UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:	:	
	:	**Chapter 11**
SOUTHEASTERN GROCERS, LLC, *et al.*	:	**Case No. 18– ________ ( )**
Debtors.[1]	:	**(Joint Administration Requested)**

DECLARATION OF BRIAN P. CARNEY IN SUPPORT OF THE DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY RELIEF

I, Brian P. Carney, make this declaration under 28 U.S.C. § 1746:

1. I am the Chief Financial Officer ("**CFO**") of Southeastern Grocers, LLC ("**SEG**")[2] and its affiliated debtors in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the "**Debtors**" and together with their remaining non-debtor affiliates and subsidiaries, the "**Company**").[3] I have served in this role since September 2005, having previously served in similar financial leadership positions at other retail companies for over twenty-seven (27) years.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Southeastern Grocers, LLC (5190); ARP Ballentine LLC (6936); ARP Chickamauga LLC (9515); ARP Hartsville LLC (7906); ARP James Island LLC (9163); ARP Moonville LLC (0930); ARP Morganton LLC (4010); ARP Winston Salem LLC (2540); BI-LO Finance Corp. (0498); BI-LO Holding Finance, Inc. (9227); BI-LO Holding Finance, LLC (1412); BI-LO Holding, LLC (5611); BI-LO, LLC (0130); Dixie Spirits Florida, LLC (6727); Dixie Spirits, Inc. (2359); Opal Holdings, LLC (2667); Samson Merger Sub, LLC (4402); Winn-Dixie Logistics, LLC (2949); Winn-Dixie Montgomery Leasing, LLC (6899); Winn-Dixie Montgomery, LLC (2119); Winn-Dixie Properties, LLC (7105); Winn-Dixie Raleigh Leasing, LLC (6812); Winn-Dixie Raleigh, LLC (0665); Winn-Dixie Stores, Inc. (4290); Winn-Dixie Stores Leasing, LLC (7019); Winn-Dixie Supermarkets, Inc. (8837); and Winn-Dixie Warehouse Leasing, LLC (6709). The Debtors' mailing address is 8928 Prominence Parkway, #200, Jacksonville, Florida 32256.

[2] Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Prepackaged Plan (as defined below) or the Disclosure Statement (as defined below), or as the context otherwise requires.

[3] I serve only as Executive Vice President with respect to Dixie Spirits, Inc. and Winn-Dixie Logistics, LLC.

2. On the date hereof (the "**Petition Date**"), the Debtors commenced with this court (the "**Court**") voluntary cases under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). I am knowledgeable and familiar with the Debtors' day-to-day operations, business and financial affairs, and the circumstances leading to the commencement of these chapter 11 cases (the "**Chapter 11 Cases**").

3. I submit this declaration (the "**Declaration**") to assist the Court and other parties in interest in understanding the circumstances and events that led to the commencement of the Chapter 11 Cases and in support of the motions and applications that the Debtors have filed with the Court, including the "first-day" pleadings (the "**First-Day Pleadings**"). I am generally familiar with the Debtors' day-to-day operations, books and records, and business and financial affairs. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtors, or my opinion based upon my experience, knowledge, and information concerning the Debtors' operations and the supermarket industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

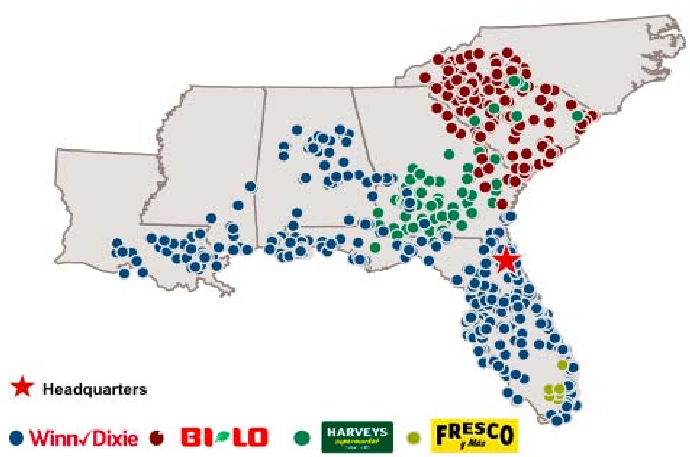
4. This Declaration is divided into five sections. Section I provides an overview of the Debtors and the Chapter 11 Cases. Section II describes the Debtors' business. Section III describes the circumstances that led to the commencement of the Chapter 11 Cases. Section IV describes the Debtors' corporate and capital structure. Section V provides a summary of the First Day Pleadings and evidentiary support for the relief requested therein.

I. Overview

A. The Prepackaged Plan and Business Operations

5. The Company is one of the largest conventional supermarkets in the United States and operates 702 stores[4] serving many key metropolitan areas in the southeastern states of Florida, Georgia, Alabama, Louisiana, Mississippi, South Carolina and North Carolina. The Company's headquarters are located in Jacksonville, Florida. One hundred fifty-four (154) stores operate under the BI-LO banner, four hundred forty-five (445) under the Winn-Dixie banner, eighty (80) under the Harveys banner, and twenty-three (23) under the Fresco y Más banner.[5]

Store Footprint



6. The Debtors are pleased to appear before the Court after commencing the solicitation of votes on their prepackaged chapter 11 plan.[6] As of the Petition Date, the

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[4] This number includes six (6) stores that were recently sold to a third-party purchaser shortly before the Petition Date.

[5] As the Company continues to evaluate its footprint and conduct asset sales, the total number of stores cited herein will continue to fluctuate.

Prepackaged Plan has already received overwhelming support, with one hundred percent (100%) of Unsecured Notes (as defined below) and Existing SEG Equity Interests (as defined below) that have voted thus far having accepted the Prepackaged Plan. Specifically, I have been advised by Prime Clerk LLC, the Debtors' claims and noticing agent, that, as of the date hereof, the Debtors already have received acceptances of the Prepackaged Plan from holders of claims in Class 5 (Unsecured Notes Claims), that in the aggregate hold or control approximately sixty-eight percent (68%) in amount of all Unsecured Notes, and holders of more than ninety-nine percent (99%) of all interests in Class 8 (Existing SEG Equity Interests), the only impaired classes entitled to vote under the Prepackaged Plan. The Prepackaged Plan provides for a substantial reduction of the Company's existing funded debt under the ABL Credit Agreement, the Secured Notes Indenture and the Unsecured Notes Indenture (all as defined below) by approximately $500 million and a reduction of the Company's annual debt service obligations by approximately $40 million, and allows the Debtors to sell or close unprofitable locations to ensure the Debtors' viability and profitability going forward.

7. The Prepackaged Plan provides for a (i) balance sheet restructuring that only impairs the holders of Unsecured Notes Claims, Existing SEG Equity Interests and Other Interests, and (ii) reduction of the Debtors' grocery store footprint through the closure and sale of, and/or the rejection of leases related to, underperforming stores.[7] Significantly, other than Unsecured Notes Claims, all of the Debtors' other general unsecured creditors, including trade vendors, employees and landlords, are unimpaired under the Prepackaged Plan and will be

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[6] *See Joint Prepackaged Chapter 11 Plan of Reorganization of Southeastern Grocers, LLC and its Affiliated Debtors* (the "**Prepackaged Plan**") and *Disclosure Statement for Joint Prepackaged Chapter 11 Plan of Reorganization of Southeastern Grocers, LLC and its Affiliated Debtors* (the "**Disclosure Statement**"), each filed contemporaneously herewith.

[7] The Schedule of Rejected Leases is attached to the Prepackaged Plan as **Exhibit D**.

satisfied in full up to the maximum amounts permitted under the Bankruptcy Code.[8] Trade contracts and terms will be maintained and the Debtors will ensure that quality customer service continues at their remaining operating grocery stores in the ordinary course without interruption.

8. As described in further detail below, the Prepackaged Plan also incorporates a global settlement among the Debtors, the Consenting Parties and the Consenting Lone Star Parties (all as defined below) that provides for an orderly transfer of ownership of the business and the deleveraging of the Debtors' capital structure. Generally, under the Prepackaged Plan, in exchange for the cancellation of the Unsecured Notes, each holder of an Unsecured Notes Claim will receive its pro rata share of one hundred percent (100%) of the New Common Stock issued pursuant to the Prepackaged Plan and outstanding immediately following the Effective Date, which will be subject to dilution only by the New Common Stock issued (i) upon the exercise of the Warrant (as defined below), (ii) pursuant to the Management Incentive Plan and (iii) other New Common Stock duly authorized and issued in accordance with the terms of Reorganized SEG's Amended Organizational Documents. In exchange for the cancellation of Existing SEG Equity Interests, SEG Parent (as defined below) will be entitled to receive a five (5) year warrant (the "**Warrant**") entitling it to five percent (5%) of the New Common Stock upon exercise thereof. In addition, under the global settlement, certain leases under which Lone Star (as defined below) has secondary liability will be assumed and assigned to a newly-created segregated entity that will be funded with a settlement payment to mitigate such liability.

9. The effect of the restructuring on the Company's capital structure is summarized as follows:

[8] General Unsecured Claims include rejection damages claims for non-residential real property leases that will be rejected during the Chapter 11 Cases. Pursuant to the Prepackaged Plan, the Debtors will pay such rejection damages claims in full, up to the maximum amounts permitted by section 502(b)(6) of the Bankruptcy Code. I have been advised that under governing law, such treatment renders rejection damages claims unimpaired.

Pre-Restructuring	Post-Restructuring
ABL Facility Claims: $385,000,000	Exit ABL Facility: $600,000,000 in available commitments
Secured Notes Claims: $425,000,000	Exit Term Loan Facility: $525,000,000
Unsecured Notes Claims: $522,000,000	Unsecured Notes Claims cancelled in exchange for 100% of New Common Stock
Total Current Corporate Funded Debt = $1,331 million	**Total Reorganized Corporate Funded Debt = $741 million**
Existing SEG Equity Interests: 100%	Existing SEG Equity Interests cancelled in exchange for Warrant and Global Settlement
General Unsecured Claims	Unimpaired

10. The Debtors believe the reorganization transaction embodied in the Prepackaged Plan will maximize the value of the business and maintain the Company's iconic brand for the benefit of its stakeholders.

B. The Restructuring Support Agreement

11. After months of extensive arms' length negotiations, on March 15, 2018, the Debtors executed a restructuring support agreement (the "**Restructuring Support Agreement**")[9] with (i) holders of approximately eighty percent (80%) of the outstanding principal amount of the Debtors' 8.625%/9.375% Senior PIK Toggle Notes due 2018 (collectively, the "**Unsecured Notes**"), of which approximately sixty-eight percent (68%) are held or controlled by the members of an ad hoc group (the "**Initial Consenting Noteholders**") and approximately twelve percent (12%) are held or controlled by LSF7 Bond Holdings Ltd. (together with the Initial Consenting Noteholders, the "**Consenting Parties**") and (ii) LSF Southeastern Grocery Holdings, LLC ("**SEG Parent**"), LSF SEG Investments, L.P., LSF5 Bi-Lo Holdings, LLC, LSF7 Opal Holdings, LLC, and LSF7 Bond Holdings Ltd. (collectively, including SEG Parent, the "**Consenting Lone Star Parties**"). Pursuant to the Restructuring Support Agreement, the Consenting Parties and the Consenting Lone Star Parties agreed to a

[9] A copy of the Restructuring Support Agreement is attached to the Disclosure Statement as **Exhibit B**.

global settlement embodied in the Prepackaged Plan and to vote in favor of and support confirmation of the Prepackaged Plan. As of the commencement of these Chapter 11 Cases, the Debtors already have received acceptances of the Prepackaged Plan from holders of claims in Class 5 (Unsecured Notes Claims), that in the aggregate hold or control approximately sixty-eight percent (68%) in amount of all Unsecured Notes, and holders of more than ninety-nine percent (99%) of all interests in Class 8 (Existing SEG Equity Interests). The Debtors have proposed that the solicitation period for the Prepackaged Plan will remain open for another nine (9) days until April 5, 2018, for a total solicitation period of twenty-one (21) days.

