

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 1, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from.....to.....

COMMISSION FILE NUMBER: 0-10345

CACHE, INC.

(Exact name of registrant as specified in its Charter)

FLORIDA
(State or other jurisdiction of
incorporation or organization)

59-1588181
(IRS Employer Identification No.)

1440 BROADWAY, NEW YORK, NEW YORK 10018

(Address of principal executive offices) (zip code)

212-575-3200

(Registrant's telephone number, including area code)

(Former name, address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated	Accelerated Filer	Non-Accelerated Filer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31 2006, 15,791,003 common shares were outstanding.

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CACHE, INC. AND SUBSIDIARIES

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ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

CACHE, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

<S>	<C> July 1, 2006	<C> December 31, 2005	<C> July 2, 2005
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,753,000	\$ 35,578,000	\$ 17,166,000
Marketable securities		20,426,000	36,520,000
	25,964,000		

Receivables, net	3,176,000	5,734,000	
3,511,000			
Inventories	30,147,000	32,785,000	
30,165,000			
Deferred income taxes, net	720,000	691,000	
662,000			
Prepaid expenses and other current assets	5,850,000		
4,777,000	1,141,000		
	-----	-----	-----
Total current assets	95,897,000	97,260,000	
78,609,000			
Equipment and leasehold improvements, net		50,781,000	
52,760,000	49,502,000		
Other assets	434,000	864,000	
856,000			
	-----	-----	-----
Total assets	\$ 147,112,000	\$ 150,884,000	\$
128,967,000			
	=====	=====	=====
=====			

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$ 11,569,000	\$ 18,404,000	
\$ 11,370,000			
Accrued compensation	1,542,000	2,624,000	
1,427,000			
Accrued liabilities	13,420,000	12,446,000	
9,487,000			
	-----	-----	-----
Total current liabilities	26,531,000	33,474,000	
22,284,000			
Other liabilities	15,450,000	16,309,000	
14,557,000			
Deferred income taxes, net	1,926,000	2,105,000	
2,246,000			

Commitments and contingencies

STOCKHOLDERS' EQUITY

Common stock, par value \$.01; authorized, 20,000,000 shares; 15,791,003, 15,770,553 and 15,726,553 shares issued and outstanding	158,000	158,000
157,000		
Additional paid-in capital	36,278,000	35,455,000
34,988,000		
Retained earnings	66,769,000	63,383,000
54,735,000		
	-----	-----
Total stockholders' equity	103,205,000	98,996,000
89,880,000		
	-----	-----
Total liabilities and stockholders' equity		
	\$ 147,112,000	\$ 150,884,000
128,967,000		
	=====	=====
=====		

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

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CACHE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE TWENTY-SIX WEEKS ENDED
(UNAUDITED)

<S>

<C>
July 1,

<C>
July 2,

	2006 -----	2005 -----
Net sales	\$ 135,503,000	\$ 129,763,000
Cost of sales, including occupancy and buying costs	71,024,000 -----	72,264,000 -----
Gross profit	64,479,000 -----	57,499,000 -----
Expenses		
Store operating expenses	44,725,000	41,871,000
General and administrative expenses	9,734,000	
8,160,000		
Lillie Rubin exit costs	5,662,000 -----	---
Total expenses	60,121,000 -----	50,031,000 -----
Operating income	4,358,000	7,468,000
Interest income	1,193,000 -----	400,000 -----
Income before income taxes	5,551,000	7,868,000
Income taxes	2,165,000 -----	3,111,000 -----
Net income	\$ 3,386,000 =====	\$ 4,757,000 =====
Basic earnings per share	\$0.21 =====	\$0.30 =====
Diluted earnings per share	\$0.21 =====	\$0.30 =====
Basic weighted average shares outstanding		15,781,000
15,700,000		

	=====	=====
Diluted weighted average shares outstanding		16,151,000
15,830,000	=====	=====

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

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CACHE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THIRTEEN WEEKS ENDED
(UNAUDITED)

<S>	<C> July 1, 2006 -----	<C> July 2, 2005 -----
Net sales	\$ 71,682,000	\$ 66,970,000
Cost of sales, including occupancy and buying costs	36,385,000 -----	36,604,000 -----
Gross profit	35,297,000 -----	30,366,000 -----
Expenses		
Store operating expenses	22,671,000	21,278,000

General and administrative expenses	4,910,000	
4,371,000		
Lillie Rubin exit costs	5,662,000	---
	-----	-----
Total expenses	33,243,000	25,649,000
	-----	-----
Operating income	2,054,000	4,717,000
Interest income	664,000	243,000
	-----	-----
Income before income taxes	2,718,000	4,960,000
Income taxes	1,060,000	1,960,000
	-----	-----
Net income	\$ 1,658,000	\$ 3,000,000
	=====	=====
Basic earnings per share	\$0.11	\$0.19
	=====	=====
Diluted earnings per share	\$0.10	\$0.19
	=====	=====
Basic weighted average shares outstanding	15,785,000	
15,712,000		
	=====	=====
Diluted weighted average shares outstanding	16,168,000	
15,950,000		
	=====	=====

