

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re: Fresh & Easy, LLC, Debtor

Case No.: 15-12220

Reporting Period: November 30, 2015 - January 3, 2016

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/ Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	Yes		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1A	Yes		
Schedule of Professional Fees Paid	MOR-1B	Yes		
Copies of bank statements		No	Note 1	
Cash disbursements journals		No	Note 1	
Statement of Operations	MOR-2	Yes		
Balance Sheet	MOR-3	Yes		
Status of Post-petition Taxes	MOR-4	Yes		MOR-4A & 4B
Copies of IRS Form 6123 or payment receipt		No	Note 1	
Copies of tax returns filed during reporting period		No	Note 1	
Summary of Unpaid Post-petition Debts	MOR-4	Yes		
Listing of aged accounts payable	MOR-4	No		
Accounts Receivable Reconciliation and Aging	MOR-5	Yes		
Debtor Questionnaire	MOR-5	Yes		

Global Notes:

This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in this bankruptcy case. The financial information contained herein is unaudited, limited in scope and as discussed below, not prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The results of operations contained herein are not necessarily indicative of the results which may be expected from any other period or for the full year and may not necessarily reflect the results of operations, financial position and schedule of receipts and disbursements in the future. The amounts in MOR 3 currently classified as liabilities subject to compromise may be subject to future change as the Debtor completes their analysis of pre and post-petition liabilities. The Debtor cautions readers not to place undue reliance upon the MOR. There can be no assurance that such information is complete and the MOR may be subject to revision.

The Debtor filed bankruptcy on Friday, October 30, 2015.

Notes:

[1] Due to system constraints and/or the volume of records, UST has agreed to waive requirement to provide requested information.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

/s/ Peter McPhee
Signature of Authorized Individual*

January 29, 2016
Date

Peter McPhee
Printed Name of Authorized Individual

CFO
Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

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MOR-1: CONSOLIDATING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

(\$ in Millions)

	Current Month	Cumulative Filing to Date
	Actual	Actual
Operating Receipts	\$ 0.0	\$ 17.2
Other Receipts	5.5	11.1
DIP Borrowings	-	-
Total Receipts	5.5	28.4
Operating Disbursements		
Reserve for PACA/PASA Goods Sold [A]	-	(1.5)
Payroll (ADP and checks)	(0.6)	(4.8)
Rent (Operating)	(0.7)	(3.9)
Rent (Potential Assignment)	(1.0)	(1.1)
Taxes	(1.2)	(1.4)
Other Op. Disbursements	(2.3)	(4.1)
Tesco TSA Payments	(0.6)	(0.6)
Total Op. Disbursements	(6.4)	(17.5)
DIP Interest/Fees	-	(0.0)
Employee - Accrued PTO	(0.0)	(0.6)
Professional Fees	(1.5)	(3.0)
Liquidator and Other Commissions	(0.4)	(0.8)
Total Disbursements	(8.4)	(21.9)
Net Cash Flow	(2.9)	6.4
Beginning Book Cash Balance as of 10/30	\$ 14.0	\$ 4.7
Net Cash Flow	(2.9)	6.4
Ending Book Cash Balance	\$ 11.1	\$ 11.1
Beginning DIP Balance	\$ -	\$ -
Borrowings/ Repayments	-	-
Fees/ Accrued Interest	0.0	0.0
Interest Payments	(0.0)	(0.0)
Ending DIP Balance	\$ -	\$ -

Cash Flash Report:

	Balance	
Book Cash	\$ 11.1	
Outstanding Checks	0.4	
Wells Fargo - Bank Cash	\$ 11.5	Wells Fargo Operating Account
Tax Escrow [B]	\$ 0.4	
Wells Fargo - Bank Cash incl Tax Escrow	\$ 11.9	
Wells Fargo - Cash Collateral	\$ 13.2	Wells Fargo has fully cash collateralized the LCs @ 105%
PASA/PACA Reserve	\$ 1.5	Wells Fargo
Utility Escrow Account	\$ 0.4	Wells Fargo
Professional Fee Escrow	\$ 2.5	Amounts held by YCST
Wells Fargo Carve Out	\$ 0.3	Amounts held by YCST

Notes:

- [A] Amounts will not be paid until claims are verified. They will be reserved for potential PASA / PACA goods that were sold pre and post-petition.
- [B] The tax escrow of \$1.6M was transferred to the Operating Account on 11/24 and was reduced by sales and use tax payments; Remaining balance was transferred to segregated Wells Fargo account in December.