C. The Global Settlement

12. The Prepackaged Plan incorporates a global settlement among the Debtors, the Consenting Parties, and the Consenting Lone Star Parties (the "**Global Settlement**") and serves as the cornerstone of the Prepackaged Plan. The Global Settlement was the result of extensive negotiations among the Debtors, the Consenting Parties, and the Consenting Lone Star Parties in an effort to achieve a consensual restructuring and an efficient resolution of the Chapter 11 Cases.

13. Importantly, the Global Settlement addresses the treatment of certain leases that remain the subject of an indemnification provided by Lone Star (as defined below). In connection with BI-LO's prior chapter 11 cases in 2009, Ahold (as defined below) and Lone Star entered into a settlement agreement, pursuant to which Lone Star entered into a master guaranty agreement for the benefit of Ahold with respect to leases (i) guaranteed by Ahold and (ii) in which Ahold was the lessor (the "**Sponsor Indemnification Agreement**"). Pursuant to the Global Settlement, the parties have agreed that the Reorganized Debtors will enter into a letter agreement with the Consenting Lone Star Parties (the "**GreenCo Letter Agreement**") on

the Effective Date pursuant to which the Reorganized Debtors will agree to not sell, renew, exercise extension options on, or otherwise dispose of any leases listed on the Schedule of Assumed Leases (attached to the Prepackaged Plan as **Exhibit B**) that are the subject of the Sponsor Indemnification Agreement without either (i) securing a release by the relevant lessor of the associated guaranty or tenant obligation of Ahold or (ii) obtaining written consent from the person(s) designated on or prior to the Effective Date by the Consenting Lone Star Parties to provide such consent.

14. Moreover, the Debtors have agreed to form a special purpose entity ("**SEG II**") and, on the Effective Date, the Debtors will assume and assign certain leases of operating and closed stores (the "**Assumed SEG II Leases**") to SEG II pursuant to section 365 of the Bankruptcy Code. The Global Settlement provides that SEG II will exercise commercially reasonable efforts to mitigate all future liabilities associated with the Assumed SEG II Leases. The Assumed SEG II Leases that correspond with operating stores will be subleased back to the Reorganized Debtors rent-free, in exchange for, among other things, the settlement payments set forth below.

15. The Debtors and the Consenting Noteholders also have agreed that the Reorganized Debtors will make a settlement payment of $46 million toward the Assumed SEG II Leases. On the Effective Date, the Reorganized Debtors will provide SEG II with $21 million in cash and a letter of credit in an amount up to $25 million, to be used for, among other things, satisfying all obligations and liabilities relating to amounts payable or incurred in connection with the Assumed SEG II Leases on or after March 21, 2018.

D. The Exit Financing

16. The restructuring embodied in the Prepackaged Plan and contemplated by the Restructuring Support Agreement requires that the Debtors obtain exit financing, in aggregate commitments of $1.125 billion (the "**Exit Financing**"), in the form of a senior secured exit term loan facility in the principal amount of $525 million (the "**Exit Term Loan Facility**") and a senior secured asset-based revolving credit facility in an aggregate commitment of $600 million (the "**Exit ABL Facility**" and, together with the Exit Term Loan Facility, the "**Exit Facility**"). The proceeds of the Exit Facility are necessary to (i) refinance the Allowed ABL Facility Claims and the Secured Notes Claims in full, (ii) fund other distributions, costs, and expenses contemplated by the Prepackaged Plan and (iii) fund general working capital and for general corporate purposes of the Reorganized Debtors (collectively, the "**Exit Expenditures**").

17. To provide the Debtors, the other Restructuring Support Agreement parties, and all other parties in interest with confidence that the Debtors would have sufficient funding to successfully reorganize, the effectiveness of the Restructuring Support Agreement was conditioned on receiving binding commitments equal to 100% of the principal amount of the Exit Financing. Entry into the Exit Facility Documents (as Definitive Documents) on the Effective Date is a condition precedent to effectiveness of the Prepackaged Plan. The Exit Financing is critical to the Debtors' restructuring and the Debtors' successful reorganization because it will allow the Debtors to refinance existing debt and otherwise satisfy the Exit Expenditures and provide the Debtors with liquidity needed for post-emergence operations.

18. In October 2017, anticipating that the Debtors would require additional liquidity to successfully reorganize and satisfy the Exit Expenditures, Evercore Group L.L.C. ("**Evercore**"), the Debtors' investment banker, on behalf of the Debtors, commenced a

competitive marketing and solicitation process to identify potential providers of fully-committed exit financing. As a result of such process, a group of four (4) lenders, Deutsche Bank AG New York Branch, SunTrust Bank, Royal Bank of Canada, and Bank of America, N.A. (collectively, the **"Exit Lenders**") agreed to provide final commitments with respect to the Exit Financing pursuant to the Commitment Letter (as defined below).

19. On March 15, 2018, BI-LO Holding (as defined below) executed that certain commitment letter (the "**Commitment Letter**") and fee letter (the "**Fee Letter**"), each dated as of March 15, 2018, by and between BI-LO Holding, and, among others, the Exit Lenders (all parties to the Commitment Letter other than Holdings, the "**Commitment Parties**"), and the Commitment Parties committed to provide 100% of the aggregate principal amount of the Exit Financing. Contemporaneously therewith, certain Secured Noteholders (as defined below) executed a joinder to the Commitment Letter to commit to fund a portion of the commitments under the Exit Term Loan Facility (the "**Commitment Letter Joinder**"), reducing the commitments of the initial Commitment Parties on a pro rata basis and rendering such Secured Noteholders "Commitment Parties" under the Commitment Letter. The Commitment Letter, the Commitment Letter Joinder, and the Fee Letter are integral components of the Exit Financing and the Debtors' restructuring as contemplated by the Restructuring Support Agreement and the Prepackaged Plan.

20. The Debtors engaged in extensive, arms' length negotiations regarding the terms of the Exit Financing and the Commitment Letter, the Commitment Letter Joinder, and the Fee Letter and believe—in a sound exercise of their business judgment—that the terms therein, including certain fee, expense, and indemnity provisions, in consultation with their advisors,

including Evercore, are reasonable and customary for similar transactions and are the best financing terms available.

E. The Proposed Timeline

21. The Debtors believe that, to be successful, the Chapter 11 Cases must proceed in an expeditious manner. The terms of the Restructuring Support Agreement reflect that belief. Among other milestones contained in the Restructuring Support Agreement is a deadline for entry of an order by this Court approving the Disclosure Statement, the solicitation procedures, and confirming the Prepackaged Plan within ninety (90) calendar days following the Petition Date. To meet this deadline, the Debtors have proposed the following timeline for the Chapter 11 Cases (subject to the Court's calendar):

Proposed Timeline	
Voting Record Date	March 12, 2018
Commencement of Solicitation	March 15, 2018
Petition Date	March 27, 2018
Plan Voting Deadline	April 5, 2018
Plan/Disclosure Statement Objection Deadline	April 30, 2018
Reply Deadline	May 7, 2018
Combined Hearing	May 10, 2018
Section 341(a) Meeting / Schedules and Statements Deadline (unless waived)	May 28, 2018

22. The Debtors believe that conducting these Chapter 11 Cases in an efficient manner is essential to the preservation and maximization of the value of their assets and estates. The Debtors' stakeholders have supported the Debtors' business leading up to the filing in anticipation of a quick balance sheet restructuring that minimizes the impact to the Debtors' trade creditors, employees and landlords. To ensure that result, the Debtors negotiated a favorable transaction with the Consenting Parties and the Consenting Lone Star Parties. In exchange for that consideration, the Consenting Parties and the Consenting Lone Star Parties

have insisted that chapter 11 costs be minimized and that the transaction be effectuated promptly to avoid delay, disruption to operations, and degradation of value.

II. The Debtors' Business

A. History and Formation

23. BI-LO. In 1977, Ahold N.V. ("**Ahold**"), a Dutch retail conglomerate, purchased BI-LO Holding, LLC ("**BI-LO Holding**") and its subsidiaries (including BI-LO, LLC ("**BI-LO**") its principal operating subsidiary), as well as Bruno's Supermarkets, LLC ("**Bruno's**"), another food retailer operating in the southeastern United States. On January 29, 2005, Lone Star Fund V (U.S.), L.P, Lone Star Fund VII (U.S.), L.P., and certain of their affiliates (collectively, "**Lone Star**") purchased BI-LO Holding and Bruno's from Ahold and in 2007, Lone Star spun off Bruno's. On March 23, 2009, BI-LO Holding and BI-LO, and each of their respective subsidiaries, filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code. BI-LO emerged from bankruptcy on May 12, 2010, remaining under Lone Star's ownership.

24. Winn-Dixie. On February 21, 2005, Winn-Dixie Stores, Inc. ("**Winn-Dixie**") and its subsidiaries filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code. On March 9, 2012, BI-LO acquired all of the common stock of Winn-Dixie and its twenty eight (28) subsidiaries. The Winn-Dixie acquisition significantly expanded the Company's store base and geographic market area, with no overlap in markets between BI-LO and Winn-Dixie.

25. Harveys. Following the acquisition of Winn-Dixie, BI-LO entered into a merger agreement with Delhaize America, LLC and certain of its subsidiaries (collectively, "**Delhaize**") on May 27, 2013 to acquire substantially all of the store-related assets, certain store-

related liabilities, and assume the leases operating under the Harveys Supermarkets ("**Harveys**"), Sweetbay, and Reid's retail food chains. Upon completion of the transaction, BI-LO rebranded all Sweetbay stores as Winn-Dixie stores and all Reid's stores as BI-LO stores, and retained the Harveys name for a majority of the stores carrying such brand. The Company began taking possession of the stores in stages beginning on March 22, 2014, and completed the conversions during the second quarter of 2014. In the third quarter of 2014, the Company filed a final closing statement with Delhaize.

26. Fresco y Más. In 2016, the Company implemented changes to its merchandising, marketing, and store development programs in an attempt to improve its long-term market position. One of the major changes implemented as part of such program was the development of the "Fresco y Más" banner, which was developed to provide an authentic Hispanic grocery store experience for its existing customers. The Company initially converted six (6) of its Winn-Dixie stores to Fresco y Más in 2016 and has continued to expand this banner based on the success of the initial stores.

