and penalties are included within the related tax liability line on the Consolidated Balance Sheets.

The Company may be subject to periodic audits by the Internal Revenue Service ( IRS ) and other taxing authorities. These audits may challenge certain of the Company's tax positions, such as the timing and amount of deductions and allocation of taxable income to the various jurisdictions.

**Self Insurance**

The Company is self-insured for medical, workers' compensation, and general liability benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ( IBNR ) claims. IBNR claims are estimated using historical claim information and actuarial estimates. The accrued liability for self insurance as of January 31, 2009 and January 30, 2010 was \$2,795 and \$3,800, respectively, and is included in accrued expenses on the Consolidated Balance Sheets.

**Revenue Recognition**

The Company recognizes sales at the time the customer takes possession of the merchandise which, for e-commerce revenues, reflects an estimate of shipments that have not yet been received by the customer. The estimate of these shipments is based on shipping terms and historical delivery times. Amounts related to shipping and handling revenues billed to customers in an e-commerce sale transaction are classified as net sales, and the related shipping and handling cost are classified as cost of goods sold, buying and occupancy costs in the Consolidated Statements of Operations. The Company's shipping and handling revenues were \$2,728 and \$8,913 in 2008 and 2009, respectively. The Company launched its e-commerce business in June 2008, and therefore did not receive or record shipping and handling revenues for the 2007 Predecessor or 2007 Successor periods. Associate discounts are classified as a reduction of net sales. Net sales exclude sales tax collected from customers and remitted to governmental authorities.

The Company provides a reserve for projected merchandise returns based on prior experience. Merchandise returns are often resalable merchandise and are refunded by issuing the same payment tender of the original purchase. Merchandise exchanges of the same product and price, typically due to size or color preferences, are not considered merchandise returns. The sales returns reserve was \$2,284 and \$4,312 as of January 31, 2009 and January 30, 2010, respectively, and is included in accrued expenses on the Consolidated Balance Sheets.

The Company sells gift cards in its retail stores and through its e-commerce website and third parties, which do not expire or lose value over periods of inactivity. The Company accounts for gift cards by recognizing a liability at the time a gift card is sold. The gift card liability balance was \$20,481 and \$21,140, as of January 31, 2009 and January 30, 2010, respectively, and is included in deferred revenue on the Consolidated Balance Sheets. The Company recognizes income from gift cards when they are redeemed by the customer. In addition, income on unredeemed gift cards is recognized when it can be determined that the likelihood of the gift card

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### **1. Summary of Significant Accounting Policies (continued)**

being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The gift card breakage rate is based on historical redemption patterns. Gift card breakage of \$1,199 in the 2007 Predecessor period, \$1,366 in the 2007 Successor period, \$2,428 in 2008, and \$2,328 in 2009 was recorded by the Company and is included in net sales in the Consolidated Statements of Operations.

#### **Share-Based Compensation**

The Company accounts for share-based employee compensation in accordance with ASC Topic 718, *Compensation – Stock Compensation*, (ASC Topic 718). ASC Topic 718 requires the fair value of share-based payments to employees to be recognized in the financial statements as compensation cost over the requisite service period. Compensation expense for equity shares is recognized, on a straight-line basis, net of forfeitures, over the requisite service period for the fair value of awards that actually vest.

#### **Cost of Goods Sold, Buying and Occupancy Costs**

Cost of goods sold, buying and occupancy costs includes merchandise costs, net of discounts and allowances, freight, inventory shrinkage, and other gross margin related expenses. Buying and occupancy expenses primarily include payroll, benefit costs, and other operating expenses for the buying departments (merchandising, design, manufacturing, and planning and allocation), distribution, fulfillment, rent, common area maintenance, real estate taxes, utilities, maintenance, and depreciation for stores.

#### **General, Administrative, and Store Operating Expenses**

General, administrative, and store operating expenses primarily include payroll, benefit costs, and other operating expenses for store selling and administrative departments and store marketing and advertising expenses.

#### **Other Operating Expense, Net**

Other operating expense, net consists of GGC advisory fees, LBI LLC fees, gain/loss on disposal of assets, and excess proceeds from the settlement of insurance claims.

#### **Other Expense (Income), Net**

Other expense (income), net consists of the change in fair market value of the interest rate swap.

### **Recently Issued Accounting Pronouncements**

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 requires the following new disclosures: (i) the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and a description of the reasons for the transfers; and (ii) a reconciliation for fair value measurements using significant unobservable inputs (Level 3), including separate information about purchases, sales, issuance, and settlements. ASU 2010-06 also clarifies existing requirements about fair value measurement disclosures and disclosures about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the reconciliation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 beginning in the first quarter of fiscal 2010 will require expanded disclosure in the Notes to the Company's Consolidated Financial Statements but will not impact amounts within its Consolidated Financial Statements.

**Table of Contents****1. Summary of Significant Accounting Policies (continued)**

In June 2009, the FASB issued ASC Topic 105, *GAAP* ( ASC Topic 105 ). This standard establishes two levels of GAAP, authoritative and non-authoritative. The FASB ASC (the Codification ) is now the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission ( SEC ), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. Effective February 1, 2009, the Company has adopted ASC Topic 105 which changed its historical U.S. GAAP references to comply with the Codification.

In May 2009, the FASB issued authoritative guidance included in ASC Topic 855, *Subsequent Events*. This standard is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued. The Company has adopted this guidance, and there was no material impact on its Consolidated Financial Statements. Refer to Note 17.

In April 2009, the FASB issued authoritative guidance included in ASC Topic 825, *Financial Instruments*, intended to provide additional accounting guidance and enhanced disclosures of fair values of certain financial instruments in interim and annual financial statements. The Company has adopted this guidance, and there was no impact on its Consolidated Financial Statements.

In April 2008, the FASB issued authoritative guidance included in ASC Topic 350, *Intangibles Goodwill and Other*, which is intended to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company has adopted this guidance effective February 1, 2009, and there was no impact on its Consolidated Financial Statements.

In March 2008, the FASB issued authoritative guidance included in ASC Topic 815, *Derivatives and Hedging*. This guidance requires additional disclosures about the objectives and strategies for using derivative instruments and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company has adopted this guidance effective February 1, 2009, the results of which are included in Note 9.

In September 2006, the FASB issued authoritative guidance included in ASC Topic 820, *Fair Value Measurements and Disclosures*, which provides guidance for fair value measurement of assets and liabilities and instruments measured at fair value that are classified in stockholders equity. This guidance defines fair value, establishes a fair value measurement framework and expands fair value disclosures. It emphasizes that fair value is market-based with the highest measurement hierarchy level being market prices in active markets. This guidance requires fair value measurements be disclosed by hierarchy level, an entity to include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption. In February 2008, the FASB delayed the effective date for this guidance to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Accordingly, as of February 3, 2008, the Company adopted the authoritative guidance for financial assets and liabilities only on a prospective basis. As of February 1, 2009, the Company adopted the remaining provisions. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

**2. The GGC Acquisition**

In anticipation of the GGC Acquisition, LBI, through its subsidiaries, Limited Brands Store Operations, Inc. ( LBSO ), a Delaware corporation, and Express Investment Inc, formed Holding on May 9, 2007, whereby LBSO contributed Express to Holding in exchange for 100% of the interest in Holding. For the period from

**Table of Contents****2. The GGC Acquisition (continued)**

May 9, 2007 through July 2007, Holding was an indirectly, wholly-owned subsidiary of LBI. Golden Gate Capital ( GGC ) formed Express Investment Corp., a Delaware corporation ( EIC ) and in July 2007 acquired a 75% interest in Holding from LBSO in multiple steps pursuant to a Unit Purchase Agreement (the Purchase Agreement ) dated May 15, 2007 and amended July 6, 2007.

EIC acquired an initial controlling interest of 66 <sup>2</sup>/<sub>3</sub>% on July 7, 2007 from LBI in exchange for \$513,657 in cash and acquired an incremental interest of 8 <sup>1</sup>/<sub>3</sub>% from LBI on July 31, 2007 in exchange for \$53,875 in cash, resulting in an aggregate cash consideration of \$567,532. The cash consideration and certain related transaction costs were funded by cash of \$452,870 from EIC and \$125,000 of debt issued by Holding. Additionally, Holding received a cash contribution of \$34,343 from EIC.

Pursuant to the Amended and Restated LLC Agreement ( LLC Agreement ) dated July 6, 2007, 75,000 and 25,000 Class L equity ownership units of Holding were held by GGC through EIC, and LBI, through its subsidiaries, respectively. Subsequent to July 6, 2007, certain executive management members of Holding made equity contributions of \$11,285, partially funded by \$5,643 of promissory notes payable to Holding, in exchange for 1,700 Class L equity ownership units, representing 1.7% ownership interest in Holding. These additional Class L equity ownership units purchased by certain executive management members resulted in dilution to the original ownership percentage of EIC and the subsidiaries of LBI to 73.7% and 24.6%, respectively. The accompanying Consolidated Financial Statements are presented for the Predecessor and Successor relating to the periods preceding and succeeding the GGC Acquisition, respectively.

Holding accounted for the GGC Acquisition in accordance with Statement of Financial Accounting Standards 141, *Business Combinations* . Holding was created in anticipation of and used to effect the GGC Acquisition. Accordingly, for accounting purposes, Holding was deemed the accounting acquirer and the transaction was reflected as the acquisition of 100% of the fair value of Express by Holding in exchange for cash and a 25% equity interest, accompanied by a change in control. The value of the equity interest in Holding retained by LBI was derived from the fair value of the acquired business and determined to be \$161,625. The total purchase price of \$739,495, consisting of cash paid by GGC, the fair value of the 25% interest in Holding, and \$10,338 of directly related transaction costs were allocated to the acquired assets and liabilities based on their respective fair values.

The allocation of the purchase price was as follows:

Cash and cash equivalents	\$ 13,734
Receivables, net	11,709
Inventories	241,894
Other current assets	25,500
Property and equipment	309,744
Intangible assets (primarily tradename)	220,660
Other assets	11,736
 Total assets acquired	 834,977
 Accounts payable	 36,197
Accrued expenses	50,856
Other long-term liabilities	8,429
 Total liabilities assumed	 95,482
 Net assets acquired at fair value	 \$ 739,495

**Table of Contents****2. The GGC Acquisition (continued)**

The fair value of the acquired net assets, representing 100% of the assets of Express, exceeded the purchase price paid by GGC. In connection with the GGC Acquisition allocation, Holding increased the carrying amount of its inventories by \$86,887, its property and equipment by \$38,529, and recorded \$220,660 of intangible assets. Intangible asset detail is included in Note 5.

**3. Property and Equipment, Net**

Property and equipment, net, consisted of:

	<b>January 31, 2009</b>	<b>January 30, 2010</b>
Building improvements	\$ 2,817	\$ 2,816
Furniture, fixtures and equipment, software	167,914	183,981
Leaseholds and improvements	188,911	198,425
Construction in process	9,649	10,729
<b>Total</b>	<b>369,291</b>	<b>395,951</b>
Less: accumulated depreciation	(115,809)	(180,714)
<b>Property and equipment, net</b>	<b>\$ 253,482</b>	<b>\$ 215,237</b>

Depreciation expense totaled \$25,051 in the 2007 Predecessor period, \$44,347 in the 2007 Successor period, \$73,139 in 2008, and \$64,664 in 2009.

**4. Leased Facilities and Commitments**

On July 6, 2007, the Company entered into a lease agreement (the "Lease") with LBI, a related party, for its corporate home office and distribution center facility in Columbus, OH. The Lease is for a six year period that expires on July 31, 2013 and requires annual minimum rent payments of approximately \$3,800 in year one and \$3,300 thereafter, subject to periodic adjustments each July based on the change in the Consumer Price Index over the twelve month period ending two months prior to each July. Either party can elect to terminate the Lease prior to July 31, 2013 with written notice. On February 20, 2009, the parties amended the Lease to provide that each party's right to terminate the Lease prior to July 31, 2013 may not be exercised by either party until April 30, 2011.

On October 5, 2009, the Company and LBI entered into a new lease agreement (the "New Lease") for the corporate home office and distribution center facility in Columbus, OH. The New Lease is for a 75 month period that commences February 1, 2010 and expires on April 30, 2016 and requires annual minimum market rent payments of approximately \$1,284 for the first five years and \$1,413 thereafter. The New Lease contains a renewal option for one period of five years by written notice 365 days prior to the expiration of the New Lease term and a construction allowance of \$8,000.

Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount. The Company records a contingent rent liability in accrued expenses on the Consolidated Balance Sheets and the corresponding rent expense in cost of goods sold, buying and occupancy costs in the Consolidated Statements of Operations when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable.

**Table of Contents****4. Leased Facilities and Commitments (continued)**

Rent expense is summarized as follows:

	<b>Predecessor Twenty-Two Weeks Ended July 6, 2007</b>	<b>Thirty Weeks Ended February 2, 2008</b>	<b>Successor 2008</b>	<b>2009</b>
Store rent				
Fixed minimum	\$ 60,118	\$ 98,319	\$ 151,381	\$ 152,868
Contingent	3,112	5,540	6,832	6,805
Total store rent	63,230	103,859	158,213	159,673
Home office, distribution center, and other	2,911	5,540	8,965	8,551
Total rent expense	\$ 66,141	\$ 109,399	\$ 167,178	\$ 168,224

As of January 30, 2010, the Company was committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of these commitments consist of store leases generally with an initial term of ten years. Store lease terms generally require additional payments covering real estate taxes, common area maintenance costs, and certain other expenses. The obligations for these additional payments are excluded from the table that follows.

Minimum rent commitments, net of landlord allowances, under noncancelable leases are as follows:

2010	\$ 155,183
2011	129,512
2012	120,144
2013	106,810
2014	81,357
Thereafter	\$ 148,867

The Company's future sublease income under noncancelable subleases was \$3,030 as of January 30, 2010.

