

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

-----X  
In re :  
 : **Chapter 11**  
FAIRWAY GROUP HOLDINGS :  
CORP., *et al.*, : **Case No. 16-[ ] ( )**  
 :  
Debtors.<sup>1</sup> : **(Joint Administration Pending)**  
-----X

**DECLARATION OF DENNIS STOGSDILL  
PURSUANT TO RULE 1007-2 OF LOCAL BANKRUPTCY  
RULES FOR SOUTHERN DISTRICT OF NEW YORK**

I, Dennis Stogsdill, make this declaration under 28 U.S.C. § 1746:

1. I am a Managing Director with Alvarez & Marsal North America, LLC (“A&M”). I have more than 20 years of financial restructuring and management consulting experience. I have been involved in all aspects of the reorganization process, including the development and evaluation of strategic business plans, the implementation of liquidity management strategies, and advising on numerous out-of-court and chapter 11 proceedings.

2. On March 10, 2016, A&M was engaged by Fairway Group Holdings Corp. (“Holdings”) and its debtor affiliates (collectively, the “Debtors” and, together with their non-debtor affiliate, “Fairway”) to, among other things, provide Fairway and its other professionals financial advisory services in connection with Fairway’s evaluation and development of strategic alternatives and to assist Fairway in its negotiations with creditors. As

---

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Fairway Group Holdings Corp. (2788); Fairway Group Acquisition Company (2860); Fairway Bakery LLC (4129); Fairway Broadway LLC (8591); Fairway Chelsea LLC (0288); Fairway Construction Group, LLC (2741); Fairway Douglaston LLC (2650); Fairway East 86th Street LLC (3822); Fairway eCommerce LLC (3081); Fairway Georgetowne LLC (9609); Fairway Greenwich Street LLC (6422); Fairway Group Central Services LLC (7843); Fairway Group Plainview LLC (8643); Fairway Hudson Yards LLC (9331); Fairway Kips Bay LLC (0791); Fairway Nanuet LLC (9240); Fairway Paramus LLC (3338); Fairway Pelham LLC (3119); Fairway Pelham Wines & Spirits LLC (3141); Fairway Red Hook LLC (8813); Fairway Stamford LLC (0738); Fairway Stamford Wines & Spirits LLC (3021); Fairway Staten Island LLC (1732); Fairway Uptown LLC (8719); Fairway Westbury LLC (6240); and Fairway Woodland Park LLC (9544). The location of the Debtors’ corporate headquarters is 2284 12th Avenue, New York, New York 10027.

of the date hereof, I was appointed the Chief Restructuring Officer (“**CRO**”) of Fairway. As CRO, I report and provide advice to Fairway’s Board of Directors and Chief Executive Officer in connection with these chapter 11 cases.

3. On the date hereof (the “**Commencement Date**”), Holdings and its affiliated Debtors each commenced with this court (the “**Court**”) a voluntary case under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). I am knowledgeable and familiar with Fairway’s day-to-day operations, business and financial affairs, books and records, and the circumstances leading to the commencement of these chapter 11 cases (the “**Chapter 11 Cases**”).

4. Except as otherwise indicated herein, the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by employees of A&M or Fairway or advisors and counsel to Fairway, or my opinion based upon my experience, knowledge, and information concerning Fairway’s operations. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

5. This Declaration is submitted pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York (the “**Local Rules**”) for the purpose of apprising the Court and parties in interest of the circumstances that led to the commencement of these Chapter 11 Cases and in support of the motions and applications that the Debtors have filed with the Court, including the “first-day motions” (the “**First-Day Pleadings**”). I am authorized to submit this Declaration on behalf of Fairway.

6. Section I provides an overview of these Chapter 11 Cases. Section II describes Fairway’s business. Section III describes the circumstances that led to the commencement of the Chapter 11 Cases. Section IV describes Fairway’s corporate and capital

structure. Section V provides a summary of the First-Day Pleadings and factual bases for the relief requested therein. Section VI identifies the attached schedules of information required by Local Rule 1007-2.

## **I.** **Overview**<sup>2</sup>

7. Prepackaged Plan. The Debtors are pleased to appear before the Court after commencing the solicitation of votes on their prepackaged chapter 11 plan<sup>3</sup> from the only class of voting creditors—the Senior Secured Lenders—and having already received acceptances by more than one-half in number and two-thirds in amount of Secured Loan Claims that have voted. The Prepackaged Plan provides for a substantial reduction of Fairway’s existing funded debt under its Credit Agreement<sup>4</sup> by \$140 million and a reduction of Fairway’s annual debt service obligations by up to \$8 million. The Prepackaged Plan and the commencement of these prepackaged chapter 11 cases are milestone achievements that will benefit Fairway and all of its stakeholders. The reorganization transaction embodied in the Prepackaged Plan will right-size the Company’s balance sheet and set Fairway on a path to emerge from bankruptcy as a leaner, healthier enterprise that is positioned to thrive and grow its iconic New York City brand.

8. The Plan provides for a pure balance sheet restructuring that impairs the Senior Secured Lenders. All of the Debtors’ other creditors, such as trade vendors, employees

---

<sup>2</sup> Capitalized terms used but not defined in this overview section shall have the meanings assigned to them below.

<sup>3</sup> See *Joint Chapter 11 Plan of Reorganization of Fairway Group Holdings Corp. and its Affiliated Debtors* (the “**Prepackaged Plan**”) and *Disclosure Statement for Joint Chapter 11 Plan of Reorganization of Fairway Group Holdings Corp. and its Affiliated Debtors* (the “**Disclosure Statement**”), each filed contemporaneously herewith.

<sup>4</sup> The “**Credit Agreement**” means that certain credit agreement (the claims arising under the Credit Agreement, the “**Secured Loan Claims**,” the lenders under the Credit Agreement, the “**Senior Secured Lenders**”), dated as of February 14, 2013, by and among Holdings, as parent, Fairway Acquisition (defined below), as borrower, the lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, (the “**Credit Agreement Agent**”) as amended, modified, or supplemented from time to time.

and landlords, are unimpaired under the Prepackaged Plan and will be satisfied in full in the ordinary course of business. Trade contracts and terms will be maintained. Collective bargaining agreements will be honored. Leases will be assumed. Store operations and quality customer service will continue in the ordinary course without interruption. Given that the Debtors' Senior Secured Lenders are agreeing to compromise their claim, the Debtors' existing equity will be cancelled upon emergence. However, the Debtors believe the reorganization transaction embodied in the Prepackaged Plan will maximize the value of the business and maintain Fairway's iconic brand for the benefit of all stakeholders through these prepackaged Chapter 11 Cases.

9. Restructuring Support Agreement. The Prepackaged Plan is the result of months of negotiations among the Debtors and an informal steering committee of Senior Secured Lenders collectively holding more than 70% in amount of Secured Loan Claims (the “**Steering Committee**”). The Debtors developed the Prepackaged Plan and their reorganized business strategy in close consultation with the Steering Committee. On May 2, 2016, the Debtors executed a restructuring support agreement (the “**Restructuring Support Agreement**” or “**RSA**”) with Senior Secured Lenders, including the members of the Steering Committee (the “**Consenting Creditors**”), pursuant to which such Consenting Creditors agreed to vote in favor of and support confirmation of the Prepackaged Plan. As stated, prior to the commencement of these cases, Consenting Creditors holding more than 70% in amount of Secured Loan Claims already have submitted their votes to accept the Prepackaged Plan.<sup>5</sup> The solicitation period for the Prepackaged Plan will remain open for another ten (10) days until May 12, 2016.

---

<sup>5</sup> Fairway believes that these holders constitute more than 50% of the number of holders of all Secured Loan Claims.

10. DIP Financing. In addition, certain Senior Secured Lenders are also providing debtor-in-possession financing to Fairway in the amount of \$55 million plus approximately a \$30.6 million revolving credit facility, including letters of credit (the “**DIP Loans**”), to support the Company’s working capital needs during the chapter 11 cases and beyond. Upon emergence from bankruptcy, the DIP Loans will be converted into an exit facility on a first out senior secured basis and leave an estimated \$42 million of cash and cash equivalents on Fairway’s balance sheet to maintain operations and satisfy obligations in the ordinary course of business, and position Fairway for long term success. In addition, the DIP Lenders under the term loan will be entitled to a fee equal to 10% of the New Common Stock (defined below) of Reorganized Holdings. While the DIP Loans are fully committed, all prepetition secured lenders have the opportunity to participate as lenders under the DIP facility.

11. Chapter 11 Plan. Generally, under the Prepackaged Plan, in exchange for the reduction and modification of the existing Secured Loan Claims in the amount of approximately \$279 million, the Senior Secured Lenders will receive, on the Effective Date, a pro rata share of:

- ninety percent (90%) of the ordinary shares of reorganized Holdings (the “**New Common Stock**”), subject to the issuance of up to 10% of New Common Stock by the new board of directors in its discretion to the reorganized Debtors’ management team pursuant to a post-emergence management incentive plan;
- a \$45 million last out exit term loan (the “**Last Out Exit Term Loans**”), with Reorganized Acquisition as borrower, and each of the other Fairway entities, as guarantors, which shall be secured by all of the assets of Fairway, subject to the terms of an amended and restated exit agreement (the “**Amended and Restated Credit Agreement**,” the term sheet for which, the “**Exit Term Sheet**”); and
- an unsecured subordinate term loan in an aggregate principal amount of \$39 million (the “**Subordinated Holdco Loans**”), with Reorganized Holdings as

borrower. None of the other Fairway entities will guarantee Reorganized Holdings' obligations under the Subordinated Holdco Loan.

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

<u><b>Current</b></u>	<u><b>Reorganized</b></u>
<i>Proposed DIP Financing</i> \$55M Term Loans \$30.6M Letters of Credit	\$55M First Out Exit Term Loans (Secured) \$30.6M Letters of Credit (pari passu with First Out Exit Term Loans) 10% of New Common Stock
\$279M Senior Secured Debt \$270M Senior Secured Term Loan \$9M Drawn Revolver	90% of New Common Stock \$45M Last Out Exit Term Loan (Secured) \$39M Subordinated Holdco Loans (Unsecured)
<b><i>Total Current Funded Debt = \$279M</i></b>	<b><i>Total Reorganized Funded Debt = \$139M</i></b>
General Unsecured Claims	Unimpaired
Union and Pension Obligations	Unimpaired
Existing Equity	Cancelled

13. **Proposed Timeline.** The Debtors believe that, to be successful, these Chapter 11 Cases must proceed in the most expeditious manner permitted by the Bankruptcy Code. The terms of the RSA reflect that belief. Among other milestones contained in the RSA is a deadline for entry of an order by the Bankruptcy Court approving the Disclosure Statement and solicitation procedures and confirming the Prepackaged Plan within sixty (60) calendar days after the Commencement Date. To meet this deadline, the Debtors have proposed the following timeline for these Chapter 11 Cases (subject to the Court's calendar):

<u><b>Proposed Timeline</b></u>	
Commencement of Solicitation	May 2, 2016
Commencement Date	May 2, 2016

<b><u>Proposed Timeline</u></b>	
Plan Supplement Deadline	May 10, 2016
Plan Voting Deadline	May 12, 2016
Objection Deadline	May 24, 2016
Reply Deadline	May 31, 2016
Combined Hearing	On or about June 1, 2016

14. The Debtors believe that a quick Chapter 11 Case is essential to the preservation of the value of their assets and estates. Fairway's stakeholders have supported Fairway's business leading up to the filing in anticipate of a quick balance sheet restructuring that does not impact Fairway's operations or its trade creditors, employees or landlords. To ensure that result, the Debtors negotiated a favorable transaction with their Senior Secured Lenders. In exchange for that consideration, the Senior Secured Lenders 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.**

### **Fairway's Businesses**

15. Fairway is a growth-oriented food retailer, offering customers a differentiated one-stop shopping experience "Like No Other Market." Fairway began in the 1930s as a fruit and vegetable stand located on Broadway and 74th Street in Manhattan—the current location of one of its stores—under the name "74th Street Market." In 1954, Fairway expanded the 74th Street location, adding groceries, meat, cheese, dairy products and frozen foods, and renamed the store "Fairway" to convey the concept of "fair prices." In the mid-1970s, Fairway began expanding into gourmet and specialty categories, transforming its retail grocery operations into a full service food superstore known for high quality and value pricing.