B. The Debtors' Current Business Operations

27. The Company generates its revenues by selling an assortment of products, including dry and canned groceries, frozen items, produce, dairy, meat, seafood, baked goods, health and beauty care items, and general merchandise. Of the Company's 702 stores, 354 have in-store pharmacies and 149 have liquor stores. As of the date hereof, the Company employs approximately 51,700 employees, approximately 13,400 of which are full-time and approximately 38,300 of which are part-time, as well as approximately 150 temporary employees. Approximately ninety-eight percent (98%) of the Company's employees are

supermarket personnel, and none of the Company's employees are covered by a collective bargaining agreement.

28. With the exception of six (6) stores that the Company owns, the Company leases all of its store properties from various landlords. The Company pays approximately $19.6 million per month in rent on its leased real property, exclusive of real property taxes, common area maintenance, and insurance.

29. For the year ended December 27, 2017, the audited consolidated financial statements of the Company reflected total revenues of approximately $9,875 million and a net loss of approximately $139 million. As of December 27, 2017, the Company's audited consolidated financial statements reflected assets totaling approximately $1,874 million and liabilities totaling approximately $2,625 million.

a. The Company-C&S Relationship

30. The Company procures approximately seventy percent (70%) of its inventory from C&S Wholesale Grocers, Inc. ("**C&S**"). In addition to inventory procurement, C&S also provides inventory supply services, warehouse, transportation, and purchasing services. In contemplation of the Debtors' restructuring, the Debtors, with the assistance of their legal and financial advisors, conducted an in-depth analysis of the potential benefits and cost savings that could be achieved through the renegotiation of the *BI-LO/Winn-Dixie Supply Agreement*, dated May 10, 2013 (as amended, the "**2013 Supply Agreement**"). Following months of extensive, arms' length negotiations, the Debtors and C&S entered into the *Southeastern Grocers Supply Agreement*, dated March 26, 2018 (the "**2018 Supply Agreement**"), which supersedes the 2013 Supply Agreement in all respects.

31. In addition to providing for anticipated operational changes resulting from the closure of approximately 100 supermarkets and modified pricing that reflects SEG's revised network, the 2018 Supply Agreement memorializes C&S's agreement to provide the Debtors with extended payment terms that will generate up to approximately $100 million of incremental liquidity to the Debtors' estates during the Chapter 11 Cases (the "**Chapter 11 Extended Credit Terms**"), subject to the satisfaction of certain conditions precedent. The Chapter 11 Extended Credit Terms are essential to the Debtors' restructuring as they will substantially enhance the Debtors' liquidity which is necessary to satisfy their obligations during the bankruptcy in the ordinary course. Significantly, together with the consensual use of cash collateral, and the Treasury Bank's postpetition ACH advances (each as defined and discussed below), the additional liquidity provided by C&S obviates the need to obtain traditional debtor-in-possession financing, and the Debtors will not be required to incur significant interest and other charges that would otherwise have to be paid under a traditional debtor-in-possession loan. The Chapter 11 Extended Credit Terms will enable the Debtors to carry out the restructuring in the most cost-efficient manner and with minimal disruption to the Debtors' operations. Recognizing the importance of the Chapter 11 Extended Credit Terms to these Chapter 11 Cases, the Debtors intend to request approval of the Chapter 11 Extended Credit Terms on the Petition Date.

32. In addition to providing the Chapter 11 Extended Credit Terms, C&S has agreed to extend payment terms following the Debtors' emergence from bankruptcy. C&S will provide the Reorganized Debtors up to approximately $75 million in incremental liquidity during the first year following the Effective Date and up to approximately $50 million in incremental liquidity during the second year following the Effective Date, subject to the payment of certain negotiated amounts (the "**Post-Chapter 11 Credit**"). The Post-Chapter 11 Credit, which will be

secured on a junior basis, is a central component of the 2018 Supply Agreement as it will provide the Reorganized Debtors with liquidity that is essential to satisfy their obligations under the Prepackaged Plan upon emerging from bankruptcy and going forward.

III. The Events Leading to the Commencement of The Chapter 11 Cases

33. The Debtors are filing the Chapter 11 Cases to implement the Prepackaged Plan and the Global Settlement, which provide for a comprehensive balance sheet restructuring of the Company's existing funded debt under its ABL Credit Agreement, the Secured Notes Indenture and the Unsecured Notes Indenture with the consent of such lenders, maximize creditor recoveries, and provide for an equitable distribution to the Debtors' stakeholders.

A. Challenging Retail Market Conditions

34. The food retail industry, including within the Company's market areas in the southeastern United States, is highly competitive. The Company faces stiff competition across multiple market segments, including from local, regional, national, and international supermarket retailers, convenience stores, retail drug chains, national general merchandisers and discount retailers, membership clubs, warehouse stores and "big box" retailers, and independent and specialty grocers. The Company's in-store delicatessens and prepared food offerings face competition from restaurants and fast food chains. The Company's primary competitors include Publix Supermarkets, Inc., Walmart, Inc., Food Lion, LLC, Ingles Markets Inc., Kroger Co., and Amazon.

35. Adding to this pressure is the recent growth in consumer demand for a "gourmet" shopping experience, complete with offerings of natural, organic, and gluten-free foods. Some of the Debtors' competitors have expanded aggressively in marketing a range of natural and organic foods, prepared foods, and quality specialty grocery items. The Debtors

have been at a disadvantage to companies that have the financial flexibility to devote greater resources to sourcing, promoting, and selling the most in-demand products.

36. In response to challenging market conditions, the Company implemented a transformation plan in 2015 to optimize its business, right-size its footprint, and improve its position in the grocery retail market. The transformation plan included measures such as accelerating capital expenditure investments and maintenance plans to align store age with industry standards, relaunching private brands, reducing promotion dependency, enhancing the Company's supply chain control through automated ordering, and optimizing labor productivity. The Company also reduced its store footprint by closing approximately fifty (50) underperforming stores.

37. The challenging environment in which the Company operates has been compounded by falling produce and retail food prices, and competitors' increased willingness to engage in price-based competition. In 2016, the grocery industry encountered "food deflation" of approximately 1.3%, a drastic difference from the twenty-year average of 2.2% inflation. As a result, the Company experienced a twenty percent (20%) decline in EBITDA in 2016. Moreover, reductions in the Supplemental Nutrition Assistance Program, which began in April 2016, negatively affected the Company's sales. Due to its competitive pressures, the food retail industry is characterized by slim profit margins. Recently, some of the Company's competitors have attempted to increase market share through expanding their footprint and discount pricing, creating a more difficult environment in which to consistently increase year-over-year sales. Notwithstanding the implementation of such measures, the Company experienced reduced profitability and liquidity as a direct result of falling produce and retail food prices, and competitors' increased willingness to engage in price-based competition.

38. In this challenging environment, food retailers must invest in operations to stay up to speed with the latest industry developments to survive. Now is a pivotal time in the industry, with market participants investing in new store facilities as well as improving existing stores to enhance the consumer experience. Moreover, companies are also implementing cost-saving technologies and practices that allow them to further lower their prices, including in the areas of labor scheduling, ordering, receiving, payment processing, and data analytics. Capital improvements are thus imperative for food retailers to keep pace with their competition. Additionally, because more companies are beginning to provide what used to be considered difficult-to-find organic, natural, and other specialty products, it has become increasingly important for industry participants to invest in marketing efforts to differentiate their offerings in front of consumers. In sum, the current market values the ability to spend cash on capital improvements and marketing at a premium.

B. The Debtors' Prepetition Restructuring Efforts

39. With the assistance of their legal and financial advisors, the Debtors took significant steps to evaluate and implement cost reduction initiatives in the months leading up to the Petition Date. These initiatives have included (i) pursuing rent concessions across the Debtors' stores, which have resulted in significant savings, (ii) selling pharmacy prescriptions and related inventory for forty (40) pharmacies for an aggregate purchase price of approximately $23.3 million and (iii) a comprehensive prepetition marketing and sale process that resulted in the negotiation and execution of eight (8) lease sale transactions for the sale of thirty-nine (39) stores to certain third-party purchasers for an aggregate purchase price of approximately $14.8 million.

40. In addition, beginning in September 2017, the Debtors and their advisors engaged in arms' length negotiations with an ad hoc group of their unsecured noteholders to develop a comprehensive financing and restructuring plan. After months of negotiations, the Debtors, with the aid of their advisors and the approval of an independent restructuring committee, executed the Restructuring Support Agreement with the Consenting Parties and the Consenting Lone Star Parties in support of the restructuring. Although the contemplated financial restructuring involves the Debtors closing approximately 100 underperforming stores in an effort to right-size their footprint, the Debtors will continue operating their remaining approximately 600 stores.

41. The Restructuring Support Agreement contains various termination events. The Requisite Consenting Noteholders or the Consenting Lone Star Parties may terminate the Restructuring Support Agreement upon the occurrence of various events or the Debtors' failure to satisfy certain milestones in the Chapter 11 Cases, including if:

- the Debtors have not filed the Prepackaged Plan, the Disclosure Statement, the Cash Collateral Motion (as defined below), and the Scheduling Motion (as defined below) within one (1) business day following the Petition Date;
- the Prepackaged Plan and the Disclosure Statement have not been approved by the Court within ninety (90) days following the Petition Date; or
- the Prepackaged Plan has not become effective within one hundred thirty-five (135) days following the Petition Date.

42. The Restructuring Support Agreement and the obligations of all parties thereto may also be terminated by mutual agreement among the Debtors, the Requisite Consenting Noteholders, and the Consenting Lone Star Parties.

43. The Debtors believe that the de-leveraging transaction contemplated by the Restructuring Support Agreement and the Prepackaged Plan is the best approach for relieving the Debtors from the constraints that currently restrict continued growth and success of their business. The restructuring will allow the Debtors to emerge as a stronger company with a healthier balance sheet that can focus on improving their business rather than on managing burdensome financial covenants and underperforming grocery stores. Most importantly, the Debtors will have the capital needed to invest in their business to effectively compete in the food retailer market space.

44. In addition, the restructuring embodied in the Prepackaged Plan is in the best interests of the Debtors' stakeholders. All General Unsecured Claims are unimpaired under the Prepackaged Plan. All obligations under the ABL Credit Agreement and the Secured Notes Indenture will be refinanced in full. Only the holders of Unsecured Notes Claims (with the consent of the Initial Consenting Noteholders), Existing SEG Equity Interests, and Other Interests will be impaired under the Prepackaged Plan. The Consenting Lone Star Parties have also agreed to the Prepackaged Plan and the Global Settlement.

C. The Debtors' Leases

45. The Debtors are party to approximately 740 unexpired leases of real property, approximately 700 of which are grocery stores that are currently operating, with the remainder composed of leases of grocery stores that are no longer operating (due to being either completely closed or subleased) and leases of real property used for other purposes. The Debtors, with the assistance of their financial and legal advisors, engaged in an extensive prepetition review of their stores, including such stores' underlying leases, in an effort to determine the optimal store footprint for the Reorganized Debtors. As part of, and based on the

conclusions of, such review, the Debtors' currently operating stores fall into the following general categories:

- 581 stores that will continue to be operated by the Reorganized Debtors or SEG II, and whose associated leases will either be assumed by the Debtors or assumed and assigned to SEG II upon emergence;

- 85 stores whose leases will be liquidated and/or closed and either: (i) rejected or assumed by the Debtors; (ii) assumed and assigned to SEG II; or (iii) assigned to a third party in connection with the Debtors' continued marketing and sale efforts; and

- 33 stores that will be sold pursuant to certain lease sale agreements executed prior to the Petition Date (certain of which contemplate the sale of only unexpired leases and related furniture, fixtures, and equipment ("**FF&E**"), and others which contemplate the sale of stores as going concerns).[10]

46. In total, the leases associated with 43 stores will be assumed by the Debtors and assigned to SEG II (with operating stores subleased back to the Reorganized Debtors), including with respect to 36 stores from the first two categories above, plus seven (7) stores that are no longer operating.