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

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CACHE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWENTY-SIX WEEKS ENDED
(UNAUDITED)

<S>

	<u><C></u>	<u><C></u>
	July 1, 2006	July 2, 2005
	-----	-----

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 3,386,000	\$ 4,757,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,408,000	4,606,000
Decrease in deferred income taxes	(208,000)	(872,000)
Amortization of deferred rent	(634,000)	(599,000)
Other, net	(24,000)	(24,000)
Stock-based compensation	602,000	---
Lillie Rubin exit costs	3,653,000	---
Change in assets and liabilities:		
Decrease in receivables	2,558,000	3,034,000
Decrease in inventories	2,363,000	2,131,000
Decrease (increase) in prepaid expenses and other current assets	(1,073,000)	807,000
Decrease in accounts payable	(6,835,000)	(5,685,000)
Excess tax benefits from stock options	(29,000)	---
Decrease (increase) in accrued liabilities and accrued compensation	149,000	(1,057,000)
	-----	-----
Net cash provided by operating activities	9,316,000	7,098,000

CASH FLOWS FROM INVESTING ACTIVITIES:

Maturities of marketable securities	48,098,000	15,971,000
Purchases of marketable securities	(32,004,000)	(16,061,000)
Payments for equipment and leasehold improvements	(6,835,000)	(6,973,000)

Net cash provided by (used in) investing activities	9,259,000	(7,063,000)
---	-----------	-------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from the exercise of stock options	221,000	283,000
Excess tax benefits from stock options	29,000	---

Net cash provided by financing activities	250,000	283,000
---	---------	---------

Net increase in cash and equivalents	18,825,000	318,000
Cash and equivalents, at beginning of period	16,753,000	16,848,000
Cash and equivalents, at end of period	\$ 35,578,000	\$ 17,166,000

Supplemental disclosure of cash flow information:

Income taxes paid	\$ 3,839,000	\$ 3,410,000
Accrued equipment and leasehold improvements	\$ 1,869,000	\$ 945,000

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

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CACHE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

References to the "Company," "we," "us," or "our" means Cache, Inc., together with its wholly-owned subsidiaries, except as expressly indicated or unless the context otherwise requires. We operate two chains of women's apparel specialty stores of which 272 stores are operated under the trade name "Cache" and 37 stores are operated under the trade name "Lillie Rubin", as of July 1, 2006.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all of the information and footnotes required by accounting principles generally accepted in the United States. However, in the opinion of our management, all known adjustments necessary for a fair presentation of the results of the interim periods have been made. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may materially differ from these estimates.

These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2005, which are included in the Company's Annual Report on Form 10-K with respect to such period filed with the Securities and Exchange Commission. All significant intercompany accounts and transactions have been eliminated. The December 31, 2005 condensed consolidated balance sheet amounts are derived from the Company's audited consolidated financial statements.

The Company's Fiscal Year ("Fiscal Year" or "Fiscal") refers to the 52 or 53 weeks, as applicable, ending the Saturday nearest to December 31. The years ended December 30, 2006 ("Fiscal 2006") and December 31, 2005 ("Fiscal 2005") are each 52 week years as compared to the year ended January 1, 2005 ("Fiscal 2004"), that was a 53 week year.

2. STOCK BASED COMPENSATION

Effective January 1, 2006, the Company began recording compensation expense associated with stock options in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123R, Share-Based Payment, as interpreted by SEC Staff Accounting Bulletin No. 107. Prior to January 1, 2006, we had accounted for stock options according to the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, and therefore no related compensation expense was

recorded for awards granted with no intrinsic value. We adopted the modified prospective transition method provided for under SFAS No. 123R, and, consequently, have not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in Fiscal 2006 includes: 1) quarterly amortization related to the remaining unvested portion of all stock option awards granted prior to January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123; and 2) quarterly amortization related to all stock option awards granted subsequent to January 1, 2006, when granted, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R.

The Company's 2000 Stock Option Plan provides for the granting of either incentive stock options ("ISO's") or non-qualified options to purchase up to 825,000 shares of common stock. As of July 1, 2006, there were 67,032 shares under the 2000 plan available for future grant. The Company's 2003 Stock Option Plan provides for the granting of either ISO's or non-qualified options to purchase up to 1,350,000 shares of common stock. As of July 1, 2006, there were 152,500 shares under the 2003 plan available for future grant. All of the Company's prior stock option plans have expired as to the ability to grant new options.