On April 28, 2008, the Company issued an irrevocable stand-by letter of credit ( LBI stand-by LC ) to LBI for \$34,170, which related to certain pre-existing store leases guaranteed by LBI that could not be assigned to the Company at or subsequent to the GGC Acquisition. LBI can draw from the LBI stand-by LC if the Company were to default on any of the guaranteed leases. The LBI stand-by LC is reduced through the September 30, 2010 expiration date with the overall reduction in guaranteed lease payments. The available balance of the LBI stand-by LC was \$18,708 and \$6,353 as of January 31, 2009 and January 30, 2010, respectively. There were no outstanding draws on the LBI stand-by LC as of January 30, 2010.

**5. Intangible Assets**

The following table provides the significant components of intangible assets:

	<b>January 31, 2009</b>	
<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Ending Net Balance</b>

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Tradename	\$ 196,144	\$	\$ 196,144
Internet domain name/other	1,250		1,250
Net favorable lease obligations	19,750	7,197	12,553
Credit card relationships & customer lists	4,766	2,929	1,837
	\$ 221,910	\$ 10,126	\$ 211,784

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**Table of Contents****5. Intangible Assets (continued)**

	<b>Cost</b>	<b>January 30, 2010 Accumulated Amortization</b>	<b>Ending Net Balance</b>
Tradename	\$ 196,144	\$	\$ 196,144
Internet domain name/other	1,270		1,270
Net favorable lease obligations	19,750	11,262	8,488
Credit card relationships & customer lists	4,766	3,868	898
	<b>\$ 221,930</b>	<b>\$ 15,130</b>	<b>\$ 206,800</b>

The Company's tradename and internet domain name have indefinite lives. Net favorable lease obligations, credit card relationships, and customer lists have finite lives and are amortized over a period of up to seven years, four years, and two years, respectively, and are included in other assets on the Consolidated Balance Sheets. Amortization expense totaled \$0 in the 2007 Predecessor period, \$4,160 in the 2007 Successor period, \$5,966 in 2008, and \$5,004 in 2009.

Estimated future amortization expense will approximate the following:

2010	\$ 3,636
2011	2,274
2012	1,537
2013	1,221
2014	718
Thereafter	
<b>Total</b>	<b>\$ 9,386</b>

**6. Related Party Transactions****Transactions with LBI*****Predecessor***

Prior to the GGC Acquisition, transactions between the Company and LBI and their wholly-owned subsidiaries occurred primarily in the ordinary course of business. Costs relating to these transactions were charged or allocated to the Company using the following methodologies:

**Direct Costs** costs incurred by LBI and its subsidiaries on behalf of the Company were charged directly to the Company;

**Allocated Costs** administrative and other shared costs incurred by a shared service provided were allocated to the Company using activity drivers or other allocation methodologies that approximate the level of effort required to provide the service.

Costs were allocated by LBI to the Company for certain functions provided by LBI including, but not limited to, general corporate expenses related to accounting, finance, legal, employee benefits and incentives, real estate and store operations, store design and construction, logistics services, technology services, loss prevention, customer marketing, and human resources.





**Table of Contents****6. Related Party Transactions (continued)**

The Company believes the allocation methodologies described above are fair and reasonable. However, the allocated costs are not necessarily indicative of the amounts that would have been or that will be incurred by the Company on a standalone basis.

	<b>Twenty-Two Weeks Ended July 6, 2007</b>
Beginning balance	\$ 265,849
Charges from LBI and its wholly-owned subsidiaries	407,277
Net cash transferred to LBI	(394,309)
Adoption of ASC Subtopic 740-10	(702)
Net income	29,942
Ending balance	\$ 308,057

**Successor**

On July 6, 2007, in conjunction with the GGC Acquisition, the Company entered into TSAs whereby LBI provides support in various operational areas including, among other things, logistics, technology, and merchandising sourcing. The terms of these TSAs vary and range from three months to thirty-nine months. The Company is obligated to purchase a minimum of 90% of its merchandise products from LBI during the first year after the GGC Acquisition, 80% during the second year, and 60% during the third year. The Company is liable to LBI in the event of a breach of this provision in the amount of a margin rate defined in the merchandise sourcing TSA, applied to the cost of products for which the Company is otherwise required to source through LBI.

The Company incurred charges from LBI for various transaction services, included in general, administrative, and store operating expenses and merchandising sourcing, included in cost of goods sold, buying and occupancy costs, as follows:

	<b>Thirty Weeks Ended February 2, 2008</b>	<b>2008</b>	<b>2009</b>
Transaction services	\$ 337,571	\$ 188,216	\$ 67,467
Merchandising sourcing	\$ 471,378	\$ 584,527	\$ 464,709
The Company's outstanding liability, included in accounts payable and accrued expenses related parties on the Consolidated Balance Sheets, for transaction services and merchandising sourcing was as follows:			

	<b>January 31, 2009</b>	<b>January 30, 2010</b>
Transaction services	\$ 12,358	\$ 10,881
Merchandising sourcing	\$ 79,636	\$ 63,643

On October 5, 2009, the parties entered into a new logistics services agreement (the Logistics Agreement) with an initial six year term commencing on February 1, 2010 and a renewal option which terminates the logistics services portion of the TSA described above that was nearing expiration.

**Table of Contents****6. Related Party Transactions (continued)**

Furthermore, under the LLC Agreement, LBI is entitled to receive a cash payment (at the same time payments are made under the GGC Advisory Agreement (Advisory Agreement)) equal to the product of (i) the amount of the fees actually paid in cash under the Advisory Agreement and (ii) the quotient of the number of units held by LBI over the number of units held by GGC at the time of payment of such fees. These fees, included in other operating expense, net in the Consolidated Statements of Operations, were as follows:

	<b>Thirty Weeks Ended February 2, 2008</b>	<b>2008</b>	<b>2009</b>
LBI LLC fee	\$ 1,152	\$ 1,262	\$ 2,275

The Company's outstanding liability related to the LBI LLC fee, included in accounts payable and accrued expenses related parties on the Consolidated Balance Sheets, was \$2,414 and \$4,688 as of January 31, 2009 and January 30, 2010, respectively.

**Transactions with GGC**

In connection with the GGC Acquisition, the Company entered into the Advisory Agreement with GGC that expires in July 2017. In exchange for on-going consulting and management advisory services provided by GGC, the Company reimburses GGC for reasonable out-of-pocket expenses incurred in connection with providing on-going services and an annual management fee equal to the greater of (i) \$2,000 per fiscal year or (ii) 3% of adjusted EBITDA of Holding as defined in the term loan agreement (see Note 8).

The Company incurred advisory fees and out-of-pocket expenses, included in other operating expense, net in the Consolidated Statements of Operations, as follows:

	<b>Thirty Weeks Ended February 2, 2008</b>	<b>2008</b>	<b>2009</b>
Advisory fees and out-of-pocket expenses	\$ 3,625	\$ 4,206	\$ 7,153

The Company's outstanding liability related to the advisory fees and out-of-pocket expenses, included in accounts payable and accrued expenses related parties on the Consolidated Balance Sheets, was \$2,513 and \$7,128 as of January 31, 2009 and January 30, 2010, respectively.

**Transactions with Other GGC Affiliates**

The Company also transacts with affiliates of GGC for the software license purchases, consulting and software maintenance services, and e-commerce warehouse and fulfillment services. The Company incurred charges, included in general, administrative, and store operating expenses in the Consolidated Statement of Operations, as follows:

	<b>Thirty Weeks Ended February 2, 2008</b>	<b>2008</b>	<b>2009</b>
Software licenses and maintenance, and consulting	\$	\$ 576	\$ 255
E-commerce warehouse and fulfillment	\$	\$ 7,846	\$ 19,248

The Company's outstanding liability to other GGC affiliates, included in accounts payable and accrued expenses related parties on the Consolidated Balance Sheets, was \$3,092 and \$3,491 as of January 31, 2009 and January 30, 2010, respectively.



**Table of Contents****6. Related Party Transactions (continued)**

In 2009, the Company began providing real estate services to multiple GGC affiliates. Income recognized for these services in 2009 was nominal.

An affiliate of GGC is a lender under the Topco Term Loan and is owed \$100,000 in original principal. Terms of the Topco Term Loan are the same for all lenders in the facility (see Note 8 for further discussion).

**7. Income Taxes**

For the Predecessor period through May 6, 2007, the Company provided for income taxes on a separate company basis as if the Company was taxable as a corporation. Effective May 7, 2007, the Company became recognized as a partnership for federal income tax purposes. With limited exception as noted below, the Company recognizes no federal, state, or local income taxes for periods subsequent to May 7, 2007, as the members of the Company, and not the Company itself, are subject to income tax on their distributive share of the Company's earnings from May 7, 2007 forward. The Company pays distributions to members to fund their tax obligations. In 2009, \$33,000 of tax distributions were paid to members of the Company.

There are a limited number of state and local jurisdictions that subject the Company to income tax even though it is recognized as a partnership for federal income tax purposes. The Company provides for income taxes related to these jurisdictions for periods ending subsequent to May 7, 2007. LBI retained current income tax liabilities and related income tax contingencies and reserves for any Predecessor period up to and including the date of the GGC Acquisition.

The provision for income taxes consists of the following:

	<b>Predecessor Twenty-Two Weeks Ended July 6, 2007</b>	<b>Thirty Weeks Ended February 2, 2008</b>	<b>Successor 2008</b>	<b>2009</b>
<b>Current:</b>				
U.S. federal	\$ 10,730	\$ 868	\$ 480	\$ 1,572
U.S. state and local	1,454	868	480	1,572
<b>Total</b>	<b>12,184</b>	<b>868</b>	<b>480</b>	<b>1,572</b>
<b>Deferred:</b>				
U.S. federal	(4,665)	(381)	(234)	(336)
U.S. state and local	(358)	(381)	(234)	(336)
<b>Total</b>	<b>(5,023)</b>	<b>(381)</b>	<b>(234)</b>	<b>(336)</b>
<b>Provision for income taxes</b>	<b>\$ 7,161</b>	<b>\$ 487</b>	<b>\$ 246</b>	<b>\$ 1,236</b>

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate:

	<b>Predecessor Twenty-Two Weeks Ended July 6, 2007</b>	<b>Thirty Weeks Ended February 2, 2008</b>	<b>Successor 2008</b>	<b>2009</b>
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Federal income tax rate	35.00%	0.00%	0.00%	0.00%
State income taxes, net of federal income tax effect	1.93%	1.22%	0.85%	1.61%
Entity status change to partnership	(18.04)%	0.00%	0.00%	0.00%
Other items, net	0.41%	0.00%	0.00%	0.00%
Effective tax rate	19.30%	1.22%	0.85%	1.61%

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**Table of Contents****7. Income Taxes (continued)**

The following table provides the effect of temporary differences that created deferred income taxes as of January 31, 2009 and January 30, 2010. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carry-forwards at the end of the respective periods.

	January 31, 2009	January 30, 2010
Deferred tax assets:		
Accrued expenses and deferred compensation	\$ 114	\$ 223
Property and equipment		89
Other	74	1
Total deferred tax assets	188	313
Deferred tax liabilities:		
Intangible assets	676	615
Property and equipment	164	
Other	39	53
Total deferred tax liabilities	879	668
Net deferred tax liabilities	\$ 691	\$ 355

The Company had a net current deferred tax assets balance of \$83 and \$82 as of January 31, 2009 and January 30, 2010, respectively, which is included in other current assets on the Consolidated Balance Sheets. The Company also recorded a net receivable for state and local income taxes, primarily related to the estimated amount of tax overpayments, of approximately \$201 and \$112 as of January 31, 2009 and January 30, 2010, respectively, which is included in receivables, net on the Consolidated Balance Sheets. State and local income tax payments totaled \$345 and \$310 during 2008 and 2009, respectively.

**Uncertain Tax Positions**

The Company adopted the authoritative guidance included in ASC Subtopic 740-10 effective February 4, 2007. As a result of the implementation of the authoritative guidance included in ASC Subtopic 740-10, the Company recognized an additional liability of \$702 for uncertain tax positions, which was accounted for as a reduction to the February 4, 2007 retained earnings balance. Including this adjustment, the Company had \$9,673 of uncertain tax positions as of February 4, 2007. LBI retained the entire ASC Subtopic 740-10 liability for uncertain tax positions for any Predecessor period up to and including the date of the GGC Acquisition. For the Successor periods, the Company recognized no liability for uncertain tax positions and, therefore, there was no effect on the Company's financial condition or results of operations for any Successor period.

The Company believes the increase or decrease in the liability for uncertain tax positions will not be significant within the next twelve months. However, changes could result from examinations, the expiration of the statute of limitations or other circumstances. Thus, an estimate of the range of the reasonably possible change cannot be made.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense in the Consolidated Statements of Operations. Accrued interest and penalties are included within the related tax liability line, which is included within accrued expenses on the Consolidated Balance Sheets.

The Company files a partnership income tax return for federal purposes and in most state and local jurisdictions. The Company may be subject to periodic audits by the IRS and other taxing authorities. These audits may challenge certain of the Company's tax positions, such as the timing and amount of deductions and allocation of taxable income to the various jurisdictions. As of January 30, 2010, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are the fiscal year ended 2007 and forward.





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### **7. Income Taxes (continued)**

The Company is currently not under examination by the IRS or state taxing authorities.

### **8. Credit Facility and Long-Term Debt**

#### **Credit Facility**

On July 6, 2007, the Company entered into a \$200,000 secured Asset-Based Loan Credit Facility ( Credit Facility ) with a lender. The Credit Facility is available to be used for working capital and other general corporate purposes and expires on July 6, 2012. The Credit Facility borrowing rate is equal to LIBOR plus an applicable margin rate or the higher of the Wall Street Journal's prime lending rate or 0.5% per annum above the Federal Funds Rate, plus an applicable margin rate. The applicable margin rate is determined based on the Company's most recent Borrowing Base Certificate equal to 90% (credit card advance rate) of credit card receivables plus 90% (inventory advance rate) of the liquidation value of eligible inventory during year one (through July 6, 2008) and 85% thereafter, less certain reserves. During 2008, the Company borrowed \$75,000 under the Credit Facility, which is reflected as a current liability on the Consolidated Balance Sheets as of January 31, 2009. The \$75,000 Credit Facility outstanding balance was repaid by the Company in the first quarter of 2009. As of January 30, 2010, the weighted average borrowing rate was 3.25%.

