

<b>CASE NAME: Chinos Holdings, Inc., et al.</b>
<b>CASE NUMBER: 20-32181</b>
<b>JUDGE: Keith L. Phillips</b>

**UNITED STATES BANKRUPTCY COURT**

**EASTERN DISTRICT OF VIRGINIA**

**RICHMOND DIVISION**

**MONTHLY OPERATING REPORT**

**MONTH ENDING: JULY 4, 2020**

**IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-6) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY): IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.**

**RESPONSIBLE PARTY:**

*/s/Vincent Zanna*

\_\_\_\_\_  
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

Vincent Zanna

\_\_\_\_\_  
PRINTED NAME OF RESPONSIBLE PARTY

Chief Financial Officer

\_\_\_\_\_  
TITLE

July 30, 2020

\_\_\_\_\_  
DATE

UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA

In re: Chinos Holdings, Inc., et al.

Case No. (Jointly Administered)  
Reporting Period:

20-32181  
4-Jul-20

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**Notes to the Monthly Operating Report**

**GENERAL:**

The report includes activity from the following Debtors and related Case Numbers for the financial period from May 31, 2020 to July 4, 2020:

Debtor	Case Number	Debtor	Case Number
Chinos Holdings, Inc	20-32181	J. Crew International, Inc.	20-32190
Chinos Intermediate Holdings A, Inc	20-32182	J. Crew Virginia, Inc.	20-32180
Chinos Intermediate, Inc	20-32183	Madewell Inc.	20-32191
Chinos Intermediate Holdings B, Inc	20-32184	J. Crew Brand Holdings, LLC	20-32192
J. Crew Group, Inc.	20-32185	J. Crew Brand Intermediate, LLC	20-32193
J. Crew Operating Corp.	20-32186	J. Crew Brand, LLC	20-32194
Grace Holmes, Inc.	20-32187	J. Crew Brand Corp.	20-32195
H.F.D. No. 55, Inc.	20-32188	J. Crew Domestic Brand, LLC	20-32196
J. Crew, Inc.	20-32189	J. Crew International Brand, LLC	20-32197

**Notes to the MOR:**

The Debtors are filing their consolidated Monthly Operating Report (MOR) solely for the purposes of complying with the monthly operating report requirements applicable in the Debtors' chapter 11 cases. The financial and supplemental information contained herein is presented on preliminary and unaudited basis, remains subject to future adjustments and may not comply in all material respects with generally accepted accounting principles in United States of America ("U.S. GAAP"). This MOR should not be relied on by any persons for information relating to current or future financial conditions, events, or performance of any of the Debtors or their affiliates.

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP, and upon application of such procedures, the Debtors believe that the financial information could be subject to material changes.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the combined results of operations and financial positions of the Debtor in the future.

The Debtors reserve all rights to amend or supplement this MOR in all respects, as may be necessary or appropriate. Nothing contained in this MOR shall constitute a waiver of any of the Debtors' rights or an admission with respects to their chapter 11 cases.

In re: Chinos Holdings, Inc., et al.

Case No. (Jointly Administered)  
Reporting Period:

MOR-1  
20-32181  
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**Schedule of Cash Receipts and Disbursements**

Debtor	Case Number	Cash Receipts <sup>1</sup>	Cash Disbursements <sup>1</sup>
Chinos Holdings, Inc	20-32181	\$ -	\$ -
Chinos Intermediate Holdings A, Inc	20-32182	7,806,125	107,571
Chinos Intermediate, Inc	20-32183	-	-
Chinos Intermediate Holdings B, Inc	20-32184	-	-
J. Crew Group, Inc.	20-32185	9,827,984	14,032,816
J. Crew Operating Corp.	20-32186	225,408,619	246,017,416
Grace Holmes, Inc.	20-32187	66,288,682	635,795
H.F.D. No. 55, Inc.	20-32188	721,177	632,035
J. Crew, Inc.	20-32189	533,824	538,468
J. Crew International, Inc.	20-32190	-	-
J. Crew Virginia, Inc.	20-32180	-	-
Madewell Inc.	20-32191	100,250	79,141
J. Crew Brand Holdings, LLC	20-32192	-	-
J. Crew Brand Intermediate, LLC	20-32193	-	-
J. Crew Brand, LLC	20-32194	-	307
J. Crew Brand Corp.	20-32195	-	-
J. Crew Domestic Brand, LLC	20-32196	-	-
J. Crew International Brand, LLC	20-32197	-	-
<b>Total Cash Receipts and Cash Disbursements</b>		<b>\$ 310,686,661</b>	<b>\$ 262,043,549</b>

