UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION
www.flmb.uscourts.gov

IN RE:	Chapter 11 Cases
RED LOBSTER MANAGEMENT LLC, [1]	Case No. 6:24-bk-02486-GER Lead Case
	Jointly Administered with
RED LOBSTER RESTAURANTS LLC,	Case No. 6:24-bk-02487-GER
RLSV, INC.,	Case No. 6:24-bk-02488-GER
RED LOBSTER CANADA, INC.,	Case No. 6:24-bk-02489-GER
RED LOBSTER HOSPITALITY LLC,	Case No. 6:24-bk-02490-GER
RL KANSAS LLC,	Case No. 6:24-bk-02491-GER
RED LOBSTER SOURCING LLC,	Case No. 6:24-bk-02492-GER
RED LOBSTER SUPPLY LLC,	Case No. 6:24-bk-02493-GER
RL COLUMBIA LLC,	Case No. 6:24-bk-02494-GER
RL OF FREDERICK, INC.,	Case No. 6:24-bk-02495-GER
RED LOBSTER OF TEXAS, INC.,	Case No. 6:24-bk-02496-GER
RL MARYLAND, INC.,	Case No. 6:24-bk-02497-GER
RED LOBSTER OF BEL AIR, INC.,	Case No. 6:24-bk-02498-GER
RL SALISBURY, LLC,	Case No. 6:24-bk-02499-GER
RED LOBSTER INTERNATIONAL HOLDINGS LLC,	Case No. 6:24-bk-02500-GER

Debtors.
____/

DEBTORS' NOTICE OF FILING EXHIBIT B TO DISCLOSURE STATEMENT FOR THE JOINT CHAPTER 11 PLAN OF RED LOBSTER MANAGEMENT LLC AND ITS DEBTOR AFFILIATES [ECF NO. 633]

Red Lobster Management LLC and its debtor affiliates, as debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), by and through their

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are Red Lobster Management LLC (6889); Red Lobster Sourcing LLC (3075); Red Lobster Supply LLC (9187); RL Kansas LLC (2396); Red Lobster Hospitality LLC (5297); Red Lobster Restaurants LLC (4308); RL Columbia LLC (7825); RL of Frederick, Inc. (9184); RL Salisbury, LLC (7836); RL Maryland, Inc. (7185); Red Lobster of Texas, Inc. (1424); Red Lobster of Bel Air, Inc. (2240); RLSV, Inc. (6180); Red Lobster Canada, Inc. (4569); and Red Lobster International Holdings LLC (4661). The Debtors' principal offices are located at 450 S. Orange Avenue, Suite 800, Orlando, FL 32801.

undersigned counsel, hereby file the attached Unaudited, Consolidated Liquidation Analysis and Financial Projections of the Debtor, which are **Exhibit B** to the *Disclosure Statement for the Joint Chapter 11 Plan of Red Lobster Management LLC and its Debtor Affiliates* [ECF No. 633] filed on July 19, 2024.

Dated: July 23, 2024

Respectfully submitted,

/s/ Paul Steven Singerman

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Filer's Attestation: Pursuant to Local Rule 1001-2(g)(3) regarding signatures, Paul Steven Singerman attests that concurrence in the filing of this paper has been obtained.

Counsel for Debtors and Debtors-in-Possession

EXHIBIT B

Financial Projections of the Debtors and
Hypothetical Liquidation Analysis

FINANCIAL INFORMATION AND PROJECTIONS[1]

The prospective financial information included in this Disclosure Statement has been prepared by, and is the responsibility of, the Debtors. No independent auditors have examined, compiled, or performed any procedures with respect to the accompanying prospective financial information.

The Debtors do not, as a matter of course, publish their business plans, budgets, or strategies or disclose projections or forecasts of their anticipated financial positions, results of operations or cash flows. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans, budgets, strategies, projections, or forecasts of their anticipated financial position, results of operations, or cash flows to creditors or equity interest holders prior to the Effective Date of the Plan or to include such information in any documents required to be filed with the SEC or otherwise make such information publicly available.

The assumptions, projections, and other financial information contained in this section constitute and contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Section 1129(a)(11) of the Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization). The Debtors believe that the Plan meets the feasibility requirements set forth in section 1129(a)(11) of the Bankruptcy Code, and that Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successors under the Plan. In connection with the planning and development of a plan of reorganization and for the purposes of determining whether such plan would satisfy this feasibility standard, the Debtors analyzed the ability of the Reorganized Debtors to satisfy their financial obligations while maintaining sufficient liquidity and capital resources following emergence from the Chapter 11 Cases.

For purposes of demonstrating that the Plan meets this requirement, the Debtors have prepared the forecasted, post-reorganized income statement for annual periods ending in May 2025 through May 2027 (the "***Projections***") for the Reorganized Debtors and their non-Debtor Affiliates. The Projections were prepared by the Debtors' management team ("***Management***") and are based on a number of assumptions made by Management with respect to the potential future performance of the Reorganized Debtors' and their non-Debtor Affiliates' operations assuming the Plan is consummated. The Projections are presented on a consolidated basis, including estimates of operating results for all Reorganized Debtor entities and non-Debtor Affiliate entities. As illustrated by the Projections, the reduction of debt will substantially reduce annual interest expense and improve future cash flows. The elimination of a number of loss-making restaurants, coupled with substantial rent savings from the remaining footprint, will additionally improve cash generated from operations. As demonstrated by the Projections, the Reorganized Debtors and their non-Debtor Affiliates should have sufficient cash flow to pay and service their post-emergence debt obligations as they come due and to operate their businesses. The Debtors believe that the Confirmation Date and the Effective Date of the Plan are not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganized Debtors. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirements of section 1129(a)(11) of the Bankruptcy Code.