Fees payable under the Credit Facility are based on 0.25% of the average daily unused balance during each quarter payable quarterly in arrears. Additionally, fees for outstanding letter of credit balances are 0.125% based on the average daily aggregate available amount during the quarter of all letters of credit outstanding payable quarterly in arrears. The Credit Facility requires the Company to maintain an agreed upon fixed charge coverage ratio if excess availability plus eligible cash collateral is less than \$20,000. The Company's excess availability was \$135,153 as of January 30, 2010. The Company was not subject to this covenant as of January 30, 2010 because excess availability plus eligible cash collateral was greater than \$20,000 as of January 30, 2010.

All obligations under the Credit Facility are guaranteed and secured by substantially all the assets of Holding and its subsidiary, including: all accounts arising from the sale or other disposition of goods or services; all inventory; letter-of-credit rights and supporting obligations related to the accounts arising from the sale or other disposition of goods or services and inventory; all collection accounts, deposit accounts, commodity accounts, security accounts and any cash, cash equivalents or other assets in any such accounts (excluding any net cash proceeds from the sale or other disposition of any Holding Term Loan first lien collateral); all books, property, and records (including, without limitation, ledgers, customer lists, credit files, printouts, computer software, data processing and other records); and all products and proceeds, including proceeds of insurance and claims against third parties.

#### **Letters of Credit**

The Company periodically enters into various trade letters of credit ( trade LCs ) for certain beneficiary vendors to secure merchandise goods. These trade LCs are issued for a defined period of time and for specific shipments and generally expire three weeks after the date of merchandise shipment. As of January 31, 2009 and January 30, 2010, outstanding trade LCs totaled \$145 and \$0, respectively. Additionally, the Company enters into stand-by letters of credit ( stand-by LCs ) on an as-needed basis. As of January 31, 2009 and January 30, 2010, outstanding stand-by LCs, including the LBI stand-by LC, totaled \$20,489 and \$8,160, respectively.

#### **Holding Term Loan**

On July 6, 2007, the Company entered into a \$125,000 secured term loan ( Holding Term Loan ) with a different lender. The proceeds of these borrowings were used to finance, in part, the GGC Acquisition and pay transaction fees and expenses related to the GGC Acquisition. The Holding Term Loan borrowing rate is equal to

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### **8. Credit Facility and Long-Term Debt (continued)**

LIBOR plus an applicable margin rate or the higher of the Wall Street Journal's prime lending rate or 0.5% per annum above the Federal Funds Rate, plus an applicable margin rate. The applicable margin rate is determined by the leverage ratio in effect on the first day of each interest period.

Principal payments under the Holding Term Loan are due in equal quarterly installments of 0.25% of the initial principal balance through the maturity date on July 6, 2014. The Holding Term Loan also requires the Company to maintain a certain leverage ratio of consolidated debt, including letters of credit (net of cash and cash equivalents) to consolidated adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, adjusted for certain items such as non-cash deductions and non-recurring expenses) for the most recently completed reporting period (last twelve months as of the end of each quarter). The Holding Term Loan contains various customary covenants, including certain restrictions on the Company's ability and the ability of its subsidiary to pay distributions.

Effective July 6, 2007, the Company entered into a receive variable/pay fixed interest rate swap agreement to mitigate exposure to interest rate fluctuations on a notional amount of \$75,000 of the Company's \$125,000 variable-rate Holding Term Loan. The Company did not seek cash flow hedge accounting and, therefore, records the impact of the change in fair value of the swap in other expense (income), net in the Consolidated Statements of Operations. The interest rate swap agreement terminates on August 6, 2010. The fair value of the interest rate swap was a liability of \$4,412 and \$1,968 as of January 31, 2009 and January 30, 2010, respectively. The short-term portion of the fair value of interest rate swap is included in accrued expenses, and the long-term portion is included in other long-term liabilities on the Consolidated Balance Sheets.

All obligations under the Holding Term Loan are guaranteed and secured by substantially all the assets of the Company and its subsidiaries, including: owned real property, all fixtures and equipment; all intellectual property; all equity interests in Holding and its subsidiary; all intercompany indebtedness of Holding and its subsidiary; all permits and licenses related to ownership or operation of real property, fixtures or equipment; all proceeds of insurance; all books and records not constituting the Credit Facility first lien collateral; all other collateral not constituting the Credit Facility first lien collateral; and all product and proceeds.

#### **Topco Term Loan**

On June 26, 2008, the Company entered into a \$300,000 Term Loan (Topco Term Loan), a portion of which is with a GGC affiliate. The proceeds of these borrowings were used to pay a distribution to members and associated transaction fees and expenses related to the Recapitalization. The Topco Term Loan was issued at 98% with the face value due at maturity on June 26, 2015. Interest on \$150,000 of the borrowings (Topco Term B Loan) is due semi-annually, on the last calendar day of each January and July, at a rate of 13.5% per annum.

Interest on the remaining \$150,000 of borrowings (Topco Term C Loan) is due quarterly, on the last calendar day of each January, April, July, and October, at a rate of 14.5% per annum. The Company may elect to pay in kind (PIK) all or any portion of the quarterly interest on the Topco Term C Loan at a rate of 16.0% per annum. The Company elected to pay the quarterly interest due on January 31, 2009 for \$150,000 of the borrowings as PIK interest. Accordingly, the Company recognized accrued PIK interest of \$6,049 as of January 31, 2009, which is included in long-term debt on the Consolidated Balance Sheets. During 2009, the Company fully repaid this PIK interest.

The Topco Term Loan requires the Company to maintain a certain leverage ratio of consolidated debt, including letters of credit (net of cash and cash equivalents) to consolidated adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, adjusted for certain items such as non-cash deductions and non-recurring expenses) for the most recently completed reporting period (last twelve months as of the end of each quarter). The Topco Term Loan also requires the Company to maintain a certain interest coverage ratio of

**Table of Contents****8. Credit Facility and Long-Term Debt (continued)**

consolidated adjusted EBITDA to interest expense for the most recently completed twelve months. The Topco Term Loan contains various customary covenants, including certain restrictions on the Company's ability and the ability of its subsidiary to pay distributions.

The Company is required to make mandatory prepayments on the Topco Term Loan upon the occurrence of certain events defined in the Topco Term Loan agreement. The Company may, at its option, prepay all or any portion of the Topco Term Loan principal amount plus accrued interest at redemption prices set forth in the loan agreement. The Topco Term Loan is collateralized by 100% of the membership interests in Holding, but is not guaranteed by Topco's subsidiary.

Borrowings outstanding consisted of the following:

	<b>January 31, 2009</b>	<b>January 30, 2010</b>
Holding Term Loan	\$ 123,125	\$ 121,875
Topco Term Loan, including PIK interest	306,049	300,000
Debt discount on Topco Term Loan	(5,696)	(5,112)
Total	423,478	416,763
Less: current portion	(1,250)	(1,250)
Total long-term debt	\$ 422,228	\$ 415,513

Annual maturities of long-term debt on the Holding Term Loan and Topco Term Loan are as follows over the next five years and thereafter:

2010	\$ 1,250
2011	1,250
2012	1,250
2013	1,250
2014	116,875
Thereafter	300,000
Total	\$ 421,875

The fair value of the Company's variable rate debt was estimated using quoted market prices for similar debt issues. As of January 31, 2009, the estimated fair value of the Holding Term Loan and Topco Term Loan was \$115,738 and \$261,540, respectively. As of January 30, 2010, the estimated fair value of the Holding Term Loan and Topco Term Loan was \$126,029 and \$312,022, respectively.

The Company incurred interest expense of \$0 in the 2007 Predecessor period, \$6,978 in the 2007 Successor period, \$36,531 in 2008, and \$53,222 in 2009. Interest expense incurred for the GGC affiliate's portion of the Topco Term Loan was \$0 in the 2007 Predecessor period, \$0 in the 2007 Successor period, \$8,513 in 2008, and \$14,499 in 2009. Cash paid for interest was \$0 in the 2007 Predecessor period, \$5,198 in the 2007 Successor period, \$16,349 in 2008, and \$51,610 in 2009. The GGC affiliate's portion of cash paid for interest under the Topco Term Loan was \$2,927 and \$14,445 in 2008 and 2009, respectively.

**9. Derivative Instrument**

Effective July 6, 2007, the Company entered into a receive variable/pay fixed interest rate swap agreement to mitigate exposure to interest rate fluctuations on a notional amount of \$75,000 of the Company's \$125,000 variable-rate Holding Term Loan. The Company did not seek cash flow hedge accounting and, therefore, records the impact of the change in fair market value of the swap in other expense (income), net in the Consolidated Statements of Operations. The interest rate swap agreement terminates on August 6, 2010.



**Table of Contents****9. Derivative Instrument (continued)**

The Company recorded the interest rate swap at fair value as follows:

<b>Derivative Instrument</b>	<b>January 31, 2009</b>		<b>January 30, 2010</b>	
	<b>Balance Sheet Location</b>	<b>Fair Value</b>	<b>Balance Sheet Location</b>	<b>Fair Value</b>
Interest rate swap agreement short term	Accrued expenses	\$ 2,275	Accrued expenses	\$ 1,968
Interest rate swap agreement long term	Other long-term		Other long-term	
	liabilities	2,137	liabilities	
<b>Total derivative instruments</b>		<b>\$ 4,412</b>		<b>\$ 1,968</b>

The effect of the derivative instrument on other expense (income), net in the Consolidated Statements of Operations was \$300 and \$2,444 in 2008 and 2009, respectively, both a reduction of expense.

**10. Stockholders Equity**

Prior to the Reorganization (see Note 1), the Company was a partnership and held equity units of Class L, A, and C.

Certain executive management members were provided the opportunity to purchase equity ownership for a combination of cash and promissory notes payable to Holding. These seven-year promissory notes are fully-recourse to the employee, accrue interest on an arm's length rate basis, and are secured by a pledge of all equity interests of Holding by the executive management member. The promissory notes require mandatory prepayments upon certain events defined in the agreements, including upon receipt of any cash proceeds received by the executive management members in connection with their membership interests.

The promissory notes will be repaid at maturity, unless the mandatory prepayment is triggered or the executive management member elects to prepay. Pursuant to the Recapitalization, the executive management members contributed their equity ownership in Holding in exchange for an equivalent equity ownership in the Company. Notes receivable of \$5,633 related to the purchase of executive management equity interest in the Company are reflected as a reduction of stockholders' equity as of January 31, 2009 and January 30, 2010. The Company received interest income on the notes receivable of \$0 in the 2007 Successor period, \$266 in 2008, and \$265 in 2009, which is included in interest income in the Consolidated Statements of Operations.

The Company owns 100% of the membership interests of Topco, and Topco owns 100% of the membership interests of Holding.

During 2008 and 2009, the Company repurchased certain shares at cost from employees who were separated from the Company.

In addition to \$33,610 of tax distributions, the Company declared and approved \$168,074 of other distributions to its stockholders during 2008. In July 2008, the Company distributed \$289,529 to stockholders from the proceeds of the Topco Term Loan. The Company waived the promissory note mandatory prepayment requirement in connection with the distributions to stockholders during 2008.

**11. Share-Based Compensation****Predecessor**

Prior to the GGC Acquisition, officers and key employees were granted share-based awards to participate in the LBI 1993 Stock Option and Performance Incentive Plan as amended (the "LBI Stock Plan"). The LBI Stock Plan provided for the grant of incentive stock options, non-qualified stock options, stock appreciation rights,



**Table of Contents****11. Share-Based Compensation (continued)**

restricted stock, performance-based restricted stock, performance units, and unrestricted shares. LBI grants stock options at a price equal to the fair market value of the stock on the date of the grant. Stock options generally vested over four years with 25% vesting each year. Restricted stock generally vests (the restrictions lapse) over a two or three year period.

Stock options of 51 were granted during the 2007 Predecessor period at a weighted average option price per share of \$26.12.

Restricted stock shares of 137 were granted during the 2007 Predecessor period at a weighted average grant date fair value of \$24.66.

Intrinsic value for stock options is the difference between the current market value of LBI's stock as of July 6, 2007 and the option strike price. The total intrinsic value of options exercised in the 2007 Predecessor period was \$651. The total intrinsic value of restricted stock vested in the 2007 Predecessor period was \$4,197.

*Valuation Methodology*

LBI used the Black-Scholes option pricing model for valuations of options granted to employees and directors. The weighted average estimated fair value of stock options granted in the 2007 Predecessor Period was \$7.03 based on the following weighted-average assumptions.

	<b>2007 Predecessor Period</b>
Risk-free interest rate	3.2%
Expected volatility	45%
Dividend yield	3.0%
Expected life	5.3

The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The expected volatility assumption is based on LBI's analysis of historical volatility of LBI's stock. The dividend yield assumption is based on LBI's history and expectation of dividend payouts. The expected life of employee stock options represent the weighted-average period the stock options are expected to remain outstanding. Fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

Compensation expense for stock options was recognized, net of forfeitures, over the requisite service period on a straight-line basis, using a single option approach (each option is valued as one grant, irrespective of the number of vesting tranches). Restricted stock expense was recognized, net of forfeitures over the requisite service period on a straight-line basis.