Notes:

1. The cash receipts and disbursements are shown on an aggregate basis for the Debtors and have not been adjusted to remove intercompany transfers.

In re: Chinos Holdings, Inc., et al.  
Source: SOAL AB3

Case No. (Jointly Administered) MOR-2  
20-32181  
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**Bank Account Information**

Legal Entity	Bank	Account type	Last 4 Digits of Account Number	Balance <sup>1</sup>
Grace Holmes, Inc.	Bank of America	Store Deposit	4684	\$ 13,888
Grace Holmes, Inc.	Bank of America	Borrowing Base	4621	65,554,274
H.F.D. No. 55, Inc.	Bank of America	Store Deposit	4671	18,733
Madewell Inc.	Bank of America	Store Deposit	1206	4,192
J. Crew Operating Corp.	Bank of America Merrill Lynch	Investment	1A06	-
Madewell Inc.	Bank of America Merrill Lynch	--	2685	-
Madewell Inc.	Bank of America Merrill Lynch	--	8360	-
Grace Holmes, Inc.	Capital One	Store Deposit	0364	3,025
H.F.D. No. 55, Inc.	Capital One	Store Deposit	0259	1,500
Grace Holmes, Inc.	Chase	Store Deposit	1802	18,912
H.F.D. No. 55, Inc.	Chase	Store Deposit	1810	25,328
Madewell Inc.	Chase	Store Deposit	1828	10,683
J. Crew Operating Corp.	HSBC	Open Account	5201	322,717
J. Crew Operating Corp.	HSBC	Letter of Credit	6434	(6,075)
Chinos Intermediate Holdings A, Inc.	JPM	DIP Funding Account	3865	12,603,196
Chinos Intermediate Holdings A, Inc.	JPM	Professional Fees Escrow Account	3719	14,751,016
Chinos Intermediate Holdings A, Inc.	JPM	Utility Security Escrow Account	8866	492,627
Grace Holmes, Inc.	Key Bank	Store Deposit	1222	2,227
H.F.D. No. 55, Inc.	Key Bank	Store Deposit	3660	8,020
Grace Holmes, Inc.	PNC Bank	Store Deposit	7131	3,037
H.F.D. No. 55, Inc.	PNC Bank	Store Deposit	9887	5,506
H.F.D. No. 55, Inc.	TD Bank	Store Deposit	6437	23,391
Grace Holmes, Inc.	TD Bank	Store Deposit	3661	14,163
J. Crew Group, Inc.	US Bank	Payroll	2966	887,313
Grace Holmes, Inc.	US Bank	Store Deposit	2079	3,000
H.F.D. No. 55, Inc.	US Bank	Store Deposit	7830	2,452
J. Crew Brand LLC	US Bank	IPCo Notes	6634	46,144
Madewell Inc.	US Bank	--	7576	-
Grace Holmes, Inc.	Wells Fargo	Store Deposit	8543	6,181
H.F.D. No. 55, Inc.	Wells Fargo	Store Deposit	9086	20,181
J. Crew, Inc.	Wells Fargo	Clearance	8323	1,000
Chinos Holdings Inc.	Wells Fargo	Disbursements	2998	1,774
J. Crew Operating Corp.	Wells Fargo	Disbursements	3096	-
J. Crew Operating Corp.	Wells Fargo	Concentration	1816	106,280,452
J. Crew Inc.	Wells Fargo	--	8336	-
J. Crew Inc.	Wells Fargo	--	8600	-
J. Crew Operating Corp.	Wells Fargo	Disbursements	1861	-
J. Crew Operating Corp.	Wells Fargo	Wholesale	1705	-
J. Crew Operating Corp.	Wells Fargo	Investment	0411	-
Madewell Inc.	Wells Fargo	Store Deposit	1442	10,444
Madewell Inc.	Wells Fargo	Investment	6104	-
Madewell Inc.	Wells Fargo	--	1015	-
Madewell Inc.	Wells Fargo	--	9681	-
Madewell Inc.	Wells Fargo	--	9699	-
Madewell Inc.	Wells Fargo	--	7801	-
Madewell Inc.	Wells Fargo	--	2756	-
<b>Total Cash</b>				<b>\$ 201,129,299</b>