IV. The Debtors' Corporate and Capital Structure

A. Corporate Structure

47. As previously noted, SEG is the result of a series of mergers and acquisitions by Lone Star. Lone Star formed SEG in 2013 as the new parent company of the BI-LO, Winn-Dixie, and Harveys banners operated by the Company's subsidiaries. The majority of the Company's operations are conducted through BI-LO.[11]

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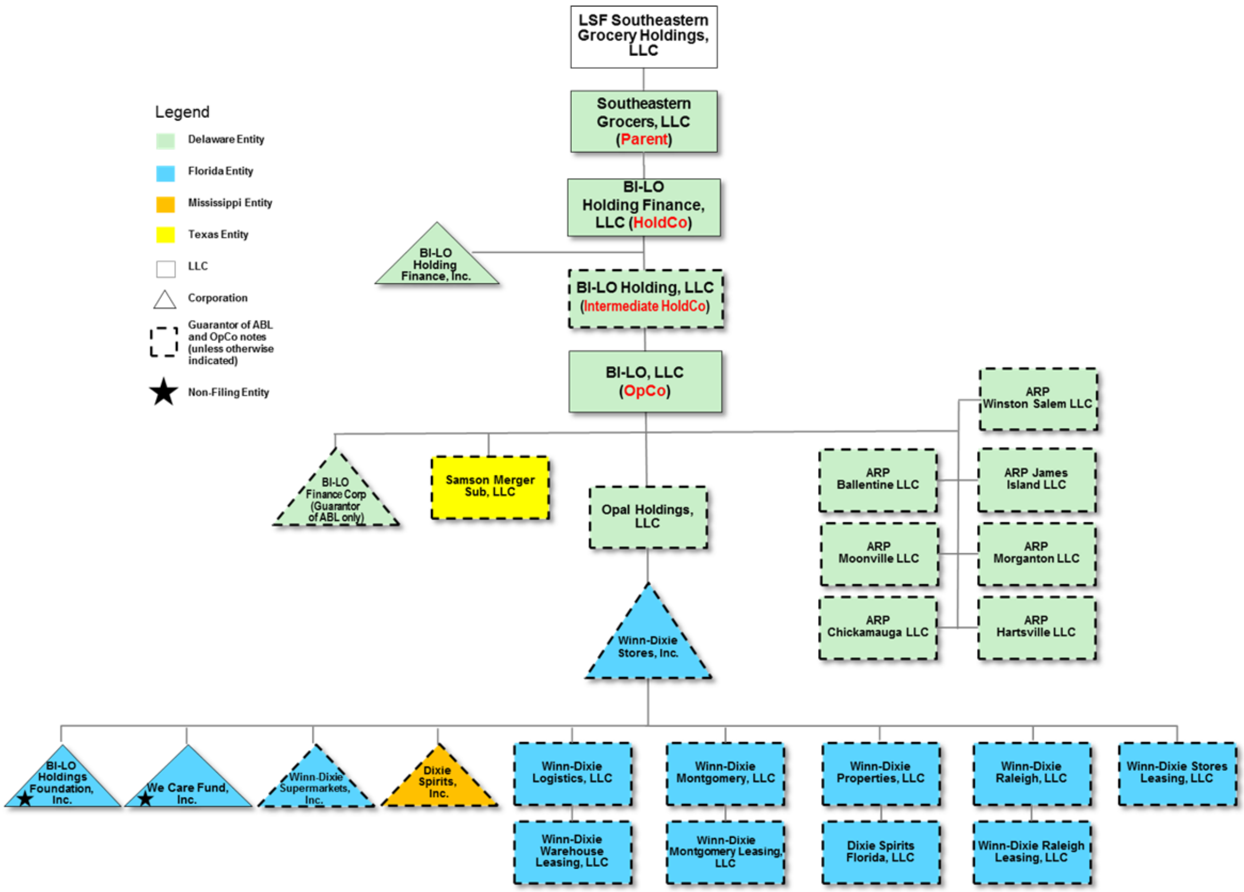
[10] The sale of one such store was limited to the sale of FF&E. The lease associated with this store will be rejected pursuant to the Prepackaged Plan.

[11] BI-LO Holdings Foundation, Inc. (the "**BI-LO Foundation**") and We Care Fund, Inc. (the "**We Care Foundation**") are two non-Debtor entities through which the Debtors currently administer various charity programs. The funds donated through the BI-LO Foundation support, among other things, veteran programs and disaster relief efforts. The funds donated through the We Care Foundation support programs that assist low-income customers and other members of the communities in which the Debtors operate.

48. SEG is a privately held company. As of the Petition Date, LSF Southeastern Grocery Holdings, LLC, a subsidiary of LSF SEG Investments, L.P., LSF5 Bi-Lo Holdings, LLC, and LSF7 Opal Holdings, LLC, holds one hundred percent (100%) of the existing membership interests of SEG. The remaining Debtors are all wholly-owned direct or indirect subsidiaries of SEG. The Company's organizational structure, as of the date hereof, is set forth below:



49. The following table sets forth the names of the Debtors' senior executive managers:

Name	Position
Anthony Hucker	Chief Executive Officer
Brian P. Carney	Chief Financial Officer
Dorlisa Flur	Chief Strategy and Transformation Officer

Name	Position
Scott Morris	Chief Merchandise Officer
Steve Strachota	Executive Vice President, Supply Chain, Central Operations, and IT
Elizabeth Thompson	Chief Human Resources Officer
Edward Garcia	Senior Vice President, Operations
M. Sandlin Grimm	Chief Legal Officer
Adam Kirk	Senior Vice President, Trade Planning and Local Market
Mario Mijares	Senior Vice President, Digital Strategy
Bill Nasshan	Senior Vice President – Operations
Jordan Post	Senior Vice President, Store Development and Real Estate
Dewayne Rabon	Senior Vice President, Merchandise

50. SEG is governed by a three-member board (including one independent manager) the membership of which is as follows:

Name	Position
Chip Cammerer	Manager
Neal Goldman	Independent Manager
Kyle Volluz	Manager

B. Capital Structure

51. As set forth below, as of the Petition Date, the Debtors have outstanding funded debt obligations in the aggregate principal amounts of approximately (i) $385 million under the ABL Credit Agreement, (ii) $425 million under the Secured Notes Indenture and (iii) $522 million under the Unsecured Notes Indenture.

a) Secured Debt: ABL Facility and Secured Notes

52. ABL Facility. Pursuant to that certain Amended and Restated ABL Credit Agreement, dated as of May 21, 2014 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**ABL Credit Agreement**"), by and among BI-LO as lead borrower, the guarantor parties thereto, Deutsche Bank AG New York Branch as administrative agent and collateral agent (the "**ABL Facility Agent**"), and each of the

lender parties thereto (the "**ABL Lenders**"), the ABL Lenders provided the Debtors with an asset-based revolving credit facility in an amount up to $900 million, subject to a borrowing base formula (the "**ABL Facility**"). Up to $250 million of the ABL Facility is available for issuances of letters of credit (the "**Letters of Credit**") and any such issuance of Letters of Credit reduces the amount available under the ABL Facility on a dollar-for-dollar basis.

53. Availability under the ABL Credit Agreement is capped by a borrowing base, which is calculated based on certain percentages of the value of the Debtors' inventory, receivables and prescription lists, and is subject to certain reserves and sub-limits. The ABL Facility matures on May 21, 2019, unless any of the Secured Notes remain outstanding on November 15, 2018, in which case, the ABL Facility matures on November 15, 2018. As of the date hereof, the aggregate principal amount outstanding under the ABL Facility is approximately $ 385 million.[12]

54. Secured Notes. As of the Petition Date, the Debtors have outstanding secured note obligations consisting of $425 million in aggregate outstanding principal of 9.25% Senior Secured Notes due 2019 (the "**Secured Notes**" and the holders thereof, the "**Secured Noteholders**") issued pursuant to that certain indenture (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Secured Notes Indenture**") by and between BI-LO and BI-LO Finance Corp., as issuers, the guarantor parties thereto, and Wilmington Savings Fund Society, FSB, as successor trustee and collateral agent (the "**Secured Notes Indenture Trustee**"), dated as of February 3, 2011. The Secured Notes mature on February 15, 2019.

[12] As of the date hereof, $114 million remains available under the ABL Facility.

55. ABL Priority Collateral. Pursuant to that certain Security Agreement dated as of March 9, 2012, the Debtors' obligations under the ABL Credit Agreement are secured by a first-priority security interest, subject to certain permitted liens, in certain collateral including accounts receivable, inventory, prescription lists, and other related collateral and proceeds thereof (the "**ABL Priority Collateral**") and a second-priority security interest in substantially all other assets of the Company, other than certain excluded assets.

56. Secured Notes Priority Collateral. Pursuant to that certain Security Agreement dated as of February 3, 2011, the Debtors' obligations under the Secured Notes Indenture are secured by a first-priority security interest, subject to certain permitted liens, in substantially all tangible and intangible assets of the Company other than the ABL Priority Collateral and other excluded assets (the "**Secured Notes Priority Collateral**") and a second-priority security interest in the ABL Priority Collateral.