During this transformation, Fairway also began hiring a team of ambitious, hardworking “foodies” who would eventually become its category experts and senior merchants. In the late 1970s, Fairway adopted the slogan “Like No Other Market” in recognition of its distinctive format.

16. Fairway has established itself as a leading food retailing destination in the Greater New York City metropolitan area. Fairway’s stores emphasize an extensive selection of fresh, natural, and organic products, prepared foods, and hard-to-find specialty and gourmet offerings, along with a full assortment of conventional groceries. Fairway operates fifteen (15) locations in the Greater New York City metropolitan area, including four (4) Fairway Wines & Spirits locations. Seven (7) Fairway stores are located in New York City (referred to as “urban stores”) and the remainder of Fairway’s stores are located in New York (outside of New York City), New Jersey and Connecticut (referred to as “suburban stores”). For each location, a Fairway subsidiary is the lessee. Holdings or Fairway Acquisition guarantee some but not all of the leases, and certain leases are supported by letters of credit under the Credit Agreement.

17. Fairway proudly employs almost 4,000 individuals, approximately 3,400 (85%) of whom are unionized. Fairway is party to five (5) collective bargaining agreements (collectively, the “CBAs”) with various bargaining units of certain international and local unions: (a) United Food and Commercial Workers International Union, Local 1500 (which represents 2,852 or approximately 84% of Union-Represented Employees), (b) United Food and Commercial Workers International Union, Local 1262 (which represents 292 or approximately 9% of Union-Represented Employees), (c) United Food and Commercial Workers International Union, Local 371 (which represents 211 or approximately 6% of Union-Represented Employees), (d) United Food and Commercial Workers International Union, Local 1500



(Drivers) (which represents 30 or approximately 1% of Union-Represented Employees), and (e) United Service Workers Union, Local 339 (which represents 5 or less than 1% of Union-Represented Employees).

18. For the nine months ended December 27, 2015, the unaudited consolidated financial statements of Fairway reflected total revenues of approximately \$565 million and a net loss of approximately \$36 million. As of December 27, 2015, Fairway's unaudited consolidated financial statements reflected assets totaling approximately \$346 million and liabilities totaling approximately \$397 million.

### **III.** **Circumstances Leading to Chapter 11 Cases**

19. As stated, the Debtors are filing the chapter 11 cases to implement a Prepackaged Plan that provides for a comprehensive balance sheet restructuring of the Secured Loans with the consent of the Senior Secured Lenders, preserves the going-concern value of the Debtors' businesses, maximizes creditor recoveries, provides for an equitable distribution to the Debtors' stakeholders and protects the jobs of approximately 4,000 employees.

20. 2014 Initiatives. Since late 2014, Fairway has implemented a number of initiatives to address changing market conditions. Those initiatives have been implemented by a new and highly talented executive management team with the skills and experience to effectuate a "top to bottom" operational turnaround for the business. The new management team has implemented an array of transformational initiatives to move Fairway in the right direction. Due to Fairway's burdensome secured debt obligations, however, Fairway is unable to invest in certain capital improvements and marketing activities it believes to be necessary to effectively compete in the highly-competitive New York metropolitan area market.

21. Investment / Sale Process. Before commencing these chapter 11 cases, the Debtors conducted an extensive process to sell the company or raise additional capital to invest in the business with the assistance of their investment bankers, Greenhill & Co., LLC (“**Greenhill**”), commencing in January 2015. The capital raise and sale process extended throughout 2015 and into early 2016. During that process, Greenhill contacted over 60 potential investors for or purchasers of the business. Unfortunately, no acceptable proposals were put forward.

22. Given these and other considerations, the Debtors have concluded in the exercise of their business judgment and as fiduciaries for all of the Debtors’ stakeholders that the best and only viable path to maximize the value of their business and preserve thousands of jobs is a strategic prepackaged chapter 11 filing to implement the Prepackaged Plan.

**A. Competitive Industry**

23. The food retail industry as a whole, particularly in the Greater New York City metropolitan area, is highly competitive. Fairway offers a full assortment of fresh, natural and organic products, prepared foods and hard-to-find specialty and gourmet offerings, along with a full assortment of conventional groceries. As a result, Fairway experiences competitive pressures from multiple market segments. In addition, some of Fairway’s competitors have expanded aggressively in marketing a range of natural and organic foods, prepared foods and quality specialty grocery items. Some of Fairway’s competitors have more experience operating multiple store locations and have greater financial or marketing resources than Fairway, which allow them to devote greater resources to sourcing, promoting, and selling their products.

24. The density of the Greater New York City metropolitan area compounds the problem because of the geographic proximity between Fairway’s stores and those of their competitors. For example, Fairway’s comparable store sales decreased approximately 6% in the

fifty-two weeks ended April 3, 2016<sup>6</sup> compared to the fifty-two weeks ended March 29, 2015, in part due to a decrease in sales at Fairway's Upper Eastside location as a result of a competitive opening within half a mile of that location and higher promotional activity during the period.

25. Fairway also faces challenges from mass merchandisers, warehouse clubs, drug stores, dollar stores, and convenience stores. This challenging operating environment has been compounded by falling produce and retail food prices, and competitors' increased willingness to engage in price-based competition. Due to its competitive pressures, the food retail industry is characterized by slim profit margins.

26. In addition to more traditional competition, the influence of technology and eCommerce has had a larger impact on Fairway than competitors in other markets. This is due to Fairway's concentration in the dense urban New York market where consumers are more willing to pay for the convenience of home delivery for certain items in their grocery basket. Further, New York often serves as a test-market or launch market for product innovations. As such, Fairway has been more affected than other grocers by the proliferation of online retailers, online grocers, delivery services, and meal kits.

27. In light of all of the foregoing, Fairway requires capital resources to effectively compete for market share.

## **B. Capital Investment**

28. In this highly competitive 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 introducing technological advances and other initiatives to customize and improve consumer experience. Moreover, companies are also

---

<sup>6</sup> The amount for fiscal year 2016, ending April 3, 2016, has been decreased (by subtracting one week of average weekly net sales) to reflect a 52-week year so as to be comparable to fiscal year 2015, ending March 29, 2016.

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 in order 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.

### **C. Fairway's Position**

29. Fairway is saddled with significant debt obligations. The Credit Agreement mandates recurring interest and amortization payments. Moreover, as of April 1, 2016, the maximum total leverage ratio covenant contained in the Credit Agreement stepped down from 6.0:1 to 5.75:1. These factors have significantly limited the financial flexibility that Fairway requires to invest in their business and, as a result, Fairway has started to fall behind its competitors with respect to technology and other related areas—placing Fairway at a competitive disadvantage when compared to its traditional and non-traditional peers. Moreover, while Fairway's iconic brand remains intact, it has been unable to invest in the necessary marketing efforts to translate that brand value into revenue growth.

### **D. New Management**

30. In 2014, Fairway brought in a new Chief Executive Officer to address issues hindering the business. The new Chief Executive Officer and his management team have been successful in achieving several of their goals. For example, the new management team has streamlined the labor force and executed new union contracts, which Fairway believes will be more conducive to productive and efficient operation of the stores. The collective bargaining

agreements provide flexibility to Fairway in its operations. Accordingly, under the Prepackaged Plan, the Debtors are honoring the obligations and assuming the collective bargaining agreements.

31. Fairway has also completed the build out of its central production center, which will allow further operating flexibility, cost leverage and enhanced quality control as Fairway continues to grow the business. In addition, the new management redesigned Fairway's model for new-store openings, which lowers the capital expenditure and pre-opening overhead cost requirements of the old model. Fairway also exited certain leases that were unnecessarily risky for new store opening locations due to competition or customer demographics.

32. Perhaps most importantly, the new management tested a new merchandising initiative at one of Fairway's store locations, which proved to be successful in delivering incremental sales growth and profitability at that location. With the financial relief contemplated by the Plan, the Debtors intend to apply many of these strategies throughout all of their stores.

33. Fairway is at a point, however, where continued growth and improvements to the business to increase profitability and success require the flexibility to invest in capital expenditures and marketing to promote and grow the Fairway brand.

#### **E. Deleveraging Initiatives**

##### **(1) *Capital Raise and Sale Process***

34. Since 2014, Fairway worked extensively with its advisors on a process to find a buyer for, or attract a meaningful investment in, Fairway. In January 2015, Greenhill, Fairway's investment banker, undertook a targeted process to solicit interest in such a transaction. Greenhill focused the outreach to relevant potential strategic acquirers and select private equity funds with significant retail experience. This initial process focused on an

outreach to parties with a higher likelihood of interest. In total, Greenhill contacted thirteen (13) parties, eleven (11) of which signed a non-disclosure agreement in connection with receiving access to certain of Fairway's confidential information. One financial party submitted an indication of interest for a private investment in public equity transaction. However, Fairway concluded that the offer was inadequate. A second financial party submitted an initial indication of interest for a take-private transaction, but later withdrew from the process.

35. In September 2015, Greenhill undertook a second, broader, marketing process. In total, Greenhill contacted 66 parties including certain parties involved in the first process. Eighteen (18) parties participated in calls or meetings with the management team and four (4) submitted an initial expression of interest to invest in and/or acquire the Debtors' business. Ultimately, however, none of the parties made an offer that the Debtors and their advisors believed to be adequate or better than the reorganization transaction embodied in the Prepackaged Plan.

36. Furthermore, in late 2015, global debt and equity capital markets deteriorated, leading to a decline in valuation multiples and a reduction in the availability of debt capital for grocers. These factors further restricted the ability for potential counterparties to submit an executable proposal.

(2) *Restructuring Support Agreement*

37. In light of the unsuccessful process coupled with Fairway's unsustainable level of secured debt, in February 2016, Fairway commenced negotiations and discussions with an informal group of its Senior Secured Lenders in parallel with the continuation of the capital raise and sale process. Those discussions and negotiations occurred over a period of several months, ultimately resulting in the restructuring transaction embodied in the Plan.