**Successor***Equity Incentive Shares*

In December 2007, the Board of Directors (the "Board") approved, and the Company implemented, a management equity program (the "Equity Program"). The Equity Program authorizes equity incentive shares to be granted to certain management employees upon the approval of the Board. Pursuant to the Recapitalization, the management members contributed their equity incentive shares of Holding in exchange for an equivalent

**Table of Contents****11. Share-Based Compensation (continued)**

number of equity incentive shares of the Company. As of January 30, 2010, approximately 4,002 equity incentive shares were vested. Under the Equity Program, as of January 30, 2010, approximately 8,311 equity incentive shares were authorized to be granted, and approximately 1,474 equity incentive shares were available for grant.

Equity incentive share grants vest over four years in equal 25% increments each year and have pro-rata vesting for each quarter elapsed since the prior annual vesting date. These incentive shares have no exercise price and as such the fair value of the incentive shares is equal to the fair value of the underlying shares of common stock on the date of grant.

The Company recognized compensation expense related to equity incentive shares of \$1,233 in the 2007 Successor period, \$2,072 in 2008, and \$2,048 in 2009. As of January 30, 2010, there was approximately \$3,364 of total unrecognized compensation expense related to unvested equity incentive shares. That cost is expected to be recognized over a weighted-average period of 1.5 years.

The Company's activity with respect to equity incentive shares for 2009 was as follows:

<b>(in thousands, except per share amounts)</b>	<b>Number of Shares</b>	<b>Grant Date Weighted Average Fair Value</b>
Unvested, January 31, 2009	4,319	\$ 1.22
Granted	336	1.51
Vested	(1,590)	1.23
Repurchased	(229)	0.01
Unvested, January 30, 2010	2,836	\$ 1.19

The weighted average grant date fair value of equity incentive shares granted during the 2007 Successor period, 2008, and 2009 was \$1.24, \$0.90, and \$1.51, respectively.

No incentive shares vested during the 2007 Successor period. The total fair value of incentive shares that vested during 2008 and 2009 was \$3,007 and \$1,955, respectively.

*Valuation of Underlying Equity Shares*

Fair value of the underlying equity shares is determined by applying a contingent claims approach utilizing the Black-Scholes pricing model and taking into consideration the rights and preferences of the underlying equity shares. This model assumes asset volatility for comparable company's equity volatility and leverage, and a marketability discount to reflect the lack of liquidity and ready market.

The following table illustrates the assumptions used in the Black-Scholes pricing model:

	<b>February 2, 2008</b>	<b>January 31, 2009</b>	<b>January 30, 2010</b>
Risk-free interest rate	3.15%	1.69%	0.20%
Asset volatility	35%	40%	50%
Time to liquidity event	3 years	2-3 years	7 months
Marketability discount	25%	34%	10%
Equity dividend yield			

Risk-free interest rate This is an interpolated rate from the U.S. constant maturity treasury rate for a term corresponding to the time to liquidity event, as described below. An increase in the risk-free interest rate will increase compensation expense.





**Table of Contents****11. Share-Based Compensation (continued)**

**Asset volatility** This is a measure of the amount by which the price of various comparable companies common stock has fluctuated or is expected to fluctuate, as the Company's common stock is not publicly-traded. The comparable companies were selected by analyzing public companies in the industry based on various factors including, but not limited to, company size, financial data availability, active trading volume, and capital structure. An increase in the expected volatility will increase compensation expense.

**Time to liquidity event** This is the period of time over which the underlying equity shares are expected to remain outstanding. An increase in the expected term will increase compensation expense.

**Marketability discount** This is a measure of the amount by which the value of the underlying equity shares units is reduced as the value of privately-held shares is not directly comparable to the value of publicly-traded shares of similar common stock. An increase in the marketability discount will decrease compensation expense.

The Finnerty Model was utilized to calculate a discount on the underlying equity shares. The Finnerty Model provides for a valuation discount reflecting the holding period restriction embedded in a restricted stock preventing its sale over a certain period of time.

The Finnerty Model proposes to estimate a discount for lack of marketability such as transfer restrictions by using an option pricing theory. This model has gained recognition through its ability to address the magnitude of the discount by considering the volatility of a company's stock price and the length of restriction. The concept underpinning the Finnerty Model is that restricted stock cannot be sold over a certain period of time. Further simplified, a restricted share of equity in a company can be viewed as having forfeited a put on the average price of the marketable equity over the restriction period (also known as an Asian Put Option). If an Asian Put Option is priced and compared to that of the assumed fully marketable underlying stock, the marketability discount can be effectively estimated.

The assumptions utilized in the model included (i) length of holding period of 2 years, 2 years and 7 months for 2007 successor period, 2008 and 2009, respectively, (ii) equity volatility of 41%, 80% and 80% for 2007 successor period, 2008 and 2009, respectively, (iii) dividend yield of zero for each period, and (iv) risk free rate of 3.12%, 1.43%, and 0.20% for 2007 Successor period, 2008 and 2009, respectively.

**12. Net (Loss) Income Per Share**

The weighted-average shares used to calculate basic and diluted net (loss) income per share has been retroactively adjusted based on the Reorganization (see Note 1).

The following table provides reconciliation between basic and diluted net (loss) income per share:

	Thirty weeks ended February 2, 2008			Fiscal Years					
	Loss	Weighted Average Shares	Per Share Amount	Loss	2008 Weighted Average Shares	Per Share Amount	Income	2009 Weighted Average Shares	Per Share Amount
<b>Basic EPS</b>									
Net (loss) income	\$ (40,399)	71,409	\$ (0.57)	\$ (29,036)	72,516	\$ (0.40)	\$ 75,307	74,566	\$ 1.01
<b>Effect if Dilutive Securities</b>									
Stock options and non-vested shares								1,038	(0.01)
<b>Diluted EPS</b>	\$ (40,399)	71,409	\$ (0.57)	\$ (29,036)	72,516	\$ (0.40)	\$ 75,307	75,604	\$ 1.00



**Table of Contents****12. Net (Loss) Income Per Share (continued)**

Due to the GGC Acquisition, the Company's capital structure, for the periods before and after the GGC Acquisition, is not comparable. Prior to the GGC Acquisition, Express operated as a division of LBI without a defined capital structure or designated shares. As a result, net (loss) income per share is presented only for periods subsequent to the GGC Acquisition.

Diluted net loss per common share is the same as basic net loss per share for the 2007 Successor period and 2008, since the effect of any potentially dilutive shares was excluded, as they were anti-dilutive due to the net loss attributable to all classes of common shares.

The following potentially dilutive shares were excluded from the calculation of diluted net loss per share:

	<b>Thirty Weeks Ended February 2, 2008</b>	<b>2008</b>
Unvested shares:	6,803	5,479

**13. Pro forma Information (unaudited)**

The pro forma net income applied in computing the unaudited pro forma income per share for the year ended January 30, 2010 is based upon the Company's historical net income as adjusted to reflect the conversion of the Company to a corporation. Prior to such conversion, the Company was a partnership and generally not subject to income taxes. The pro forma net income, therefore, also includes adjustments for income tax expense as if the Company had been a corporation at an assumed combined federal, state, and local income tax rate of 38.7%.

**14. Retirement Benefits**

The employees of the Company, if eligible, participate in a qualified defined contribution retirement plan (the "Qualified Plan") and a non-qualified supplemental retirement plan (the "Non-Qualified Plan") sponsored by the Company.

Participation in the Company's Qualified Plan is available to employees who meet certain age and service requirements. The Qualified Plan permits employees to elect contributions up to the maximum limits allowable under the Internal Revenue Code ("IRC"). The Company matches employee contributions according to a pre-determined formula and contributes additional amounts based on a percentage of the employees' eligible annual compensation and years of service. Employee contributions and Company matching contributions vest immediately.

Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the Qualified Plan was \$879 in the 2007 Predecessor period, \$3,552 in the 2007 Successor period, \$2,508 in 2008, and \$379 in 2009.

The Company elected not to fund an additional amount to the Qualified Plan for 2008. Additionally, the Company elected to suspend the employer matching contribution to the Qualified Plan effective March 6, 2009.

Participation in the Non-Qualified Plan is made available to employees who meet certain age, service, job level and compensation requirements. The Non-Qualified Plan is an unfunded plan which provides benefits beyond the IRC limits for qualified defined contribution plans. The plan permits employees to elect contributions up to a maximum percentage of eligible compensation. The Company matches employee contributions according to a pre-determined formula and credits additional amounts based on a percentage of the employees' eligible

**Table of Contents****14. Retirement Benefits (continued)**

compensation and years of service. The Non-Qualified Plan also permits employees to defer additional compensation up to a maximum amount. The Company does not match the contributions for additional deferred compensation. Employees' accounts are credited with interest using a rate determined annually by the Retirement Plan Committee based on a methodology consistent with historical practices. Employee contributions and the related interest vest immediately. Company contributions and the related interest are subject to vesting based on years of service. Employees may elect an in-service distribution for the additional deferred compensation component only. Employees are not permitted to take a withdrawal from any other portion of the Non-Qualified Plan while actively employed with the Company. The remaining vested portion of employees' accounts in the Non-Qualified Plan will be distributed upon termination of employment in either a lump sum or in equal annual installments over a specified period of up to ten years. Total expense recognized related to the Non-Qualified Plan was \$471 in the 2007 Predecessor period, \$831 in the 2007 Successor period, \$2,241 in 2008, and \$1,256 in 2009.

The Company elected to account for this cash balance plan based on the participant account balances, excluding actuarial considerations as permitted by the applicable authoritative guidance.

The annual activity for the Company's Non-Qualified Plan and the year-end liability, which is included in other long-term liabilities on the Consolidated Balance Sheets, was as follows:

	2008	2009
Balance, beginning of period	\$ 7,208	\$ 11,119
Contributions:		
Employee	1,209	422
Company	2,226	
Interest	680	762
Distributions	(191)	(1,541)
Forfeitures	(13)	(29)
Balance, end of period	\$ 11,119	\$ 10,733

**15. Commitments and Contingencies**

Express is named as a defendant in a purported class action lawsuit alleging various California state labor law violations. The complaint was originally filed on February 18, 2009, and an amended complaint was filed on March 18, 2009. The amended complaint contains six counts: (1) failure to provide required meal breaks to the class members and failure to pay the class members for missed meal breaks, including premium payments required by California law; (2) failure to provide required rest breaks to the class members and failure to pay the class members for missed rest breaks, including premium payments required by California law; (3) failure to pay wages in a timely manner to employees who were terminated or quit; (4) failure to pay overtime or premium payments in a timely manner; (5) failure to provide accurate wage statements; and (6) violations of Section 17200 of the California Business and Professions Code. The Company estimated that the potential exposure for losses related to this lawsuit ranges from approximately \$1,900 to \$3,400 and has accrued an amount on the January 30, 2010 Consolidated Balance Sheet to reflect its best estimate of this risk. As the situation develops and more information becomes available, the amount of the reserve may increase or decrease accordingly. The amount of any such change may be material to the Company's results of operations or financial condition.

The Company is subject to various claims and contingencies related to other lawsuits and pending action arising out of the normal course of business. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition, or cash flows.

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**16. Guarantor subsidiaries**

On March 5, 2010, Express and Express Finance Corp. (the "Subsidiary Issuers"), both wholly-owned indirect subsidiaries of the Company, issued \$250,000 8.75% Senior Notes. The Company ("Guarantor") and certain of the Company's indirect wholly-owned subsidiaries ("Guarantor Subsidiaries") have fully and unconditionally guaranteed on a joint and several basis the Company's obligations under the Senior Notes. The following consolidating schedules present the condensed financial information on a combined basis.

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**Table of Contents****16. Guarantor subsidiaries (continued)****SUCCESSOR****CONDENSED CONSOLIDATING BALANCE SHEET****(in thousands)**

	<b>January 31, 2009</b>					
	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 192	\$ 175,923	\$	\$	\$	\$ 176,115
Receivables, net		6,439		124		6,563
Inventories		170,202				170,202
Prepaid minimum rent		20,868				20,868
Intercompany receivable		6	23,010		(23,016)	
Other		7,269				7,269
<b>Total current assets</b>	<b>192</b>	<b>380,707</b>	<b>23,010</b>	<b>124</b>	<b>(23,016)</b>	<b>381,017</b>
Property and equipment, net		253,482				253,482
Tradename/domain name		197,394				197,394
Investment in subsidiary	96,907	2,529		403,678	(503,114)	
Other assets		24,848		3,672		28,520
<b>Total assets</b>	<b>\$ 97,099</b>	<b>\$ 858,960</b>	<b>\$ 23,010</b>	<b>\$ 407,474</b>	<b>\$ (526,130)</b>	<b>\$ 860,413</b>
<b>Liabilities and stockholders equity</b>						
Current liabilities						
Accounts payable	\$	\$ 47,426	\$	\$	\$	\$ 47,426
Line of credit		75,000				75,000
Deferred revenue		21,601				21,601
Accrued bonus		94				94
Accrued expenses		34,645	20,481	10,210		65,336
Accounts payable and accrued expenses related parties		100,012				100,012
Intercompany payable		23,010		6	(23,016)	
<b>Total current liabilities</b>		<b>301,788</b>	<b>20,481</b>	<b>10,216</b>	<b>(23,016)</b>	<b>309,469</b>
Long-term debt		121,875		300,353		422,228
Other long-term liabilities		31,619		(2)		31,617
<b>Total liabilities</b>		<b>455,282</b>	<b>20,481</b>	<b>310,567</b>	<b>(23,016)</b>	<b>763,314</b>
Commitments and Contingencies (Note 15)						
<b>Total stockholders equity</b>	<b>97,099</b>	<b>403,678</b>	<b>2,529</b>	<b>96,907</b>	<b>(503,114)</b>	<b>97,099</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 97,099</b>	<b>\$ 858,960</b>	<b>\$ 23,010</b>	<b>\$ 407,474</b>	<b>\$ (526,130)</b>	<b>\$ 860,413</b>





**Table of Contents****16. Guarantor subsidiaries (continued)****SUCCESSOR****CONDENSED CONSOLIDATING BALANCE SHEET****(in thousands)**