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Stock awards outstanding under the Company's current plans have generally been granted at prices which are equal to the market value of our stock on the date of grant, generally vest over four years and expire no later than ten years after the grant date. Effective January 1, 2006, we recognize compensation expense ratably over the vesting period, net of estimated forfeitures. As of July 1, 2006, there was \$1.5 million of total unrecognized compensation cost related to non-vested options, which is expected to be recognized over a remaining weighted-average vesting period of 1.5 years. The total intrinsic value of options exercised during the 26 and 13 week periods ended July 1, 2006 was approximately \$146,000 and \$81,000.

A summary of the changes in stock options outstanding during the 26 week period ended July 1, 2006 is presented below:

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EXERCISABLE	TOTAL OUTSTANDING				CURRENTLY	
	AVERAGE PRICE (1)	NUMBER OF AVERAGE OPTIONS LIFE (2)	AVERAGE PRICE (1)	AVERAGE LIFE (2)		AGGREGATE INTRINSIC VALUE (3)
December 31, 2005	\$8.80	1,481,500	\$10.85	7.45	\$9,579,495	742,250
Granted	6.92	---	---	---	---	---
Canceled/forfeited		(9,000)	12.65			
Exercised		(20,450)	10.72		(20,450)	10.72
July 1, 2006	\$8.74	1,452,050	\$10.84	6.95	\$9,431,555	721,800
	6.41					

</TABLE>

- (1) - Weighted-average exercise price.
- (2) - Weighted-average contractual life remaining in years.
- (3) - The aggregate intrinsic values in the table above are based on the Company's closing stock price as of the last business day of the periods ended December 31, 2005 and July 1, 2006, which was \$17.32 and \$17.34, respectively.

A summary of the activity for the non-vested share awards during the 26 week period ended July 1, 2006 is presented below:

	COMMON STOCK OPTIONS	FAIR VALUE AT GRANT DATE
Non-vested--December 31, 2005	739,250	\$12.92
Granted	---	---
Vested	---	---
Cancelled/forfeited	(9,000)	\$12.65

Non-vested--July 1, 2006	730,250	\$12.92
	=====	=====

Prior to the adoption of SFAS No. 123R, we presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Condensed Consolidated Statement of Cash Flows. SFAS No. 123R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised ("excess tax benefits") be classified as financing cash flows. For the 26 and 13 week periods ended July 1, 2006, there was \$29,000 of excess tax benefits realized from the exercise of stock options.

During the 26 and 13 week periods ended July 1, 2006, the Company recognized approximately \$602,000 (\$367,000 after tax or \$0.02 per diluted share) and \$272,000 (\$166,000 after tax or \$0.01 per diluted share) in share-based compensation expense. The grant date fair value is calculated using the Black Scholes option

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valuation model. No compensation cost was recognized prior to January 1, 2006. Had compensation cost for our share-based compensation plans been determined consistent with SFAS No. 123R, the Company's net income and earnings per share would have been reduced to the following pro forma amounts (in thousands, except per share data):

<TABLE>
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	<C> Twenty-six Weeks Ended July 2, 2005 -----	<C> Thirteen Weeks Ended July 2, 2005 -----
Net earnings as reported:	\$4,757,000	\$3,000,000
Add share-based employee compensation expense included		---

in reported net income, net of taxes		
Deduct employee compensation expense determined under a (249,000)		(504,000)
fair value based method, net of related tax effects		
Pro forma net earnings	\$4,253,000	\$2,751,000

Basic earnings per share:		
As reported	\$0.30	\$0.19
Pro forma	\$0.27	\$0.18
Diluted earnings per share:		
As reported	\$0.30	\$0.19
Pro forma	\$0.27	\$0.17

</TABLE>

There were no options granted during the 26 and 13 week periods ended July 1, 2006. There were 105,000 options granted during the 26 and 13 week periods ended July 2, 2005.

3. BASIC AND DILUTED EARNINGS

In accordance with SFAS No. 128, "Earnings Per Share", basic earnings per share has been computed based upon the weighted average of common shares outstanding. Diluted earnings per share gives effect to outstanding stock options.

Earnings per common share has been computed as follows:

<TABLE>
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	<C>		<C>	
	13 Weeks Ended		26 Weeks Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Net income	\$1,658,000	\$3,000,000	\$3,386,000	
\$4,757,000				
Basic weighted number of average shares outstanding	15,785,000	15,712,000	15,781,000	
15,700,000				
Incremental shares from assumed issuances of stock options	383,000	238,000	370,000	
130,000				
Diluted weighted average number of shares outstanding	16,168,000	15,950,000	16,151,000	
15,830,000				
Net income per share - Basic	\$0.11	\$0.19	\$0.21	\$0.30

- Diluted	\$0.10	\$0.19	\$0.21	\$0.30
-----------	--------	--------	--------	--------

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Options to purchase 10,000 common shares with an exercise price of \$18.30 per share were excluded from the computation of diluted earnings per share, for the 13 and 26 week periods in fiscal 2005 and 2006, because the exercise price was greater than the market price.