38. On May 2, 2016, the Debtors entered into the Restructuring Support Agreement. Under the Restructuring Support Agreement, each of the Consenting Lenders has agreed to, among other things, vote any claim it holds against the Debtors to accept the Plan in exchange for the Debtors' agreement to prosecute the Plan.

39. The Restructuring Support Agreement provides for various termination events. Depending on the termination event, Consenting Lenders holding a majority of the aggregate outstanding principal amount of the Secured Loan Claims held by all the Consenting Lenders (the "**Required Lenders**"), or the Debtors, may terminate the Restructuring Support Agreement. The Restructuring Support Agreement could be terminated by the Requisite Lenders upon the occurrence of various events or the Debtors' failure to satisfy certain milestones in the chapter 11 cases, including if:

- on the Commencement Date, the Debtors have not filed the Plan, the Disclosure Statement, the motion to approve the Plan and the Disclosure Statement and the motion to approve the DIP Facility;
- if the Plan and Disclosure Statement have not been approved within 60 days after the Commencement Date; or
- if the Plan has not become effective within 75 days after the Commencement Date.

40. The Restructuring Support Agreement and the obligations of all parties thereto may also be terminated by mutual agreement among the Debtors and the Requisite Lenders.

41. The Debtors believe that the de-leveraging transaction contemplated by the Restructuring Support Agreement and the Plan is the best approach for relieving Fairway from the constraints that currently restrict continued growth and success of its business. Not only will the contemplated transaction lower Fairway's debt obligations, it will also eliminate the

costs that Fairway incurs by operating as a public company. The restructuring will allow Fairway to emerge as a stronger company with a healthy balance sheet that can focus on expanding the business and the iconic Fairway brand rather than on managing burdensome financial covenants. Most importantly, Fairway will have the capital needed to invest in its business to effectively compete in the food retailer market space and save thousands of jobs.

#### **IV. Corporate and Capital Structure**

##### **A. Corporate Structure**

42. Holdings was founded in September 2006 as a Delaware corporation. Holdings' address is 2284 12th Avenue, New York, New York 10027. Holdings is the sole owner of Fairway Group Acquisition Company ("**Fairway Acquisition**"), which was also formed in September 2006 as a Delaware corporation. A separate Delaware limited liability company houses each individual Fairway grocery market. Fairway Acquisition is the sole equity holder of each of these limited liability companies. Thus, all of the Debtors are direct or indirect subsidiaries of Holdings. The chart annexed hereto as Exhibit A illustrates Fairway's organizational structure, as of the date hereof.<sup>7</sup>

43. Holdings' current board of directors is comprised of six (6) members, including three (3) independent directors: (i) Charles W. Santoro, Chairman, (ii) Michael Barr, (iii) Howard Glickberg, (iv) Stephen L. Key, (v) General Robert Magnus, and (vi) Farid Suleman. Fairway's current senior management team is comprised of (i) John E. Murphy, Chief Executive Officer, (ii) Edward C. Arditte, Co-President and Chief Financial Officer, and (iii) Kevin McDonnell, Co-President and Chief Operating Officer. Other senior officers of

---

<sup>7</sup> As stated and reflected in the chart, Fairway Lake Grove LLC is not a Debtor in these proceedings. The Lake Grove store will continue operations in the ordinary course and the DIP Lenders have consented to the use of proceeds from the DIP for such operations.



Fairway include (a) Dorothy Carlow, Executive Vice President and Chief Merchandising Officer, (b) Nathalie Augustin, Senior Vice President—General Counsel and Secretary, (c) Maureen Minard, Senior Vice President—Chief Information Officer, and (d) Linda M. Siluk, Senior Vice President—Finance and Chief Accounting Officer.

44. Additional information regarding the Debtors' senior management team is set forth in **Schedule 10** annexed hereto.

**B. Capital Structure**

45. The Debtors' primary prepetition indebtedness are secured financing obligations in the amount of approximately \$279 million as of the date hereof. The Debtors' secured financing obligations are described in greater detail below. The Fairway entities represent the entire business, and as such, all of the Debtors' operations are conducted, and debt is issued or guaranteed, by the Debtors.

(1) *Secured Credit Facility*

46. Fairway Acquisition, as borrower, and Holdings, are parties to the Credit Agreement, dated February 14, 2013. The Credit Agreement provides for a senior secured credit facility consisting of an initial \$275 million term loan (the "**Secured Term Loan**," the lenders under which, the "**Secured Term Loan Lenders**") and a \$40 million revolving credit facility (the "**Revolving Credit Facility**," the lenders under which, the "**Revolving Credit Facility Lenders**"), including a letter of credit line. The Secured Term Loan matures in August 2018. The Revolving Credit Facility matures in August 2017. As of the date hereof, the aggregate amount outstanding under the Secured Term Loan is approximately \$270 million, and the aggregate amount outstanding under the Revolving Credit Facility is approximately \$9 million, for total funded indebtedness of approximately \$279 million. Additionally, as of the date hereof,

there are approximately \$30.6 million in undrawn letters of credit issued under the Revolving Credit Facility.

47. Pursuant to the Credit Agreement, Holdings, Fairway Acquisition, the remaining Fairway Entities (including Fairway Lake Grove LLC), and Credit Suisse AG, as collateral agent for the secured parties thereunder, entered into that certain Guarantee and Collateral Agreement, dated as of February 14, 2013 (the “**Security Agreement**”). Under the Security Agreement, each of Fairway Acquisition’s subsidiaries and Holdings guaranteed the Secured Loans. Pursuant to the Security Agreement, the obligations of Holdings, Fairway Acquisition, and the Fairway guarantors under the Secured Term Loan and the Revolving Credit Facility are secured on a pari passu basis in all of Fairway’s assets.

(2) *Trade Claims*

48. In the ordinary course of business, the Debtors incur various fixed, liquidated, and undisputed payment obligations (the “**Trade Claims**”) to various third-party providers of goods and services (the “**Trade Creditors**”) that are sold in the Debtors’ stores or facilitate the Debtors’ business operations. As of the date hereof, the Debtors estimate that the aggregate amount of Trade Claims outstanding is approximately \$21 – \$27 million. A majority of the Debtors’ General Unsecured Claims are Trade Claims. Certain of the Trade Claims are entitled to statutory priority, such as under PACA or PASA or under section 503(b)(9) of the Bankruptcy Code, may give rise to shippers, warehouseman, or mechanics liens against the Debtors’ property if unpaid, relate to funds held in trust by the Debtors that are not the property of the Debtors’ estates, or 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 Trade Claims equal approximately \$6.2 million (the “**Non-Priority Trade Claims**”).

(3) *Intercompany Claims*

49. Certain Fairway entities hold Claims against Debtor entities resulting primarily from the normal functioning of Fairway's centralized cash management system as well as, in some cases, the provision of intercompany services by one Fairway entity to another Fairway entity, such as, for example, administrative support services. Historically, such intercompany claims are recorded in Fairway's books and records but not paid. Pursuant to the Prepackaged Plan, for administrative convenience only, these Intercompany Claims will be, in the discretion of the Debtors, adjusted, reinstated, or discharged to the extent reasonably deemed appropriate by the Debtors and the Required Lenders. Such treatment will have no impact on creditors that are not Debtor-affiliates.

(4) *Equity Ownership*

50. In April 2013, Holdings completed an initial public offering of its Class A common stock ("**Class A Common Stock**"). Holdings is thus a public company and files annual and quarterly reports with, and furnishes other information to, the SEC. Since April 16, 2013, Holdings has listed Fairway Class A Common Stock on the NASDAQ Global Market under the symbol "FWM." As of April 15, 2016, private equity investment funds affiliated with Sterling Investment Partners (the "**Sterling Funds**"), which acquired 80.1% of Holdings in 2007, own approximately 27% of Class A Common Stock, approximately 92% of Holdings' Class B common stock ("**Class B Common Stock**"), and approximately 81% of the combined voting power of Fairway Class A and Class B Common Stock.

**V.**  
**First-Day Pleadings**

51. As mentioned above, Fairway operates in a highly competitive industry. It is imperative that it make a seamless transition into chapter 11 to preserve the reputation of its

business and the loyalty and goodwill of customers, suppliers and employees. Sales and operations must continue in the ordinary course of business to preserve the value of the business and implement the reorganization transaction. Accordingly, the Debtors have filed a number of First Day Pleadings designed to facilitate their transition into these Chapter 11 Cases. The Debtors anticipate that the Court will conduct a hearing soon after the Commencement Date at which the Court will hear and consider many of the First Day Pleadings.<sup>8</sup>

52. 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 execute the Prepackaged Plan and is in the best interests of the Debtors' estates and creditors. I adopt and affirm the factual representations contained in each of the First Day Pleadings. A description of the relief requested and the facts supporting each of the pleadings is set forth below.

**A. Administrative Motions**

- (i) Motion of Debtors to (a) Schedule a Combined Hearing to Consider Adequacy of the Disclosure Statement for the Prepackaged Plan and Confirmation of the Prepackaged Plan; (b) Establish procedures for Objecting to the Disclosure Statement and Prepackaged Plan; (c) Approve Form, Manner, and Sufficiency of Notice of Combined Hearing, Commencement of Chapter 11 Cases, and Deferral of Meeting of Creditors and Equity Holders; (d) Direct that Section 341(a) Meeting is Deferred until Confirmation of the Prepackaged Plan; and (e) Grant Related Relief
- 

53. The Debtors request that the Court enter an order (i) setting a combined hearing to (i) approve the Disclosure Statement and confirm the Prepackaged Plan; (ii) approve objection procedures and deadlines in connection with the Prepackaged Plan and Disclosure

---

<sup>8</sup> 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.

Statement; and (iii) approve the process of soliciting votes in connection with the Prepackaged Plan. The Debtors also seek (i) deferral of the section 341(a) meeting of creditors unless the Prepackaged Plan is not confirmed within sixty (60) days after the Commencement Date and (ii) approve the combined notice of (a) commencement of these Chapter 11 Cases, (b) deferral of the section 341(a) meeting, and (c) the combined hearing of the Prepackaged Plan and Disclosure Statement and related deadlines.

54. The holders of Class 3 Claims, who hold claims arising under the Prepetition Credit Agreement, are the only class of claims entitled to vote on the Prepackaged Plan. Accordingly, on May 2, 2016, following execution of the RSA, Prime Clerk (the Debtors' solicitation and voting agent) transmitted a Solicitation Package (defined below) to holders of Class 3 Claims. The Solicitation Package included: ballots containing instructions on how to vote on the Prepackaged Plan, copies of the Disclosure Statement, and the exhibits to the Disclosure Statement, which included the Prepackaged Plan, the Restructuring Support Agreement, the DIP Term Sheet, the DIP Commitment Letter, the Exit Term Sheet, the Exit Commitment Letter, the Organizational Chart, and a Schedule of Leases (the "**Solicitation Package**"). Prime Clerk transmitted the Solicitation Package via email to the holders of Class 3 Claims. The Debtors have set a voting deadline of May 12, 2016, giving the holders of Class 3 Claims ten (10) more days to review the Disclosure Statement and vote on the Prepackaged Plan.