	January 30, 2010					
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated Total
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 192	\$ 234,212	\$	\$	\$	\$ 234,404
Receivables, net		4,377				4,377
Inventories		171,704				171,704
Prepaid minimum rent		20,874				20,874
Intercompany receivable		856	23,972		(24,828)	
Other	879	4,410				5,289
Total current assets	1,071	436,433	23,972		(24,828)	436,648
Property and equipment, net		215,237				215,237
Tradename/domain name		197,414				197,414
Investment in subsidiary	141,281	2,831		448,030	(592,142)	
Other assets		16,962		3,293		20,255
Total assets	\$ 142,352	\$ 868,877	\$ 23,972	\$ 451,323	\$ (616,970)	\$ 869,554
<b>Liabilities and stockholders equity</b>						
Current liabilities						
Accounts payable	\$	\$ 61,093	\$	\$	\$	\$ 61,093
Deferred revenue		22,247				22,247
Accrued bonus		22,541				22,541
Accrued expenses	43	37,234	21,141	15,158		73,576
Accounts payable and accrued expenses related parties		89,831				89,831
Intercompany payable	856	23,972			(24,828)	
Total current liabilities	899	256,918	21,141	15,158	(24,828)	269,288
Long-term debt		120,629		294,884		415,513
Other long-term liabilities		43,300				43,300
Total liabilities	899	420,847	21,141	310,042	(24,828)	728,101
Commitments and Contingencies (Note 15)						
Total stockholders equity	141,453	448,030	2,831	141,281	(592,142)	141,453
Total liabilities and stockholders equity	\$ 142,352	\$ 868,877	\$ 23,972	\$ 451,323	\$ (616,970)	\$ 869,554



**Table of Contents****16. Guarantor subsidiaries (continued)****PREDECESSOR****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****(in thousands)**

	<b>Twenty-Two Weeks Ended July 6, 2007</b>					<b>Consolidated Total</b>
	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	
Net sales	\$	\$ 659,019	\$	\$	\$	\$ 659,019
Cost of goods sold, buying and occupancy costs		451,514				451,514
Gross profit		207,505				207,505
General, administrative, and store operating expenses		170,207	(107)			170,100
Other operating expense, net		302				302
Operating income		36,996	107			37,103
(Income) loss in subsidiary		(107)			107	
Income (loss) before income taxes		37,103	107		(107)	37,103
Provision for income taxes		7,161				7,161
Net income (loss)	\$	\$ 29,942	\$ 107	\$	\$ (107)	\$ 29,942

**SUCCESSOR****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****(in thousands)**

	<b>Thirty Weeks Ended February 2, 2008</b>					<b>Consolidated Total</b>
	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	
Net sales	\$	\$ 1,137,327	\$	\$	\$	\$ 1,137,327
Cost of goods sold, buying and occupancy costs		890,063				890,063
Gross profit		247,264				247,264
General, administrative, and store operating expenses		275,346	(196)			275,150
Other operating expense, net		5,526				5,526
Operating (loss) income		(33,608)	196			(33,412)
Interest expense		6,978				6,978

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Interest income	(5,190)					(5,190)
(Income) loss in subsidiary	(196)		196			
Other expense, net	4,712					4,712
(Loss) income before income taxes	(39,912)	196		(196)		(39,912)
Provision for income taxes	487					487
Net (loss) income	\$ (40,399)	\$ 196	\$ (196)	\$ (40,399)		

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**Table of Contents****16. Guarantor subsidiaries (continued)****SUCCESSOR****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****(in thousands)**

	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>2008 Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
Net sales	\$	\$ 1,737,010	\$	\$	\$	\$ 1,737,010
Cost of goods sold, buying and occupancy costs		1,280,018				1,280,018
Gross profit		456,992				456,992
General, administrative, and store operating expenses		446,766	(304)	609		447,071
Other operating expense, net		6,007				6,007
Operating income (loss)		4,219	304	(609)		3,914
Interest expense		10,991		25,540		36,531
Interest income	(192)	(3,335)				(3,527)
Loss (income) in subsidiary	62,400	(304)		36,376	(98,472)	
Other income, net		(300)				(300)
(Loss) income before income taxes	(62,208)	(2,833)	304	(62,525)	98,472	(28,790)
Provision for income taxes		371		(125)		246
Net (loss) income	\$ (62,208)	\$ (3,204)	\$ 304	\$ (62,400)	\$ 98,472	\$ (29,036)

**SUCCESSOR****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****(in thousands)**

	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>2009 Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
Net sales	\$	\$ 1,721,066	\$	\$	\$	\$ 1,721,066
Cost of goods sold, buying and occupancy costs		1,175,088				1,175,088
Gross profit		545,978				545,978
General, administrative, and store operating expenses	19	409,414	(302)	67		409,198
Other operating expense, net		9,943		2	(2)	9,943

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Operating (loss) income	(19)	126,621	302	(69)	2	126,837
Interest expense		9,726		43,496		53,222
Interest income		(484)				(484)
(Income) loss in subsidiary	(75,324)	(302)		(118,668)	194,294	
Other income, net		(2,444)				(2,444)
Income (loss) before income taxes	75,305	120,125	302	75,103	(194,292)	76,543
Provision for income taxes		1,457		(221)		1,236
Net income (loss)	\$ 75,305	\$ 118,668	\$ 302	\$ 75,324	\$ (194,292)	\$ 75,307

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**Table of Contents****16. Guarantor subsidiaries (continued)****PREDECESSOR****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(in thousands)**

	Twenty-Two Weeks Ended July 6, 2007					Consolidated Total
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	
<b>Operating Activities</b>						
Net cash provided by operating activities	\$	\$ 45,912	\$	\$	\$	\$ 45,912
<b>Investing Activities</b>						
Capital expenditures		(22,888)				(22,888)
Net cash used in investing activities		(22,888)				(22,888)
<b>Financing Activities</b>						
Decrease in Limited Brands, Inc. net investment		(29,939)				(29,939)
Net cash used in financing activities		(29,939)				(29,939)
Net decrease in cash and cash equivalents		(6,915)				(6,915)
Cash and cash equivalents, beginning of period		20,649				20,649
Cash and cash equivalents, end of period	\$	\$ 13,734	\$	\$	\$	\$ 13,734

**SUCCESSOR****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(in thousands)**

	Thirty Weeks Ended February 2, 2008					Consolidated Total
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	
<b>Operating Activities</b>						
Net cash provided by operating activities	\$	\$ 282,192	\$	\$	\$	\$ 282,192
<b>Investing Activities</b>						
Capital expenditures		(15,258)				(15,258)
Net cash used in investing activities		(15,258)				(15,258)
<b>Financing Activities</b>						
Repayments of long-term debt arrangements		(625)				(625)

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Cash equity contributions by stockholders	39,986	39,986
Net cash provided by financing activities	39,361	39,361
Net increase in cash and cash equivalents	306,295	306,295
Cash and cash equivalents, beginning of period	13,734	13,734
Cash and cash equivalents, end of period	\$ 320,029	\$ 320,029

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**Table of Contents****16. Guarantor subsidiaries (continued)****SUCCESSOR****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(in thousands)**

	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>2008 Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Operating Activities</b>						
Net cash provided by (used in) operating activities	\$ 192	\$ 44,424	\$	\$ (9,382)	\$	\$ 35,234
<b>Investing Activities</b>						
Capital expenditures		(50,551)				(50,551)
Purchase of intangible asset		(1,250)				(1,250)
Dividends received	289,548			210,465	(500,013)	
Net cash provided by (used in) investing activities	289,548	(51,801)		210,465	(500,013)	(51,801)
<b>Financing Activities</b>						
Borrowings under line of credit arrangement		75,000				75,000
Borrowings under long-term debt arrangements				294,000		294,000
Repayments of long-term debt arrangements		(1,250)				(1,250)
Costs incurred in connection with debt arrangements and Senior Notes				(3,870)		(3,870)
Distributions paid to stockholders	(289,548)	(210,465)		(491,213)	500,013	(491,213)
Repurchase of equity shares		(24)				(24)
Repayment of notes receivable		10				10
Net cash (used in) provided by financing activities	(289,548)	(136,729)		(201,083)	500,013	(127,347)
Net increase (decrease) in cash and cash equivalents	192	(144,106)				(143,914)
Cash and cash equivalents, beginning of period		320,029				320,029
Cash and cash equivalents, end of period	\$ 192	\$ 175,923	\$	\$	\$	\$ 176,115

**Table of Contents****16. Guarantor subsidiaries (continued)****PREDECESSOR****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**

(in thousands)

	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	2009 Other Subsidiaries	Eliminations	Consolidated Total
<b>Operating Activities</b>						
Net cash provided by (used in) operating activities	\$ 317	\$ 237,586	\$	\$ (37,182)	\$	\$ 200,721
<b>Investing Activities</b>						
Capital expenditures		(26,853)				(26,853)
Purchase of intangible asset		(20)				(20)
Distributions received	33,000			76,363	(109,363)	
Net cash provided by (used in) investing activities	33,000	(26,873)		76,363	(109,363)	(26,873)
<b>Financing Activities</b>						
Repayments of line of credit arrangement		(75,000)				(75,000)
Repayments of long-term debt arrangements		(937)		(6,181)		(7,118)
Costs incurred in connection with equity offering	(317)					(317)
Costs incurred in connection with debt arrangements and Senior Notes		(123)				(123)
Distributions paid to stockholders	(33,000)	(76,363)		(33,000)	109,363	(33,000)
Grant of equity shares		2				2
Repurchase of equity shares		(3)				(3)
Net cash (used in) provided by financing activities	(33,317)	(152,424)		(39,181)	109,363	(115,559)
Net increase in cash and cash equivalents		58,289				58,289
Cash and cash equivalents, beginning of period	192	175,923				176,115
Cash and cash equivalents, end of period	\$ 192	\$ 234,212	\$	\$	\$	\$ 234,404

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### **17. Subsequent Events**

Management has evaluated all events and transactions that occurred after January 30, 2010 through March 25, 2010, which is the date the financial statements are available to be issued.

On February 1, 2010, the Company made interest payments of \$15,686 on the Topco Term Loan.

On February 9, 2010, the management promissory notes totaling \$5,633 were repaid in full by each member of management.

As of February 2010, all of the Chief Executive Officer's equity shares were vested.

In February 2010, in anticipation of the issuance of Senior Notes, the Company amended the respective debt arrangements as follows:

The Credit Facility was amended to permit the incurrence of the Senior Notes debt not to exceed \$250,000 aggregate principle. The applicable margin rate was increased by 1.00 basis point and is based on the existing excess availability calculation illustrated in Note 8. The fee payable on the average daily unused balance was increased from 0.25% to 0.50%. The excess availability covenant was increased to not be less than \$30,000, up from \$20,000 in the original agreement.

The Holding Term Loan was amended to permit the incurrence of the Senior Notes debt not to exceed \$250,000 aggregate principle. The applicable margin rate was increased by 1.50 basis points (increased by an additional 0.50% in the event that the Company's Moody's corporate family rating is not B2 or better or Standard & Poor's corporate credit rating is not B or better) and is based on the existing leverage ratio calculation illustrated in Note 8. The leverage ratio was revised to require that no more than \$75,000 of cash and cash equivalents be netted against debts.

The Topco Term Loan was amended to permit the incurrence of the Senior Notes debt not to exceed \$250,000 aggregate principle and requires the prepayment of the \$150,000 Topco Term C Loan at 102% with the proceeds from the issuance of the Senior Notes.

On February 16, 2010, the Company filed an S-1 registration statement with the Securities and Exchange Commission (the "Registration Statement").

On March 5, 2010, the Company issued \$250,000 8<sup>3</sup>/<sub>4</sub>% Senior Notes due 2018 at a 1.4% discount, including a GGC affiliate purchasing \$50,000 of the \$250,000 Senior Notes. On March 5, 2010, net proceeds of \$241,397 were received from the Senior Notes. The net proceeds were used to pay off \$154,907 of the Topco Term C Loan (including principal, interest and prepayment penalty), \$85,210 was allocated to the Company, and the remainder was used to pay related transaction fees and expenses, including \$2,700 to Golden Gate in transaction advisory fees. On March 10, 2010, the Company utilized the cash received from the issuance of the Senior Notes and cash on hand to pay a distribution of \$230,000 to its stockholders.

On March 25, 2010, the Company elected to prepay its e-commerce service provider, a GGC affiliate, \$10,240 for services from April 2010 through January 2011 in exchange for a discount on those services.

### **18. Subsequent Events (unaudited)**

On April 8, 2010, EIC purchased \$8,304 face value of the Topco Term B Loan at a 5% premium from KKR SCF Loan Administration, LLC for a total of \$8,719.

On April 23, 2010, the Board approved the accelerated vesting of certain equity shares upon consummation of an IPO.

On May 4, 2010, the Company made a distribution of \$31,000 to its stockholders to fund tax obligations.