57. Intercreditor Agreement. The relative rights, positions, and priorities of the ABL Lenders and the Secured Noteholders with respect to the assets and properties of the Debtors and the liens held by (i) the ABL Facility Agent on behalf of the ABL Lenders (collectively, the "**ABL Secured Parties**"), and (ii) the Secured Notes Indenture Trustee on behalf of the Secured Noteholders (the "**Senior Notes Secured Parties**") are set forth in that certain Intercreditor Agreement, by and between Deutsche Bank Trust Company Americas and the Secured Notes Indenture Trustee, dated as of February 3, 2011 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Intercreditor Agreement**"). Pursuant to the Intercreditor Agreement, the ABL Secured Parties hold a first priority lien on the ABL Priority Collateral and a second priority lien on the Secured

Notes Priority Collateral. The Senior Notes Secured Parties hold a first priority lien on the Secured Notes Priority Collateral and a second priority lien on the ABL Priority Collateral.

b) Unsecured Debt: Unsecured Notes

58. Unsecured Notes. As of the Petition Date, the Debtors have outstanding unsecured note obligations consisting of approximately $522 million in aggregate outstanding principal of Unsecured Notes and interest thereon issued pursuant to that certain indenture (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Unsecured Notes Indenture**") by and among BI-LO Holding Finance, LLC and BI-LO Holding Finance, Inc., as issuers, the guarantor parties thereto, and Wells Fargo Bank, National Association, as trustee, dated of as September 20, 2013. The Unsecured Notes mature on September 15, 2018. The Debtors may elect to pay interest due on the Unsecured Notes on each interest payment date (i) entirely in cash at the rate of 8.625% per annum, or (ii) entirely in payment-in-kind ("**PIK**") interest at the rate of 9.375% per annum. Since September 20, 2013, $46 million in PIK interest has accrued.

c) General Unsecured Claims

59. General unsecured claims consist of any claims against the Debtors (other than the Unsecured Notes Claims or any Intercompany Claims) as of the Petition Date that are neither secured by collateral nor entitled to priority under the Bankruptcy Code or any order of the Court. The Debtors' landlords may have rejection damages claims in connection with certain real property leases rejected by the Debtors. Pursuant to the Prepackaged Plan, the Debtors will pay such rejection damages claims in full, up to the maximum amounts permitted by section 502(b)(6) of the Bankruptcy Code. Under applicable law, such treatment renders rejection damages claims unimpaired.

d) Trade Claims

60. In the ordinary course of business, the Debtors incur various fixed, liquidated, and undisputed payment obligations (the "**Ordinary Course Claims**") to various third-party providers of goods and services that are sold in the Debtors' stores or facilitate the Debtors' business operations. As of the Petition Date, the Debtors estimate that the aggregate amount of Ordinary Course Claims outstanding is approximately $362 million. A majority of the Debtors' general unsecured claims are Ordinary Course Claims. Certain of the Ordinary Course Claims (i) are entitled to statutory priority, such as under PACA or PASA[13] or under section 503(b)(9) of the Bankruptcy Code, (ii) may give rise to shippers, warehouseman, or mechanics liens against the Debtors' property if unpaid, (iii) relate to funds held in trust by the Debtors that are not property of the Debtors' estates, or (iv) are secured by letters of credit, security deposits, or rights of setoff (collectively, the "**Priority Trade Claims**"). Excluding the Priority Trade Claims, the Debtors estimate that the total Ordinary Course Claims equal approximately $111.5 million.

V. The First Day Pleadings

61. As stated, the Debtors operate in a highly competitive industry. It is imperative that they make a seamless transition into chapter 11 to preserve the reputation of their businesses and the loyalty and goodwill of their consumers, suppliers and employees. Sales and operations must continue in the ordinary course of business to preserve the value of the Debtors' business and implement the Prepackaged Plan and the Global Settlement. Accordingly, the Debtors have filed a number of First Day Pleadings designed to facilitate their transition into

[13] Perishable Agricultural Commodities Act of 1930, as amended, 7 U.S.C. §§ 499a *et seq.* ("**PACA**") and Packers and Stockyards Act of 1921 as amended, 7 U.S.C. § 181 *et seq.* ("**PASA**").

these Chapter 11 Cases. The Debtors anticipate that the Court will conduct a hearing soon after the Petition Date at which the Court will hear and consider the First Day Pleadings.[14]

62. I have reviewed each of the First Day Pleadings with the Debtors' counsel, and I believe that the relief sought in each of the First Day Pleadings is tailored to meet the goals described above and will be necessary and critical to the Debtors' ability to successfully execute a restructuring and is in the best interests of the Debtors' estates and creditors. A description of the relief requested and the facts supporting each of the pleadings is set forth below. In addition, contemporaneously herewith, Stephen Goldstein of Evercore has submitted a declaration in support of certain motions related to the Exit Financing.

A. Administrative Motions

i. Motion of Debtors for Entry of an Order Directing the Joint Administration of their Related Chapter 11 Cases (the "**Joint Administration Motion**")

63. The Debtors request entry of an order directing joint administration of these Chapter 11 Cases for procedural purposes only pursuant to Bankruptcy Rule 1015(b) and that the Court maintain one file and one docket for all of the Chapter 11 Cases under the lead case, Southeastern Grocers, LLC.

64. Joint administration of the Chapter 11 Cases will provide significant administrative efficiencies without harming the substantive rights of any party in interest. Many of the motions, hearings and orders that will be filed in the Chapter 11 Cases almost certainly will affect each of the Debtors. The entry of an order directing joint administration of the Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings, objections, notices, and hearings, and will allow all parties in interest to monitor the Chapter 11 Cases with greater

[14] Capitalized terms used below in the descriptions of the First Day Pleadings and not otherwise defined have the meanings given to them in the applicable First Day Pleading.

ease and efficiency. The relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and will enable the Debtors to continue to operate their businesses in chapter 11 with the least disruption.

B. Operational Motions Requesting Immediate Relief

65. The Debtors intend to ask for immediate relief with respect to the following First Day Pleadings and, therefore, will present those motions at the first day hearing.

i. Motion of Debtors Requesting Authority to (I) Continue Using Existing Cash Management System, Bank Accounts, and Business Forms, (II) Implement Changes to the Cash Management System In the Ordinary Course of Business, (III) Continue Intercompany Transactions, and (IV) Provide Administrative Expense Priority for Postpetition Intercompany Claims, and (V) for Related Relief (the "**Cash Management Motion**")

66. The Debtors request (a) authority, but not direction, to (i) continue their existing cash management system, including, without limitation, the continued maintenance of their existing bank accounts (the "**Bank Accounts**") and business forms, (ii) implement changes to their cash management system in the ordinary course of business, including, without limitation, opening new or closing existing Bank Accounts, (iii) provide administrative expense priority for postpetition intercompany claims, (iv) extend the time to comply with the requirements of section 345(b) of the Bankruptcy Code to the extent they apply to the Bank Accounts and (b) related relief.

67. The Debtors further request that the Court authorize the Banks (as defined below) to (a) continue to maintain, service and administer the Bank Accounts and (b) debit the Bank Accounts in the ordinary course of business on account of (i) wire transfers or checks drawn on the Bank Accounts; *provided* that any payments drawn, issued, or made prior to the Petition Date shall not be honored absent direction of the Debtors consistent with a separate

order of the Court authorizing such prepetition payment, or (ii) undisputed service charges owed to the Banks for maintenance of the Debtors' cash management system, if any.

68. In the ordinary course of business, the Debtors utilize an integrated, centralized cash management system to collect, transfer and disburse funds generated by their operations (the "**Cash Management System**"). The Cash Management System is tailored to meet the Debtors' operating needs as an operator of a large supermarket chain. The Cash Management System enables the Debtors to efficiently collect and disburse cash generated by their business, pay their financial obligations, centrally control and monitor corporate funds and available cash, comply with the requirements of their financing agreements, reduce administrative expenses and efficiently obtain accurate account balances and other financial data. It is critical that the Cash Management System remain intact during these Chapter 11 Cases to ensure seamless continuation of transactions and uninterrupted collection of revenues.

69. Maintaining the Cash Management System in its current state is crucial to the Debtors' continued operations, given the volume of transactions processed through the Cash Management System each day. Any disruption to the Cash Management System would unnecessarily and significantly disrupt the Debtors' operations and impede the successful administration of these Chapter 11 Cases. Maintaining the existing Cash Management System is in the best interests of the Debtors' estates and all parties in interest, and, therefore, should be approved.

70. The Cash Management System is composed of thirty (30) Bank Accounts. Twenty-five (25) accounts are maintained at Wells Fargo Bank, N.A. ("**Wells Fargo**"), three (3) accounts are maintained at Regions Bank, one (1) account is maintained at Hancock Bank ("**Hancock**"), and one (1) account (the "**Trustmark Account**") is maintained at Trustmark

National Bank ("**Trustmark**," and together with Wells Fargo, Regions, and Hancock, the "**Banks**"). The majority of the Bank Accounts are in the name of Winn-Dixie Stores, Inc. or BI-LO.

71. The Cash Management System generally has four types of accounts: (a) collection accounts into which cash and other receivables generated from the Debtors' operations are deposited, including ABL Credit Agreement proceeds, (b) concentration accounts into which cash is either (i) automatically swept from the various Collection Accounts on a daily basis or (ii) is transferred by manual Automated Clearing House ("**ACH**") pull twice a week on average when certain target balances are met, (c) disbursement accounts for designated disbursements, and (d) hybrid accounts that are both collection accounts and disbursement accounts. In addition, in anticipation of these Chapter 11 Cases, the Debtors established an adequate assurance escrow account for utility providers. The Debtors also have two inactive accounts—one is a legacy account and another account last used in March 2017 to pay cash interest on the Unsecured Notes. An aggregate average of $80 million in receipts and disbursements flow through the Cash Management System per banking day.

72. To minimize the expense to the Debtors' estates associated with developing and/or purchasing entirely new forms, the delay in conducting business prior to obtaining such forms, and the confusion that may be caused to suppliers and other vendors, the Debtors seek authority to continue using their Business Forms substantially in the forms used immediately prior to the Petition Date, without reference therein to the Debtors' status as "Debtors-in-Possession." The Debtors have prepared communication materials to distribute to the various parties with whom they conduct business that will, among other things, inform such parties of the commencement of these Chapter 11 Cases.

ii. Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief (the "**Cash Collateral Motion**")

73. The Debtors request, among other things, entry of an interim order (i) granting authority for the Debtors to use prepetition collateral, including Cash Collateral, (ii) granting authority for the Debtors to provide adequate protection to the parties to whom obligations are owed under the ABL Credit Agreement, Secured Notes Indenture and certain treasury services documents (the "**Prepetition Secured Parties**") with respect to any diminution in value of the interests of such parties that may result from use of their prepetition collateral (the "**Prepetition Collateral**"), (iii) granting authority for the Debtors to maintain and, to the extent subject to auto-renewal, renew existing letters of credit issued or deemed issued under the ABL Credit Agreement, (iv) modifying of the automatic stay imposed under section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms of the Interim Order and (v) granting authority for the Debtors to enter into that certain Cash Management Letter Agreement with Wells Fargo (the "**Treasury Bank**") and grant liens and superpriority administrative expense claims to the Treasury Bank in connection with the Treasury Bank's ACH advances (the "**Treasury Exposure**").

74. The orderly continuation of the Debtors' operations and the preservation of their going concern value is largely dependent upon their ability to regularly convert Prepetition Collateral into Cash Collateral and use it to support the Debtors' business operations. For example, Cash Collateral will be used to fund the Debtors' payments to vendors and employees and to satisfy the other ordinary costs of operation, including rent, taxes and insurance. Absent authority to use Cash Collateral, even for a limited period of time, the

continued operation of the Debtors' business would suffer, causing immediate and irreparable harm to the Debtors, their respective estates and their creditors. Accordingly, the use of Cash Collateral is critical to preserve and maintain the going concern value of the Debtors.

75. The Debtors' use of Cash Collateral will be governed, subject to permitted expenditure variances, by a cash collateral budget. The Debtors and the Prepetition Secured Parties have agreed upon an initial 13-week projection (attached to the Interim Order as Exhibit 1). The budget provides a detailed list of the various expenditures that the Debtors anticipate incurring during the specified period.