4. RECENT ACCOUNTING PRONOUNCEMENTS

On October 6, 2005, the FASB issued FASB Staff Position ("FSP") No. FAS 13-1 "Accounting for Rental Costs Incurred during a Construction Period." The FASB has concluded that rental costs incurred during and after a construction period are for the right to control the use of a leased asset and must be recognized as rental expense. Such costs were previously capitalized as construction costs, if the company had a policy to do so. The FSP is effective for reporting periods beginning after December 15, 2005. The Company expects that the implementation of FSP No. FAS 13-1 will decrease net income by approximately \$500,000 for the fiscal year ended December 30, 2006. During the 26 week period ended July 1, 2006, the Company incurred \$121,000 of such costs.

On November 3, 2005, FASB issued FSP Nos. FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." This FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the timing and measurement of an impairment loss. The FSP is required to be applied to reporting periods beginning after December 15, 2005 and was adopted by the Company in the first quarter of fiscal 2006. The impact of the adoption of this FSP did not have a material impact on its consolidated financial statements.

In July, 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB No. 109, ACCOUNTING FOR INCOME TAXES. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition,

classification, interest and penalties, accounting in interim periods, disclosures and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of this standard on our consolidated financial statements.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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	<C> July 1, 2006	<C> December 31, 2005	<C> July 2, 2005
	-----	-----	-----
Leasehold improvements 48,553,000		\$ 54,650,000	\$ 51,827,000
Furniture, fixtures and equipment 48,144,000		55,009,000	51,715,000
	-----	-----	-----
	109,659,000	103,542,000	96,697,000
Less: accumulated depreciation and amortization		(58,878,000)	(50,782,000)
	-----	-----	-----
	\$ 50,781,000	\$ 52,760,000	\$ 49,502,000
	=====	=====	=====

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6. ACCRUED LIABILITIES

	<C>	<C>	<C>
	July 1, 2006	December 31, 2005	July 2, 2005
	-----	-----	-----

Operating expenses	\$ 4,408,000	\$ 2,894,000	\$ 2,733,000
Other taxes	1,714,000	2,540,000	1,124,000
Group insurance	654,000	598,000	558,000
Sales return reserve	415,000	803,000	443,000
Leasehold additions	1,869,000	859,000	945,000
Other customer deposits and credits	4,360,000	4,752,000	
3,684,000			
	-----	-----	-----
	\$ 13,420,000	\$ 12,446,000	\$ 9,487,000
	=====	=====	=====

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7. BANK DEBT

During November 2005, the Company reached an agreement with its bank to extend the maturity of the Amended Revolving Credit Facility until November 30, 2008. Pursuant to the newly Amended Revolving Credit Facility, \$17,500,000 is available until expiration at November 30, 2008. The amounts outstanding under the credit facility bear interest at a maximum per annum rate equal to the bank's prime rate, currently 8.25% at July 31, 2006, less 0.25%. The agreement contains selected financial and other covenants. Effective upon the occurrence of an Event of Default under the Amended Revolving Credit Facility, the Company grants to the bank a security interest in the Company's inventory and certain receivables. The Company has at all times been in compliance with all loan covenants.

There have been no borrowings against the line of credit during fiscal 2006 and fiscal 2005. There were outstanding letters of credit of \$2.6 million, \$1.0 million and \$3.0 million, pursuant to the Revolving Credit Facility, at July 1, 2006, December 31, 2005 and July 2, 2005, respectively.

8. LILLIE RUBIN EXIT COSTS

During the quarter ended July 1, 2006, the Company recorded a pre-tax charge of \$5.7 million for asset impairment and store closing costs for the exit of the Lillie Rubin business. Included in the exit costs is a write down of leasehold improvements, furniture and fixtures on 19 stores in the amount of \$4.1 million, write down of intangibles of \$455,000, write down of supplies of \$275,000, severance accrual of \$384,000, as well as an accrual of \$1.6 million for contractual termination costs negotiated prior to July 1, 2006. These costs were partially offset by the reversal of \$1.2 million of deferred rent accruals. The Company does not expect to incur significant additional exit costs upon the closing of these properties during the third quarter. The Company has closed 11 of the stores as of August 8, 2006 and anticipates the closing of the remaining stores by the end of September.