THESE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH PUBLISHED GUIDELINES OF THE SEC OR GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOR PREPARATION AND PRESENTATION OF PROSPECTIVE FINANCIAL INFORMATION. THE PROJECTED FINANCIAL STATEMENTS DO NOT REFLECT THE IMPACT OF FRESH START ACCOUNTING, WHICH COULD RESULT IN A MATERIAL CHANGE TO ANY OF THE PROJECTED RESULTS.

ALTHOUGH MANAGEMENT HAS PREPARED THE PROJECTIONS IN GOOD FAITH AND BELIEVES THE ASSUMPTIONS TO BE REASONABLE, NEITHER THE DEBTORS NOR THE REORGANIZED DEBTORS CAN PROVIDE ANY ASSURANCE THAT SUCH ASSUMPTIONS WILL BE REALIZED. AS

DESCRIBED BELOW IN THESE PROJECTIONS, A VARIETY OF RISK FACTORS COULD AFFECT THE REORGANIZED DEBTORS' FINANCIAL RESULTS AND MUST BE CONSIDERED. ACCORDINGLY, THE PROJECTIONS SHOULD BE REVIEWED IN CONJUNCTION WITH A REVIEW OF THE RISK FACTORS SET FORTH IN THE DISCLOSURE STATEMENT AND THE ASSUMPTIONS DESCRIBED HEREIN, INCLUDING ALL RELEVANT QUALIFICATIONS AND FOOTNOTES, AND ANY RESULTING CHANGES TO THE PROJECTIONS COULD BE MATERIAL.

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Notes to Financial Projections

Accounting Policies

The Financial Projections have not been audited or reviewed by a registered independent accounting firm, and were not prepared with a view toward compliance with the guidelines of the SEC, the American Institute of Certified Public Accountants, or the Financial Accounting Standards Board ("***FASB***").

The Financial Projections do not consider the potential impact of the application of "fresh start" accounting under Accounting Standards Codification 852, "Reorganizations" ("***ASC 852***") that may apply upon the Effective Date. If the Debtors implement fresh start accounting, material differences from the amounts presented are anticipated. Upon emergence, the Debtors will be required to determine the amount by which the reorganization value as of the Effective Date exceeds, or is less than, the fair value at the time. Valuation may be based on the fair value of the Debtors' assets and liabilities as of the Effective Date. The difference between the amounts presented in the Financial Projections and the actual amounts thereof as of the Effective Date may be material. Overall, the implementation of ASC 852 is not anticipated to have a material impact on the underlying feasibility of the Plan.

General Assumptions

The Debtors and their non-Debtor Affiliates (collectively, the "***Company***") operate within the casual dining segment of the restaurant industry, primarily in the United States and Canada. The Company also has area development and franchise agreements with unaffiliated operators to develop and operate in Japan, Thailand, and Latin America, and a consumer products line through which it licenses Red Lobster™ Cheddar Bay Biscuits as well as select seafood products.

The Company operates on a fiscal year ending in May and the Projections assume that the Effective Date will be in September and that the Company will continue to conduct its post-emergence operations substantially similar to its current businesses. In addition, the Projections take into account the current market environment in which the Company competes, including many economic and financial forces that are beyond the control of the Company and Management.

The Company's regular budget process is led by Management, with input from the corporate Financial Planning & Analysis ("***FP&A***") team. The FP&A team collaborates with relevant operational leadership to develop the operational and financial projections for each of the key drivers of the business. Key drivers include forecast guest count and "ticket" prices, forecast food and beverage costs, projected restaurant operating costs, capital investments, operational initiatives, and historical trends. These inputs are projected by restaurant and summarized into a consolidated financial view that is further reviewed by the senior leadership team. Budgets are approved by the Board of Managers on an annual basis.

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Risk Factors

The Projections are subject to inherent risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control. Many factors could cause actual results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements. Accordingly, the Projections should be reviewed in conjunction with a review of the risk factors set forth in the Disclosure Statement and the assumptions described herein.

Projected Income Statement

"Adjusted EBITDA" is defined as earnings before interest, tax, depreciation, amortization and impairment, adjusted to exclude restructuring charges and certain other non-recurring expenses. Adjusted EBITDA is a key measure of the Company's operational performance, and Management uses Adjusted EBITDA for a myriad of purposes, including internal reporting and the evaluation of business objectives, opportunities, and performance. Adjusted EBITDA is not a measure of financial performance under Generally Accepted Accounting Principles ("***GAAP***") and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

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Financial Projections[1]

Red Lobster Post-Emergence Pro Forma Financial Summary
($ in Millions, unless stated otherwise)