**Notes:**

1. Cash and cash equivalents on the balance sheet (Appendix B) includes credit card receivables and therefore differs from the total cash balance shown above

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**MOR-3**  
**Case No. (Jointly Administered) 20-32181**  
**Reporting Period: 4-Jul-20**

**Schedule of Payments to Insiders**

Professional	Role / Capacity	Type	Amount Paid	Cumulative Postpetition Amounts Paid to Date
Jan Singer	Chief Executive Officer	Salary and Expenses	\$ 82,046	\$ 154,162
Libby Wadle	Chief Executive Officer - Madewell	Salary and Expenses	61,461	116,269
Michael Nicholson	President - Chief Operating Officer	Salary and Expenses	69,354	134,739
Lynda Markoe	Chief Administrative Officer	Salary and Expenses	40,961	87,276
Vincent Zanna	Chief Financial Officer	Salary and Expenses	34,179	66,916
D.J. "Jan" Baker	Board of Directors	Fees	75,000	75,000
			<b>\$ 363,001</b>	<b>\$ 634,362</b>

In re: Chinos Holdings, Inc., et al.

**MOR-4**  
**Case No. (Jointly Administered) 20-32181**  
**Reporting Period: 4-Jul-20**

**Schedule of Payments to Professionals**

Payee	Role of Professional	Amount Paid	Cumulative Postpetition Amounts Paid to Date
KPMG	Debtor Accountancy/Tax Adviser	-	-
Weil Gotshal & Manges LLP	Debtor Legal Adviser	-	-
AlixPartners LLP	Debtor Financial Adviser	-	-
Lazard Freres & Co LLC	Debtor Investment Banker	-	-
Omni Agent Solutions	Debtor Claims Agent	40,474	40,474
Hunton Andrews Kurth LLP	Debtor Legal Adviser	-	-
Hilco Real Estate, LLC	Debtor Real Estate Adviser	-	-
Pachulski Stang Ziehl & Jones LLP	UCC Legal Adviser	-	-
Hirschler Fleischer	UCC Legal Adviser	-	-
Province, Inc.	UCC Financial Adviser	-	-
Back Bay Management Corp	UCC Financial Adviser	-	-
Milbank LLP	Ad Hoc Committee Legal Adviser	-	-
Choate Hall & Stewart LLP	ABL Legal Adviser	-	235,825
		<b>\$ 40,474</b>	<b>\$ 276,299</b>

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**Postpetition Status of Secured Notes, Leases Payable, and Adequate Protection Payments**

**PAYMENTS**

Name of Creditor	Description	Scheduled Monthly Payment Due	Amount Paid	Total Unpaid Postpetition
Bank of America, N.A.	ABL Interest (including LCs)	\$ 1,781,844	\$ 1,781,844	\$ -
		<b>TOTAL:</b>	<b>\$ 1,781,844</b>	<b>\$ -</b>