In connection with the Reorganization and the related termination of the advisory agreements with Golden Gate and Limited Brands, we approved payment to Golden Gate of an amount equal to \$10,000 and Limited Brands an amount equal to \$3,333.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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**Table of Contents****EXPRESS, INC.****CONSOLIDATED BALANCE SHEET**

(Amounts in Thousands, Except Per Share Amounts)

(Unaudited)

**October 30, 2010**

<b>ASSETS</b>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 81,780
Receivables, net	7,104
Inventories	240,333
Prepaid minimum rent	21,696
Other	17,139
Total current assets	368,052
PROPERTY AND EQUIPMENT	438,093
Less: accumulated depreciation	(222,203)
Property and equipment, net	215,890
TRADENAME/DOMAIN NAME	197,414
DEFERRED TAX ASSETS	29,143
OTHER ASSETS	22,711
Total assets	\$ 833,210
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
CURRENT LIABILITIES:	
Accounts payable	\$ 76,178
Deferred revenue	15,829
Accrued bonus	3,864
Accrued expenses	82,538
Accounts payable and accrued expenses - related parties	96,513
Total current liabilities	274,922
LONG-TERM DEBT	366,389
OTHER LONG-TERM LIABILITIES	61,520
Total liabilities	702,831
COMMITMENTS AND CONTINGENCIES (Note 14)	
STOCKHOLDERS' EQUITY (Notes 1 and 11):	
Preferred stock \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	
Common stock \$0.01 par value; 500,000 shares authorized; 88,736 shares issued and outstanding at October 30, 2010	887
Additional paid-in capital	76,433
Retained earnings	53,059
Total stockholders' equity	130,379
Total liabilities and stockholders' equity	\$ 833,210

*See notes to unaudited consolidated financial statements.*

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**Table of Contents****EXPRESS, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Per Share Amounts)

(Unaudited)

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
NET SALES	\$ 1,174,227	\$ 1,284,316
COST OF GOODS SOLD, BUYING AND OCCUPANCY COSTS	813,998	832,770
Gross profit	360,229	451,546
OPERATING EXPENSES:		
General, administrative, and store operating expenses	285,259	325,155
Other operating expense, net	6,514	17,844
Total operating expenses	291,773	342,999
OPERATING INCOME	68,456	108,547
INTEREST EXPENSE	40,204	51,699
OTHER INCOME, NET	(1,981)	(1,980)
INCOME BEFORE INCOME TAXES	30,233	58,828
INCOME TAX EXPENSE (BENEFIT)	923	(20,148)
NET INCOME	\$ 29,310	\$ 78,976
Pro forma income before income taxes (Note 13)	\$ 30,233	\$ 58,828
Pro forma income tax expense (Note 13)	11,700	23,932
Pro forma net income (Note 13)	\$ 18,533	\$ 34,896
EARNINGS PER SHARE:		
Basic	\$ 0.39	\$ 0.94
Diluted	\$ 0.39	\$ 0.93
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	74,375	84,352
Diluted	75,119	85,173
PRO FORMA EARNINGS PER SHARE (Note 13):		
Basic	\$ 0.25	\$ 0.41
Diluted	\$ 0.25	\$ 0.41
PRO FORMA WEIGHTED AVERAGE SHARES OUTSTANDING (Note 13):		
Basic	74,375	84,352
Diluted	75,119	85,173

*See notes to unaudited consolidated financial statements.*





**Table of Contents****EXPRESS, INC.****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY****(Amounts in Thousands)****(Unaudited)**

	<b>Number of Shares</b>	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Notes Receivable</b>	<b>Total</b>
BALANCE, January 30, 2010	78,246	\$ 782	\$ 140,432	\$ 5,872	\$ (5,633)	\$ 141,453
Net income				78,976		78,976
Distributions			(141,995)	(119,005)		(261,000)
Impact of Reorganization (Notes 1 and 11)			(86,393)	87,216		823
Issuance of common stock	10,500	105	159,978			160,083
Repurchase of common stock	(10)					
Share-based compensation			4,411			4,411
Repayment of notes receivable					5,633	5,633
BALANCE, October 30, 2010	88,736	\$ 887	\$ 76,433	\$ 53,059	\$	\$ 130,379

*See notes to unaudited consolidated financial statements.*

**Table of Contents****EXPRESS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

(Unaudited)

	Thirty-Nine Weeks Ended October 31, 2009	October 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 29,310	\$ 78,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,531	51,483
Loss on disposal of property and equipment	307	1,453
Impairment charge	947	
Bad debt expense	2,261	
Non-cash interest expense	132	
Change in fair value of interest rate swap	(1,577)	(1,968)
Share-based compensation	1,510	4,411
Non-cash loss on extinguishment of debt		8,781
Deferred taxes		(32,527)
Changes in operating assets and liabilities:		
Receivables, net	5,995	(2,288)
Inventories	(55,495)	(68,629)
Accounts payable, deferred revenue, and accrued expenses	18,203	(716)
Accounts payable and accrued expenses related parties	27,817	6,682
Other assets and liabilities	2,343	5,199
<b>Net cash provided by operating activities</b>	<b>87,284</b>	<b>50,857</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(22,883)	(41,950)
<b>Net cash used in investing activities</b>	<b>(22,883)</b>	<b>(41,950)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under Senior Notes		246,498
Net proceeds from equity offering		166,898
Repayments of short-term debt arrangements	(75,000)	
Repayments of long-term debt arrangements	(7,118)	(300,938)
Costs incurred in connection with debt arrangements and Senior Notes		(12,124)
Costs incurred in connection with equity offering		(6,498)
Repurchase of equity units	(3)	
Repayment of notes receivable		5,633
Distributions		(261,000)
<b>Net cash used in financing activities</b>	<b>(82,121)</b>	<b>(161,531)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(17,720)</b>	<b>(152,624)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of period</b>	<b>176,115</b>	<b>234,404</b>
<b>CASH AND CASH EQUIVALENTS, End of period</b>	<b>\$ 158,395</b>	<b>\$ 81,780</b>

*See notes to unaudited consolidated financial statements.*

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**Table of Contents****Notes to Consolidated Financial Statements****1. Description of Business and Basis of Presentation**

On May 12, 2010, Express Parent LLC, a Delaware limited liability company ( *Parent* ), converted into a Delaware corporation and changed its name from Express Parent LLC to Express, Inc. (the *Company* ). References to the Company includes all wholly-owned subsidiaries as discussed below. Except where the context otherwise requires or where otherwise indicated, references to the Company prior to the conversion refer to Parent. The conversion to a corporation was effective May 2, 2010 for tax purposes. In connection with this conversion, all of the equity interests in Parent, which consisted of Class L, Class A, and Class C units, were converted into shares of common stock of the Company at a ratio of .702, .649, and .442, respectively. All share and per share information has been retrospectively recast to reflect this conversion in the accompanying Consolidated Financial Statements and Notes hereto. On May 12, 2010, prior to the Registration Statement being declared effective, (1) Express Investment Corporation ( *EIC* ), the holding company that held 67.3% of the equity interests in the Company on behalf of certain investment funds managed by Golden Gate Capital ( *GGC* ), and (2) the management holding companies that directly or indirectly held 6.1% of the equity interests in the Company on behalf of certain members of management, merged with and into the Company. The merger did not have a material effect on the financial position or results of operations of the Company. In conjunction with the merger, GGC and each management holder agreed to indemnify the Company against any tax or tax related costs of EIC or the management holding companies relating to pre-merger tax periods. The aforementioned events are referred to collectively as the *Reorganization* within these Consolidated Financial Statements and Notes hereto. The Company holds all of the outstanding equity interests in Express Topco LLC, a Delaware limited liability company ( *Topco* ), which owns all of the outstanding equity interests in Express Holding, LLC, a Delaware limited liability company ( *Holding* ). Holding owns all of the outstanding equity interests in Express, LLC, a Delaware limited liability company ( *Express* ), and Express Finance Corporation, a Delaware corporation ( *EFC* ). EFC was formed on January 28, 2010 for the purpose of serving as co-issuer of the Senior Notes described in Note 9. Express conducts all the operations of the Company.

On May 18, 2010, the Company completed its initial public offering of common stock ( *IPO* ). As part of its IPO, the Company sold 10,500 shares of newly issued common stock, raising net proceeds of approximately \$166,898, after deducting the underwriting discount.

Express is a specialty retailer of women's and men's apparel targeting 20 to 30 year olds. Express merchandise is sold through its retail stores and website. As of October 30, 2010, the Company operated 582 primarily mall-based stores in the United States and in Puerto Rico. Additionally, the Company earns royalties through a development agreement ( *Development Agreement* ) with an unaffiliated franchisee that operates six stores located in the Middle East. Under the Development Agreement, the third party operates stores that sell Express-branded apparel and accessories purchased directly from the Company.

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are referred to in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. All references herein to 2009 and 2010 and represent the 52-week periods ended January 30, 2010 and January 29, 2011, respectively.

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ( *GAAP* ) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for 2010. Therefore, these statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended January 30, 2010, included in the Company's Registration Statement on Form S-1 (File No. 333-170499), as amended, filed with the Securities and Exchange Commission ( *SEC* ).

**Table of Contents****2. Segment Reporting**

The Company defines an operating segment on the same basis that it uses to evaluate performance internally. The Company has determined that its Chief Executive Officer ( CEO ) is its Chief Operating Decision Maker and that there is one operating segment. Therefore, the Company reports results as a single segment, which includes the operation of its brick and mortar retail stores and e-commerce website, express.com.

The following is information regarding the Company's major product classes and sales channels:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
<b>Classes:</b>		
Apparel	\$ 1,071,699	\$ 1,161,368
Accessories and other	94,694	111,500
Other revenue	7,834	11,448
<b>Total net sales</b>	<b>\$ 1,174,227</b>	<b>\$ 1,284,316</b>

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
<b>Channels:</b>		
Stores	\$ 1,111,331	\$ 1,185,821
E-commerce	55,062	87,047
Other revenue	7,834	11,448
<b>Total net sales</b>	<b>\$ 1,174,227</b>	<b>\$ 1,284,316</b>

Other revenue consists primarily of shipping and handling revenue related to e-commerce, gift card breakage, and royalties from the Development Agreement.

**3. Earnings Per Share**

The weighted-average shares used to calculate basic and diluted earnings per share ( EPS ) have been retrospectively adjusted to reflect the Reorganization that occurred on May 12, 2010 (see Note 1).

Basic EPS data is based on weighted average common shares outstanding during the period. Diluted EPS data is based on weighted average common shares outstanding, including the effect of potentially dilutive common shares.

	<b>Thirty-Nine Weeks Ended October 31, 2009</b>			<b>Thirty-Nine Weeks Ended October 30, 2010</b>		
	<b>Net Income</b>	<b>Weighted Average Shares</b>	<b>Per Share Amount</b>	<b>Net Income</b>	<b>Weighted Average Shares</b>	<b>Per Share Amount</b>
Basic EPS	\$ 29,310	74,375	\$ 0.39	\$ 78,976	84,352	\$ 0.94
Effect of dilutive securities:						

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Restricted stock and restricted stock units		744			821	(0.01)
Diluted EPS	\$ 29,310	75,119	\$ 0.39	\$ 78,976	85,173	\$ 0.93

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**Table of Contents****3. Earnings Per Share (continued)**

Stock options to purchase 1,325 shares of common stock were excluded from the computation of diluted EPS for the thirty-nine weeks ended October 30, 2010 as the options would be anti-dilutive.

**4. Fair Value of Financial Assets and Liabilities**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date.

Level 1 Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Valuation is based upon other unobservable inputs that are significant to the fair value measurement. The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of October 30, 2010 aggregated by level in the fair value hierarchy within which those measurements fall.

October 30, 2010			
Fair Value Measurements at Reporting Date Using:			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets/(Liabilities):			
Treasury securities	\$ 59,583	\$	\$ 59,583
The carrying amounts reflected on the Consolidated Balance Sheets for cash, cash equivalents, receivables, prepaid expenses, and payables approximated their fair values as of October 30, 2010.			

**5. Leased Facilities and Commitments**

On October 5, 2009, the Company and Limited Brands, Inc. ( LBI ) entered into a lease agreement ( Lease ) for the corporate home office and distribution center office space in Columbus, Ohio. The Lease is for a 75-month period that commenced February 1, 2010, expires April 30, 2016, and requires annual minimum rent payments of approximately \$1,284 for the first five years and \$1,413 thereafter, plus operating expenses. The Lease contains a renewal option for one period of five years by written notice 365 days prior to the expiration of the initial 75-month lease term, as well as a construction allowance of \$8,000. As of October 30, 2010, approximately \$4,863 of costs have been incurred. The construction allowance and related leasehold improvement have been recorded on the Consolidated Balance Sheets and are considered a non-cash transaction for purposes of the Consolidated Statements of Cash Flows.

On April 28, 2008, the Company issued an irrevocable standby letter of credit to LBI for \$34,170 ( LBI stand-by LC ), which relates to certain pre-existing store leases guaranteed by LBI that could not be assigned to the Company at or subsequent to the purchase of the Company by GGC

( GGC Acquisition ). The LBI stand-by LC expired on September 30, 2010.

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**Table of Contents****6. Intangible Assets**

The significant components of intangible assets are as follows:

	<b>October 30, 2010</b>	
	<b>Gross Amount</b>	<b>Accumulated Amortization</b>
Tradename	\$ 196,144	\$
Internet domain name/other	1,270	
Net favorable lease obligations	19,750	(13,881)
Credit card relationships & customer lists	4,766	(4,205)
	<b>\$ 221,930</b>	<b>\$ (18,086)</b>

The Company's tradename and internet domain name/other have indefinite lives. Net favorable lease obligations, credit card relationships, and customer lists have finite lives that are amortized over a period of up to seven years, four years, and two years, respectively, and are included in other assets on the Consolidated Balance Sheets. Amortization expense totaled \$3,769 during the thirty-nine weeks ended October 31, 2009 and \$2,956 during the thirty-nine weeks ended October 30, 2010.

**7. Related Party Transactions****Transactions with LBI**

The Company incurred charges from LBI for various transaction services that are included in general, administrative, and store operating expenses and for merchandising sourcing that are included in cost of goods sold, buying and occupancy costs, as merchandise is sold, in the Consolidated Statements of Income, as follows:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
Transaction Services	\$ 49,792	\$ 44,397
Merchandise Sourcing	\$ 350,822	\$ 309,959

The Company's outstanding liability related to transaction services and merchandise sourcing provided by LBI, included in accounts payable and accrued expenses related parties on the Consolidated Balance Sheet, was as follows:

	<b>October 30, 2010</b>
Transaction Services	\$ 9,467
Merchandise Sourcing	\$ 86,289

Furthermore, under the Limited Liability Company Agreement of Parent ( "LLC Agreement" ), LBI was entitled to receive a cash payment (at the same time payments were made under the GGC Advisory Agreement ( "Advisory Agreement" )) equal to the product of (i) the amount of the fees actually paid in cash under the Advisory Agreement and (ii) the quotient of the number of units held by LBI over the number of units held by GGC at the time of payment of such Advisory Agreement fees. Effective May 12, 2010, the LLC Agreement, including the advisory arrangement with LBI, was terminated in connection with the Company's conversion to a corporation and IPO. As a result of terminating the LLC Agreement, the Company paid LBI a one-time termination fee of \$3,333.