	Note	FY 2025	FY 2026	FY 2027
$ in Millions				
Gross Sales	**[1]**	$1,961.0	$2,025.2	$2,093.9
(-) Deductions	**[2]**	(71.6)	(70.6)	(69.9)
Net Sales		**$1,889.4**	**$1,954.5**	**$2,024.0**
Cost of Sales	**[3]**	(602.3)	(617.2)	(638.2)
Restaurant Labor	**[4]**	(595.1)	(608.1)	(625.8)
Prime Costs		**($1,197.5)**	**($1,225.3)**	**($1,263.9)**
Restaurant Expenses	**[5]**	(506.6)	(526.3)	(536.8)
Operating Profit		**$185.4**	**$203.0**	**$223.3**
G&A	**[6]**	(199.5)	(172.9)	(177.3)
Earnings Before Interest and Taxes		**($14.1)**	**$30.2**	**$46.0**
Net Interest Expense	**[7]**	(37.1)	(26.4)	(25.8)
Income / (Loss) Before Tax Provision		**($51.2)**	**$3.8**	**$20.2**
Income Tax Provision	**[8]**	(0.6)	(1.7)	(6.6)
Net Income		**($51.8)**	**$2.1**	**$13.6**

Notes to Projected Income Statement

1. Gross Sales

Revenues are primarily generated from restaurant, take-out, and online sales to customers, gift card sales, franchise royalties, and consumer products royalties.

2. Deductions

The Company incurs deductions to gross sales including but not limited to coupons, complimentary meals, gift card discounts, returned meals, and loyalty program redemptions.

3. Cost of Sales

Cost of sales includes the cost of food and beverages, associated freight and storage, and take-out packaging.

4. Restaurant Labor

Restaurant labor expenses are primarily comprised of hourly labor costs of part-time restaurant staff and salary, bonus, and benefit expenses of full-time restaurant managers.

5. Restaurant Expenses

Restaurant expenses are primarily comprised of rent, utilities, takeout and delivery costs, restaurant repair and maintenance, smallwares and other equipment replacement, credit card fees, depreciation, and other operating expenses.

6. General, & Administrative

General and administrative ("***G&A***") expenses are primarily comprised of marketing, payroll and benefits for corporate employees, employee expenses, professional fees, amortization, and other corporate overhead costs not directly related to restaurant operations.

7. Net Interest Expense

Net interest expense and fees during the post-emergence period is forecast based on the Company's hypothetical capital structure and current DIP credit agreement. Additionally, interest income and capital lease interest expense are also included. The Plan contemplates satisfaction of the DIP Claims in part through the issuance of certain Takeback Loans, the terms of which are still being negotiated. As a result, the Projections do not currently take into account the potential impact of incremental interest expense which may be incurred as a result of the final negotiated capital structure.

8. Income Tax Provision

Provision for federal and state income tax; actual cash taxes will differ. The Projections do not assume a legal entity structure, which is undetermined as of the date of this analysis. The Projections assume the operating assets purchased in the ultimate sale transaction generate the cash necessary to make tax distributions – either as the federal income tax payor or a distribution to a parent entity to remit tax payments.

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Red Lobster Post-Emergence Pro Forma Financial Summary
($ in Millions, unless stated otherwise)

	Notes	FY 2025	FY 2026	FY 2027
$ in Millions				
Adj. EBITDA		**$75.8**	**$92.1**	**$108.1**
(+) / (-) Net Change in Working Capital	**[1]**	(6.2)	(5.0)	(3.0)
(-) Capital Expenditures	**[2]**	(39.7)	(45.1)	(45.2)
(-) Cash Interest & Fees	**[3]**	(27.0)	(26.5)	(26.0)
(-) Taxes	**[4]**	(0.6)	(1.7)	(6.6)
Total Changes		**($73.5)**	**($78.4)**	**($80.9)**
Free Cash Flow		**$2.3**	**$13.8**	**$27.2**

Notes to Adjusted EBITDA / Free Cash Flow

1. Net Change in Working Capital

The Projections assume the Company's post-emergence working capital accounts, including accounts receivables, inventory, other current assets, accounts payable and accrued liabilities, continue to perform according to the historical relationships with respect to revenue and expense activity.

2. Capital Expenditures

Capital expenditures ("***Capex***") are forecast with consideration of in-progress and upcoming capital investment requirements for the Company's restaurants, technology infrastructure, and other property and equipment assets. Capex primarily relates to maintaining restaurants and upgrading technology infrastructure but also includes capitalized corporate costs.

3. Cash Interest and Fees

The Projections reflect forecast cash interest payments and fees on the DIP credit facility and prospective exit term loan facility. The Plan contemplates satisfaction of the DIP Claims in part through the issuance of certain Takeback Loans, the terms of which are still being negotiated. As a result, the Projections do not currently take into account the potential impact of incremental interest expense which may be incurred with the final capital structure.

4. Taxes

Estimated cash taxes for federal and state income tax; actual cash taxes may differ. Assumes current legal organization structure for purposes of the projections; post-emergence legal organization structure may differ, resulting in related changes to forecast tax payments.

LIQUIDATION ANALYSIS

Liquidation Analysis[1]

A. Introduction

The Debtors, together with their financial advisors and legal counsel, have prepared a hypothetical liquidation analysis (the "Liquidation Analysis") in connection with the Plan and Disclosure Statement for purposes of evaluating whether the Plan meets the requirements under section 1129(a)(7) of the Bankruptcy Code, frequently referred to as the "best interests of creditors" test. Section 1129(a)(7) of the Bankruptcy Code provides that Holders of Claims in an impaired class that does not vote to accept the plan must "receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of this title on such date." See 11 U.S.C. § 1129(a)(7)(ii).