**DIP FINANCING**

Name of Creditor	Beginning Balance	Draws	Pay-Downs	Ending Balance
DIP Facility	\$ 16,075,696	\$ -	\$ -	\$ 16,075,696
<b>TOTAL:</b>	<b>\$ 16,075,696</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,075,696</b>



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**Accounts Receivable and Accounts Payable Aging**

Accounts Receivable Aging <sup>1</sup>	
Accounts Receivable Days Aging	Amount
0-30	\$ 8,460,699
31-60	1,249,540
61-90	376,530
91+	1,266,934
Other Non-Trade Receivables	24,357,460
<b>Accounts Receivable (Gross)</b>	<b>\$ 35,711,163</b>
A/R Allowance for Bad Debts	(4,440,685)
<b>Accounts Receivable (Net)</b>	<b>\$ 31,270,478</b>

Accounts Payable Aging <sup>2</sup>					
Accounts Payable Category	Current	1-30 Days	31-60 Days	61+ Days	Total
Trade Payables	33,160,844	3,815,473	329,972		\$ 37,306,289

**Notes:**

- Balances are spread across both Accounts Receivable, net and other current assets on the balance sheet at Appendix B.
- Includes postpetition balances only. Aging is based on the Debtors' books and records and represents open and outstanding invoices that have been entered into the Debtors' accounts payable system. The aging does not include accruals for invoices not yet received or approved and is aged based on due date.

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Case No. (Jointly Administered) MOR-7  
 Reporting Period: 20-32181  
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**Status Postpetition Taxes**

Tax Category	Beginning Liability	Amount Withheld or Accrued	Amount Paid	Ending Liability
Sales Tax	\$ 7,712,207	\$ 8,999,986	\$ 8,657,096	\$ 8,055,097
Payroll Tax	1,032,452	8,257,965	4,937,429	4,352,988
Property Tax <sup>1,2</sup>	48,780	137,456	8,906	177,331
State Income/Franchise Tax	69,271	69,271	664	137,877
Other Taxes	-	11,255	11,255	-
<b>Total</b>	<b>\$ 8,862,709</b>	<b>\$ 17,475,932</b>	<b>\$ 13,615,350</b>	<b>\$ 12,723,292</b>

**Notes:**

1. The Debtors do not accrue on a monthly basis for NYC Commercial Rent Tax, OH Commercial Activity Tax, SF Business Activity Tax. These taxes are excluded from the table above.
2. Real estate and property taxes paid to landlords per the lease agreement are not included in the amounts above.

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**Debtor Questionnaire**

General Questions	Yes	No
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?		X
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?		X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?	X <sup>1</sup>	
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X <sup>2</sup>	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?		X <sup>3</sup>
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?	X <sup>4</sup>	
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

Insurance	Yes	No
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X <sup>5</sup>	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?	X <sup>5</sup>	
3. PLEASE ITEMIZE POLICIES BELOW.		

**Notes:**

- Pursuant to the *Final Order (I) Authorizing Debtors to (A) Continue Participating in Existing Cash Management System, and Using Bank Accounts and Business Forms, and (B) Continue Intercompany Transactions, (II) Providing Administrative Expense Priority for Postpetition Intercompany Claims, (III) Extension of Time to Comply with Requirements of 11 U.S.C. § 345(b), and (IV) Granting Related Relief* (Docket No. 378), the Debtors continue to enter into ordinary course intercompany transactions postpetition consistent with the Debtors' operation of their business in the prepetition period.
- The Debtors made various payments on prepetition liabilities during the period pursuant to the interim and final first day orders.
- Pursuant to the *Final Order (I) Authorizing The Debtors to Obtain Postpetition Financing, (II) Authorizing The Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Claims, (IV) Granting Adequate Protection to Prepetition Secured Parties, (V) Modifying Automatic Stay, and (VII) Granting Related Relief* (Docket No. 447), the Debtors have secured postpetition debtor-in-possession financing.
- Pursuant to the *Final Order (I) Authorizing the Payment of Certain Prepetition and Postpetition Taxes and Fees and (II) Granting Related Relief* (Docket No. 103), the Debtors continue to pay prepetition taxes and fees as they come due.
- For a complete list of the insurance policies currently in effect, please see the *Final Order (I) Authorizing the Debtors to Continue and Renew their Insurance Coverage and Policies Entered Into Prepetition and Satisfy Obligations Related Thereto and Related to the Surety Bond Program, and (II) Granting Related Relief* (Docket No. 379). Supplemental information is shown on the following page.