55. I understand from counsel that the Debtors' solicitation of the Prepackaged Plan is in compliance with the Bankruptcy Code, the Bankruptcy Rules and the Guidelines for Prepackaged Chapter 11 Cases in the United States Bankruptcy Court for the Southern District of New York. I also believe that the proposed service of the Combined Notice will provide sufficient notice to all parties in interest in the Debtors' 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 I believe that the setting a combined hearing on the Prepackaged Plan and Disclosure Statement, in combination with the aforementioned noticing and solicitation procedures, is necessary to allow the Debtors to prosecute these 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.

(ii) Motion of Debtors for Entry of an Order Directing Joint Administration of their Related Chapter 11 Cases

56. 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, Fairway Group Holdings Corp.

57. 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 and objections and will allow all parties in interest to monitor the Chapter 11 Cases with greater ease and efficiency. The relief requested 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.

- (iii) Motion of Debtors for Entry of an Order (i) Extending Time to File Schedules of Assets and Liabilities and Statements of Financial Affairs, (ii) Waiving the Same Upon Confirmation of the Debtors' Prepackaged Plan, and (iii) Waiving Requirement to File a List of Equity Holders, and (iv) Waiving Requirement to File a List of Creditors

58. The Debtors request entry of an order extending the time to file their schedules of assets and liabilities and statements of financial affairs (the “**Schedules and Statements**”) to allow the Debtors a total of sixty (60) days following the Commencement Date (the “**Deadline**”) to file their Schedules and Statements and a waiver of the same upon confirmation of the Prepackaged Plan on or before the Deadline. Completing the Schedules and Statements would be time consuming and unnecessarily expensive. This is particularly true if the Prepackaged Plan is confirmed. Additionally, the Debtors seek waivers of the requirements to file lists of equity security holders and creditors. The Debtors propose to retain a claims and noticing agent to assist the Debtors in preparing creditor lists and mailing initial notices. With such assistance, the Debtors will be prepared to file a computer-readable consolidated list of creditors upon request and will be capable of undertaking all necessary mailings in a timely and efficient manner. I believe that the relief requested by this motion is necessary and appropriate to maximize the value of the Debtors' estates.

- (iv) Motion of Debtors for Entry of an Order Implementing Certain Notice and Case Management Procedures

59. The Debtors seek entry of an order approving and implementing certain notice, case management, and administrative procedures (collectively, the “**Case Management Procedures**”). Given the size and scope of these cases, the Case Management Procedures will facilitate service of notices, motions, applications, declarations, objections, responses, memoranda, briefs, supporting documents, and other papers filed in these chapter 11 cases that will be less burdensome and costly than serving such documents on every potentially interested

party. This, in turn, will maximize the efficiency and orderly administration of these chapter 11 cases, while at the same time ensuring that appropriate notice is provided.

**B. Operational Motions Requesting Immediate Relief**

60. The Debtors intend to ask for immediate interim relief with respect to the following First Day Pleadings and, therefore, will present these motions at the First Day Hearing.

- (i) Motion of Debtors pursuant to 11 U.S.C. §§ 105, 361, 362, 363, and 364 and Fed. R. Bankr. P. 4001(B)-(C) for Authority to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Certain Protections to Prepetition Secured Parties, and (D) Schedule a Final Hearing

61. To secure the liquidity necessary to administer these Chapter 11 Cases and continue their operations in the ordinary course of business without serious disruption, the Debtors sought and procured a (i) \$55 million new money non-amortizing senior secured postpetition term loan facility and (ii) \$30.6 million revolving credit facility available for the issuance of letters of credit (the “**DIP Loans**” and the “**DIP Facility**”). The DIP Facility provides the financing necessary to provide the Debtors sufficient liquidity to seamlessly operate in chapter 11 and maintain key relationships with vendors, suppliers, employees and customers. Absent the DIP Financing, the Debtors would lack the working capital needed to fund these cases and continue their operations in the ordinary course. The Debtors request interim funding in the amount of \$15 million upon entry of the interim order and \$40 million upon entry of the final order approving the DIP Facility (together, the “**DIP Orders**”). While the DIP Loans are fully committed, all Senior Secured Lenders have the opportunity to participate as lenders under the DIP Facility.

62. In addition, the DIP Facility contemplates that upon emergence from bankruptcy, the amounts outstanding under the DIP Facility will be converted on a dollar-for-dollar basis into a fully committed first-out senior secured exit term loan and a senior secured



revolving credit facility available for the issuance of letters of credit. The unused cash and cash equivalents remaining at the end of the Chapter 11 Cases (estimated at approximately \$42 million) will fund the reorganized Debtors' operations upon emergence from chapter 11. The DIP Lenders under the term loan will be entitled to a fee equal to 10% of the New Common Stock.

63. I am familiar with the terms of the DIP Facility and the Adequate Protection proposed to be provided by the Debtors in exchange for access to Cash Collateral. Based on my general experience in the restructuring industry and my experience with the Debtors' businesses, I believe that interim approval of the DIP Facility is necessary and appropriate to allow the Debtors immediate access to liquidity. A&M worked closely with the Debtors' management team to develop the Budget and to determine the amount of interim funding required to meet the Debtors' short-term liquidity needs pending approval of the Motion on a final basis. Interim funding in the amount of \$15 million and immediate access to Cash Collateral will provide the Debtors with sufficient liquidity to assure their employees, customers, vendors, and suppliers that the Debtors have the working capital necessary to continue to their operations in the ordinary course of business. It is critical that the Debtors be in a position to restore the confidence of their key constituents at the outset of these Chapter 11 Cases.

64. Prior to the commencement of these cases, as news of the Debtors' financial challenges spread throughout the market, a number of the Debtors' suppliers and vendors contracted trade terms. In addition, in preparation for these Chapter 11 Cases, the Debtors incurred certain one-time expenses. As a result, during the first four (4) weeks after the Commencement Date, the Debtors' available cash—without taking account of authorized proceeds under the DIP Facility—is forecasted to sink as low as negative \$6 million. Without

access to interim funding under the DIP Facility, the Debtors' ability to continue their operations during the first weeks of their Chapter 11 Cases would be in serious jeopardy.

65. The Debtors anticipate that one-time chapter 11 filing-related expenses and increased demands by constituents will increase the strains on their free cash during early phase of these cases. Under these circumstances, for the next four weeks, the Debtors expect to experience cash losses totaling approximately \$6.8 million. As such, immediate access to Cash Collateral and the interim financing under the DIP Facility is essential to the Debtors' ability to minimize disruptions and avoid irreparable harm to their businesses.

66. The Debtors surveyed various third party sources of postpetition financing. In exploring those options, the Debtors were cognizant of the challenges presented by the fact that substantially all of the Debtors' assets are encumbered by the Prepetition Liens. It became clear to the Debtors that, in order to obtain the necessary liquidity to administer their Chapter 11 Cases and execute their reorganization strategy, the Debtors either would have to (i) find a postpetition lender willing to extend credit that would be junior to the Prepetition Liens or unsecured, or (ii) obtain postpetition financing secured by liens that would prime the Prepetition Liens.

67. The Debtors contacted eight (8) parties to solicit offers to provide the Debtors with postpetition financing. The Debtors' solicitation did not yield any offers. Accordingly, the Debtors focused their postpetition financing efforts on securing financing from the DIP Lenders, all of whom also are Prepetition Lenders. Further, the Debtors concluded that raising postpetition financing on a nonconsensual priming basis would be much more expensive and disruptive to their businesses than what could reasonably be achieved by entering into the DIP Facility with the DIP Lenders.

68. For several weeks, the Debtors and their advisors engaged in rigorous negotiations with the Prepetition Secured Parties and their advisors to obtain the best financing terms available. The negotiations were conducted at arm's length and properly may be characterized as "hard bargaining" by all interested parties. The DIP Facility is the only realistic financing available to the Debtors under the circumstances and is absolutely essential to the Debtors' ability to administer their Chapter 11 Cases.

- (ii) Motion of Debtors for Authorization to (i) Continue Using Their Existing Cash Management System, Bank Accounts, and Business Forms, (ii) Implement Ordinary Course Changes to Cash Management System, (iii) Continue Intercompany Transactions, and (iv) Provide Administrative Expense Priority for Postpetition Intercompany Claims and Related Relief

69. The Debtors request authorization to (i) continue their existing cash management system, including, without limitation, the continued maintenance of their existing 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) continue to perform under and honor intercompany transactions with Debtor and its non-Debtor affiliate in the ordinary course of business, in their business judgment and at their sole discretion, and (iv) provide administrative expense priority for postpetition intercompany claims and related relief.

70. 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 comprised of approximately 35 bank accounts at Bank of America, N.A. ("**Bank of America**") that collect, organize, and track various forms of customer receipts and cash disbursements (collectively, the "**Bank Accounts**"). The Cash Management System is tailored to meet the Debtors' operating

needs as an operator of a supermarket chain and other retail beverage businesses. 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 to ensure seamless continuation of transactions and uninterrupted collection of revenues.

71. In the ordinary course of business, the Debtors engage in intercompany transactions with each other and with Lake Grove (the “**Intercompany Transactions**”). Such Intercompany Transactions result in intercompany receivables and payables (the “**Intercompany Claims**”). Intercompany Claims are not settled by actual transfers of cash among the Debtors. The Debtors track all Intercompany Transactions electronically in their accounting system, which concurrently are recorded on the applicable Fairway entities’ balance sheets. The accounting system requires that all general-ledger entries be balanced at the legal-entity level, and, therefore, when the accounting system enters an intercompany receivable on one entity’s balance sheet, it also automatically creates a corresponding intercompany payable on the applicable affiliate’s balance sheet.

72. To ensure each individual Debtor will not fund, at the expense of its creditors, the operations of another entity, the Debtors request that, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all Intercompany Claims, including transactions with Lake Grove, arising after the Commencement Date be accorded administrative expense priority, provided that such claims will be adjusted, reinstated, or discharged in the discretion of the Debtors with the consent of the Requisite Lenders.

73. To minimize expenses, the Debtors seek authorization to continue using all business forms substantially in the forms used immediately prior to the Commencement Date, without reference to the Debtors' status as debtors in possession; provided that in the event that the Debtors generate new business forms during the pendency of these cases other than from their existing stock, such business forms and checks will include a legend referring to the Debtors as "Debtors-In-Possession." To the extent practicable, the Debtors also will laser print such legend on any business forms electronically generated during these cases.

74. Finally, the Debtors seek entry of an order authorizing and directing Bank of America to continue to treat, service, and administer the Bank Accounts as accounts of the Debtors as debtors in possession without interruption and in the usual and ordinary course, and to receive, process, and honor, and pay all checks, drafts, wires, or Automated Clearing House Payments drawn on the Bank Accounts after the Commencement Date; provided that any payments issued or made prior to the Commencement Date will not be honored absent direction of the Debtors and an order of the Court.

(iii) Motion of Debtors for Authority to Pay Prepetition Trade Claims  
in Ordinary Course of Business Pursuant to Sections 105, 362,  
363, and 503 of the Bankruptcy Code

75. As described in paragraph 48 above, in the ordinary course of business, the Debtors incur various fixed, liquidated, and undisputed 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 authority to pay in full, in the ordinary course of business, all Trade Claims (including both Priority and Non-Priority Trade Claims).