The following is a summary of the activity in the reserve for exit costs:

<TABLE>	<CAPTION>				
<S>	<C> BALANCE	<C>	<C>	<C> CASH PAYMENTS	BAL-
ANCE END OF	BEGINNING OF YEAR			PERIOD	
	-----	-----	-----	-----	
Contractual termination costs \$1,534,000	\$ ---	\$1,624,000	\$90,000		
Severance	---	384,000	81,000	301,000	
Impairment of long lived assets and supplies	---	4,830,000			
Reversal of deferred rent liability	---	(1,176,000)			

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9. CONTINGENCIES

The Company is exposed to a number of asserted and unasserted potential claims. Management does not believe it is reasonably possible that resolution of these matters will result in a material loss. We have not provided any third party financial guarantees as of and for the 26 and 13 week periods ended July 1, 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information and current statements contained in this Form 10-Q, certain matters discussed herein, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements that involve risks and uncertainties, including, without limitation, the effect of economic and market conditions and competition, the ability to open new stores and expand into new markets, and risks relating to foreign importing operations, which could cause actual results

to differ materially.

RECENT DEVELOPMENTS

On May 15, 2006, we announced plans to exit the Lillie Rubin business, consisting of 39 stores at July 1, 2006, and to introduce a new concept, Cache Luxe. The Company intends to convert 20 Lillie Rubin locations to Cache Luxe stores and 1 Lillie Rubin location to Cache stores. The Company closed 9 stores in July and will close 9 stores in August and September. The Company anticipates converting the remaining 20 Lillie Rubin stores to Cache Luxe by the end of September.

All of the Cache Luxe locations will be in malls that also contain a Cache store. The Cache Luxe concept will enable the Company to offer a larger selection of casual and evening apparel, as well as accessories at higher price points. In addition, Cache stores located in malls containing a Cache store will have increased capacity to offer an expanded casual assortment.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the 13 and 26 week periods ended July 1, 2006 and July 2, 2005, expressed as a percentage of net sales.

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	<C> 13 Weeks Ended		<C> 26 Weeks Ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	50.8	54.7	52.4	55.7
Gross profit	49.2	45.3	47.6	44.3
Store operating expenses		31.6	31.8	33.0
General and administrative expenses	6.8	6.5	7.2	6.3
Lillie Rubin exit costs	7.9	0.0	4.2	0.0
Operating income	2.9	7.0	3.2	5.8
Other income	0.9	0.4	0.9	0.3
Income before income taxes		3.8	7.4	4.1
Income taxes	1.5	2.9	1.6	2.4
Net income	2.3	4.5	2.5	3.7

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We use a number of key indicators of financial condition and operating performance to evaluate the performance of our business, some of which are set forth in the following table:

<TABLE>

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	<C> 13 Weeks Ended	<C> 26 Weeks Ended	<C> 26 Weeks Ended	<C> 26 Weeks Ended
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Total store count at end of period	309	297	309	297
Net sales growth	7.0%	7.9%	4.4%	8.8%
Comparable store sales growth	6.0%	5.0%	4.0%	3.0%
Average sales per transaction growth	1.1%	7.0%	3.8%	3.3%
Average number of transactions growth (0.5%)	4.9%	(2.4%)	(1.1%)	
Net sales per average square foot	\$117	\$114	\$224	\$222
Total square footage (in thousands)	611	600	611	600

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NET SALES

Net sales increased to \$135.5 million from \$129.8 million, an increase of \$5.7 million or 4.4%, over the prior year 26 week period. Comparable store sales at Cache stores (sales for stores open at least one year or more) increased \$6.5 million or 6%, during the 26 week period. Comparable store sales at Lillie Rubin stores decreased \$2.2 million or 20%, during the 26 week period. Net sales from non-comparable stores increased \$1.4 million, during the current 26 week period. The increase in net sales in FY 2006 at Cache stores reflected a 5% increase in average dollars per transaction, as well as a 1% increase in sales transactions. Dress sales helped to increase sales above FY 2005 levels.

Net sales increased to \$71.7 million from \$67.0 million, an increase of \$4.7

million, or 7.0%, over the same 13 week period last year. This reflects \$4.4 million of additional net sales as a result of 8% increase in comparable store sales at Cache stores. Net sales at Lillie Rubin stores decreased \$0.8 million or 16.6%, during the 13 week period. Net sales increased \$1.1 million, as a result of additional sales from non-comparable stores, during the current 13 week period. The increase in net sales in FY 2006 at Cache stores reflected a 2% increase in average dollars per transaction, as well as a 5% increase in sales transactions. Dress sales helped to increase sales above FY 2005 levels, as Easter shifted into the Company's second quarter in FY 2006 from the first quarter in FY 2005.

GROSS PROFIT

Gross profit increased to \$64.5 million from \$57.5 million, an increase of \$7.0 million or 12.2%, over the prior year 26 week period. This increase was primarily due to higher net sales. As a percentage of net sales, gross profit increased to 47.6% from 44.3%. The increase in gross profit as a percentage of net sales was primarily due to lower promotional activity, as well as higher initial markup. The Company expects gross margins to improve during the remainder of Fiscal 2006 and beyond, due to the establishment of an internal production and sourcing department.