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**Debtor Questionnaire - Insurance Supplement**

Change (New, Lapsed, Modified, etc.)	Policy Type	Insurance Carrier	Policy Number	Policy Term	Approximate Annualized Premium
Renewed	Blanket Crime	Berkley Crime	BCCR4500285322	6/15/20 to 6/15/21	\$ 51,000
Renewed	Property	Zurich	PPR0197426-04	6/18/20-6/18/21	\$ 1,599,000
Renewed	Flood	Western World Insurance Company	BRB0007649	6/18/20-6/18/21	\$ 97,000
Renewed	Difference in Conditions	Evanston Insurance Co. (Markel)	MKLV10XP004098	6/18/20-6/18/21	\$ 30,000
Renewed	Marine Cargo	XL Catlin	UM00051167MA20A	6/18/20-6/18/21	\$ 278,000

**Notes:**

For a complete list of the insurance policies currently in effect, please see the *Final Order (I) Authorizing the Debtors to Continue and Renew their Insurance Coverage and Policies Entered Into Prepetition and Satisfy Obligations Related Thereto and Related to the Surety Bond Program, and (II) Granting Related Relief* (Docket No. 379). The above represents the Debtors' insurance policies which have been modified during the reporting period:

In re: Chinos Holdings, Inc., et al.

**Appendix A - Consolidated Statement of Operations (In 000s)**

*Debtor Entities*

	For the Five Weeks Ended July 4, 2020
Total revenues.....	\$ 180,041
Cost of goods sold, including buying and occupancy costs.....	137,510
Gross profit.....	42,531
Selling, general and administrative expenses.....	55,994
Loss from operations.....	(13,463)
Interest expense, net.....	1,874
Reorganization items.....	14,239
Loss before income taxes.....	(29,576)
Benefit for income taxes.....	(7,534)
Net loss.....	\$ (22,042)

**Notes:**

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP, and upon application of such procedures, the Debtors believe that the financial information could be subject to material changes.

In re: Chinos Holdings, Inc., et al.

**Appendix B - Consolidated Balance Sheet (In 000s)**

Debtor Entities

	<b>July 4, 2020</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents.....	\$ 132,852
Restricted cash.....	80,798
Accounts receivable, net.....	13,720
Merchandise inventories, net.....	369,947
Prepaid expenses and other current assets.....	63,236
Refundable income taxes.....	32,060
Total current assets.....	<u>692,613</u>
Property and equipment, net.....	202,136
Right-of-use lease assets.....	410,183
Intangible assets, net.....	240,233
Goodwill.....	107,900
Other assets.....	10,841
Total assets.....	<u>\$ 1,663,906</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	
Current liabilities:	
Accounts payable.....	\$ 81,928
Borrowings under the ABL Facility (1).....	309,094
Other current liabilities.....	138,852
Due to subsidiaries, net.....	79,167
Borrowings under the DIP Facility.....	16,076
Interest payable.....	1,862
Total current liabilities.....	<u>626,979</u>
Deferred income taxes, net.....	13,693
Liabilities subject to compromise.....	2,536,155
Other liabilities.....	22,256
Total liabilities.....	<u>3,199,083</u>
Total stockholders' deficit.....	<u>(1,535,177)</u>
Total liabilities and stockholders' deficit.....	<u>\$ 1,663,906</u>

**Notes:**

1. Borrowings under the ABL Facility are classified as a current liability not subject to compromise because the proposed Plan of Reorganization treats such claims as unimpaired.