**Table of Contents****7. Related Party Transactions (continued)**

The Company incurred the following charges from LBI related to advisory fees and the termination of the LLC Agreement. These charges are included in other operating expense, net, in the Consolidated Statements of Income:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
LBI LLC Agreement Fee (including termination fee)	\$ 1,499	\$ 4,156
As a result of the termination of the LLC Agreement, the Company no longer has a financial obligation to LBI related to this agreement as of October 30, 2010.		

**Transactions with GGC**

In connection with the GGC Acquisition, the Company entered into the Advisory Agreement with GGC that was originally scheduled to expire in July 2017. In exchange for on-going consulting and management advisory services provided by GGC, the Company paid GGC an annual management fee equal to the greater of (i) \$2,000 per fiscal year or (ii) 3% of adjusted EBITDA of Holding. Additionally, the Company reimbursed GGC for reasonable out-of-pocket expenses incurred as a result of providing on-going advisory services. Effective May 12, 2010, the Advisory Agreement was terminated in connection with the Company's conversion to a corporation and IPO. As a result of terminating the Advisory Agreement, the Company paid GGC a one-time termination fee of \$10,000.

The Company incurred the following charges from GGC related to advisory fees, out-of-pocket expenses and the termination of the Advisory Agreement. These charges are included in other operating expense, net in the Consolidated Statements of Income:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
Advisory fees and out-of-pocket expenses (including Advisory Agreement termination fee)	\$ 4,724	\$ 12,752
As a result of the termination of the Advisory Agreement, the Company no longer has a financial obligation to GGC as of October 30, 2010.		

**Transactions with Other GGC Affiliates**

The Company also transacts with affiliates of GGC for software license purchases, consulting and software maintenance services, and e-commerce warehouse and fulfillment services. The Company incurred the following charges, included in general, administrative, and store operating expenses in the Consolidated Statements of Income:

	<b>Thirty-Nine Weeks Ended</b>	
	<b>October 31, 2009</b>	<b>October 30, 2010</b>
Software licenses and maintenance and consulting	\$ 205	\$ 259
E-commerce warehouse and fulfillment	\$ 10,153	\$ 6,315

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### **7. Related Party Transactions (continued)**

On March 25, 2010, the Company elected to prepay its e-commerce service provider, a GGC affiliate, \$10,240 for services from April 2010 through January 2011 in exchange for a discount on those services. This prepaid amount is expensed as services are rendered. In addition to the amounts shown in the table above, the Company also recognized expense related to the prepaid e-commerce warehouse and fulfillment services of \$6,673 for the thirty-nine weeks ended October 30, 2010. The prepaid balance related to this GGC affiliate was \$3,567 as of October 30, 2010.

The Company's outstanding liability to other GGC affiliates, included in accounts payable and accrued expenses related parties on the Consolidated Balance Sheet, was \$757 as of October 30, 2010.

In December 2009, the Company began providing real estate services to multiple GGC affiliates. There was no income recognized during the thirty-nine weeks ended October 31, 2009. Income recognized for these services during the thirty-nine weeks ended October 30, 2010 was nominal.

An affiliate of GGC owns \$50,000 in face value of the Senior Notes issued on March 5, 2010 which is described further in Note 9. Interest expense incurred on the Senior Notes attributable to GGC affiliates was \$3,027 during the thirty-nine weeks ended October 30, 2010. There was no interest on the Senior Notes in 2009.

### **8. Income Taxes**

Prior to May 2, 2010, the Company was treated as a partnership for federal income tax purposes, and therefore had not been subject to federal and state income tax (subject to exception in a limited number of state and local jurisdictions).

On May 12, 2010, the Company elected to be treated as a corporation under Subchapter C of Chapter 1 of the United States Internal Revenue Code, effective May 2, 2010 and therefore, became subject to federal and state tax expense beginning May 2, 2010.

The Reorganization, for tax purposes, was deemed a contribution by Parent of its assets and liabilities to the Company, followed by the liquidation of Parent. The Reorganization resulted in a taxable gain to Parent. Except in those few jurisdictions where Parent is taxed directly, the taxable gain flowed through to the members due to Parent's partnership tax treatment. The taxable gain correspondingly increased the tax basis in the assets acquired by the Company in the Reorganization. As a result of the Reorganization, the Company recorded a net deferred tax asset of \$32,389, a current tax payable of \$582, and a one-time non-cash tax benefit of \$31,807.

As part of the Reorganization, EIC and the management holding companies merged with and into the Company on May 12, 2010, resulting in a non-cash capital contribution of \$823 relating to certain tax assets it received. As a result of the merger, the Company recorded a deferred tax asset of \$1,110, a valuation allowance of \$143, and a liability for uncertain tax positions of \$144.

Parent will file tax returns as a partnership for the period from January 31, 2010 through May 1, 2010. The Company will file tax returns as a corporation for the period from May 2, 2010 through January 29, 2011. The Company's provision for income taxes for interim reporting periods is based on an estimate of the effective tax rate for each of the periods described above. The computation of the effective tax rate includes a forecast of the Company's estimated ordinary income (loss), which is the annual income (loss) from operations before income tax, excluding unusual or infrequently occurring (or discrete) items. Significant management judgment is required in projecting ordinary income (loss) in order to determine the Company's estimated effective tax rate. The effective tax rate, excluding items recorded discretely, for the thirteen weeks ended October 31, 2009 was 1.2% compared to 40.9% for the thirteen weeks ended October 30, 2010. The difference is a result of the Company being taxed as a corporation rather than a partnership.

**Table of Contents****8. Income Taxes (continued)**

The Company recorded a valuation allowance against the deferred tax assets arising from a capital loss carry-forward. A portion of these capital loss carry-forwards begin expiring in 2013. As of October 30, 2010, the valuation allowance totaled \$143. No valuation allowances, other than those arising from the capital loss carry-forward mentioned above, have been provided for deferred tax assets because management believes that it is more likely than not that the full amount of the net deferred tax assets will be realized in the future.

The Company evaluates tax positions using a more-likely-than-not recognition criterion. The Company recorded a liability for uncertain tax positions of \$144 as of October 30, 2010. The Company believes the increase or decrease in the liability for uncertain tax positions will not be significant within the next twelve months, however changes could result from examinations, the expiration of statutes of limitation, or other circumstances.

The Company is currently not under examination by the Internal Revenue Service or state income taxing authorities.

**9. Debt**

Long-term debt consisted of the following as of October 30, 2010:

Holding Term Loan	\$ 120,938
8 <sup>3</sup> / <sub>4</sub> % \$250,000 Senior Notes	250,000
Debt discount on Senior Notes	(3,299)
Total debt	367,639
Short term portion of debt	1,250
Total long-term debt	\$ 366,389

As of October 30, 2010, there were no borrowings outstanding and approximately \$196,428 available under the Company's \$200,000 secured asset-based loan revolving credit facility (the "Credit Facility").

**Refinancing Transactions***Senior Notes*

On March 5, 2010, Express and EFC co-issued, in a private placement, \$250,000 of 8 <sup>3</sup>/<sub>4</sub>% Senior Notes ("Senior Notes") due March 1, 2018 at an offering price of 98.599% of the face value. An affiliate of GGC purchased \$50,000 of Senior Notes. Interest on the Senior Notes is payable on March 1 and September 1 of each year. On March 5, 2010, net proceeds of \$241,397 (net of original issuance and underwriting discount) were received from the Senior Notes. Net proceeds from the Senior Notes offering were used to prepay \$154,907 related to the Topco Term C Loan (including principal, interest, and a prepayment penalty), \$85,210 was allocated to the Company, and the remainder was used to pay related transaction fees and expenses, including \$2,700 to GGC for transaction fees. Of the \$154,907 used to prepay the Topco Term C Loan, \$50,000 of principal, \$636 of interest, and \$1,000 of the prepayment penalty was paid to a GGC affiliate that was a lender of the Topco Term C Loan.

In connection with issuing the Senior Notes, \$10,802 of costs were capitalized as debt issuance costs within other assets on the Consolidated Balance Sheets (including the \$2,700 transaction fee paid to GGC described above) and will be amortized over the eight year term of the Senior Notes using the effective interest method. On March 10, 2010, the Company used the \$85,210 of cash received from issuing the Senior Notes, along with cash on hand of \$153,802, to pay a distribution of \$230,000 to its equity holders.

**Table of Contents****9. Debt (continued)**

Prior to March 1, 2013, a portion of the Senior Notes may be redeemed at 108.75% of the principal amount plus accrued and unpaid interest with the net proceeds of certain equity offerings. At any time prior to March 1, 2014, the Senior Notes may be redeemed in part or in full at a redemption price equal to 100% of the principal amount plus a make-whole premium, calculated in accordance with the indenture governing the Senior Notes, and accrued and unpaid interest. On or after March 1, 2014, the Senior Notes may be redeemed in part or in full at the following percentages of the outstanding principal amount prepaid: 104.375% prior to March 1, 2015; 102.188% on or after March 1, 2015, but prior to March 1, 2016; and 100% on or after March 1, 2016.

The indenture governing the Senior Notes contains customary covenants and restrictions on the activities of Express, EFC, and Express restricted subsidiaries, including, but not limited to, the incurrence of additional indebtedness; payment of dividends or distributions in respect of capital stock or certain other restricted payments or investments; entrance into agreements that restrict distributions from restricted subsidiaries; the sale or disposal of assets, including capital stock of restricted subsidiaries; transactions with affiliates; the incurrence of liens; and mergers, consolidations, or the sale of substantially all the Company's assets. The covenants in the Senior Notes indenture are subject to certain thresholds and exceptions described in the Senior Notes indenture, including exceptions that permit Express, EFC, and Express restricted subsidiaries to enter into affiliate transactions with GGC and LBI under certain circumstances specified in the Senior Notes indenture. Certain of these covenants will be suspended if the Senior Notes are assigned an investment grade rating by both Standard & Poor's Rating Services (S&P) and Moody's Investor Service, Inc. (Moody's) and no default has occurred or is continuing. If either rating on the Senior Notes should subsequently decline to below investment grade, the suspended covenants will be reinstated. The Senior Notes are general unsecured obligations of Express and EFC and rank equally in right of payment with all existing and future senior indebtedness of Express and EFC. The Senior Notes are unconditionally guaranteed by the Company and all of the domestic subsidiaries of Express, other than immaterial subsidiaries.

In connection with the Senior Notes offering, the Company entered into a registration rights agreement, which requires the use of commercially reasonable efforts to register notes having substantially identical terms as the Senior Notes with the SEC. On September 27, 2010, an exchange of \$200,000 of the unregistered Senior Notes for registered Senior Notes having substantially identical terms as the unregistered Senior Notes was completed. The Company intends to register the remaining \$50,000 of unregistered Senior Notes held by an affiliate of GGC in accordance with the agreement.

*Amendments to Debt Arrangements*

In February 2010, in anticipation of issuing the Senior Notes due March 1, 2018, the Company amended its respective debt arrangements as follows:

The Credit Facility was amended to permit the incurrence of the Senior Notes not to exceed \$250,000 aggregate principal. The applicable margin rate was increased by 100 basis points and is based on the existing excess availability calculation. The fee payable on the average daily unused balance was increased from 0.25% to 0.50%, and the excess availability covenant was increased to not be less than \$30,000, up from \$20,000 in the original agreement.

The \$125,000 variable-rate secured Holding Term Loan (Holding Term Loan) was amended to permit the incurrence of the Senior Notes not to exceed \$250,000 aggregate principal. The applicable margin rate was increased by 150 basis points (increased by an additional 50 basis points in the event that the Moody's corporate family rating is not B2 or better or the S&P corporate credit rating is not B or better) and is based on the existing leverage ratio calculation. The leverage ratio for purposes of calculating excess cash flow was revised to require that no more than \$75,000 of cash and cash equivalents be netted against debts.

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### **9. Debt (continued)**

The \$300,000 Topco Term Loan ( Topco Term Loan ) consisting of a \$150,000 Topco Term B Loan ( Topco Term B Loan ) and a \$150,000 Topco Term C Loan ( Topco Term C Loan ) was amended to permit the issuance of up to \$250,000 of aggregate principal amount of Senior Notes and required the prepayment of the Topco Term C Loan at 102% with the proceeds from the Senior Notes.

In connection with these amendments \$1,756 was capitalized as additional debt issuance costs within other assets on the Consolidated Balance Sheets and will be amortized over the remaining terms of the corresponding debt arrangements.

#### *Loss on Extinguishment*

In connection with the prepayment of the Topco Term C Loan on March 10, 2010, the Company recognized a loss on extinguishment of debt totaling \$7,157. This amount consisted of a \$3,000 prepayment penalty, the write-off of \$2,523 of unamortized discount, and the write-off of \$1,634 of unamortized debt issuance costs. The loss on extinguishment of debt was recorded as interest expense in the Consolidated Statements of Income. The write-offs of unamortized discount and unamortized debt issuance costs represent a non-cash adjustment to reconcile net income to net cash provided by operating activities within the Consolidated Statements of Cash Flows.