Gross profit increased to \$35.3 million from \$30.4 million, an increase of \$4.9 million, or 16.2%, over the same 13 week period last year. This increase was primarily due to higher net sales. As a percentage of net sales, gross profit increased to 49.2% from 45.3%. The increase in gross profit as a percentage of net sales was primarily due to the same factors as for the 26 week period.

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STORE OPERATING EXPENSES

Store operating expenses increased to \$44.7 million from \$41.9 million, an increase of \$2.8 million or 6.7%, over the prior year 26 week period. This increase is primarily attributable to the increase in the number of stores open. As a percentage of net sales, store operating expenses increased to 33.0% from 32.3% for the 26 week period, primarily due to higher payroll, depreciation, property taxes and advertising expenses. This increase reflects the impact of newer stores, which have not achieved a mature sales volume level as compared to the existing store base. The increase in store operating expenses was principally due to the higher payroll (\$621,000), higher depreciation expense (\$790,000), higher property taxes (\$274,000) and advertising expenses (\$255,000)

in FY 2006 as compared to FY 2005, primarily due to the increase in stores open.

Store operating expenses increased to \$22.7 million from \$21.3 million, an increase of \$1.4 million or 6.5% over the same 13 week period last year. This increase is primarily due to an increase in the number of stores open. As a percentage of sales, store operating expenses decreased to 31.6% from 31.8% primarily due to the increase in sales volume.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased to \$9.7 million from \$8.2 million, an increase of \$1.5 million or 19.3%, over the same 26 week period last year. As a percentage of net sales, general and administrative expenses increased to 7.2% from 6.3%, primarily due to higher travel (\$238,000) and professional fees (\$122,000), as compared to last year, as well as due to higher payroll expense which included compensation from stock options of \$602,000 related to the adoption of FAS No. 123R.

General and administrative expenses increased to \$4.9 million from \$4.4 million, an increase of \$539,000 or 12.3%, above the same 13 week period last year. As a percentage of net sales, general and administrative expenses increased to 6.8% from 6.5% for the 13 week period, primarily due to the same factors as for the 26 week period.

LILLIE RUBIN EXIT COSTS

During the quarter ended July 1, 2006 the Company recorded a pre-tax charge of \$5.7 million for the exit of the Lillie Rubin business. The charge is comprised of leasehold improvement, furniture and fixtures write down of \$4.1 million, write down of intangibles of \$455,000, write down of supplies of \$275,000, severance charges of \$384,000, as well as an accrual of \$1.6 million for contractual termination costs negotiated prior to July 1, 2006. These costs were partially offset by the reversal of \$1.2 million of deferred rent accruals. As a percent of sales, Lillie Rubin exit costs were 7.9% and 4.2%, for the 13 and 26 week periods in Fiscal 2006.

INTEREST INCOME

Interest income increased to \$1.2 million from \$400,000, an increase of \$800,000 over the prior period, primarily due to higher average cash balances, as well as higher interest rates.

Interest income increased to \$664,000 from \$243,000 in the same 13 week period last year.

INCOME TAXES

Income taxes decreased to \$2.2 million from \$3.1 million, as compared to the 26 week period last year. The decrease was primarily attributable to lower taxable income in fiscal 2006. The estimated effective tax rate for the 26 week periods in fiscal 2006 and fiscal 2005 were 39.0% and 39.5%, respectively.

Income taxes decreased to \$1.1 million from \$2.0 million, as compared to the same 13 week period last year. The estimated effective tax rate for the 13 week periods in fiscal 2006 and fiscal 2005 were 39.0% and 39.5%, respectively.

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NET INCOME

As a result of the factors discussed above, net income decreased to \$3.4 million from \$4.8 million for the prior year 26 week period.

Net income decreased to \$1.7 million from \$3.0 million below the same 13 week period last year.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are primarily for working capital, the construction of new stores, the remodeling of existing stores, and to improve and enhance our information technology systems. During the 26 week period ended July 1, 2006, we generated \$9.3 million of cash flow from operations as compared to \$7.1 million generated in the same period in Fiscal 2005. We expect to continue to meet our cash requirements primarily through cash flows from operating activities, existing cash and cash equivalents, and short-term investments. In addition, we have available a \$17.5 million revolving credit facility (the "credit facility") with Bank of America Retail Finance, under which we have not had outstanding borrowings for several years. At July 1, 2006, we had working capital of \$69.4 million, cash and marketable securities of \$56.0 million and no third party debt outstanding.