B. Basis of Presentation

The Liquidation Analysis represents an estimated recovery for all creditors of the Debtors based upon a hypothetical liquidation of the Debtors, assuming that the Debtors' chapter 11 cases are converted to cases under chapter 7 of the Bankruptcy Code and a chapter 7 trustee (the "Trustee") is appointed to convert assets into cash for distribution to creditors. The analysis assumes the orderly liquidation of substantially all of the Debtors' assets (including the non-debtor affiliates) over a range of three to six months beginning on or about August 27, 2024 (the "Conversion Date").

The cessation of business in a liquidation is likely to trigger claims that otherwise would not exist under a Plan. Included in the Liquidation Analysis are unpaid chapter 11 administration expenses, claims otherwise satisfied or assumed as part of the Reorganized Debtors' go-forward operations, and unexpired lease rejection claims. Excluded from the Liquidation Analysis are estimates for the tax consequences, both federal and state, that may be triggered upon the liquidation and/or sale of assets in the manner described. Such tax consequences may be material. Also excluded are other executory contract rejection claims, including those likely arising from defaults under customer and supplier agreements. Such events would create additional significant general unsecured claims, and some of these claims could be entitled to priority in payment over other general unsecured claims.

In addition, the Liquidation Analysis does not include recoveries resulting from any potential preference, fraudulent transfer, or other litigation or avoidance actions, which are assumed to have zero value for purposes of the Liquidation Analysis. Such litigation, including the Equityholder Litigation Claims, may have substantial value.

The Liquidation Analysis assumes that the Debtors would be liquidated in a jointly administered, but not substantively consolidated, proceeding. The results of the individual entity-by-entity analysis have been consolidated for a combined total liquidation value as presented herein. The amounts received and distributed are presented on a net basis.

The determination of the hypothetical proceeds from the liquidation of assets is a highly uncertain process involving the extensive use of estimates and assumptions that, although considered

[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement.

reasonable by the Debtors' management team and their advisors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors and their management team. Further, the actual amounts of Claims against the Debtors' estates could vary materially from the estimates set forth in the Liquidation Analysis, depending on, among other things, the Claims asserted during chapter 7. Accordingly, the Debtors cannot ensure that the values assumed would be realized or the Claims estimates assumed would not change if the Debtors were in fact liquidated, nor can assurances be made that the Bankruptcy Court would accept this analysis or concur with these assumptions in making its determination under section 1129(a) of the Bankruptcy Code. The Liquidation Analysis should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety, as well as the notes and assumptions set forth below.

C. <u>Overview of the Liquidation Analysis</u>

The Liquidation Analysis has been prepared assuming that the chapter 11 cases convert to chapter 7 on the Conversion Date, the Debtors' operations are wound down in an accelerated manner, the remaining restaurants would be closed immediately, their assets are liquidated, and that such liquidation would be substantially completed within a range of three to five months. It is presumed that the chapter 7 Trustee would resolve all Claims and other matters involving the Debtors' estates and make additional distributions to settle such Claims. The three major components of the liquidation process are as follows:

- Generation of cash proceeds from the sale of assets;
- Costs and post-conversion operational cash flow related to the liquidation process, estate wind-down costs, and trustee and professional fees; and
- Distribution of net proceeds generated from asset sales to claimants in accordance with the priority scheme under chapter 7 of the Bankruptcy Code.

The Liquidation Analysis is based on unaudited book values as of May 26, 2024, unless otherwise stated (the "<u>Estimated Book Value</u>"). The Estimated Book Value is assumed to be representative of the Debtors' assets and liabilities as of the Conversion Date, unless otherwise stated. Asset values are determined by legal entity but presented on a consolidating basis for presentation purposes.

In preparing the Liquidation Analysis, the Debtors reviewed its books and records, conferred with its financial advisors and restructuring counsel, and relied on their advisors' professional judgments to estimate an amount of Claims that will ultimately become Allowed Claims. Such Claims have not been evaluated by the Debtors or Allowed by the Bankruptcy Court and, accordingly, the final amount of Allowed Claims against the Debtors may differ from the Claim amounts used to complete this Liquidation Analysis.

When considering the generation of cash proceeds and the distribution thereof, the Debtors believe that the present value of distributions, to the extent available, may be further reduced because such distributions in a chapter 7 may not occur until after the liquidation period assumed in the analysis. Moreover, in the event that litigation becomes necessary to resolve claims asserted in a chapter 7, distributions to creditors may be further delayed, which both decreases the present value of those distributions and increases administrative expenses that could diminish the liquidation proceeds available to creditors. The effects of this potential delay on the value of distributions under the Liquidation Analysis have not been considered in this analysis.

AFTER CONSIDERATION OF THE EFFECTS THAT A CHAPTER 7 LIQUIDATION WOULD HAVE ON THE ULTIMATE PROCEEDS AVAILABLE FOR DISTRIBUTION TO CREDITORS, THE DEBTORS HAVE DETERMINED, AS SUMMARIZED IN THE FOLLOWING CHARTS AND SECTION 8.3 OF THE DISCLOSURE STATEMENT, THAT THE PLAN WILL PROVIDE CREDITORS WITH A RECOVERY THAT IS NOT LESS THAN CREDITORS WOULD RECEIVE PURSUANT TO A LIQUIDATION OF THE DEBTORS' ASSETS UNDER CHAPTER 7 BANKRUPTCY PROCEEDING.