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MOR 1A: BANK RECONCILIATION

BANK NAME	ACCOUNT DESCRIPTION	ACCOUNT NUMBER	BALANCE
Wells Fargo N. A.	Master Operating [1]	XXXXXXX8954	\$ 11,507,595
Wells Fargo N. A.	Cash Collections	XXXXXXX4879	\$ -
Wells Fargo N. A.	Card Collections	XXXXXXX4887	\$ -
Wells Fargo N. A.	A/R Depository	XXXXXXX4861	\$ -
Wells Fargo N. A.	Master Depository	XXXXXXX4853	\$ 4,579
Wells Fargo N. A.	Accounts Payable - Checks	XXXXXXX1208	\$ -
Wells Fargo N. A.	Payroll	XXXXXXX8962	\$ -
Wells Fargo N. A.	ACH/Wires Disbursements	XXXXXXX8988	\$ -
Wells Fargo N. A.	Fintech BWS	XXXXXXX9010	\$ -
Wells Fargo N. A.	Change Order	XXXXXXX9036	\$ -
Wells Fargo N. A.	Cash Collateral	XXXXXXX3266	\$ -
Wells Fargo N. A.	Borrowing Base	XXXXXXX3274	\$ -
Wells Fargo N. A.	JLL Receipts	XXXXXXX4903	\$ -
Wells Fargo N. A.	JLL Payments	XXXXXXX1147	\$ -
Wells Fargo N. A.	Campus 3rd party sales	XXXXXXX5563	\$ -
Wells Fargo N. A.	Tax Reserve [1]	XXXXXXX6974	\$ 396,390
Wells Fargo N. A.	Utilities Reserve	XXXXXXX6982	\$ 410,000
Wells Fargo N. A.	PACA/PASA Reserve	XXXXXXX6990	\$ 1,500,000
First Republic Bank	Tax Reserve [1]	XXXXXXXX4855	Closed

Notes:

[1] First Republic Bank tax escrow account was closed at the end of November and funds were transferred into the Wells Fargo Master Operating Account on 11/24/15. In December, the funds were transferred from the Master Operating Account to the Tax Reserve Account.

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MOR 1B: SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

Payee	Period Covered	Amount Approved	Payer	Payment		Amount Paid		Case-to-date	
				Wire	Date	Fees	Expenses	Fees	Expenses
FTI Consulting, Inc. [2]	12/1/15-12/31/15	N/A	Fresh & Easy	Wire	12/2/2015	380,000	1,404	380,000	1,404
Professional Fee Reserve (escrowed to YCST) [1]	WE 12/4	N/A	Fresh & Easy	Wire	12/4/2015	291,000	N/A	1,766,000	N/A
Professional Fee Reserve (paid from escrow) [1][3]	Upfront Consulting Fee	N/A	YCST	Wire	12/8/2016	(100,000)	\$ -	1,666,000	0
DJM Realty Services, LLC and CBRE, Inc. [3]	Upfront Consulting Fee	N/A	YCST	Wire	12/8/2016	100,000	\$ -	100,000	0
Professional Fee Reserve (escrowed to YCST) [1]	WE 12/11 - WE 12/18	N/A	Fresh & Easy	Wire	12/18/2015	382,000	N/A	2,048,000	N/A
Professional Fee Reserve (escrowed to YCST) [1]	WE 12/25	N/A	Fresh & Easy	Wire	12/23/2015	141,000	N/A	2,189,000	N/A
Professional Fee Reserve (escrowed to YCST) [1]	WE 1/1	N/A	Fresh & Easy	Wire	12/31/2015	316,000	N/A	2,505,000	N/A

Notes:

[1] - Pursuant to the DIP Agreement, the Debtor has escrowed weekly fees for all bankruptcy professionals projected in the DIP budget to Young Conaway Stargatt & Taylor, LLP ("YCST").