The following table sets forth our cash flows for the period indicated:

----- Twenty-six weeks ended -----	
July 1, 2006	July 2, 2005

Net cash from operating activities.....	\$9,316,000	\$7,098,000
Net cash from investing activities.....	9,259,000	(7,063,000)
Net cash from financing activities.....	250,000	283,000
Net increase in cash and cash equivalents.	\$18,825,000	\$318,000

During the 26 week period ended July 1, 2006, we increased our cash and cash equivalents by \$18.8 million, primarily due to net matured investments of \$16.1 million, net income of \$3.4 million (which includes depreciation expense of \$5.4 million), a reduction in inventories of \$2.4 million and receivables of \$2.6 million, partially offset by prepaid expense increase of \$1.1 million, a reduction in accounts payable of \$6.8 million and expenditures for our new store expansion and remodeling program totaling \$6.8 million. The Company recorded a charge of \$5.7 million for the exit of the Lillie Rubin business, which is comprised of \$3.7 million of non-cash charges and \$2.0 million of cash charges. The cash charges will be paid out in the third quarter. The exit of Lillie Rubin should be finalized by the end of the third quarter.

We plan to open approximately 18 to 20 new stores during Fiscal 2006. Ten new stores were opened in the second quarter and two new stores opened in the first quarter of Fiscal 2006. We anticipate opening an additional 7 new stores during the remainder of the year. We renovated 8 existing stores in Fiscal 2006. We spent \$6.8 million through July 1, 2006 and expect to spend an additional \$7 million to \$8 million in 2006, for both new store and existing store construction and remodeling.

INFLATION

We do not believe that our sales revenue or operating results have been materially impacted by inflation during the past three fiscal years. There can be no assurance, however, that our sales revenue or operating results will not be impacted by inflation in the future.

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OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements or transactions with unconsolidated, limited purpose entities. In the normal course of its business, we enter into operating leases for store locations and utilize letters of credit principally for the importation of merchandise. We do not have any undisclosed

material transactions or commitments involving related persons or entities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are more fully described in Note 1 of Notes to Consolidated Financial Statements in our Fiscal 2005 10-K. As disclosed in Note 1 of Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, actual results will differ from those estimates. We evaluate our estimates and judgments on an ongoing basis and predicated those estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results will differ from these under different assumptions or conditions.

Our management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of the Consolidated Financial Statements.

INVENTORIES. Our inventories are valued at lower of cost or market using the retail inventory method. Under the retail inventory method ("RIM"), the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. RIM is an averaging method that has been widely used in the retail industry due to its practicality. Additionally, it is recognized that the use of RIM will result in valuing inventories at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the RIM calculation are certain significant management judgments including, among others, merchandise markon, markups, and markdowns, which significantly impact the ending inventory valuation at cost as well as the resulting gross margins. We take markdowns due to changes in fashion and style, based on the following factors: (i) supply on hand, and (ii) our expectations as to future sales. We do not anticipate any significant change in our markdown strategy that would cause a change in our earnings. We believe that our RIM provides an inventory valuation, which results in a carrying value at the lower of cost or market.

FINITE-LONG LIVED ASSETS. The Company's judgment regarding the existence of impairment indicators is based on market and operational performance. We assess the impairment of long-lived assets, primarily fixed assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- o significant changes in the manner of our use of assets or the strategy for our overall business;
- o significant negative industry or economic trends;
- o store closings;
- o underperforming stores; or
- o underperforming business trends.

In the evaluation of the fair value and future benefits of finite long-lived assets, we perform an analysis by store of the anticipated undiscounted future net cash flows of the related finite long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections or strategies change, the conclusion regarding impairment may differ from the current estimates. During the quarter ended July 1, 2006, the Company recorded a charge of \$5.7 million related to the

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exit of the Lillie Rubin store chain. \$4.1 million of this charge relates to the impairment of fixed assets. No impairment charges were incurred in Fiscal 2003, 2004 and 2005, respectively.

SELF INSURANCE. We are self-insured for losses and liabilities related primarily to employee health and welfare claims. Losses are accrued based upon our estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience. Adjustments to earnings resulting from changes in historical loss trends have been insignificant for fiscal 2003, 2004 and 2005. Further, we do not anticipate any significant change in loss trends, settlements or other costs that would cause a significant change in our earnings.

REVENUE RECOGNITION. Sales are recognized at the "point of sale," which occurs when merchandise is sold in an "over-the-counter" transaction or upon receipt by a customer. Sales of merchandise via our website are recognized at the expected time of delivery to the customer. Our customers have the right to return merchandise. Sales are reported net of actual and estimated returns. We maintain a reserve for potential product returns and record, as a reduction to sales, a provision for estimated product returns, which is determined based on historical experience. Charges or credits to earnings resulting from revisions to estimates

on our sales return provision were approximately \$66,000, \$20,000 and \$(29,000) for Fiscal 2003, 2004 and 2005, respectively. Amounts billed to customers for shipping and handling fees are included in net sales at the time of shipment. Costs incurred for shipping and handling are included in cost of sales.