76. To protect the Prepetition Secured Parties from any diminution in value of their interests in the Prepetition Collateral during the Chapter 11 Cases, the Debtors propose to provide various forms of adequate protection. The proposed adequate protection includes (i) adequate protection liens in the form of replacement liens on Prepetition Collateral and additional liens on unencumbered property, if any, (ii) adequate protection superpriority claims, (iii) payment of professional fees and expenses, (iv) payment of interest and other fees pursuant to their existing agreements, including at the default rate solely with respect to interest and letter of credit fees on the obligations arising under the ABL Credit Agreement, (v) loan repayments and/or cash collateralization of letters of credit under the ABL Credit Agreement if the Borrowing Base with certain adjustments is less than $75,000,000, in the amount of any such deficiency and (vi) cash payments in an amount equal to the Treasury Exposure. If the Debtors are unable to use Cash Collateral and provide adequate protection related thereto, they may be forced to cease operations, which would result in irreparable harm to their businesses. Together with the Chapter 11 Extended Credit Terms (as defined below), the Debtors will be able to finance these Chapter 11 Cases at lower costs than would be available under current market

terms for traditional debtor-in-possession financing. Accordingly, the proposed terms of adequate protection are appropriate and consistent with the terms generally provided in comparable chapter 11 cases.

iii. Motion of Debtors For Entry of an Interim Order (I) Approving Chapter 11 Extended Credit Terms, (II) Authorizing Assumption of the 2018 Supply Agreement among the Debtors and C&S, (III) Granting Superpriority Status for Credit Extended by C&S During the Chapter 11 Cases, and (IV) Granting Related Relief (the "**C&S Motion**")

77. The Debtors request entry of an order (i) approving the Chapter 11 Extended Credit Terms, (ii) authorizing the assumption of the 2018 Supply Agreement among the Debtors and C&S, (iii) granting superpriority status for credit extended by C&S during the Chapter 11 Cases and (iv) granting related relief. In the months leading up to the Petition Date, the Debtors negotiated the 2018 Supply Agreement with C&S to secure modified and more favorable pricing terms that reflect the Debtors' reduced footprint going forward. The 2018 Supply Agreement provides for, among other things, anticipated operational changes resulting from the closure of approximately 100 supermarkets, modified pricing that reflects SEG's revised network, and most importantly, the extension of payment credit terms during and after the Chapter 11 Cases. The Debtors negotiated for and successfully obtained short-term liquidity through an extension of payment terms by C&S during the pendency of these Chapter 11 Cases that will provide up to approximately $100 million of incremental liquidity to the Debtors' estates (the "**Chapter 11 Extended Credit Terms**"). The Chapter 11 Extended Credit Terms are essential to the Debtors' restructuring as they will substantially enhance the Debtors' liquidity which is necessary to satisfy their obligations during the bankruptcy in the ordinary course.

78. The Debtors request authority to grant C&S a superpriority administrative expense claim (the "**Superpriority Claim**") with priority over all unsecured administrative expense claims against the Debtors of any kind whatsoever, subject to the Carve-Out and the Adequate Protection Superpriority Claims approved by the Court in an order authorizing the relief requested in the Cash Collateral Motion. Affording C&S the Superpriority Claim in connection with the Chapter 11 Extended Credit Terms is appropriate because the Debtors would be unable to obtain such material, incremental unsecured credit elsewhere on exclusively an unsecured administrative expense basis. Simply stated, given the large volume of goods procured by C&S, no other vendor could have offered such liquidity enhancement to the Debtors through an extension of trade terms.

79. The Debtors are also requesting authority to assume the 2018 Supply Agreement. The Debtors rely on C&S to supply a majority of the Debtors' products to meet their obligations to their customers on a daily basis. The 2018 Supply Agreement guarantees access to necessary inventory from C&S and provides certainty for the business regarding a reliable, long-term supply partner going forward. In addition, C&S has agreed, subject to the assumption of the 2018 Supply Agreement and other conditions set forth therein, to extend payment terms that will provide up to approximately $75 million in incremental liquidity to the Reorganized Debtors during the first year following the Effective Date and up to approximately $50 million in incremental liquidity during the second year following the Effective Date (the "**Post-Chapter 11 Credit**"). The Post-Chapter 11 Credit, which will be secured on a junior basis, is a central component of the 2018 Supply Agreement as it will provide the Reorganized Debtors with liquidity that is essential to satisfy their obligations under the Prepackaged Plan upon emerging from bankruptcy.

iv. Motion of Debtors for Authorization to File 2018 Supply Agreement Among the Debtors and C&S Wholesale Grocers, Inc. Under Seal (the "**Motion to Seal C&S Supply Agreement**")

80. The 2018 Supply Agreement contains Confidential Information regarding pricing, fees, billing, delivery and service, among others, that constitutes "commercial information" within the meaning of section 107(b) and merits protection under the same. This information concerns, but is not limited to, confidential product and pricing information, billing and payment information, delivery information and service level terms. In accordance with custom and practice in the industry, agreement terms are generally not made publicly available because disclosure of such Confidential Information would give competitors an unfair advantage and thereby impair the ability of both the Debtors and C&S when negotiating future agreements with other parties. In light of these consequences, requiring the Parties to disclose information concerning their prices, delivery information and other Confidential Information could have a detrimental effect on the Parties. Accordingly, the Debtors have requested the Court's permission to file the 2018 Supply Agreement under seal. Parties in interest will not be prejudiced by the relief requested because there is a detailed description of the material terms of the 2018 Supply Agreement contained in the C&S Motion. In addition, a summary of such terms was included as an exhibit to the Disclosure Statement that was distributed to parties entitled to vote as part of the solicitation and is now publicly available to all parties in interest.

v. Motion of Debtors for Approval of (I) Procedures for Store Closing Sales; and (II) Assumption of the Liquidation Consulting Agreement (the "**Store Closing Procedures Motion**")

81. The Debtors seek to implement a key component of their restructuring strategy to right-size their operations by closing underperforming or geographically undesirable stores. Having conducted a systematic review of each of their stores, analyzed their

performance, profitability, and market impact, and undertaken an ongoing comprehensive effort to renegotiate leases with landlords for lower profitability stores in order to preserve as many locations as possible, the Debtors, with the assistance of their advisors, identified and, prior to the Petition Date, commenced the wind-down and liquidation of eighty-five (85) underperforming stores (collectively, the "**Closing Stores**"). Pursuant to the Store Closing Procedures Motion, the Debtors seek to implement store closing procedures (the "**Store Closing Procedures**") to continue the closure of the Closing Stores. In addition, the Debtors are seeking to apply the Store Closing Procedures, as applicable, to certain stores that are subject to executed lease sale agreements where the underlying transaction only contemplates the sale of unexpired leases and FF&E (such stores, together with the Closing Stores, the "**Stores**").

82. The Closing Stores are generally characterized as being overly burdensome and cost-prohibitive to continue to operate. The Debtors designed the Store Closing Procedures to provide them with an efficient mechanism to quickly liquidate inventory and FF&E, as applicable, at the Stores (collectively, the "**Store Closing Assets**"), in each case, free and clear of liens, claims, interests, and encumbrances. The Debtors estimate that the closure of the Closing Stores will generate approximately $11.7 million in savings for the remainder of the 2018 fiscal year.

83. To maximize the value of the Store Closing Assets and effectuate an orderly liquidation process, the Debtors also request that the Court deem as operative and effective their liquidation consulting agreement (the "**Liquidation Consulting Agreement**") with a joint venture comprised of Hilco Merchant Resources, LLC ("**Hilco**") and Gordon Brothers Retail Partners, LLC (together with Hilco, the "**Liquidation Consultant**"). With the

help of the Liquidation Consultant, the Debtors estimate that the sale of the Store Closing Assets in the Stores will yield approximately $60 million in gross proceeds.

84. The relief requested in the Store Closing Procedures Motion is integral to maximizing value for the Debtors' estates. It will permit the Debtors to continue implementing the Store Closing Sales at the Stores, and it will establish fair and uniform Store Closing Procedures to assist the Debtors and their creditors through the Debtors' transition to a leaner, more profitable enterprise.

vi. Motion of Debtors For Approval of Discrete Lease Sale Procedures (the "**Lease Sale Procedures Motion**")

85. In furtherance of the Debtors' objective to rationalize their store footprint while maximizing value for all stakeholders, prior to Petition Date, the Debtors and Evercore conducted an extensive prepetition marketing and sales process to sell as many of their underperforming stores as possible on a going concern basis. As a result of these efforts, the Debtors successfully negotiated and executed eight (8) lease sale transactions for the sale of thirty-nine (39) stores to certain third-party purchasers, the sale of thirty-three (33) of which remains subject to approval by the Court (the "**Sold Stores**").

86. The Debtors intend to continue their marketing and sale process after the Petition Date with respect to the Debtors' underperforming stores whose associated leases are currently contemplated to be rejected pursuant to the Prepackaged Plan or expire shortly after the Debtors' emergence from chapter 11 unless an alternative transaction can be achieved (the "**Underperforming Stores**"). In addition to generating cash consideration for the Debtors, selling the Underperforming Stores rather than rejecting associated leases is advantageous to all parties in interest because landlords will have a new tenant and the Debtors and their estates will avoid the cost of rejection damages.

87. To effectively market the Underperforming Stores, negotiate and obtain firm offers, and secure Court approval of such sale transactions within the compressed timeline of these prepackaged Chapter 11 Cases, all in order to maximize the value of the Underperforming Stores, the Debtors require flexibility to move as expeditiously as possible. Accordingly, the Lease Sale Procedures Motion seeks authority for approval of omnibus procedures (the "**Discrete Lease Sale Procedures**") authorizing them to solicit proposals and negotiate and consummate transactions for the highest and best offers for any Underperforming Stores, all while giving parties in interest and the Court an adequate opportunity to review and consider proposed transactions. In light of the comprehensive prepetition marketing efforts and the arms' length negotiations conducted with respect to the lease sale agreements that govern the sale of the Sold Stores, the Debtors also seek to apply the Discrete Lease Sale Procedures to the Sold Stores.

88. Given the number of Underperforming Stores that the Debtors are seeking to monetize and the compressed timeline to secure approval of such sale transactions during these Chapter 11 Cases, the Debtors believe that the Discrete Lease Sale Procedures are appropriate and provide much-needed flexibility to maximize value for the Debtors' estates. Interested parties will be given adequate notice of the proposed transactions without incurring the administrative costs, transaction costs and delay associated with public auctions or separately seeking authority from the Court for every such discrete transaction.

vii. Omnibus Motion of Debtors for Authority to (I) Reject Certain Unexpired Leases and Subleases of Nonresidential Real Property and Abandon Certain Property in Connection Therewith Effective as of the Petition Date and (II) Implement Procedures for the Rejection of Certain Leases and to Fix Rejection Damages Claims (the "**Dark Store Lease Rejection Motion**")

89. The Debtors request authority (i) to reject certain unexpired leases and subleases of real property associated with stores at which the Debtors have ceased operations (such leases the "**Dark Store Leases**") effective as of the Petition Date, (ii) to abandon property remaining on the premises subject to the Dark Store Leases effective as of the Petition Date (the "**Abandoned Property**") and (iii) to implement procedures to reject unexpired nonresidential real property leases (the "**Lease Rejection Procedures**").

90. The Debtors have historically reviewed their store footprint on an ongoing basis in order to assess the viability of their store locations, and to determine whether it was in the best interests of the Debtors' enterprise to continue to operate the stores. In connection with such reviews, if the Debtors determined that a store was no longer profitable to operate, and the Debtors were unable to sell, convert, or sublease the store, the Debtors would in such instances turn the store "dark" by entirely ceasing business at the location (each such store a "**Dark Store**"). As part of the Debtors' prepetition rationalization efforts with respect to their store footprint and the associated marketing process, the Debtors continued their practice of reviewing their stores to assess viability and in doing so identified the Dark Store Leases as burdensome and of little or no value to the Debtors.

