

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION**

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<b>In re</b>	:	<b>Chapter 11</b>
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<b>CHINOS HOLDINGS, INC., et al.,</b>	:	<b>Case No. 20–32181 (KLP)</b>
	:	
<b>Debtors.<sup>1</sup></b>	:	<b>(Jointly Administered)</b>
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**NOTICES, RESTRICTIONS, AND PROCEDURES REGARDING OWNERSHIP AND  
APPROVING RESTRICTIONS ON CERTAIN TRANSFERS OF INTERESTS IN, AND  
CLAIMS AGAINST, THE DEBTORS AND CLAIMS OF CERTAIN WORTHLESS  
STOCK DEDUCTIONS**

Pursuant to that certain *Interim Order Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in, and Claims Against, the Debtors and Claims of Certain Worthless Stock Deductions* (the “**Interim Order**”) of the United States Bankruptcy Court for the Eastern District of Virginia (the “**Bankruptcy Court**”) entered on May 5, 2020, Docket No. 20-32181 (KLP), the following restrictions, notification requirements, and/or other procedures (collectively, the “**Procedures**”) apply to all trading and transfers of, and claims of Worthless Stock Deductions with respect to, beneficial ownership of Chinos Stock (including indirectly or through the issuance or transfer of Options to acquire Chinos Stock):<sup>2</sup>

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are Chinos Holdings, Inc. (3834); Chinos Intermediate Holdings A, Inc. (3301); Chinos Intermediate, Inc. (3871); Chinos Intermediate Holdings B, Inc. (3244); J. Crew Group, Inc. (4486); J. Crew Operating Corp. (0930); Grace Holmes, Inc. (1409); H.F.D. No. 55, Inc. (9438); J. Crew Inc. (6360); J. Crew International, Inc. (2712); J. Crew Virginia, Inc. (5626); Madewell Inc. (8609); J. Crew Brand Holdings, LLC (7625); J. Crew Brand Intermediate, LLC (3860); J. Crew Brand, LLC (1647); J. Crew Brand Corp. (1616); J. Crew Domestic Brand, LLC (8962); and J. Crew International Brand, LLC (7471). The Debtors’ corporate headquarters and service address is 225 Liberty St., New York, NY 10281.

<sup>2</sup> Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the *Motion of Debtors for Entry of Interim and Final Orders Establishing Notification Procedures and Approving*

## A. Chinos Stock Restrictions

i. Definitions. For purposes of these Procedures, the following terms have the following meanings:

1. “**Entity**” has the meaning as such term is defined in section 1.382-3(a) of title 26 of the Code of Federal Regulations (the “**Treasury Regulations**”), including any group of persons acting pursuant to a formal or informal understanding among themselves to make a coordinated acquisition of Chinos Stock (as defined below).

2. “**Common Stock**” shall mean any common stock issued by Chinos Holdings, Inc. (“**Chinos**”).

3. “**Class A Preferred Stock**” shall mean Class A preferred stock issued by Chinos.

4. “**Class B Preferred Stock**” shall mean Class B preferred stock issued by Chinos.

5. “**Option**” shall mean any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest regardless of whether it is contingent or otherwise not currently exercisable.

6. “**Chinos Stock**” shall mean, collectively, Common Stock, Class A Preferred Stock, and Class B Preferred Stock. For the avoidance of doubt, by operation of the definition of beneficial ownership, an owner of an Option to acquire beneficial ownership of Chinos Stock may be treated as the owner of such Chinos Stock.

7. “**Beneficial ownership**” of Chinos Stock and Options to acquire Chinos Stock shall be determined in accordance with applicable rules under section 382 of the title 26 of the United States Code (the “**Tax Code**”), the Treasury Regulations, and rulings issued by the Internal Revenue Service (the “**IRS**”), and, thus, to the extent provided in those sources, from time to time shall include, without limitation, (i) direct and indirect ownership, determined without regard to any rule that treats stock of an entity as to which the constructive ownership rules apply as no longer owned by that entity (*e.g.*, a holding company would be considered to beneficially own all stock owned or acquired by its subsidiaries), (ii) ownership by a holder’s family members, (iii) ownership by any Entity, and (iv) to the extent set forth in Treasury Regulations section 1.382-4, the ownership of an Option to acquire beneficial ownership of Chinos Stock.

8. “**Substantial Stockholder**” shall mean any person or Entity that beneficially owns at least 5,348,600 shares of Common Stock (representing approximately 4.75% of all issued and outstanding shares of Common Stock), 9,600 shares of Class A Preferred Stock (representing approximately 4.75% of all issued and outstanding shares of Class A Preferred

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*Restrictions on Certain Transfers of Interests in, and Claims Against, the Debtors and Claims of Certain Worthless Stock Deductions [Docket No. 13] (the “**Motion**”).*

Stock), or 6,000 shares of Class B Preferred Stock (representing approximately 4.75% of all issued and outstanding shares of Class B Preferred Stock).