76. It is a sound exercise of the Debtors' business judgment to pay the Trade Claims as they become due in the ordinary course of business because doing so will avoid value-destructive business interruption and will not prejudice the Debtors' other stakeholders. 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, as noted above, many of the Trade Claims enjoy statutory or other priority and are otherwise entitled to be paid in full.

77. The goods and services provided by Trade Creditors are necessary for the continued, uninterrupted operation of the Debtors' business. The Debtors anticipate that failure to pay the Trade Claims as they become due is likely to result in many Trade Creditors refusing to provide essential goods and services and/or conditioning the delivery of such goods and services on compliance with onerous and commercially unreasonable terms. Nonperformance by numerous Trade Creditors could materially disrupt the Debtors' operation of its grocery stores and jeopardize the continued viability of the Debtors' business, and these Chapter 11 Cases, ultimately to the detriment of all of the Debtors' stakeholders.

78. The Debtors anticipate that approximately 90% of prepetition Trade Claims will become due and payable over the next three weeks in the ordinary course of business. Accordingly, the Debtors seek interim and final authority to pay prepetition amounts owed on account of Trade Claims in full, in each case, in the ordinary course of business and subject to the terms and conditions set forth in the proposed order without any limitation in amount. If the Debtors were limited to an interim cap, they would be forced to delay payments to certain of their vendors, which would be disruptive to their business, or seek emergency relief. In light of the prepackaged nature of these Chapter 11 Cases, the unimpaired treatment of General Unsecured Creditors under the Prepackaged Plan and the fact that most of the Trade Claims are Priority Trade Claims, the Debtors request that the Court authorize payment of all prepetition amounts in the ordinary course of business upon entry of the interim order.

- (iv) Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363 and 507(a) for Authority, but not Direction, to (A) Pay Certain Prepetition Wages and Reimbursable Employee Expenses, (B) Pay and Honor Employee Medical and Other Benefits, (C) Continue Employee Benefits Program, and for Related Relief

79. The Debtors request the entry of interim and final orders authorizing, but not directing, the Debtors to (a) pay prepetition wages, salaries and other compensation, taxes, withholdings and related costs and reimbursable employee expenses, (b) pay and honor obligations relating to employee medical, insurance and other benefits programs, and (c) continue their employee medical, insurance and other benefits programs on a postpetition basis.

80. The relief requested includes compensation for the Debtors' full-time and part-time employees, temporary employees retained through an outside agency, and independent contractors that provide services related to various aspects of the Debtors' operations and are vital to the Debtors' businesses. As of the date hereof, certain prepetition obligations to such employees and supplemental workers may be due and owing.

81. The majority of the Debtors' workforce relies on the Debtors' compensation, benefits and reimbursement of expenses to satisfy daily living expenses. The workforce will be exposed to significant financial difficulties if the Debtors are not permitted to honor obligations for unpaid compensation, benefits and reimbursable expenses. Moreover, if the Debtors are unable to satisfy such obligations, morale and loyalty will be jeopardized at a time when support is critical. In the absence of such payments, the workforce may seek alternative employment opportunities, including with the Debtors' competitors, hindering the Debtors' ability to meet their customer obligations and likely diminishing customer confidence. Loss of valuable employees would distract the Debtors' from focusing on their operations and administering the Chapter 11 Cases.

(v) Debtors' Motion for Authority to (i) Continue to Maintain Their Insurance Policies and (ii) Honor all Insurance Obligation

82. The Debtors seek entry of interim and final orders authorizing, but not directing, the Debtors to (i) continue to maintain their various insurance policies and honor their insurance obligations in the ordinary course of business during the administration of their chapter 11 cases and (ii) pay any prepetition insurance obligations in the ordinary course of business.

83. The Debtors maintain various liability, property, workers compensation and other insurance policies to help manage and limit the various risks associated with operating their businesses. The Debtors also maintain workers' compensation insurance as required by statute in each of the states in which they operate. The Debtors employ certain insurance service providers, such as brokers and consultants, to help them procure, negotiate, and evaluate their insurance policies and identify and review claims that arise under such policies.

84. Postpetition, the Debtors' insurance policies and workers' compensation programs will be essential to the preservation of the value of the Debtors' businesses, properties and assets, and, in certain instances, are required by law. If any of the Debtors' insurance policies are terminated or lapse, the Debtors would be exposed to substantial liability to the detriment of all parties in interest and could be in violation of law. State law may prohibit the Debtors from operating without certain insurance. Additionally, given that the Debtors' insurance service providers are intimately familiar with the Debtors' insurance policies, even the temporary loss of their services would be detrimental to the Debtors' estates. Accordingly, authorization to pay all insurance-related obligations is critical to the continued operation of the Debtors' businesses.



(vi) Motion of Debtors for Authority to (i) Maintain and Administer  
Prepetition Customer Programs, Promotions, and Practices, and (ii)  
Pay and Honor Related Prepetition Obligations

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

86. The Debtors' businesses depend 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 businesses. The Debtors' Customer Programs are described more fully in the Motion.

87. 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.

(vii) Motion of Debtors for Authority to Pay Certain Prepetition Taxes  
and Fees

88. The Debtors request authorization to pay taxes, assessments, fees, and other charges (collectively, the "**Taxes and Fees**"), in the ordinary course of business, including any such Taxes and Fees subsequently determined, upon audit or otherwise, to be owed, and whether accrued or arose before or after the Commencement Date.

89. In the ordinary course of operating their business, the Debtors collect, withhold, and incur an assortment of Taxes and Fees that they remit periodically to various federal, state, and local taxing, licensing, regulatory, and other governmental authorities (collectively, the “**Authorities**”). Many of the Taxes and Fees collected are held in trust for and must be turned over to the Authorities. The Debtors also seek to pay certain prepetition Taxes and Fees in order 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 Taxes and Fees may give rise to priority claims pursuant to section 507(a)(8) of the Bankruptcy Code. Accordingly, I believe that the relief requested in the Taxes and Fees 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.

(viii) Motion of the Debtors for the Entry of an Order Establishing  
Notification Procedures and Approving Restrictions on Certain  
Transfers of Interests and Claims in the Debtors

90. The Debtors seek to establish procedures to protect the potential value of the Debtors’ tax net operating loss carryforwards (“**NOLs**”) and certain other tax attributes (“**Tax Attributes**”). The proposed procedures would impose certain restrictions and notification requirements with respect to the following stock issued by Fairway Group Holdings Corp.: (1) Class A common stock; (2) Class B common stock; and (3) options and similar rights (within the meaning of applicable U.S. Treasury regulations) to acquire such stock.

91. The Debtors estimate that, as of May 2, 2015, the Debtors had approximately \$200 million of consolidated NOLs for U.S. federal income tax purposes in addition to certain other Tax Attributes. These Tax Attributes are valuable assets of the respective Debtors' estates because the Tax Code generally permits corporations to carry over their Tax Attributes to reduce future taxable income. Accordingly, absent any intervening limitations, the Tax Attributes could substantially reduce the Debtors' U.S. federal income tax liability during the pendency of these Chapter 11 Cases (such as in connection with the disposition of assets) or, potentially, in the event of a future transaction, to offset future income tax liabilities. The Tax Attributes could thus translate into future tax savings over time and any such savings could enhance the Debtors' cash position for the benefit of all parties in interest. Accordingly, the trading procedures seek authority to monitor and approve certain changes in the ownership of Class A and Class B common stock in Fairway Group Holdings Corp. (including by claiming a worthlessness deduction) to protect against the occurrence of an ownership change during the pendency of these bankruptcy cases.

92. I have been advised that the relief requested in the NOL Motion would prevent diminution of this valuable asset of the Debtors' estates.

- (ix) Motion of Debtors Requesting Entry of an 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 Service

93. 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 or discontinuing service on account of outstanding prepetition invoices.

94. Preserving utility services on an uninterrupted basis is essential to the Debtors' ongoing operations and the Sale 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 items like perishable goods and frozen food. Such a result could seriously jeopardize the Debtors' restructuring efforts and, ultimately, creditor recoveries. Therefore, it is critical that utility services continue uninterrupted during these chapter 11 cases.

95. The Debtors intend to pay postpetition obligations owed to the Utility Providers in a timely manner. The Debtors expect that cash flows from operations and their DIP Financing will be sufficient to pay postpetition obligations related to their utility services in the ordinary course of business.

96. Furthermore, the Debtors propose to deposit into a segregated bank account a sum equal to the cost of two weeks' worth of the average utility cost for each Utility Provider based on the average that the Debtors were billed for the fiscal year ending 2016 (collectively, the “**Adequate Assurance Deposit**”).

97. I believe that the Adequate Assurance Deposit, in conjunction with the DIP Financing, cash flow from operations, and cash on hand demonstrate the Debtors' ability to pay for future utility services in the ordinary course of business and constitute sufficient adequate assurance to the Utility Providers.

(x) Application of Debtors for an Order Appointing Prime Clerk LLC  
as Claims and Noticing Agent

98. 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 that certain Engagement Agreement dated April 15, 2016, by and between Fairway and Prime Clerk (the “**Engagement Agreement**”), effective *nunc pro tunc* to the Commencement Date. Prime Clerk’s duties will include assuming full responsibility for the distribution of notices and the maintenance, processing, and docketing of proofs of claim filed in these Chapter 11 Cases. I believe 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). Specifically, the Debtors have solicited and reviewed engagement proposals from at least two other Court-approved claims and noticing agents to ensure selection through a competitive process.

99. I believe that 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, and filed contemporaneously therewith, the Claims and Noticing Agent Retention Application. Appointing Prime Clerk as their 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.

**VI.**  
**Information Required by Local Rule 1007-2**

100. In accordance with Local Rule 1007-2, the schedules attached hereto provide certain information related to the Debtors.

101. Pursuant to Local Rule 1007-2(a)(3), **Schedule 1** hereto lists the names and addresses of the members of, and attorneys for, any official committee organized prior to the Commencement Date and a brief description of the circumstances surrounding the formation of the committee and the date of its formation.

102. Pursuant to Local Rule 1007-2(a)(4), **Schedule 2** hereto lists the holders of the Debtors' forty (40) largest unsecured claims on a consolidated basis, excluding claims of insiders.

103. Pursuant to Local Rule 1007-2(a)(5), **Schedule 3** hereto lists the holders of the five (5) largest secured claims against the Debtors on a consolidated basis.

104. Pursuant to Local Rule 1007-2(a)(6), **Schedule 4** hereto provides a summary of the (unaudited) consolidated assets and liabilities for the Debtors and their non-Debtor affiliates.

105. Pursuant to Local Rule 1007-2(a)(7), **Schedule 5** hereto provides the following information: the number and classes of shares of stock, debentures, and other securities of the Debtors that are publicly held and the number of record holders thereof; and the number and classes of shares of stock, debentures, and other securities of the Debtors that are held by the Debtors' directors and officers, and the amounts so held.

106. Pursuant to Local Rule 1007-2(a)(8), **Schedule 6** hereto provides a list of all of the Debtors' property in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, secured creditor, or agent for any such entity, giving the name, address, and telephone number of each such entity and the location of the court in which any proceeding relating thereto is pending.