[2] - Per the terms of the engagement letter for FTI Consulting, Inc. ("FTI"), FTI was paid in advance for services expected to be rendered in December in the amount of \$380,000.

[3] - Pursuant to the Real Estate Consulting Advisory Services Agreement with DJM Realty Services, LLC ("DJM") and CBRE, Inc. ("CBRE"), the Debtor paid an upfront Consulting Fee that may be offset against future fees to DJM and CBRE. This amount was paid from the YCST Professional Fee Reserve, and is reflected as a negative entry against the Case-to-date fees.

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Cummulative Period: November 2, 2015 - January 3, 2016

MOR 2: STATEMENT OF OPERATIONS

REVENUES	CURRENT MONTH ^[1]	CUMULATIVE FILING TO DATE
Net Sales	\$ -	\$ 9,226,952
OPERATING EXPENSE		
Cost of Goods Sold	-	(15,919,303)
Selling, General and Administrative Expense [2]	(43,235)	(3,139,456)
Total Operating Expense	(496,212)	(5,692,408)
OPERATING INCOME	(539,447)	(15,524,215)
OTHER OPERATING INCOME (EXPENSE)		
Other Income (Expense) [3]	(31,548,243)	(47,052,850)
Interest Income (Expense)	539,242	(45,787)
Income Tax Benefit (Expense)	-	-
Net Profit (Loss)	\$ (31,548,448)	\$ (62,622,852)

Notes:

[1] The unaudited financial statements have been derived from the books and records of the Debtor. The information furnished in this report includes primarily normal recurring adjustments, but not all of the adjustments that would typically be made for the quarterly and annual financial statements in accordance with US GAAP. Furthermore, the monthly financial information contained herein has not been subjected to the same level of accounting review and testing that the Debtor applies in the preparation of its quarterly and annual financial information in accordance with US GAAP. Accordingly, upon the application of such procedures, the financial information may be subject to change and that these changes could be material.

[2] Last month's MOR inadvertently transposed amounts for SG&A and Total Operating Expense which has been corrected in the current MOR

[3] Other Income (Expense) includes: (\$31.4M) fixed assets impairment, (\$2.0M) bankruptcy professional fees, (\$0.6M) of expense accruals true-up partially offset by \$1.5M of proceeds from DC assets auction, \$0.8M net lease assignment proceeds, \$0.2M of other miscellaneous accounting true-up adjustments.

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MOR 3: BALANCE SHEETS

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH
CURRENT ASSETS	
Cash and cash equivalents ^[1]	\$ 13,420,570
Restricted cash	13,169,480
Accounts receivable, net	218,700
Inventories, net	-
Prepaid expenses and other current assets	1,885,910
TOTAL CURRENT ASSETS	28,694,660
Property, plant, and equipment, net ^[2]	0
Other non-current assets	5,230,480
Due from affiliates	5,767,330
TOTAL ASSETS	\$ 39,692,470

LIABILITIES ^[3]	BOOK VALUE AT END OF CURRENT REPORTING MONTH
<i>LIABILITIES NOT SUBJECT TO COMPROMISE (POST-PETITION)</i>	
Accounts payable	\$ 1,209,859
Accrued salaries and benefits	278,730
Other accrued liabilities	661,797
Current portion of capital lease obligations	-
TOTAL POST-PETITION LIABILITIES	2,150,386
<i>LIABILITIES SUBJECT TO COMPROMISE (PRE-PETITION)</i>	
Accounts payable	45,364,271
Accrued salaries and benefits	-
Other accrued liabilities	25,841,353
Intercompany debt Non-Current	104,199,790
Other long-term liabilities	-
TOTAL PRE-PETITION LIABILITIES	175,405,414
TOTAL LIABILITIES	177,555,800
MEMBERS' EQUITY	
Members capital	264,001,110
Accumulated Deficit	(401,864,440)
NET MEMBERS' EQUITY	(137,863,330)
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 39,692,470