9. “**Majority Stockholder**” shall mean any person that would be a “50-percent shareholder” (within the meaning of section 382(g)(4)(D) of the Tax Code) of Chinos Stock if such person claimed a Worthless Stock Deduction at any time on or after the Petition Date.

10. “**Worthless Stock Deduction**” shall mean any claim (for U.S. federal income tax reporting purposes) of a worthless stock deduction under section 165(g) of the Tax Code with respect to beneficial ownership of Chinos Stock.

ii. Notice of Substantial Ownership. Any person or Entity that beneficially owns, at any time on or after the Petition Date, Chinos Stock in an amount sufficient to qualify such person or Entity as a Substantial Stockholder shall file with the Bankruptcy Court, and serve upon (i) the Debtors, 225 Liberty Street, 17th Floor, New York, NY 10281 (Attn: Maria Di Lorenzo); (ii) counsel for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Ray C. Schrock, P.C.; Ryan P. Dahl, Esq.; Candace M. Arthur, Esq. and Daniel Gwen, Esq.); (iii) co-counsel for the Debtors: Hunton Andrews Kurth LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219 (Attn: Tyler P. Brown, Esq., Henry P. (Toby) Long, III, Esq., and Nathan Kramer, Esq.); (iv) counsel to any statutory committee of unsecured creditors appointed in these cases (a “**Creditors’ Committee**”); (v) counsel to the Ad Hoc Committee, Milbank LLP (Attn: Dennis F. Dunne, Esq. (DDunne@milbank.com), Samuel A. Khalil, Esq. (SKhalil@milbank.com) and Matthew A. Brod, Esq. (MBrod@milbank.com)); and (vi) counsel to the Sponsors (collectively, the “**Disclosure Parties**”) a notice of such person’s or Entity’s substantial ownership (a “**Substantial Stock Ownership Notice**”), in substantially the form annexed to the Proposed Orders as Exhibit 2, which describes specifically and in detail such person’s or Entity’s ownership of Chinos Stock, on or before the date that is the later of (x) twenty (20) calendar days after the entry of an order granting the relief requested in the Motion, and (y) ten (10) business days after such person or Entity qualifies as a Substantial Stockholder. At the election of the Substantial Stockholder, the Substantial Stock Ownership Notice to be filed with the Bankruptcy Court (but not the Substantial Stock Ownership Notice that is served upon the Debtors and counsel and co-counsel to the Debtors) may be redacted to exclude the Substantial Stockholder’s taxpayer identification number and the amount of Chinos Stock that the Substantial Stockholder beneficially owns.

iii. Acquisition of Chinos Stock. At least fifteen (15) business days prior to the proposed date of any transfer of Chinos Stock (including indirectly or through the issuance or transfer of Options to acquire Chinos Stock) or exercise of any Option to acquire Chinos Stock that would result in an increase in the amount of Chinos Stock beneficially owned by any person or Entity that currently is or, as a result of the proposed transaction, would be a Substantial Stockholder (a “**Proposed Acquisition Transaction**”), such person or Entity (a “**Proposed Transferee**”) shall file with the Bankruptcy Court and serve upon the Disclosure Parties a notice of such Proposed Transferee’s intent to purchase, acquire, or otherwise accumulate Chinos Stock and/or Options to acquire Chinos Stock (an “**Acquisition Notice**”), in substantially the form annexed to the Proposed Orders as Exhibit 3, which describes specifically and in detail the Proposed Acquisition Transaction. At the election of the Proposed Transferee, the Acquisition Notice to be filed with the Bankruptcy Court (but not the Acquisition Notice that is served upon

the Debtors and counsel and co-counsel to the Debtors) may be redacted to exclude the Proposed Transferee's taxpayer identification number and the amount of Chinos Stock that the Proposed Transferee beneficially owns.

iv. Disposition of Chinos Stock. At least fifteen (15) business days prior to the proposed date of any transfer or other disposition of Chinos Stock (including indirectly or through the issuance or transfer of Options to acquire Chinos Stock) that would result in either a decrease in the amount of Chinos Stock beneficially owned by a Substantial Stockholder or a person's or Entity's ceasing to be a Substantial Stockholder (a "**Proposed Disposition Transaction**" and, together with a Proposed Acquisition Transaction, a "**Proposed Transaction**"), such person, Entity, or Substantial Stockholder (a "**Proposed Transferor**") shall file with the Bankruptcy Court and serve upon the Disclosure Parties a notice of such Proposed Transferor's intent to sell, trade, or otherwise transfer Chinos Stock or Options to acquire Chinos Stock (a "**Disposition Notice**" and, together with an Acquisition Notice, a "**Trading Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 4**, which describes specifically and in detail the Proposed Disposition Transaction. At the election of the Substantial Stockholder, the Disposition Notice to be filed with the Bankruptcy Court (but not the Disposition Notice that is served upon the Debtors and counsel and co-counsel to the Debtors) may be redacted to exclude the Substantial Stockholder's taxpayer identification number and the amount of Chinos Stock that the Substantial Stockholder beneficially owns.