107. Pursuant to Local Rule 1007-2(a)(9), **Schedule 7** hereto provides a list of the premises owned, leased, or held under other arrangement from which the Debtors operate their businesses.

108. Pursuant to Local Rule 1007-2(a)(10), **Schedule 8** hereto provides the location of the Debtors' substantial assets, the location of their books and records, and the nature,

location, and value of any assets held by the Debtors outside the territorial limits of the United States.

109. Pursuant to Local Rule 1007-2(a)(11), **Schedule 9** hereto provides a list of the nature and present status of each action or proceeding, pending or threatened, against the Debtors or their property where a judgment against the Debtors or a seizure of their property may be imminent.

110. Pursuant to Local Rule 1007-2(a)(12), **Schedule 10** hereto provides a list of the names of the individuals who comprise the Debtors' existing senior management, their tenure with the Debtors, and a brief summary of their relevant responsibilities and experience.

111. Pursuant to Local Rule 1007-2(b)(1)-(2)(A), **Schedule 11** hereto provides the estimated amount of weekly payroll to the Debtors' employees (not including officers, directors, stockholders, and partners) and the estimated amount to be paid to officers, stockholders, directors, members of any partnerships, and financial and business consultants retained by the Debtors for the thirty (30) day period following the filing of the Debtors' Chapter 11 Cases as the Debtors intend to continue to operate their businesses.

112. Pursuant to Local Rule 1007-2(b)(3), **Schedule 12** hereto provides, for the thirty (30) day period following the filing of the Chapter 11 Cases, a list of estimated cash receipts and disbursements, net cash gain or loss, obligations, and receivables expected to accrue that remain unpaid, other than professional fees.

### **Conclusion**

113. 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.

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 2nd day of May, 2016

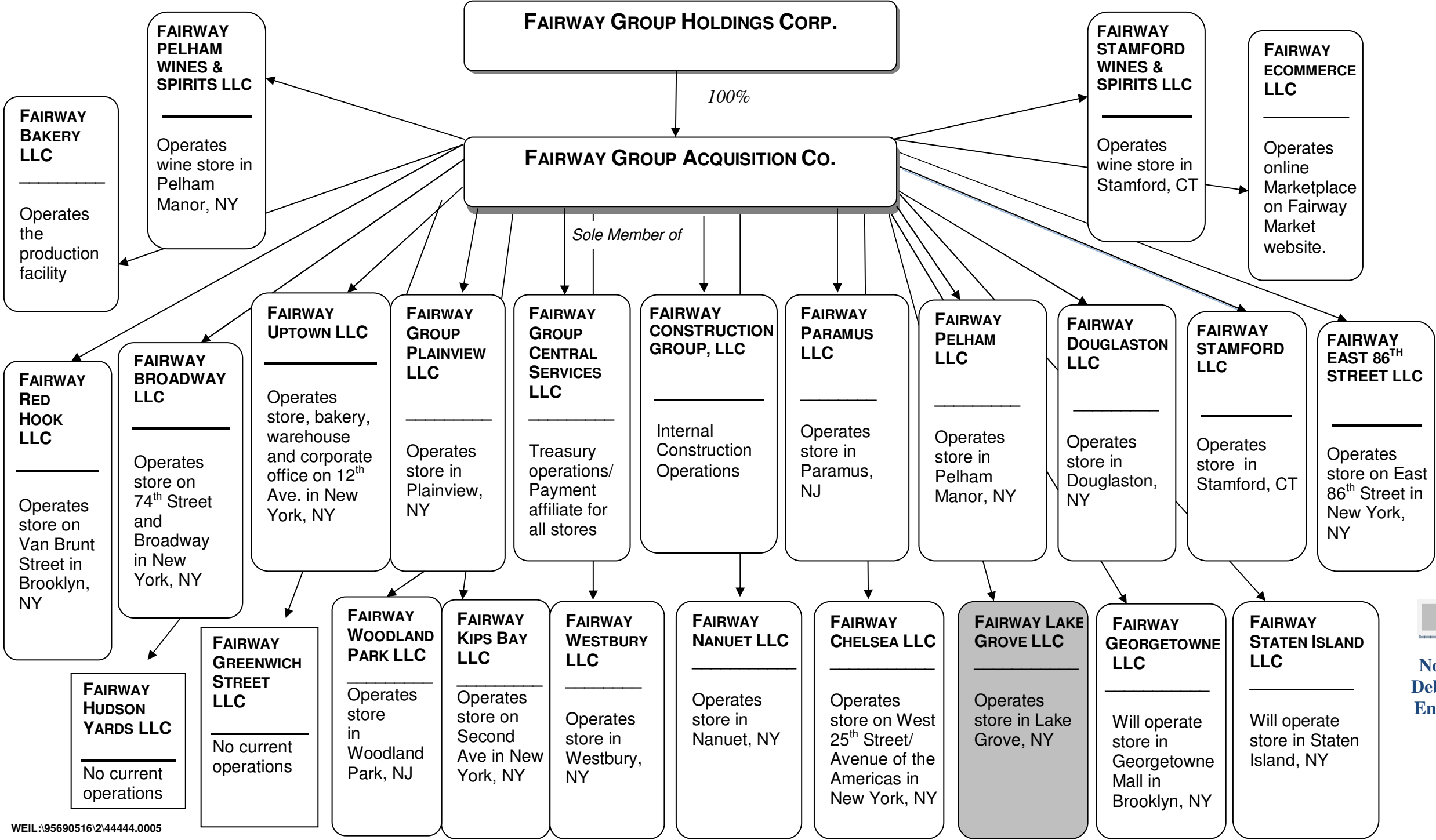
/s/ Dennis Stogsdill  
Dennis Stogsdill  
Chief Restructuring Officer

Fairway Group Holdings Corp. and  
its Affiliated Debtors



**Exhibit A**

**Corporate Organization Chart**



**Non-Debtor Entity**

**Schedule 1**

**Committees**

Pursuant to Local Rule 1007-2(a)(3), to the best of the Debtors' knowledge and belief, no official committee has been organized prior to the Commencement Date.

**Schedule 2**

**Consolidated List of 40 Largest Unsecured Claims (Excluding Insiders)<sup>1</sup>**

Pursuant to Local Rule 1007-2(a)(4), the following is a list of creditors holding, as of April 30, 2016 the forty (40) largest, unsecured claims against the Debtors, on a consolidated basis, excluding claims of insiders as defined in 11 U.S.C. § 101.

<b>No.</b>	<b>Creditor</b>	<b>Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted</b>	<b>Nature of claim</b>	<b>Amount of claim</b>	<b>Contingent, Liquidated, Disputed, or Partially Secured</b>
1	United Natural Foods, Inc.	Attn: Joseph Traficanti, Esq., 313 Iron Horse Way Providence, Rhode Island 02908 Phone: 401-528-8634x32301 Email: Jtraficanti@Unfi.Com	Trade Debt	\$1,611,119.65	Partially Secured; Unsecured Amount: \$1,438,566.75
2	Douglaston Shopping Center Owner, LLC	Attn: Tamika Jenkins 150 East 58th Street, Penthouse New York, NY 10155 Phone: 646-214-0254 Email: _____	Common Area Maintenance	\$928,208.00	Disputed and Partially Secured; Unsecured Amount: \$719,874.67
3	Kehe Distributors Holdings, LLC	Attn: Ron Oradat 12740 Gran Bay Parkway West Suite 2200 Jacksonville, FL 32258 Phone: 800-229-0235 Email: Ron.Oradat@Kehe.Com	Trade Debt	\$618,585.81	Partially Secured; Unsecured Amount: \$527,485.81

---

<sup>1</sup>The information herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. All claims are subject to customary offsets, rebates, discounts, reconciliations, credits, and adjustments, which are not reflected on this Schedule.

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
4	Bunzl New Jersey	Attn: Fred Rasmussen 27 Distribution Way Monmouth Junction Monmouth Dayton, NJ 08810 Phone: 732-821-7000 Email: Fred.Rasmussen@Bunzlusa.Com	Trade Debt	\$496,439.10	
5	Con Edison	Attn: General Counsel 4 Irving Place New York, NY 10003 Phone: 212-780-6766 Email: _____	Utility	\$654,031.81	Partially Secured; Unsecured Amount: \$388,684.45
6	J & J Farms Creamery Co, Inc.	Attn: Simon Friedman 5748 49th St Maspeth, NY 11378 Phone: 718-821-1200 Email: _____	Trade Debt	\$354,336.39	
7	US Foodservice	Attn: Jeffrey Hatcher 1051 Amboy Avenue Perth Amboy, NJ 8861 Phone: 732-934-3318 Email: Jeffrey.Hatcher@Usfoods.Com	Trade Debt	\$336,774.44	
8	Direct Energy Marketing Inc.	Attn: Customer Service Manager 1001 Liberty Avenue, Suite 1200 Pittsburgh, PA 15222 Phone: 888 925 9115 Email: Customerrelations@Directenergy.Com	Utility	\$331,205.60	

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
9	Revionics, Inc.	Attn: Marc Hafner 2998 Douglas Blvd. Suite 350 Roseville, CA 95661 Phone: 916-677-5460 Email: Marc.Hafner@Revionics.Com	Trade Debt	\$325,000.00	
10	Retalix USA	Attn: Gary Lowen 6100 Tennyson Parkway, Ste 150 Plano, TX 75024 Phone: 732 207 2160 Email: Gary.Lowen@Ncr.Com	Trade Debt	\$308,887.50	
11	Real Coffee Roasters LLC	Attn: Mitchel Margulis, Owner 129 9th Street Brooklyn, NY 11215 Phone: 347-335-0751 Email: Info@Stonestreetcoffee.Com	Trade Debt	\$239,087.97	
12	Blue Ribbon Fish Co., Inc.	Attn: David Samuels, Owner 800 Food Center Drive Unit 67 Bronx, NY 10474 Phone: 718-620-8580 Email: Blueribbonfish@Verizon.Net	Trade Debt	\$214,255.57	
13	Red Hook Green Power, LLC	Attn: General Counsel 175 Van Dyke St. Suite 322a Brooklyn, NY 11231 Phone: ____ Email: ____	Utility	\$198,658.81	

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
14	Century Link	Attn: Michael Boyd Weinstock & O'malley 105 White Oak Lane Old Bridge, N.J. 08857 1-800-682-9003 Ext. 548 Email: _____	Trade Debt	\$169,960.62	
15	Valesco Trading	Attn: Al Sozer 267 Ridge Road Lyndhurst, NJ 7071 Phone: 201 729 1414 Email: Aos@Valescotrading.Com	Trade Debt	\$134,194.00	Partially Secured; Unsecured Amount: \$130,194.00
16	Manetto Hills Associates 116 Inc.	Attn: General Counsel 50 Manetto Hill Road Plainview, Ny 11803 Phone: 516 869 9000 Email: _____	Real Estate Taxes	\$123,013.71	
17	Setton International Foods	Attn: Joshua Setton 85 Austin Blvd Commack, NY 11725 Phone: 631-543-8090 Email: _____	Trade Debt	\$123,565.57	Partially Secured; Unsecured Amount: \$119,565.57
18	Southern Wine & Spirits Of New York Inc.	Attn: Julie A. Siechen 3063 Court St. Syracuse, NY 13208 Phone: 315 428 2100 Email: _____	Trade Debt	\$104,615.47	