	Plan Recoveries			Chapter 7 Liquidation Recoveries		
Summary of Recoveries (%)	**Low**	**Mid**	**High**	**Low**	**Mid**	**High**
Superpriority Claims	100%	100%	100%	25%	33%	41%
Miscellaneous Secured Claims	100%	100%	100%	0%	0%	0%
Chapter 11 Administrative Claims	100%	100%	100%	0%	0%	0%
Other Priority Claims	100%	100%	100%	0%	0%	0%
Prepetition Term Loan Claims		Currently Unknown		0%	0%	0%
General Unsecured Claims		Currently Unknown		0%	0%	0%
Intercompany Claims	0%	0%	0%	0%	0%	0%
Interests	0%	0%	0%	0%	0%	0%

D. Disclaimer

THE LIQUIDATION ANALYSIS WAS PREPARED SOLELY AS A GOOD-FAITH ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE DEBTORS' ASSETS. THE LIQUIDATION ANALYSIS RELIES ON A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT LEGAL, ECONOMIC, COMPETITIVE, AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE DEBTORS' AND THEIR RESTRUCTURING ADVISORS' CONTROL. ADDITIONALLY, VARIOUS DECISIONS ARE BASED UPON CERTAIN ASSUMPTIONS, WHICH ARE SUBJECT TO CHANGE.

THERE CAN BE NO GUARANTEE THAT THE ASSUMPTIONS AND ESTIMATES EMPLOYED IN DETERMINING THE HYPOTHETICAL LIQUIDATION VALUES OF THE DEBTORS' ASSETS REFLECT THE ACTUAL VALUES THAT WOULD BE REALIZED IF THE DEBTORS WERE TO UNDERGO AN ACTUAL LIQUIDATION, AND SUCH ACTUAL VALUES COULD VARY MATERIALLY FROM THOSE SHOWN HEREIN. NEITHER THE DEBTORS NOR THEIR RESTRUCTURING ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS OF A LIQUIDATION OF THE DEBTORS UNDER CHAPTER 7 OF THE BANKRUPTCY CODE WOULD OR WOULD NOT APPROXIMATE EITHER THE ASSUMPTIONS ON WHICH THIS LIQUIDATION ANALYSIS IS BASED OR THE RESULTS OF THE LIQUIDATION ANALYSIS REFLECTED HEREIN.

THIS ANALYSIS HAS NOT BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS AND HAS NOT BEEN PRODUCED IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.

NOTHING CONTAINED IN THIS LIQUIDATION ANALYSIS IS INTENDED TO BE, OR CONSTITUTES, A CONCESSION, ADMISSION, OR ALLOWANCE OF ANY CLAIM BY THE DEBTORS. THE ACTUAL AMOUNT OR PRIORITY OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH AND USED IN THIS LIQUIDATION ANALYSIS. THE DEBTORS RESERVE ALL RIGHTS TO SUPPLEMENT, MODIFY, OR AMEND THE LIQUIDATION ANALYSIS SET FORTH HEREIN.

E. Liquidation Analysis

Red Lobster Management LLC.
Chapter 7 Liquidation Analysis
(USD in millions)

Assets	Notes	May-24 Net Book Value	Adjustments	Pro Forma Value	Potential Recovery – Recovery Estimate % Low	Recovery Estimate % Midpoint	Recovery Estimate % High	Recovery Estimate $ Low	Recovery Estimate $ Midpoint	Recovery Estimate $ High
Gross Liquidation Proceeds:										
Cash and Cash Equivalents	[A]	$ 60.3	$ (1.7)	$ 58.6	100%	100%	100%	$ 58.6	$ 58.6	$ 58.6
Restricted Cash	[B]	35.0	-	35.0	3%	3%	3%	0.9	0.9	0.9
Receivables	[C]	12.9	-	12.9	36%	41%	47%	4.6	5.3	6.0
Inventory	[D]	23.1	-	23.1	1%	3%	5%	0.2	0.7	1.2
Operating Leases	[E]	922.0	-	922.0	0%	0%	0%	-	-	-
Fixed Assets	[F]	534.4	-	534.4	1%	2%	2%	5.7	8.5	11.3
Prepaids	[G]	15.1	-	15.1	0%	0%	0%	-	-	-
Liquor Licenses	[H]	7.0	-	7.0	125%	134%	143%	8.7	9.3	10.0
Goodwill & Intangibles	[I]	109.4	-	109.4	40%	49%	59%	44.0	54.0	64.0
Other Assets	[J]	9.3	-	9.3	5%	10%	15%	0.5	0.9	1.4
Total Assets		$ 1,728.5	$ (1.7)	$ 1,726.8	7%	8%	9%	$ 123.1	$ 138.2	$ 153.3
Less: Liquidation Adjustments					Rates – Low	Midpoint	High			
Wind-down Costs	[K]							$ (25.0)	$ (19.4)	$ (13.8)
Sales Tax Payments	[K]							(16.5)	(16.5)	(16.5)
Ch. 7 Professional Fees	[L]				3%	2%	1%	(5.7)	(3.9)	(2.0)
Ch. 7 Trustee Fees	[M]				3%	3%	3%	(5.7)	(5.8)	(6.0)
Total Liquidation Adjustments								**$ (52.8)**	**$ (45.6)**	**$ (38.2)**
Net Liquidation Proceeds from External Assets		**1,728.5**	**(1.7)**	**1,726.8**	4%	5%	7%	**70.3**	**92.6**	**115.0**
Value Redistribution:										
Intercompany Receivables	[N]	$ -	$ -	$ -	0%	0%	0%	$ -	$ -	$ -
Total Value Redistribution		$ -	$ -	$ -				$ -	$ -	$ -
Net Liquidation Proceeds Available for Distribution		**1,728.5**	**(1.7)**	**1,726.8**	4%	5%	7%	**70.3**	**92.6**	**115.0**