Notes:

[1] Cash and cash equivalents include book operating cash, PASA/PACA reserve, tax escrow, and utility deposits. Book cash balances as of January 3, 2016 of \$13.4M includes operating book cash of \$11.1M, Tax escrow amounts of \$0.4M, PASA/PACA reserve of \$1.5M, and Utility deposits of \$0.4M.

[2] The balance Property, plant, and equipment of \$31.4M has been written off this period. Amounts ultimately realized may vary from net book value, and such variance may be material.

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MOR 4: STATUS OF POST-PETITION TAXES

	Beginning Tax Liability	Amounts Withheld	Amount Paid	Date Paid	Check No.	Ending Tax Liability
Payroll taxes	\$ (179,552)	\$ (239,329)	\$ 260,183	Ref next tab	Ref next tab	\$ (158,698)
Real and Personal Property Taxes ^[1]	\$ (369,414)	\$ 221,415	\$ -	Ref next tab	Ref next tab	\$ (147,999)
Sales and Use Taxes ^[2]	\$ (483,777)	\$ 29,599	\$ 384,949	Ref next tab	Ref next tab	\$ (69,228)
TOTAL TAXES	\$ (1,032,743)	\$ 11,685	\$ 645,133			\$ (375,926)

Note:

[1] Real and Personal property tax liability were restated due to lease assignment and termination in the current period

[2] Use tax liability was trued up for prior period accrual

MOR 4: SUMMARY OF UNPAID POST-PETITION DEBTS

	NUMBER OF DAYS PAST DUE					
	Current	0-30	31-60	61-90	Over 90	
Accounts payable	(1,209,859)	-	-	-	-	(1,209,859)
Accrued salaries and benefits	(278,730)	-	-	-	-	(278,730)
Other accrued liabilities	(661,797)	-	-	-	-	(661,797)
Current portion of capital lease obligations	-	-	-	-	-	-
TOTAL POST-PETITION LIABILITIES	(2,150,386)	-	-	-	-	(2,150,386)

[1] The Debtor is in the process of actively reviewing accounts payable and liabilities; therefore, these figures may be subject to change.

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MOR 4A : Verification of Tax Payments