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
19	Gourmet Guru	Attn: Jeff Lichtenstein 1123 Worthen Street Bronx, NY 10474 Phone: 718-842-2828 Email: Jeff.lichtenstein@Gourmetgurunyc.com	Trade Debt	\$124,940.07	Partially Secured; Unsecured Amount: \$102,609.90
20	Exotic Gourmet Corp.	Attn: Thomas Lipari Sr. 57-50 Flushing Ave Maspeth, NY 11378 Phone: 718-894-0980 Email: Info@Exoticgourmetsnacks.Com	Trade Debt	\$124,223.66	Partially Secured; Unsecured Amount: \$102,113.96
21	Union Beer Distributors	Attn: Christopher Sheehan 1213 Grand St Brooklyn, NY 11211 Phone: 718-497-2407 Email: _____	Trade Debt	\$100,361.70	
22	E & M Ice Cream Corp.	Attn: General Counsel 701 Zerega Ave Bronx, NY 10473 Phone: 718-824-8130 Email: _____	Trade Debt	\$100,003.19	
23	Olis De Catalunya	Attn: President C/Joan Oliver 16-24 43206 Reus Spain Phone: 34 977 330 021	Trade Debt	\$95,731.20	



No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
24	Dora's Natural, Inc.	Attn: Cyrus Schwartz 21 Empire Boulevard South Hackensack, NJ 07606 Phone: 201-229-0500 Email: _____	Trade Debt	\$137,856.01	Partially Secured; Unsecured Amount: \$92,099.59
25	Daniello Carting Company	Attn: General Counsel 627 Whittier St Bronx, NY 10474 Phone: 718-991-8143 Email: _____	Trade Debt	\$91,328.26	
26	Nassau Candy	Attn: Les Stier 530 West John St Hicksville, NY 11801 Phone: 516-342-1495 Email: Les.Stier@Nassaucandy.Com	Trade Debt	\$113,050.17	Partially Secured; Unsecured Amount: \$86,655.40
27	Eli's Bread Corp.	Attn: Eli Zabar, President 403 East 91st Street New York, NY 10087-9093 Phone: 212-426-8868 Email: Ezabar@Elizabar.Com	Trade Debt	\$92,113.24	Partially Secured; Unsecured Amount: \$86,613.24
28	Clark Printing	Attn: General Counsel 441 Market Street Saddle Brook, NJ 07663 Email: Cecelia@Clarkprintinginc.Com Phone: 201 845 4888 Email: _____	Trade Debt	\$83,874.00	

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
29	Brescome Barton Inc.	Attn: General Counsel 69 Defco Park Road North Haven, CT 06473 Phone: 203-239-4901 Email: _____	Trade Debt	\$83,577.81	
30	Maplebear Inc.	Attn: General Counsel 420 Bryant Street San Francisco, CA 94107 Phone: 910 817 2278 Email: _____	Trade Debt	\$83,498.91	
31	First International Health Foods	Attn: Jeffrey Smith 7 Hoover Ave Haverstraw, NY 10927-1068 Phone: 845-429-9080 Email: _____	Trade Debt	\$77,644.42	Partially Secured; Unsecured Amount: \$76,144.42
32	Pandora Media Inc.	Attn: General Counsel 2101 Webster St. Ste#1650 Oakland, CA 94612 Phone: 510-451-4100 Email: Ar@Pandora.Com	Trade Debt	\$75,061.00	
33	CMI Services Corp	Attn: General Counsel 240 Cross Bay Blvd Broad Channel, NY 11693 Phone: 718 945 6262 Email: _____	Trade Debt	\$71,121.99	

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
34	Cream-O-Land Dairies LLC	Attn: Jay Schneier, President 529 Cedar Lane Florence, NJ 8518 Phone: 609-499-3601 Email: Jschneier@Creamoland.Com	Trade Debt	\$69,632.79	Partially Secured; Unsecured Amount: \$67,632.79
35	A. Fodera & Son, Inc.	Attn: General Counsel 12902 Northern Boulevard # 1 Flushing, NY 11368 Phone: 718-478-8000 Email: _____	Trade Debt	\$65,184.88	
36	Coca Cola Bottling Company	Attn: General Counsel 4600 East Lake Boulevard Birmingham, AL 35217 Phone: 205-841-2653 Email: _____	Trade Debt	\$64,401.06	
37	World's Best Cheeses	Attn: General Counsel 111 Business Park Dr Armonk, NY, 10504-1708 Phone: 914 273 1400 Ext. 116 Email: _____	Trade Debt	\$79,376.46	Partially Secured; Unsecured Amount: \$62,971.38
38	Stcr Business Systems, Inc.	Attn: _____ 10 Prospect St Endwell, NY 13760 Phone: 607-757-0181 Email: Mckenzie@Stcr.Com	Trade Debt	\$57,822.23	

No.	Creditor	Complete mailing address, telephone number, and name of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim	Amount of claim	Contingent, Liquidated, Disputed, or Partially Secured
39	Manhattan Beer Dist., Inc.	Attn: General Counsel 955 East 149th Street Bronx, NY 10455 Phone: 718 292 9300 Email: _____	Trade Debt	\$58,808.07	Partially Secured; Unsecured Amount: \$57,558.07
40	Cyrusone LLC	Attn: General Counsel 1649 W Frankford Rd Carrollton, TX 75007 Phone: 214 488 1365 Email: _____	Trade Debt	\$57,552.48	

### **Schedule 3**

#### **Consolidated List of Holders of Five Largest Secured Claims**

Pursuant to Local Rule 1007-2(a)(5), to the best of the Debtors' knowledge, belief, and understanding, the following chart lists the creditors holding, as of the Commencement Date, the five (5) largest secured, non-contingent claims against the Debtors, on a consolidated basis, excluding claims of insiders as defined in 11 U.S.C. § 101.

<b>No.</b>	<b>Creditor</b>	<b>Contact, Mailing Address, Telephone Number/Fax Number, Email</b>	<b>Amount of Claim</b>	<b>Type of Collateral</b>	<b>Estimated Value of Collateral</b>	<b>Whether Claim or Lien is Disputed</b>
1.	Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent	C/o King & Spalding LLP, 1185 Avenue of the Americas, New York, New York 10036 (Attn: Michael Rupe, Esq. and Christopher G. Boies, Esq.) and 1180 Peachtree Street, Atlanta, Georgia 30309 (Attn: W. Austin Jowers, Esq.), the attorneys for Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent	\$278,987,519	Substantially All Assets	\$131,682,109	No
2.	C&S Wholesale Grocers	Michael Newbold, Chief Legal Officer, 7 Corporate Drive, Keene, NH, 03431, USA, (603) 354-7000 Fax: (603) 354-4690	\$1,180,887	Letter of Credit	\$1,180,887	No
3.	West Side Foods Inc.	Tom Ryan, 355 Food Center Drive, Hunts Point Post Office, Bronx New York 10474, (718) 842-8500 Fax: (718) 842-1945	\$839,347	Letter of Credit	\$839,347	No
4.	Austin Meat Company	Timothy DeCamp, 355 Food Center Drive, #814 Hunts Point Market, Bronx NY 10474, (718) 894-0980 Fax: (718) 542-5809	\$315,519	Letter of Credit	\$315,519	No
5.	Ava Pork	Leonard Lombardi, President, 383 West John Street, Hicksville, NY 11802, (516) 750-1500, llombardi@avapork.com Fax: (516) 750-1501	\$42,769	Letter of Credit	\$42,769	No

**Schedule 4**

**Fairway - Condensed Consolidated Balance Sheet (Unaudited)**

**As of April 3, 2016**

**(in 000's)**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	18,007
Accounts Receivable		6,038
Inventory		29,637
Deferred income taxes, current		-
Income tax receivable		497
Prepaid Rent		4,229
Deferred loan costs - current		1,738
Prepaid Expenses and other current assets		4,585
Total Current Assets		64,732

PROPERTY AND EQUIPMENT, NET 127,725

GOODWILL -

INTANGIBLE ASSETS, NET 26,975

OTHER ASSETS 10,740

Total Assets \$ 230,173

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

**CURRENT LIABILITIES**

Current Portion LT Debt	\$	2,750
Accounts Payable		23,121
Accrued expenses		22,695
Total Current Liabilities		48,567

**NONCURRENT LIABILITIES**

Deferred income taxes, current		-
Long term debt		263,998
Deferred income taxes, noncurr		31,352
Other LT liabilities		42,792
Total Liabilities		386,709

**COMMITMENTS AND CONTINGENCIES**

**STOCKHOLDERS' DEFICIT**

Stock		15
Additional PIC		393,904
Accumulated deficit		(550,453)
LIABILITIES AND EQUITY	\$	230,173

**General Note:** The Consolidated Balance Sheet is unaudited, subject to change and includes certain items that remain under review by the Company and may be accounted for differently in future reports.

## Schedule 5

### **Publicly Held Securities**

Pursuant to Local Rule 1007-2(a)(7), the following lists the number and classes of shares of stock, debentures, and other securities of the Debtors that are publicly held (“**Securities**”) and the number of holders thereof. The Securities held by the Debtors’ directors and officers are listed separately.

#### **Fairway Group Holdings Corp. Common Stock**

<b>Type of Security</b>	<b>Approximate Number of Shares</b>	<b>Approximate Number of Record Holders</b>	<b>As of</b>
Class A common stock, \$0.00001 par value	29,926,248	42 <sup>1</sup>	April 15, 2016
Class B common stock, \$0.001 par value	14,203,171	5	April 15, 2016

#### **Fairway Group Holdings Corp. Common Stock Held by the Debtors’ Non-Employee Directors**

<b>Name of Non-Employee Director</b>	<b>Approximate Number of Shares<sup>2</sup></b>	<b>As of</b>
Charles W. Santoro	2,109	April 15, 2016
Michael Barr	1,054	April 15, 2016
Howard Glickberg	87,630 Class A & 1,122,516 Class B	April 15 2016
Farid Suleman	1,406	April 15, 2016

<sup>1</sup> Includes holders of shares that are registered directly with the transfer agent Computershare Trust Company, N.A and does not include beneficial holders of shares held in “street name” through a bank, broker or other intermediary.

<sup>2</sup> Only includes stock directly owned by the director.

**Fairway Group Holdings Corp. Common Stock Held by the Debtors' Executive Officers**

<b>Name of Executive Officer</b>	<b>Approximate Number of Shares<sup>3</sup></b>	<b>As of</b>
Edward C. Arditte	10,000	April 15, 2016
Kevin McDonnell	74,863	April 15, 2016
Nathalie Augustin	48,973	April 15, 2016
Linda M. Siluk	21,700	April 15, 2016

---

<sup>3</sup> Only includes stock directly owned by the executive officer.



**Schedule 6**

**Debtors' Property Not in the Debtors' Possession**

Local Rule 1007-2(a)(8) requires the Debtors to list property that is in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, secured creditor, or agent for any such entity.