	Notes	Est. Claims Amount Low	Est. Claims Amount Midpoint	Est. Claims Amount High	% Recovery Low	% Recovery Midpoint	% Recovery High	$ Recovery Low	$ Recovery Midpoint	$ Recovery High
Net Liquidation Proceeds Available for Distribution to Creditors								$ 70.3	$ 92.6	$ 115.0
Superpriority DIP Facility Claims (New Money)		$ 100.0	$ 100.0	$ 100.0	25%	33%	41%	$ 25.0	$ 33.0	$ 40.9
Superpriority DIP Facility Claims (Roll-Up)		181.0	181.0	181.0	25%	33%	41%	45.3	59.7	74.1
Less: Superpriority Claims	[O]	**$ 281.0**	**$ 281.0**	**$ 281.0**	25%	33%	41%	**$ 70.3**	**$ 92.6**	**$ 115.0**
Prepetition Term Loan Claims		$ 89.7	$ 89.7	$ 89.7	0%	0%	0%	$ -	$ -	$ -
Less: Secured Claims	[P]	**$ 89.7**	**$ 89.7**	**$ 89.7**	0%	0%	0%	**$ -**	**$ -**	**$ -**
Other Secured Claims		0.2	0.2	0.2	0%	0%	0%	-	-	-
Less: Total Miscellaneous Secured Claims	[Q]	**$ 0.2**	**$ 0.2**	**$ 0.2**	0%	0%	0%	**$ -**	**$ -**	**$ -**
Tax Priority Claims		$ 14.1	$ 14.1	$ 14.1	0%	0%	0%	$ -	$ -	$ -
Other Priority Claims		-	-	-	0%	0%	0%	-	-	-
Less: Total Priority Claims	[R]	**$ 14.1**	**$ 14.1**	**$ 14.1**	0%	0%	0%	**$ -**	**$ -**	**$ -**
Accrued and Unpaid Ch. 11 Professionals Fees		$ -	$ -	$ -	0%	0%	0%	$ -	$ -	$ -
Prepetition 503(b)(9)		-	-	-	0%	0%	0%	-	-	-
PACA / PASA Claims		-	-	-	0%	0%	0%	-	-	-
Post-Petition Accounts Payable		70.7	70.7	70.7	0%	0%	0%	-	-	-
Post-Petition Accrued Payroll & Benefits		12.1	12.1	12.1	0%	0%	0%	-	-	-
Less: Total Chapter 11 Administrative Claims	[S]	**$ 82.8**	**$ 82.8**	**$ 82.8**	0%	0%	0%	$ -	$ -	$ -
Superpriority DIP Facility Deficiency Claims		$ 210.7	$ 188.4	$ 166.0	0%	0%	0%	$ -	$ -	$ -
Prepetition Term Loan Deficiency Claims		89.7	89.7	89.7	0%	0%	0%	-	-	-
General Unsecured Claims		216.9	216.9	216.9	0%	0%	0%	-	-	-
Lease / Contact Rejection Claims		499.9	499.9	499.9	0%	0%	0%	-	-	-
Less: Total Unsecured Claims	[T]	**$ 1,017.2**	**$ 994.9**	**$ 972.5**	0%	0%	0%	**$ -**	**$ -**	**$ -**
Intercompany Payables		$ -	$ -	$ -	0%	0%	0%	$ -	$ -	$ -
Less: Total Intercompany Claims	[U]	**$ -**	**$ -**	**$ -**	0%	0%	0%	$ -	$ -	$ -
Remaining Proceeds Available for Interests	[V]				0%	0%	0%	**$ -**	**$ -**	**$ -**

Notes to the Liquidation Analysis

The following notes describe the significant assumptions that were made with respect to assets and wind-down expenses.

Except as otherwise noted herein, the Liquidation Analysis is based on the unaudited balance sheets of the Debtors as of May 26, 2024. Where noted, values of certain assets were adjusted on a pro forma basis to the Conversion Date based on the Debtors' projected balance of those assets as of the Conversion Date. In addition, currently no value is being ascribed to avoidance actions or other litigation proceeds, which are highly speculative.

Liquidation of Debtor Assets

Note A – Cash

The unrestricted cash balance as of the Conversion Date has been estimated at approximately $58.6 million based on a roll forward of expected cash activity from the May 26, 2024 balance sheet. The unrestricted cash balance assumes the Debtors' $100 million of new money DIP Financing has been fully drawn as of the Conversion Date and the Professional Fee Escrow Amount has been fully funded. It is assumed that unrestricted cash of the Debtors would be 100% recoverable.