FEDERAL, STATE & LOCAL TAXES	Vendor Name	Amount Paid	Payment Date	EFT/Check number	Pre-Petition
Federal and state payroll taxes	ADP	76,864	12/06/15	WIRE TRANSFER	No
Federal and state payroll taxes	ADP	29,686	12/18/15	WIRE TRANSFER	No
Federal and state payroll taxes	ADP	7,143	11/30/15	WIRE TRANSFER	No
Federal and state payroll taxes	ADP	53,022	12/20/15	WIRE TRANSFER	No
Federal and state payroll taxes	ADP	5,601	12/31/15	WIRE TRANSFER	No
Federal and state payroll taxes	ADP	31,395	12/31/15	WIRE TRANSFER	No
Federal and state payroll taxes	ADP	56,473	01/03/16	WIRE TRANSFER	No
Sales and Use Taxes	City of Avondale	2,906	12/28/15	CHECK-113665	No
Sales and Use Taxes	City of Chandler	819	12/28/15	CHECK-113666	No
Sales and Use Taxes	City of Mesa	651	12/28/15	CHECK-113667	No
Sales and Use Taxes	City of Phoenix	1,429	12/28/15	CHECK-113670	No
Sales and Use Taxes	City of Scottsdale	1,695	12/28/15	CHECK-113668	No
Sales and Use Taxes	CA Board of Equalization	297,076	12/24/15	ACH DEBIT	No
Sales and Use Taxes	AZ Dept. of Revenue	15,205	12/31/15	ACH DEBIT	No
Sales and Use Taxes	NV Dept. of Taxation	65,169	12/31/15	ACH DEBIT	No
Real Property Taxes	Kern Co.	5,512	12/08/15	E-CHECK	Yes
Real Property Taxes	Ventura Co.	19,339	12/08/15	E-CHECK	Yes
Real Property Taxes	San Diego Co.	16,601	12/08/15	E-CHECK	Yes
Real Property Taxes	Orange Co.	15,500	12/08/15	E-CHECK	Yes
Real Property Taxes	Ventura Co.	948	12/08/15	E-CHECK	Yes
Real Property Taxes	Ventura Co.	13,560	12/08/15	E-CHECK	Yes
Real Property Taxes	Ventura Co.	1,974	12/08/15	E-CHECK	Yes
Real Property Taxes	San Francisco Co.	145,850	12/08/15	E-CHECK	Yes
Real Property Taxes	Riverside Co.	488,537	12/08/15	E-CHECK	Yes
Real Property Taxes	Fresno Co.	12,845	12/09/15	E-CHECK	Yes
Real Property Taxes	Los Angeles Co.	52	12/09/15	E-CHECK	Yes
Personal Property Taxes	Maricopa County	13,343	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	17,425	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	7,627	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	18,545	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	9,241	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	17,693	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	10,557	12/03/15	CHECK-113632	Yes
Personal Property Taxes	Maricopa County	13,774	12/03/15	CHECK-113632	Yes
Total Federal, State and Local		\$ 1,474,056			

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MOR 4B : SUMMARY OF TAX RETURNS FILED DURING REPORTING PERIOD

TAXING AUTHORITY	State	Type of tax	Due date
ARIZONA DEPARTMENT OF REVENUE	AZ	Sales & Use Tax	12/31/15
CALIFORNIA STATE BOARD OF EQUALIZATION	CA	Sales & Use Tax	12/24/15
CITY OF AVONDALE	AZ	Sales & Use Tax	12/21/15
CITY OF CHANDLER	AZ	Sales & Use Tax	12/21/15
CITY OF MESA	AZ	Sales & Use Tax	12/21/15
PHOENIX	AZ	Sales & Use Tax	12/21/15
CITY OF SCOTTSDALE	AZ	Sales & Use Tax	12/21/15
NEVADA DEPARTMENT OF TAXATION	NV	Sales & Use Tax	12/31/15

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Reporting Period - December 2015**MOR 5: ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

Accounts Receivable Reconciliation	Amounts
Total Accounts Receivable at the beginning of the reporting period	796,671
+ Amount billed during the period	218,700
- Amount transferred during the period	-
- Amount collected during the period	111,000
Total Accounts receivable at the end of the reporting period	904,371

Accounts Receivable Aging	Amounts
Current	472,818
0 - 30 days past due	124,012
31 - 60 days past due	158,134
61 - 90 days past due	54,874
Over 90 days past due	94,533
Total Accounts Receivable	904,371
Amount considered uncollectible (Bad Debts) [1]	(685,671)
Accounts Receivables	218,700

Notes:

[1] Includes provision for accounts receivable

MOR-5: DEBTOR QUESTIONNAIRE

	Yes	No
1 Have any assets been sold or transferred outside of the normal course of business this reporting period? If yes, provide an explanation below.	X	
2 Have any funds been disbursed from any account other than a debtor in possession account in this reporting period? If yes, provide an explanation below.		X
3 Have all post-petition tax returns been timing filed? If no, provide an explanation below.	X	
4 Are workers compensation, general liability and other necessary insurance coverages in effect? If no, please provide an explanation below.	X	
5 Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). (1) If any investment account has been opened, provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X

Notes:

1. The Debtor is in the process of selling and sold inventory, furniture, fixtures, and equipment, leases and other assets pursuant to the relevant court orders.