In the ordinary course of business, on any given day, property of the Debtors (including security deposits or other collateral with counterparties to certain commercial relationships) is likely to be in the possession of various third parties, including, vendors, shippers, common carriers, materialmen, distributors, warehousemen, fulfillment houses, service providers, custodians, public officers or agents, where the Debtors' ownership interest is not affected. Because of the constant movement of this property, providing a comprehensive list of the persons or entities in possession of the property, their addresses and telephone numbers, and the location of any court proceeding affecting the property would be impractical.

### **Schedule 7**

Pursuant to Local Rule 1007-2(a)(9), the following lists the property or premises owned, leased, or held under other arrangement from which the Debtors operate their businesses.

#### **Leased Property<sup>1</sup>**

<b>Debtor</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Country</b>
Fairway Uptown LLC	2276 12th Avenue	New York	NY	10027	USA
Fairway Uptown LLC	2284-2286 12th Avenue	New York	NY	10027	USA
Fairway Uptown LLC	2288-2312 12th Avenue	New York	NY	10027	USA
Fairway Uptown LLC	2314 12th Avenue	New York	NY	10027	USA
Fairway Uptown LLC	2316 12th Avenue	New York	NY	10027	USA
Fairway Uptown LLC	2328 12th Avenue	New York	NY	10027	USA
Fairway Broadway LLC	2121-2127 Broadway	New York	NY	10023	USA
Fairway Broadway LLC	2131 Broadway	New York	NY	10023	USA
Fairway Group Plainview LLC	50 Manetto Hill Road	Plainview	NY	10023	USA
Fairway Red Hook LLC	480-500 Van Brunt Street	Brooklyn	NY	11231	USA
Fairway Red Hook LLC	475 Van Brunt Street	Brooklyn	NY	11231	USA
Fairway Red Hook LLC	264 Conover Street	Brooklyn	NY	11231	USA
Fairway Paramus LLC	#4 Fashion Center Mall Route 17 North 30 Ridgewood Avenue	Paramus	NJ	07652	USA
Fairway Pelham LLC	847 Pelham Parkway	Pelham Manor	NY	10803	USA
Fairway Stamford LLC	689 Canal Street	Stamford	CT	06902	USA
Fairway Stamford LLC	699 Canal Street	Stamford	CT	06902	USA
Fairway East 86 <sup>th</sup> Street LLC	230-240 E. 86th Street	New York	NY	10022	USA

<sup>1</sup> The classification of the contractual agreements listed herein as real property leases or property held by other arrangements is not binding upon the Debtors.

Fairway Douglaston LLC	242-02 61st Avenue	Douglaston	NY	11362	USA
Fairway Woodland Park LLC	1510 Route 46 West	Woodland Park	NJ	07424	USA
Fairway Westbury LLC	1258 Corporate Drive	Westbury	NY	11590	USA
Fairway Kips Bay LLC	542-580 Second Avenue	New York	NY	10016	USA
Fairway Chelsea LLC	55 W. 25th Street a/k/a 766 Avenue of the Americas	New York	NY	10010	USA
Fairway Nanuet LLC	101 Market St East	Nanuet	NY	10954	USA
Fairway Bakery LLC	400 Walnut Avenue	Bronx	NY	10454	USA
Fairway Staten Island LLC	Staten Island Mall	Staten Island	NY	10314	USA
Fairway Georgetowne LLC	2149 Ralph Avenue	Brooklyn	NY	11234	USA

## **Schedule 8**

### **Location of Debtors' Assets, Books, and Records**

Pursuant to Local Rule 1007-2(a)(10), the following lists the locations of the Debtors' substantial assets, the location of their books and records, and the nature, location, and value of any assets held by the Debtors outside the territorial limits of the United States.

### **Location of Debtors' Substantial Assets**

As of April 3, 2016, the Debtors had assets of approximately \$230 million, as provided in Schedule 4, with substantial assets in New York, New Jersey and Connecticut.

### **Books and Records**

The Debtors' books and records are located at 2284 12<sup>th</sup> Avenue, New York NY 10027.

### **Debtors' Assets Outside the United States**

The Debtors do not have significant assets located outside of the territorial limits of the United States.

**Schedule 9**

**Litigation**

Pursuant to Local Rule 1007-2(a)(11), to the best of the Debtors' knowledge, belief, and understanding, there are no actions or proceedings pending or threatened against the Debtors or their property, as of the Commencement Date, where a judgment against the Debtors or a seizure of their property may be imminent.

**Schedule 10**

**Senior Management**

Pursuant to Local Rule 1007-2(a)(12), the following provides the names of the individuals who comprise the Debtors' existing senior management, a description of their tenure with the Debtors, and a brief summary of their relevant responsibilities and experience.

Name & Position	Responsibilities & Experience
John E. Murphy – President and Chief Executive Officer	John E. Murphy has served as President and Chief Executive Officer of Fairway Group Holdings Corp. (“ <b>Fairway</b> ”) since September 2014. Mr. Murphy was a co-founder and Chief Operating Officer of natural foods grocer Fresh Fields, Inc. from 1990 to 1997. Most recently he served as Chief Executive Officer of Earth Fare, Inc., an organics and natural food chain with locations in the Southeast and Midwest, from 2008 to April 2014 and as a director from 2007 to April 2014. In addition, Mr. Murphy had been an Operating Partner at McCown Deleeuw & Co., the private equity firm that owned the 24 Hour Fitness chain, and a Vice President of Operations at Purity Supreme Supermarkets. Mr. Murphy received his B.A. degree in history from the University of Massachusetts.
Edward C. Arditte – Co-President and Chief Financial Officer	Edward C. Arditte has served as Co-President and Chief Financial Officer of Fairway since February 2014 and as Fairway's Executive Vice President—Chief Financial Officer from December 2012, when he joined us, to February 2014. He served as a consultant to Fairway in October and November 2012. Mr. Arditte has over 35 years of finance and operating experience with large, multi-industry companies, including Tyco International Ltd., where he served from May 2003 to May 2010 as a Senior Vice President with responsibility for strategy, investor relations and communications. Prior to joining Fairway, Mr. Arditte had a consulting firm specializing in finance, strategy and investor relations. Immediately prior to joining Tyco International, he served as the Chief Financial Officer of BancBoston Capital, the private equity division of Fleet National Bank, for 16 months. Mr. Arditte also spent 16 years at Textron Inc., where he served in a variety of management roles including Vice President & Treasurer, Chief Financial Officer of a major operating division and Vice President of Investor Relations and Risk Management. He began his career as a corporate banker at Security Pacific National Bank. Mr. Arditte is a director of AccuWeather, Inc. Mr. Arditte earned a B.A. degree from the University of California at Riverside and an M.B.A. degree from Boston University.

Name & Position	Responsibilities & Experience
Kevin McDonnell – Co-President and Chief Operating Officer	Kevin McDonnell has served as Fairway’s Co-President and Chief Operating Officer since February 2014 and as Fairway’s Senior Vice President—Chief Operating Officer from April 2012 to February 2014. He served as Fairway’s Chief Merchandising Officer from August 2007 to April 2012. Prior to joining Fairway in August 2007, Mr. McDonnell served in various capacities at The Great Atlantic & Pacific Tea Company for over 27 years, most recently as Senior Vice President of Sales and Merchandising.
Dorothy M. Carlow – Executive Vice President and Chief Marketing Officer	Dorothy M. Carlow has served as Fairway’s Executive Vice President—Chief Merchandising Officer since November 2014. From April 2012 to October 2014, Ms. Carlow was the Chief Merchandising Officer of Earth Fare, a North Carolina based specialty supermarket chain, where she led merchandising, marketing, transportation, and logistics. From April 2009 to April 2012, Ms. Carlow served in other positions at Earth Fare, including Vice President of Produce, Business Development and Marketing and Online Communications Director. Ms. Carlow earned her B.S. degree from the George Washington University in Washington, D.C.
Nathalie Augustin – Senior Vice President, General Counsel, and Secretary	Nathalie Augustin has served as Fairway’s Senior Vice President—General Counsel and Secretary since April 2012. Ms. Augustin joined Fairway in June 2007 as Vice President—General Counsel and Secretary. Prior to joining Fairway, Ms. Augustin served in various capacities at The Donna Karan Company LLC, an international fashion design house and a subsidiary of LVMH Moët Hennessy Louis Vuitton, from June 1999 to May 2007, most recently as Vice President and Associate General Counsel. Prior to joining Donna Karan, Ms. Augustin was an associate at Cleary Gottlieb Steen & Hamilton LLP for approximately 5 years. Ms. Augustin began her legal career as a law clerk to the Honorable Sterling Johnson of the United States District Court for the Eastern District of New York. She received her law degree from Harvard Law School and a B.A. degree from Columbia College.

Name & Position	Responsibilities & Experience
Maureen Minard – Senior Vice President and Chief Information Officer	Maureen Minard has served as Fairway’s Senior Vice President— Chief Information Officer since April 2015. From 2004 until she joined Fairway, Ms. Minard was the Group Vice President of Business Systems for Aéropostale, Inc. a specialty apparel company where she led the applications team in support and implementation of all corporate systems. Ms. Minard received her B.S. degree in Business Administration from Montclair State College.
Linda M. Siluk – Senior Vice President of Finance and Chief Accounting Officer	Linda M. Siluk has served as Fairway’s Senior Vice President of Finance and Chief Accounting Officer since June 2015. From October 2011 to June 2015, Ms. Siluk served as Fairway’s Vice President of Finance and Chief Accounting Officer, as Fairway’s Vice President, Finance and Corporate Controller from October 2010 to October 2011, and as a Senior Project Manager from August 2009 to October 2010, focusing primarily on the implementation of a general ledger software package. Prior to joining Fairway, Ms. Siluk served as the Chief Financial Officer at Drug Fair, a New Jersey-based drug store chain from October 2008 to May 2009. From September 2006 to April 2008, Ms. Siluk was the Senior Vice President, Finance at Ann Taylor. Ms. Siluk received her B.S. in Business Administration from Montclair State College. Ms. Siluk is a certified public accountant.



**Schedule 11**

**Payroll**

Pursuant to Local Rule 1007-2(b)(1)-(2)(A) and (C), the following provides the estimated amount of weekly payroll to the Debtors' employees (not including officers, directors, and stockholders) and the estimated amount to be paid to officers, stockholders, directors, and financial and business consultants retained by the Debtors for the 30-day period following the filing of the chapter 11 petitions.

<b>Payments to Employees (Not Including Officers, Directors, and Stockholders)</b>	\$9,020,000
<b>Payments to Officers, Stockholders, and Directors</b>	\$400,000
<b>Payments to Financial and Business Consultants</b>	\$130,000

**Schedule 12**

**Cash Receipts and Disbursements,  
Net Cash Gain or Loss, Unpaid Obligations and Receivables**

Pursuant to Local Rule 1007-2(b)(3), the following provides, for the 30-day period following the filing of the chapter 11 petition, the estimated cash receipts and disbursements, net cash gain or loss, and obligations and receivables expected to accrue that remain unpaid, other than professional fees.

<b>Cash Receipts</b>	\$56,636,285
<b>Cash Disbursements</b>	\$63,410,891
<b>Net Cash Loss</b>	\$6,774,606
<b>Unpaid Obligations</b>	\$23,613,032
<b>Uncollected Receivables</b>	\$3,341,826