Note B – Restricted Cash

The restricted cash balance as of the Conversion Date has been estimated at approximately $35.0 million and represents cash held with third party financial institutions as collateral to support the Debtors' letters-of-credit program. For the purposes of this analysis, it is assumed that the recovery would be approximately $878,000, or 3%. The recovery represents the amount of collateral posted in excess of the face value of the Debtors' letters-of-credit, which are assumed to be drawn as of the Conversion Date.

Note C –Receivables, Net

The accounts receivable balance has been estimated at $12.9 million based on the May 26, 2024 balance sheet value.

The analysis assumes that the Trustee would retain certain existing staff of the Debtors to handle the collection effort of outstanding trade accounts receivable from customers. The analysis further assumes certain receivables related to the third-party gift card sales would be unrecoverable and the recovery percentages have been adjusted to exclude those amounts. Collections during a liquidation of the Debtors would likely be significantly compromised as customers may attempt to offset outstanding amounts owed to the Debtors against alleged damage and breach of contract Claims. The estimates also consider the inevitable difficulty a liquidating company has in collecting its receivables and any concessions that might be required to facilitate the collection of certain accounts. Accounts receivable recoveries are estimated to be between approximately 36% and 47% of the outstanding balance, or approximately $4.6 million to $6.0 million.

Note D – Inventory

Includes raw food, miscellaneous restaurant supplies, and related items in the restaurants on the Conversion Date. Given the perishable nature of most store inventory, this analysis assumes smallware and supplies are the only items with recovery value, and are estimated to generate a total recovery in a range of 1% to 5%.

Note E – Operating Leases

The Operating Leases assets balance has been estimated at $922.0 million based on the May 26, 2024 balance sheet. This balance represents the remaining value the Debtors' financial and operating leases on remaining restaurant locations and equipment. For the purposes of this analysis, it is assumed that these assets would receive 0% estimated recoveries in all cases.

Note F – Fixed Assets

The fixed assets balance has been estimated at $534.4 million based on the May 26, 2024 balance sheet. This balance represents owned land and store buildings, leasehold improvements, kitchen and restaurant equipment and furniture and fixtures.

Fixed asset recoveries are estimated to be between $10,000 and $20,000 for each of the 565 remaining operating locations, or $5.7 million to $11.3 million, resulting in a recovery in a range from 1% to 2%.

Note G – Prepaids

The balance has been estimated at $13.0 million based on the May 26, 2024 balance sheet. This balance represents primarily prepaid insurance, prepaid software licenses and prepaid real estate taxes. The prepaid items are assumed to be applied against applicable claims and received 0% estimated recoveries in all cases.

Note H – Liquor Licenses

Represents estimated proceeds through the sale of Debtor owned liquor licenses. The recovery range of 125% to 143% is based on third party broker quotes, net of an assumed 10% marketability discount.

Note I – Goodwill & Intangibles

The goodwill & intangible assets balance has been estimated at $109.7 million based on the May 26, 2024 balance sheet. This balance consists of $32.0 million in goodwill, $64.8 million in intangibles associated with trademarks, $1.6 million in intangibles associated with franchise agreements, and $11.3 million in intangibles associated with capitalized software costs.

Intangible asset recoveries are estimated to be between 40% and 59% based on a valuation analysis provided by the Debtor's advisors, which represents a range of value from $44.0 million to $64.0 million.

Note J – Other Assets

The other assets balance has been estimated at $9.3 million based on the May 26, 2024 balance sheet. This balance consists primarily of assets held for disposition, as well as liquor, land, and lease deposits that are held by counterparties.

Other asset recoveries are estimated to be between 5% and 15% of the total outstanding balance of other assets, or $0.5 to $1.4 million.

Cost of Liquidation

Note K - Wind-Down Costs

The Liquidation Analysis assumes an accelerated wind-down of the Company's operations over a three-month to five-month period. The remaining restaurant locations would be closed immediately after the Conversion Date and the subsequent months are assumed to be utilized by professionals to finalize the administrative aspects of the wind-down.

The estimated costs associated with the liquidation of the Company includes operating expenses and other costs associated with liquidation activities including, but not limited to: (i) collection of accounts receivable, (ii) personnel and facility expenses to continue administrative functions during wind-down, (iii) costs associated with the closing of remaining restaurants, and (iv) litigation costs related to the resolution of all employee-related issues. These costs include salaries, occupancy costs, and certain general and administrative costs. If the aforementioned activities or other activities associated with the liquidation of the assets take longer than the assumed liquidation period, actual administrative costs may exceed the estimate included in the Liquidation Analysis.

a) Restaurant Closing Costs: The Liquidation Analysis assumes that the remaining 565 open locations would be closed at a cost of approximately $5,000 per store.

b) Corporate Winddown Costs: The estimated level of employee costs, sales tax remittance, distribution costs, occupancy costs and general sales and administrative expenses is assumed to be reduced from a going-concern level of operational expense. This reduced level is assumed to be sufficient to support the remaining staff tasked with effectuating the wind-down.

These costs are projected to be $30.3 million for the three-month period to $41.5 million for the five-month period, respectively.

Note L – Chapter 7 Professional Fees

Chapter 7 professional fees include legal, financial advisor, appraisal, tax, and accounting fees expected to be incurred during the liquidation period that are not already deducted from liquidation values. These costs are projected to be $2.0 million to $5.7 million.