91. The Dark Store Lease Rejection Motion also seeks approval of lease rejection procedures, which the Debtors will use to reject other unexpired leases of nonresidential real property that are associated with unprofitable stores. In connection with the rejection of the Dark Store Leases and the Lease Rejection Procedures, the Debtors also seek to fix rejection damages claims.

92. The Debtors have determined that the Dark Store Leases are an unnecessary expense to the Debtors' estates because the Debtors' operations at the Dark Stores

have ceased, the Debtors have physically vacated the premises, and the Debtors have surrendered the premises to the landlords. Therefore, the Debtors seek to reject the Dark Store Leases in order to eliminate further financial burden and postpetition administrative costs to the estates, including, but not limited to, postpetition rent and any other related charges related to the Dark Store Leases. Moreover, the Debtors seek to abandon the Abandoned Property as it is no longer used in, or necessary for the reorganization of, the Debtors' operations.

viii. Motion of Debtors for Authority, But Not Direction, to (A) Pay Certain Prepetition Wages and Reimbursable Employee Expenses, (B) Pay and Honor Employee Medical and Other Benefits, and (C) Continue Employee Benefits Programs, and for Related Relief (the "**Wages and Benefits Motion**")

93. The Debtors request the entry of interim and final orders authorizing, but not directing, the Debtors to pay or honor certain prepetition claims and obligations, continue programs and maintain funding, in the exercise of their discretion, relating to, among other things: (i) Unpaid Compensation, Deductions, and Payroll Taxes, (ii) compensation for the Supplemental Workforce, (iii) Ordinary Course Expenses, (iv) the Corporate Card Program, (v) Employee Benefit Programs, (vi) the Non-Insider Severance Program, (vii) the 401(k) Savings Plan, and (viii) Other Employee Programs.

94. The relief requested includes compensation for the Debtors' full-time, part-time, and temporary employees, and independent contractors and consultants that provide services related to various aspects of the Debtors' operations and are vital to the Debtors' businesses. Authorizing the Debtors to pay or honor prepetition wages, employee benefits, and similar obligations will benefit the Debtors' estates and their creditors by allowing the Debtors' business operations to continue without interruption. Given the contemplated and highly publicized store closures in the Chapter 11 Cases, honoring the Debtors' obligations under the

Non-Insider Severance Program will be essential. The Debtors will seek authority to continue the Non-Insider Severance Program, and to honor obligations and make payments thereunder, subject to the statutory limits established by the Bankruptcy Code. None of the Employees entitled to payments under the Non-Insider Severance Program are insiders because such Employees do not (i) direct overall SEG governance, (ii) control SEG policy, (iii) exercise managerial control over SEG's operations as a whole or control decision-making with respect to any asset dispositions or acquisitions or (iv) report directly to the Board of Managers of SEG.

95. If the relief requested in the Wages and Benefits Motion is not granted, the Debtors' employees may seek alternative opportunities, perhaps with the Debtors' competitors. The loss of valuable employees, who are the lifeblood of the Debtors' operations, would deplete the Debtors' workforce, thereby hindering the Debtors' ability to meet their customer obligations and, likely, diminishing stakeholder confidence in the Debtors' ability to successfully carry out their chapter 11 strategy.

96. The majority of the Debtors' workforce relies on the Debtors' compensation, benefits and reimbursement of expenses to satisfy daily living expenses. These employees will be exposed to significant financial difficulties and other distractions if the Debtors are not permitted to honor their obligations for unpaid compensation, benefits and ordinary course expenses. Furthermore, if the Court does not authorize the Debtors to honor their various obligations under the Health Care Plans and Insurance Plans, the employees will not receive health coverage and, thus, may become obligated to pay certain health care claims. Additionally, employee attrition would cause the Debtors to incur additional expenses to find appropriate and experienced replacements, severely disrupting the Debtors' operations at a critical juncture.

ix. Motion of Debtors for Authority to (I) Maintain and Administer Prepetition Customer Programs, Promotions and Practices and (II) Pay and Honor Related Prepetition Obligations (the "**Customer Programs Motion**")

97. The Debtors request authority to, in the ordinary course of business and consistent with past practice, (i) maintain and administer prepetition customer programs, promotions, and practices and (ii) pay and otherwise honor their obligations to customers relating thereto, whether arising prior to or after the Petition Date, as necessary and appropriate in the Debtors' business judgment.

98. The Debtors' business depends upon the loyalty of their customers. To maximize customer loyalty, the Debtors have maintained and followed, in the ordinary course of business, various practices and programs (collectively, the "**Customer Programs**") to reward and provide incentives to existing customers and to attract new customers to the Debtors' stores. Such programs are standard in the retail food business. Without the ability to continue their Customer Programs and to satisfy prepetition obligations in connection therewith, the Debtors risk losing market share and value of their business. In order to maintain the Debtors' reputation for reliability and to maintain the loyalty, goodwill and support of their customers, the Debtors must maintain their Customer Programs and honor their obligations thereunder.

x. Motion of Debtors for (I) Authorization to (A) Continue to Maintain Their Insurance Policies and Programs and Surety Bond Program and (B) Honor All Obligations with Respect Thereto and (II) Modification of the Automatic Stay with Respect to the Workers' Compensation Program (the "**Insurance Motion**")

99. The Debtors request (i) authority, but not direction to (a) continue to maintain and renew, in their sole discretion, their Insurance Policies and the Surety Bond Program, (b) honor their Insurance Obligations and Surety Bond Obligations in the ordinary course of business during the administration of these Chapter 11 Cases and satisfy any

prepetition Insurance Obligations or Surety Bond Obligations, and (ii) modification of the automatic stay solely and for the limited purpose of permitting employees with claims under the Workers' Compensation Policies to proceed with their claims in accordance with such program in the appropriate judicial or administrative forum.

100. In connection with the operation of their businesses, the Debtors maintain various liability and property-related insurance programs, which provide the Debtors with insurance coverage for liabilities including, but not limited to, general liability, umbrella and excess liability, property, automobile, crime, cyber liability, directors' and officers' liability, fiduciary liability, employment practices liability, and professional liability. Continuation of these policies is necessary to the ongoing operation of the Debtors' businesses.

101. The Debtors also maintain workers' compensation insurance in each of the states in which their businesses operate (collectively, the "**Workers' Compensation Policies**") in accordance with the laws of such states which, in each case, require the Debtors to maintain workers' compensation policies and programs that provide their employees with workers' compensation benefits for claims arising from or related to their employment with the Debtors (the "**Workers' Compensation Claims**"). Certain of the Debtors' workers' compensation programs are self-insured, whereas others are insured by third-party insurers. The Debtors estimate that they pay an average of approximately $1.8 million per month on account of workers' compensation claims.

102. The Debtors utilize various brokers, including Aon plc and Marsh USA Inc., to coordinate with the procurement and negotiation of certain insurance policies including, but not limited to, workers' compensation, directors' and officers' liability, fiduciary liability professional liability, and property policies. The Debtors also employ Sedgwick Claims

Management Services as its third-party administrator to investigate, administer, and pay claims arising under their Workers' Compensation Policies and certain of the General Liability and Property Policies.

103. Pursuant to their surety bond program (the "**Surety Bond Program**"), the Debtors are required to provide surety bonds to certain third parties including governmental units and other public agencies, to secure the Debtors' payment or performance of certain obligations in connection with liquor licenses, utility deposits, workers compensation liabilities, medical equipment in connection with the Debtors' pharmacies, tobacco permits and taxes, insurance deductibles, and other miscellaneous items (the "**Surety Bonds**").

104. The Debtors are legally and contractually required to maintain certain Insurance Policies and the nature of the Debtors' businesses makes it essential for them to maintain all Insurance Policies on an ongoing and uninterrupted basis. If any of the Debtors' Insurance Policies are terminated or lapse, the Debtors could be exposed to substantial liability to the detriment of all parties in interest. Likewise, maintaining the Surety Bond Program and satisfying all Surety Bond Obligations, is a sound exercise of the Debtors' business judgment. As a condition to its ongoing operations, the Debtors are required, both legally and contractually, to provide Surety Bonds to secure obligations relating to, among other things, the Workers' Compensation Policies and utilities. A failure to continue the Surety Bond Program and to honor Surety Bond Obligations may result in violations of applicable law and breaches under the Debtors' critical contracts, which could be disruptive to the Debtors' operations and impair value for the Debtors' stakeholders. The continuation of the Surety Bond Program and the authority to honor the Surety Bond Obligations is essential to preserving the Debtors' business and the value of the Debtors' estates for all parties in interest.

xi. Motion of Debtors for Authorization to Pay Certain Prepetition Taxes and Fees (the "**Taxes Motion**")

105. The Debtors request authorization to pay taxes, assessments, fees, and other charges (collectively, the "**Tax Obligations**") in the ordinary course of business. In the course of operating their business, the Debtors collect, withhold, and incur an assortment of Tax Obligations that they remit periodically to various federal, state, and local taxing, licensing, regulatory, and other governmental authorities (collectively, the "**Authorities**"). Many of the Tax Obligations collected are held in trust for and must be turned over to the Authorities.

106. The Debtors also seek to pay certain prepetition Tax Obligations to, among other things, forestall Authorities from taking actions that might interfere with the administration of these Chapter 11 Cases, which may include bringing personal liability actions against directors, officers, and other key employees (whose full-time attention to the Debtors' Chapter 11 Cases is required to avoid business disruptions and maximize recoveries to the Debtors' creditors), asserting liens on the Debtors' property or assessing penalties and/or significant interest on past-due taxes. In addition, the non-payment of such Tax Obligations may give rise to priority claims pursuant to section 507(a)(8) of the Bankruptcy Code. The relief requested in the Taxes Motion is in the best interests of the Debtors' estates, their creditors and all other parties in interest, and will enable the Debtors to continue to operate their business with minimal disruptions.

xii. Motion of Debtors Requesting Entry of An Interim Order (I) Approving Debtors' Proposed Form of Adequate Assurance of Payment to Utility Providers, (II) Establishing Procedures for Determining Adequate Assurance of Payment for Future Utility Services, and (III) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Utility Service (the "**Utilities Motion**")

107. The Debtors request entry of an order (i) approving the Debtors' proposed form of adequate assurance of payment to utility providers, (ii) establishing procedures for determining adequate assurance of payment for future utility services and (iii) prohibiting utility providers from altering, refusing, or discontinuing utility service on account of outstanding prepetition invoices.

108. Preserving utility services on an uninterrupted basis is essential to the Debtors' ongoing operations and strategic sales process. Indeed, any interruption in utility services—even for a brief period of time—would seriously disrupt the Debtors' ability to continue operations and service their customers. This disruption would adversely impact customer relationships and would result in a decline in the Debtors' revenues. It also would affect the value of inventory—particularly with respect to perishable goods and frozen food. Such a result could seriously jeopardize the Debtors' restructuring efforts. Therefore, it is critical that utility services continue uninterrupted during the Chapter 11 Cases.