INCOME TAXES. The Company accounts for income taxes in accordance with SFAS No.

109, "Accounting for Income Taxes." This statement requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities, using applicable tax rates for the years in which the differences are expected to reverse. The Company reserves for tax contingencies when it is probable that a liability has been incurred and the contingent amount is reasonably estimable. These reserves are based upon the Company's best estimation of the potential exposures associated with the timing and amount of deductions as well as various tax filing positions. Due to the complexity of these examination issues, \$325,000 has been accrued to date.

SEASONALITY. We experience seasonal and quarterly fluctuations in net sales and operating income. Quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, fashion trends and shifts in timing of certain holidays. Our business is subject to seasonal influences, characterized by highest sales during the fourth quarter (October, November and December) and lowest sales during the third quarter (July, August and September).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the following types of market risk-fluctuations in the purchase price of merchandise, as well as other goods and services: the value of foreign currencies in relation to the U.S. dollar; and changes in interest rates. Due to our inventory turn rate and its historical ability to pass through the impact of any generalized changes in its cost of goods sold to its customers through pricing adjustments, commodity and other product risks are not expected to be material. We purchase substantially all merchandise in U.S. dollars.

Our exposure to market risk for changes in interest rates relates to cash, cash equivalents and marketable securities. As of July 1, 2006, our cash, cash equivalents and marketable securities consisted primarily of funds invested in money market accounts, which bear interest at a variable rate and U.S. treasury instruments, which bear interest at a fixed rate. Due to the average maturity and the conservative nature of our investment portfolio, we believe a sudden change in interest rates would not have a material effect on the value of our

investment portfolio. As the interest rates on a material portion of our cash, cash equivalents and marketable securities are variable, a change in interest rates earned on our investment portfolio would impact interest income along with cash flows, but would not materially impact the fair market value of the related underlying instruments.

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ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to our management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding the required disclosure. As of the end of the period covered by this Form 10-Q, an evaluation was performed under the supervision and with the participation of our management, including the CEO and the CFO, of the effectiveness of the design and operation of these disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that our disclosure controls and procedures were effective.

In connection with the preparation of the Annual Report on Form 10-K, as of December 31, 2005, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). In performing this assessment, management reviewed the lack of resources in the accounting and finance department. As a result of this review, management concluded that the lack of resources resulted in an ineffective review, monitoring and analysis of schedules, reconciliations and financial statement disclosures, resulting in several adjustments to the current financial statements, which caused a material weakness as of December 31, 2005.

We have subsequently implemented a more thorough review process to ensure the accuracy of accounting calculations supporting the amounts reflected in our financial statements and also to ensure that all significant accounts are properly reconciled on a frequent and timely basis. The remaining remediation steps will be completed during the third quarter.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the

Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

Dated: August 10, 2006

CACHE, INC.

BY: /s/ Brian Woolf

Brian Woolf
Chairman and Chief
Executive Officer
(Principal Executive
Officer)

BY: /s/ Margaret Feeney

Margaret Feeney
Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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EXHIBIT 31.1
CERTIFICATION

I, Brian Woolf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cache, Inc. (Cache);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Cache as of, and for, the periods presented in this quarterly report;
4. Cache's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Cache, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be

designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c) evaluated the effectiveness of Cache's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation;
- d) disclosed in this report any changes in Cache's internal control over financial reporting that occurred during Cache's second quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. Cache's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Cache's auditors and the audit committee of Cache's Board of Directors;

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect Cache's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in Cache's internal controls over financial reporting.

August 10, 2006

By: /s/ Brian Woolf

Brian Woolf
Chairman and Chief
Executive Officer
(Principal Executive
Officer)

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EXHIBIT 31.2
CERTIFICATION

I, Margaret Feeney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cache, Inc. (Cache);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Cache as of, and for, the periods presented in this quarterly report;
4. Cache's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Cache, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of Cache's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation;
 - d) disclosed in this report any changes in Cache's internal control over financial reporting that occurred during Cache's second quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. Cache's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Cache's auditors and the audit committee of Cache's Board of Directors;

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect Cache's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in Cache's internal controls over financial reporting.

August 10, 2006

By: /s/ Margaret Feeney

Margaret Feeney
Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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EXHIBIT 32.1
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to, and solely for the purposes of, 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002), each of the undersigned hereby certifies in the capacity and on the date indicated below that:

1. The Quarterly Report of Cache, Inc. on Form 10-Q for the period ending July 1, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cache, Inc.

August 10, 2006

BY: /s/ Brian Woolf

Brian Woolf
Chairman and Chief
Executive Officer
(Principal Executive
Officer)

August 10, 2006

By: /s/ Margaret Feeney

Margaret Feeney
Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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-----END PRIVACY-ENHANCED MESSAGE-----