On May 18, 2010, net proceeds from the IPO were used to prepay \$164,881 related to the Topco Term B Loan (including principal, interest, and a prepayment penalty). Of the \$164,881 used to prepay the Topco Term B Loan, \$58,304 of principal, \$2,083 of interest, and \$3,498 of the prepayment penalty was paid to a GGC affiliate. In connection with the prepayment of the Topco Term B Loan on May 18, 2010, the Company recognized a loss on extinguishment of debt totaling \$13,624. This amount consisted of a \$9,000 prepayment penalty, the write off of \$2,486 of unamortized discount, and the write off of \$2,138 of unamortized debt issuance costs. The loss on extinguishment of debt was recorded as interest expense in the Consolidated Statements of Income. The write-offs of the unamortized discount and unamortized debt issuance costs represent a non-cash adjustment to reconcile net income to net cash provided by operating activities within the Consolidated Statements of Cash Flows.

#### **Fair Value of Debt**

The fair value of the Holding Term Loan was estimated using quoted market prices for similar debt issues. The fair value of the Senior Notes was estimated using quoted market prices. As of October 30, 2010, the estimated fair value of the Holding Term Loan and Senior Notes was \$125,593 and \$265,000, respectively.

#### **Letters of Credit**

The Company periodically enters into various trade letters of credit ( trade LCs ) in favor of certain vendors to secure merchandise. These trade LCs are issued for a defined period of time, for specific shipments, and generally expire three weeks after the merchandise shipment date. As of October 30, 2010, there were no outstanding trade LCs. Additionally, the Company enters into stand-by letters of credit ( stand-by LCs ) on an as-need basis to secure merchandise and fund other general and administrative costs. As of October 30, 2010, outstanding stand-by LCs, including the LBI stand-by LC, totaled \$3,572. The LBI stand-by LC expired during the third quarter of 2010.

### **10. Derivative Instrument**

Effective July 6, 2007, the Company entered into a receive variable/pay fixed interest rate swap agreement to mitigate exposure to interest rate fluctuations on a notional amount of \$75,000 of the Company's \$125,000 variable-rate Holding Term Loan. The Company did not seek cash flow hedge accounting, and therefore

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### **10. Derivative Instrument (continued)**

recorded the impact of the change in fair market value of the swap in other income, net in the Consolidated Statements of Income. The interest rate swap agreement terminated on August 6, 2010. The effect of the derivative instrument on other income, net in the Consolidated Statements of Income was \$1,577 and \$1,968 for the thirty-nine weeks ended October 31, 2009 and October 30, 2010, respectively, both reductions in expense.

### **11. Stockholders Equity**

On February 9, 2010, management promissory notes totaling \$5,633 were repaid in full by each member of management.

On May, 18, 2010, the Company sold 10,500 shares of newly-issued common stock in the IPO, raising net proceeds of approximately \$160,083, after deducting the underwriting discount and costs incurred related to the IPO.

In conjunction with the Reorganization described in Note 1, the Company's certificate of incorporation authorized 500,000 shares of common stock and 10,000 shares of preferred stock. No preferred stock was issued or outstanding as of October 30, 2010. Further, effective May 2, 2010, the Company became taxed as a corporation rather than as a partnership. In accordance with Staff Accounting Bulletin Topic 4B, the Company reclassified \$87,216 in undistributed losses through May 12, 2010 to additional paid-in-capital. In addition, as a result of the merger of EIC and the management holding companies into the Company, the Company recorded a non-cash capital contribution of \$823 related to certain tax assets it received.

### **12. Share-Based Compensation**

The Company recognized share-based compensation expense of \$1,510 and \$4,411 for the thirty-nine weeks ended October 31, 2009 and October 30, 2010, respectively. As of October 30, 2010, there was \$10,772 of total unrecognized compensation expense related to equity incentive shares, which is expected to be recognized over a weighted-average period of approximately 2.2 years.

The Company granted 1,322 options to purchase common stock to certain employees during the second quarter of 2010. These options had a grant date fair value of \$9.22 per share. Compensation cost will be recognized ratably over the four year vesting period. In addition, on May 12, 2010, in conjunction with the IPO, certain restricted shares became fully vested.

### **13. Pro forma Information**

The pro forma net income applied in computing the pro forma EPS for the thirty-nine weeks ended October 31, 2009 and October 30, 2010 is based on the Company's historical net income as adjusted to reflect the Company's conversion to a corporation as if it has occurred as of the beginning of the respective periods. In connection with the conversion, effective May 2, 2010, the Company became taxed as a corporation. The Company was previously treated as a partnership for tax purposes, and therefore generally not subject to federal income tax. The pro forma net income includes adjustments for income tax expense as if the Company had been a corporation at an assumed combined federal, state, and local income tax rate of 38.7% for the thirty-nine weeks ended October 31, 2009 and 40.9% for the first thirteen weeks of 2010.

The pro forma net income for the thirty-nine weeks ended October 30, 2010 eliminates the non-cash deferred tax benefit of \$31,807 as a non-recurring item related to the Reorganization (see Note 8).

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### **14. Commitments and Contingencies**

Express is named as a defendant in a purported class action lawsuit alleging various California state labor law violations. The complaint was originally filed on February 18, 2009, and an amended complaint was filed on March 18, 2009. The amended complaint contains six counts: (1) failure to provide required meal breaks to the class members and failure to pay the class members for missed meal breaks, including premium payments required by California law; (2) failure to provide required rest breaks to the class members and failure to pay the class members for missed rest breaks, including premium payments required by California law; (3) failure to pay wages in a timely manner to employees who were terminated or quit; (4) failure to pay overtime or premium payments in a timely manner; (5) failure to provide accurate wage statements; and (6) violations of Section 17200 of the California Business and Professions Code. The Company estimated that the potential exposure for losses related to this lawsuit ranges from approximately \$1,900 to \$3,400 and has accrued an amount on the Consolidated Balance sheet as of October 30, 2010 to reflect its best estimate of this risk. As the situation develops and more information becomes available, the amount of the reserve may increase or decrease accordingly. The amount of any such change may be material to the Company's results of operations or financial condition.

The Company is subject to various claims and contingencies related to other lawsuits and pending action arising out of the normal course of business. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition, or cash flows.

### **15. Guarantor Subsidiaries**

On March 5, 2010, Express and EFC (the "Subsidiary Issuers"), both wholly-owned indirect subsidiaries of the Company, issued \$250,000 Senior Notes at 8<sup>3/4</sup>%. The Company ("Guarantor") and certain of the Company's indirect wholly-owned subsidiaries ("Guarantor Subsidiaries") have fully and unconditionally guaranteed, on a joint and several basis, the Company's obligations under the Senior Notes. The following consolidating schedules present the condensed financial information on a combined basis.



**Table of Contents****15. Guarantor Subsidiaries (continued)****EXPRESS, INC.****CONDENSED CONSOLIDATING BALANCE SHEET**

(Amounts in thousands)

(Unaudited)

	October 30, 2010					
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated Total
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 1,686	\$ 80,094	\$	\$	\$	\$ 81,780
Receivables, net		7,104				7,104
Inventories		240,333				240,333
Prepaid minimum rent		21,696				21,696
Intercompany receivable		8,752	17,083		(25,835)	
Other	25	17,114				17,139
Total current assets	1,711	375,093	17,083		(25,835)	368,052
Property and equipment, net		215,890				215,890
Tradename/domain name		197,414				197,414
Investment in subsidiary	136,563	3,030		130,245	(269,838)	
Deferred tax asset	968	28,171		4		29,143
Other assets		22,711				22,711
Total assets	\$ 139,242	\$ 842,309	\$ 17,083	\$ 130,249	\$ (295,673)	\$ 833,210
<b>Liabilities and stockholders equity</b>						
Current liabilities						
Accounts payable	\$	\$ 76,178	\$	\$	\$	\$ 76,178
Deferred revenue		15,829				15,829
Accrued bonus		3,864				3,864
Accrued expenses	(43)	74,842	14,053	(6,314)		82,538
Accounts payable and accrued expenses related parties		96,513				96,513
Intercompany payable	8,752	17,083			(25,835)	
Total current liabilities	8,709	284,309	14,053	(6,314)	(25,835)	274,922
Long-term debt		366,389				366,389
Other long-term liabilities	154	61,366				61,520
Total liabilities	8,863	712,064	14,053	(6,314)	(25,835)	702,831
Commitments and Contingencies (Note 14)						
Total stockholders equity	130,379	130,245	3,030	136,563	(269,838)	130,379
Total liabilities and stockholders equity	\$ 139,242	\$ 842,309	\$ 17,083	\$ 130,249	\$ (295,673)	\$ 833,210

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**Table of Contents****15. Guarantor Subsidiaries (continued)****EXPRESS, INC.****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

(Amounts in thousands)

(Unaudited)

	Thirty-Nine Weeks Ended October 31, 2009					
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated Total
Net sales	\$	\$ 1,174,227	\$	\$	\$	\$ 1,174,227
Cost of goods sold, buying and occupancy costs		813,998				813,998
Gross profit		360,229				360,229
General, administrative, and store operating expenses	19	285,368	(176)	48		285,259
Other operating expense, net		6,514				6,514
Operating income (loss)	(19)	68,347	176	(48)		68,456
Interest expense		7,434		32,770		40,204
(Income) loss in subsidiary	(29,329)	(176)		(61,986)	91,491	
Other income, net		(1,981)				(1,981)
Income (loss) before income taxes	29,310	63,070	176	29,168	(91,491)	30,233
Income tax expense (benefit)		1,084		(161)		923
Net income (loss)	\$ 29,310	\$ 61,986	\$ 176	\$ 29,329	\$ (91,491)	\$ 29,310

**EXPRESS, INC.****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

(Amounts in thousands)

(Unaudited)

	Thirty-Nine Weeks Ended October 30, 2010					
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated Total
Net sales	\$	\$ 1,284,316	\$	\$	\$	\$ 1,284,316
Cost of goods sold, buying and occupancy costs		832,770				832,770
Gross profit		451,546				451,546

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General, administrative, and store operating expenses	2,462	322,914	(198)	(23)		325,155
Other operating expense, net		17,841		3		17,844
Operating income (loss)	(2,462)	110,791	198	20		108,547
Interest expense		22,716		28,983		51,699
(Income) loss in subsidiary	(81,336)	(198)		(104,324)	185,858	
Other income, net		(1,980)				(1,980)
Income (loss) before income taxes	78,874	90,253	198	75,361	(185,858)	58,828
Income tax expense (benefit)	(102)	(14,071)		(5,975)		(20,148)
Net income (loss)	\$ 78,976	\$ 104,324	\$ 198	\$ 81,336	\$ (185,858)	\$ 78,976

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**Table of Contents****15. Guarantor Subsidiaries (continued)****EXPRESS, INC.****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(Amounts in thousands)****(Unaudited)****Thirty-Nine Weeks Ended October 31, 2009**

	<b>Express, Inc.</b>	<b>Subsidiary Issuers</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Operating Activities</b>						
Net cash provided by (used in) operating activities	\$	\$ 118,640	\$	\$ (31,356)	\$	\$ 87,284
<b>Investing Activities</b>						
Capital expenditures		(22,883)				(22,883)
Dividends received				37,537	(37,537)	
Net cash provided by (used in) investing activities		(22,883)		37,537	(37,537)	(22,883)
<b>Financing Activities</b>						
Repayments of short term debt arrangements		(75,000)				(75,000)
Repayments of long term debt arrangements		(937)		(6,181)		(7,118)
Repurchase of equity units		(3)				(3)
Distributions		(37,537)			37,537	
Net cash provided by (used in) financing activities		(113,477)		(6,181)	37,537	(82,121)
Net decrease in cash and cash equivalents		(17,720)				(17,720)
Cash and cash equivalents, beginning of period	192	175,923				176,115
Cash and cash equivalents, end of period	\$ 192	\$ 158,203	\$	\$	\$	\$ 158,395

**Table of Contents****15. Guarantor Subsidiaries (continued)****EXPRESS, INC.****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(Amounts in thousands)****(Unaudited)**

	Thirty-Nine Weeks Ended October 30, 2010					
	Express, Inc.	Subsidiary Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated Total
<b>Operating Activities</b>						
Net cash provided by (used in) operating activities	\$ 5,996	\$ 80,356	\$	\$ (35,495)	\$	\$ 50,857
<b>Investing Activities</b>						
Capital expenditures		(41,950)				(41,950)
Investment in subsidiary	(170,535)			(5,633)	176,168	
Dividends received	261,000			432,153	(693,153)	
Net cash provided by (used in) investing activities	90,465	(41,950)		426,520	(516,985)	(41,950)
<b>Financing Activities</b>						
Borrowings under Senior Notes		246,498				246,498
Net proceeds from equity offering	166,898					166,898
Repayments of long-term debt arrangements		(938)		(300,000)		(300,938)
Costs incurred in connection with debt arrangements and Senior Notes		(11,564)		(560)		(12,124)
Costs incurred in connection with equity offering	(6,498)					(6,498)
Equity contributions	5,633			170,535	(176,168)	
Repayment of notes receivable		5,633				5,633
Distributions	(261,000)	(432,153)		(261,000)	693,153	(261,000)
Net cash provided by (used in) financing activities	(94,967)	(192,524)		(391,025)	516,985	(161,531)
Net increase (decrease) in cash and cash equivalents	1,494	(154,118)				(152,624)
Cash and cash equivalents, beginning of period	192	234,212				234,404
Cash and cash equivalents, end of period	\$ 1,686	\$ 80,094	\$	\$	\$	\$ 81,780

**16. Subsequent Events**

On November 30, 2010, the Company's Board of Directors ( Board ) approved a special dividend of \$0.56 per share of the Company's common stock, totaling \$50,000. The special dividend is expected to be paid on December 23, 2010 to shareholders of record at the close of business on December 16, 2010. In addition, the Board authorized debt reduction of up to \$25,000.



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**Table of Contents**

**12,500,000 Shares**

**Express, Inc.**

**Common Stock**

**PROSPECTUS**

**BofA Merrill Lynch**

**Morgan Stanley**

**Piper Jaffray**

**Stifel Nicolaus Weisel**

**UBS Investment Bank**

**December 9, 2010**