Note M – Chapter 7 Trustee Fees

The Debtors assume they would pay commissions equal to 3% of gross liquidation sale proceeds and cash from operations for chapter 7 Trustee fees. These costs are projected to be $5.7 million to $6.0 million.

Value Redistribution

Note N – Intercompany Receivables

Historically, the Debtors and their Affiliate subsidiaries created intercompany receivables as a result of various transactions related primarily to overhead and expense allocations, and other intercompany charges. Given the treatment of intercompany claims in the Plan and the Debtors' inability to produce consistent accounting of these amounts, the value of Intercompany Receivables are excluded from this analysis.

Estimated Claim Amounts

In preparing the Liquidation Analysis, the Debtors have estimated an amount of Allowed Claims for each Class based upon a review of the Debtors' projected balance sheets as of the Conversion Date, adjusted as discussed herein. The Debtors currently expect the amount of Allowed Claims to generally correspond to the amounts set forth on the Debtors' balance sheets as of May 26, 2024, but there can be no assurances that this will occur. Subject to the following paragraphs, the estimate of all Allowed Claims in the Liquidation Analysis is based on the par value of those Claims on the Debtors' balance sheet as of May 26, 2024, unless indicated otherwise.

The Plan contemplates that Holders of Superpriority Claims and Prepetition Term Loan Claims will not waive any recoveries on account of any deficiency Claim and such Claims will be entitled to share in any distributions Pro Rata with Holders of General Unsecured Claims.

A liquidation also is likely to trigger certain Claims that otherwise would not exist. Examples of these kinds of Claims include claims related to the rejection of Unexpired Leases and Executory Contracts, and other potential Allowed Claims. These additional Claims could be significant and some may be entitled to priority in payment over General Unsecured Claims. Those priority Claims may need to be paid in full from the liquidation proceeds before any balance would be made available to pay General Unsecured Claims or to make any distribution in respect of Interests. The majority of these claims, with the exception of potential claims related to Executory Contracts, have been estimated for the purposes of the Liquidation Analysis, but are subject to material revision.

In sum, the actual amount of Allowed Claims could be materially different from the amount of Allowed Claims estimated in the Liquidation Analysis. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied upon for any other purpose, including, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan. Nothing contained in this Liquidation Analysis is intended to be, or constitutes, a concession, admission, or allowance of any Claim by the Debtors. The Debtors reserve all rights to supplement, modify, or amend the analysis set forth herein.

Note O – Superpriority Claims

Superpriority Claims, which relate to the DIP Facility put in place upon an initial chapter 11 filing, are assumed to approximate $281.0 million, which includes $100.0 million in outstanding principal and $0 million in accrued but unpaid interest on the new money funding, and $175.0 million in outstanding principal and $6.0 million in accrued but unpaid interest on the roll-up amount from the Prepetition Term Loan, respectively, as of the Conversion Date. These claims are projected to receive approximately 25% to 41% recovery, or $70.3 million to $115.0 million in distributions.

Note P – Prepetition Term Loan Claims

Prepetition Term Loan Claims, which are assumed to be $89.7 million and relate to Claims arising under, derived from, secured by, based on, or related to the Prepetition Term Loan Facility which shall be ***less*** the Roll-Up Amount ***plus*** accrued interest as of the Conversion Date. These claims are projected to receive approximately $0 of value.

Note Q – Other Secured Claims

Other Secured Claims, which include approximately $0.2 million of claims related to statutory liens, are projected to receive approximately $0 of value.

Note R –Priority Claims

Priority Claims are claims accorded priority in right of payments arising from the chapter 11 or subsequent chapter 7 liquidation proceedings. Tax Priority Claims are estimated to be approximately $14.1 million and there are assumed to be no Other Priority Claims, for purposes of this analysis. These claims are projected to receive approximately $0 of value.

Note S – Chapter 11 Administrative Claims

Chapter 11 Administrative Claims include accounts payable and other accrued expenses remaining upon conversion to a chapter 7. These Claims are assumed to approximate $82.8 million, which primarily consists of $70.7 million in projected outstanding accounts payable and other accrued expenses and $12.1 million in other projected accrued employee payroll and benefits on the Conversion Date. These claims are projected to receive approximately $0 of value.

Note T – General Unsecured Claims

General Unsecured Claims, which relate to any Claim that is not secured and is not a/an Assumed Liability, Administrative Expense Claim, Priority Tax Claims or Other Priority Claims, Professional Fee Claim, Intercompany Claim, or Miscellaneous Secured Claim., are estimated in a range from approximately $972.5 million to $1,017.3 million. Major components of these claims include deficiency claims of both the DIP Claims and the Prepetition Term Loan Claims, estimated lease rejection claims, deferred compensation claims, and accounts payable and other accrued expense claims as of the Petition Date. These claims are projected to receive $0 value.

Note U – Intercompany Claims

Historically, the Debtors and their Affiliate subsidiaries created intercompany payables as a result of various transactions related primarily to overhead and expense allocations, and other intercompany charges. Given the treatment of intercompany claims in the Plan and the Debtors' inability to produce consistent accounting of these amounts, the value of Intercompany Claims are excluded from this analysis.

Note V – Interests in the Debtors

Interests in the Debtors, which relate to all Interests in Red Lobster Management LLC and its Debtor Affiliates, are projected to receive $0 of value.