109. The Debtors intend to pay both prepetition and postpetition obligations owed to the Utility Providers in the ordinary course of business. The Debtors expect that cash flows from operations and the use of Cash Collateral will be sufficient to pay postpetition obligations related to their utility services in the ordinary course of business. Furthermore, the Debtors propose to deposit into a segregated bank account (the "**Adequate Assurance Account**") a sum equal to the cost of two weeks' worth of the average utility cost for each Utility Provider (less any amounts already on deposit and any surety bonds issued in favor of any such Utility Provider that have not been applied to outstanding prepetition amounts), based on the Debtors' average usage for the fiscal year ending 2017 (collectively, the "**Adequate Assurance Deposit**"). The Debtors estimate the Adequate Assurance Deposit to total approximately $1.35

million. Such Adequate Assurance Deposit will further assure the Utility Providers of payment for postpetition services.

xiii. Motion of Debtors for Interim and Final Orders Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in the Debtors and Claiming a Worthless Securities Deduction (the "**NOL Motion**")

110. The Debtors seek to establish procedures to protect the potential value of the Debtors' consolidated net operating loss carryforwards ("**NOLs**") and other tax benefits for use in connection with the reorganization of the Debtors. The Procedures apply to (i) transfers of common units of Southeastern Grocers, LLC (the "**SEG Common Units**") and any options or similar rights (within the meaning of applicable Treasury Regulations) to acquire such equity and (ii) to any claim (for U.S. federal income tax purposes) of a worthless securities deduction under the Tax Code with respect to SEG Common Units (a "**Worthless Securities Deduction**") by a Majority Equityholder.

111. The Debtors have certain tax attributes, which include, as of the Petition Date, estimated U.S. federal NOLs of $599 million and certain other beneficial tax attributes, including approximately $22.8 million of U.S. federal income tax credits (the "**Tax Attributes**"). The Tax Attributes are valuable assets and absent any intervening limitations and depending upon future operating results and the consequences of the Debtors' restructuring, the Tax Attributes could translate into substantial future tax savings to the reorganized Debtors over time. Any such savings could enhance the Debtors' financial position for the benefit of all parties in interest and contribute to the Debtors' efforts to successfully reorganize.

112. An ownership change pursuant to section 382 of the Tax Code (which is described further in the NOL Motion), or a claim of a Worthless Securities Deduction by a Majority Equityholder, prior to the effective date of a chapter 11 plan could significantly impair

the Debtors' ability to use their Tax Attributes, thereby resulting in a significant loss of potential value to the Debtors' estates. Accordingly, the trading procedures seek authority to restrict actions that could result in an Ownership Change and claims of a Worthless Securities Deduction, before the effective date of a chapter 11 plan or other applicable bankruptcy court order. This would protect the Debtors' ability to use the Tax Attributes following the conclusion of these Chapter 11 Cases.

xiv. Motion of Debtors For Authorization to Pay Prepetition Trade and Other Unimpaired Claims in Ordinary Course Of Business (the "**All Trade Motion**")

113. In the ordinary course of business, the Debtors incur various payment obligations to various third-party providers of goods and services that are sold in the Debtors' stores or facilitate the Debtors' business operations. The Debtors request entry of an order authorizing the Debtors to pay in full, in the ordinary course of business, allowed unimpaired prepetition claims for goods or services related to the Debtors' operations and other ordinary course claims (collectively, the "**Ordinary Course Claims**") of creditors, including landlords and providers of goods and services (collectively, the "**Ordinary Course Creditors**").

114. Paying the Ordinary Course Claims as they become due will benefit the Debtors' estates because doing so will avoid disruption to the Debtors' business. The Prepackaged Plan provides for the full and uninterrupted payment of such claims. As a result, no party in interest will be prejudiced by the relief requested because the Debtors seek only to alter the timing, not the amount or priority, of such payments. In addition, the Debtors estimate that more than two-thirds of the amount of Ordinary Course Claims are entitled to statutory or other priority and are otherwise entitled to be paid in full.

115. The goods, services and facilities provided by the Ordinary Course Creditors are necessary for the continued, uninterrupted operations of the Debtors' business. The Debtors anticipate that the failure to pay the Ordinary Course Claims as they become due is likely to result in many Ordinary Course Creditors refusing to provide, among other things, essential goods and services and/or conditioning the delivery of such goods and services on compliance with onerous and commercially unreasonable terms. Non-performance by numerous Ordinary Course Creditors could materially disrupt the Debtors' operation of their grocery stores and negatively impact the value of the Debtors' business, to the detriment of all of the Debtors' stakeholders.

xv. Motion of Debtors for Order (I) Scheduling Combined Hearing to Consider (A) Approval of Disclosure Statement, (B) Approval of Solicitation Procedures and Forms of Ballots, and (C) Confirmation of Prepackaged Plan; (II) Establishing an Objection Deadline to Object to the Disclosure Statement and Plan; (III) Approving the Form and Manner of Notice of Combined Hearing, Objection Deadline, and Notice of Commencement; (IV) Approving Notice and Objection Procedures for the Assumption or Assumption and Assignment of Executory Contracts and Unexpired Leases; (V) Extending Time, and Upon Plan Confirmation, Waiving of Requirements to (A) Convene Section 341 Meeting, and (B) File Statement of Financial Affairs and Schedules of Assets and Liabilities; and (IV) Granting Related Relief (the "**Scheduling Motion**")

116. The Debtors request that the Court enter an order setting a combined hearing to approve the Disclosure Statement, the solicitation procedures and forms of ballots, and confirm the Prepackaged Plan. The Debtors also seek (i) approval of the notice and objection procedures for the assumption or assumption and assignment of executory contracts and unexpired leases, and (ii) waiver of the Section 341(a) meeting of creditors and the requirement to file a statement of financial affairs and schedule of assets and liabilities unless the Prepackaged Plan is not confirmed by May 28, 2018. The Scheduling Motion also seeks

approval of the combined notice of commencement of the Chapter 11 Cases, deferral of the Section 341(a) meeting, and combined hearing of the Prepackaged Plan and the Disclosure Statement and related deadlines.

117. One Class of Claims and one Class of Interests are impaired and entitled to vote to accept or reject the Prepackaged Plan – Class 5 (Unsecured Notes Claims) and Class 8 (Existing SEG Equity Interests). Accordingly, on March 15, 2018, following the execution of the Restructuring Support Agreement, Prime Clerk transmitted Solicitation Packages to holders of Claims in Class 5 and Interests in Class 8. The Solicitation Package included: (i) the Disclosure Statement, (ii) the exhibits to the Disclosure Statement and (iii) ballots containing instructions on how to vote on the Prepackaged Plan (the "**Solicitation Package**"). The exhibits to the Disclosure Statement included (i) the Prepackaged Plan, (ii) the Restructuring Support Agreement and (iii) the Liquidation Analysis (each as defined in the Disclosure Statement). The exhibits to the Prepackaged Plan included (i) the Schedule of Assumed Leases, (ii) the Schedule of Assumed SEG II Leases and (iii) the Schedule of Rejected Leases. The exhibits to the Restructuring Support Agreement include (i) the Cash Collateral Term Sheet, (ii) the Exit Commitment Letter and Term Sheet, (iii) the Warrant Agreement, (iv) the Master Sublease Agreement, (v) the Stockholders Agreement and (vi) the Summary of Material Terms of the C&S Supply Agreement. Prime Clerk transmitted copies of the Solicitation Packages to holders of Claims in Class 5 (Unsecured Notes Claims) and holders of Interests in Class 8 (Existing SEG Equity Interests). The Debtors set a voting deadline of April 5, 2018, giving the holders of Claims in Class 5 and holders of Interests in Class 8 twenty-one (21) days to vote on the Prepackaged Plan.

118. I understand from counsel that the Debtors' solicitation of the Prepackaged Plan is in compliance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules. The proposed service of the Combined Notice will provide sufficient notice to all parties in interest in the Chapter 11 Cases of the commencement of such cases, the date, time, and place of the Combined Hearing, and the procedures for objecting to the adequacy of the Disclosure Statement and the confirmation of the Prepackaged Plan. Finally, setting a Combined Hearing on the Prepackaged Plan and the Disclosure Statement is necessary to allow the Debtors to prosecute the Chapter 11 Cases in an expeditious manner, thereby minimizing administrative costs and delays and avoiding operational disruption to the Debtors' business for the benefit of all parties in interest.

xvi. Application of Debtors for Authority to Retain and Employ Prime Clerk LLC as Notice and Claims Agent *Nunc Pro Tunc* to the Petition Date (the "**Claims and Noticing Agent Retention Application**")

119. The Debtors request authority to appoint Prime Clerk LLC ("**Prime Clerk**") as claims and noticing agent ("**Claims and Noticing Agent**") in accordance with the terms and conditions of the Engagement Agreement, effective *nunc pro tunc* to the Petition Date. Prime Clerk's duties will include assuming full responsibility for the distribution of notices and maintenance, processing, and docketing of proofs of claim filed in these Chapter 11 Cases. I have been informed that the Debtors' selection of Prime Clerk to serve as their Claims and Noticing Agent has satisfied the Court's *Protocol for the Employment of Claims and Noticing Agents under 28 U.S.C. § 156(c)*, in that the Debtors have obtained and reviewed engagement proposals from at least two other court-approved claims and noticing agents to ensure selection through a competitive process.

120. Prime Clerk's rates are competitive and reasonable given Prime Clerk's quality of services and expertise. The terms of Prime Clerk's retention are set forth in the Engagement Agreement attached to the Claims and Noticing Agent Retention Application. Appointing Prime Clerk as the Debtors' Claims and Noticing Agent will maximize the efficiency of the distribution of notices and the processing of claims, as well as relieve the Office of the Clerk of the Bankruptcy Court of the administrative burden of processing an overwhelming number of claims.

Conclusion

121. This Declaration illustrates the factors that have precipitated the commencement of the Chapter 11 Cases and the critical need for the Debtors to implement the reorganization strategy embodied in the Prepackaged Plan.

122. I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 27th day of March, 2018

Respectfully submitted,

SOUTHEASTERN GROCERS, LLC
ARP BALLENTINE LLC
ARP CHICKAMAUGA LLC
ARP HARTSVILLE LLC
ARP JAMES ISLAND LLC
ARP MOONVILLE LLC
ARP MORGANTON LLC
ARP WINSTON SALEM LLC
BI-LO FINANCE CORP.
BI-LO HOLDING FINANCE, INC.
BI-LO HOLDING FINANCE, LLC
BI-LO HOLDING, LLC
BI-LO, LLC
DIXIE SPIRITS FLORIDA, LLC
OPAL HOLDINGS, LLC
SAMSON MERGER SUB, LLC
WINN-DIXIE MONTGOMERY LEASING, LLC
WINN-DIXIE MONTGOMERY, LLC
WINN-DIXIE PROPERTIES, LLC
WINN-DIXIE RALEIGH LEASING, LLC
WINN-DIXIE RALEIGH, LLC
WINN-DIXIE STORES, INC.
WINN-DIXIE STORES LEASING, LLC
WINN-DIXIE SUPERMARKETS, INC.
WINN-DIXIE WAREHOUSE LEASING, LLC

Respectfully submitted,

By: /s/ Brian P. Carney
Name: Brian P. Carney
Title: Chief Financial Officer and
Executive Vice President

DIXIE SPIRITS, INC.
WINN-DIXIE LOGISTICS, LLC

By: /s/ Brian P. Carney
Name: Brian P. Carney
Title: Executive Vice President