v. Notice of Status as a Majority Stockholder. Any person or Entity that currently is or becomes a Majority Stockholder shall file with the Bankruptcy Court and serve upon the Disclosure Parties a notice of such status (a "**Majority Stockholder Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 5**, which describes specifically and in detail such person's beneficial ownership of Chinos Stock, on or before the date that is the later of (x) twenty (20) calendar days after the entry of an order granting the relief requested in the Motion and (y) ten (10) business days after such person qualifies as a Majority Stockholder. At the election of the Majority Stockholder, the Majority Stockholder Notice to be filed with the Bankruptcy Court (but not the Majority Stockholder Notice that is served upon the Debtors and counsel and co-counsel to the Debtors) may be redacted to exclude the Majority Stockholder's taxpayer identification number.

vi. Notice of Intent to Claim a Worthless Stock Deduction. At least fifteen (15) business days before a Majority Stockholder files any federal income tax return, or any amendment to such a return, claiming a Worthless Stock Deduction for a tax year of the Majority Stockholder ending on or before the effective date of a chapter 11 plan of reorganization for the Debtors, such Majority Stockholder shall file with the Bankruptcy Court and serve upon the Disclosure Parties advanced written notice of the intended Worthless Stock Deduction (a "**Worthless Stock Deduction Notice**"), in substantially the form annexed to the Proposed Orders as **Exhibit 6**. At the election of the Majority Stockholder, the Worthless Stock Deduction Notice to be filed with the Bankruptcy Court (but not the Worthless Stock Deduction Notice that is served upon the Debtors and counsel and co-counsel to the Debtors) may be redacted to exclude the Majority Stockholder's taxpayer identification number.

vii. Objection Procedures. The Debtors, in reasonable consultation with the Ad Hoc Committee, shall have fifteen (15) business days after the filing of a Trading Notice or a Worthless

Stock Deduction Notice (the “**Objection Period**”) to file with the Bankruptcy Court and serve on a Proposed Transferee or a Proposed Transferor, as the case may be, or a Majority Stockholder, as applicable, an objection (each, an “**Objection**”) to any Proposed Transaction described in such Trading Notice or any Worthless Stock Deduction described in such Worthless Stock Deduction Notice; *provided* that the Objection Period and date of any Proposed Transaction or deduction shall be extended with the consent of the Proposed Transferee, Proposed Transferor, or Majority Stockholder, such consent not to be unreasonably withheld, conditioned, or delayed. If, after reasonable consultation with the Ad Hoc Committee, the Debtors file an Objection by the expiration of the Objection Period including any extension thereof (the “**Objection Deadline**”), then the applicable Proposed Transaction or Worthless Stock Deduction shall not be effective unless approved by a final and nonappealable order of the Bankruptcy Court. If, after reasonable consultation with the Ad Hoc Committee, the Debtors do not file an Objection by the Objection Deadline or provide written authorization to the Proposed Transferee or the Proposed Transferor, as the case may be, or the Majority Stockholder, as applicable, approving the Proposed Transaction or the Worthless Stock Deduction prior to the Objection Deadline, then such Proposed Transaction or Worthless Stock Deduction may proceed solely as specifically described in the applicable Trading Notice or Worthless Stock Deduction Notice. Any further Proposed Transaction or Worthless Stock Deduction must be the subject of an additional Trading Notice or Worthless Stock Deduction Notice and Objection Period.

#### **B. Noncompliance with the Procedures**

Any acquisition, disposition, trading of, or claim of Worthless Stock Deduction with respect to, beneficial ownership of Chinos Stock or Options to acquire Chinos Stock in violation of these Procedures shall be null and void *ab initio* as an act in violation of the automatic stay under section 362 of the Bankruptcy Code and pursuant to the Bankruptcy Court’s equitable powers under section 105(a) of the Bankruptcy Code. In the event that a Majority Stockholder claims a Worthless Stock Deduction in violation of these Procedures, such holder shall be required to file an amended federal income tax return revoking such deduction. Furthermore, any person or Entity that acquires, disposes of, trades, or claims a Worthless Stock Deduction with respect to beneficial ownership of Chinos Stock or Options to acquire Chinos Stock in violation of these Procedures shall be subject to sanctions as provided by law.

#### **C. Debtors’ Right to Waive**

**The Debtors may, in their sole discretion, waive, in writing, any and all restrictions, stays, and notification Procedures contained in this Notice.**

Dated: Richmond, Virginia  
May 5, 2020

**BY ORDER OF THE COURT**