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Via ECF

The Hon. Martin Glenn
Chief Bankruptcy Judge
United States Bankruptcy Court
One Bowling Green
New York, NY 10004

Re: RM Bakery, LLC, *et al.*, Case No. 20-11422

Dear Chief Judge Glenn:

As counsel to the Reorganized Debtor in the above-captioned case (the "**Reorganized Debtor**"), we write to update the Court on the developments since Confirmation in advance of tomorrow's status conference. I regret to report that the Reorganized Debtor has not been able to meet the projections set forth in the Plan and Disclosure Statement. This is primarily due to two reasons: First, the projections contemplated a co-manufacturing agreement with a third-party which had been agreed to but not documented at the time of confirmation. The debtors and debtors-in-possession in the above-captioned case (the "**Debtors**") were very far down the road with the third-party, including trying out recipes, agreeing on the bakery list, etc. With this agreement, the Debtors anticipated that they would no longer have excess capacity and would have significant additional income. This was reflected in the projections. Unfortunately, at the last minute, the third-party ended up buying another bakery business, and ended up with excess capacity himself. So this deal never came to fruition. Second, prior to confirmation, there had been a sale of the Debtors' affiliate, Featherstone, and the new management was expected to bring substantial business to the Reorganized Debtor. Although Featherstone has increased the business it does with the Reorganized Debtor, it was not at the levels anticipated. These two factors led to significant liquidity problems beginning last summer.

These two events have left the Reorganized Debtor with significant shortfalls from projections. As a result, to date, the Reorganized Debtor has been late on some of its plan payments, or not yet made some payments. The Reorganized Debtor has been struggling to make up any payments for which it is late pursuant to the Plan, and has made significant strides in doing so. Unfortunately, some past due payments remain unpaid.

It is important to note that while the Debtor has been unable to meet all of its payments, it has voluntarily forgone both payment of management fees to insiders in the approximate amount of $200,000, as well as approximately $175,000 in debt payments to a related entity. The Reorganized Debtor has made satisfying the payments due under the plan to non-insiders its highest priority.

The Reorganized Debtor is aggressively seeking to remedy the current situation. It has entered into a new co-manufacturing agreement with a third-party to replace the agreement which did not come to fruition. The results of the new agreement are not reflected in the Reorganized Debtor's financials until the second half of 2025, which shows a 16% increase in revenue due to this agreement. This should continue into 2026.

More significantly, the Reorganized Debtor is currently negotiating a sale-leaseback transaction which it expects to close by the end of the year. In fact, the deal must close by December 31, 2025, for the buyer to get the tax benefits for which it is doing the deal. Pursuant to the proposed transaction, the Reorganized Debtor will sell its existing equipment to a third-party for $750,000. The third-party will then immediately lease the equipment back to the Reorganized Debtor on a long-term lease. The Reorganized Debtor's operations will continue seamlessly, with the difference that the Reorganized Debtor will now have $750,000 of additional liquidity, while, being required to make reasonable monthly payments to the lessor. Upon closing this deal, the Reorganized Debtor will catch up on all overdue payments under the Plan, and will have sufficient liquidity to make future payments. As a result of the sale-leaseback, the Reorganized Debtor is projecting an operating profit in 2026 of $1.3 million, which will result in a significant payment to the general unsecured creditors.

It is worth noting that Pac West, the largest secured creditor in Debtors' case, has a lien on most of the equipment. Accordingly, it cannot be sold without their approval. Pac West has tentatively approved the transaction, subject to documentation. The Reorganized Debtor would pay Pac West what it is owed under the Plan in one lump sum from the proceeds of the equipment sale.

Although it is unfortunate that the Reorganized Debtor has not been able to make all of its plan payments to date, it has been working tirelessly to correct this situation. With the sale-leaseback transaction, the Reorganized Debtor believes that it will be able to make all future payments and catch up on all past due payments by early January. Accordingly, we would suggest that this Court hold a status conference in January, so, the Reorganized Debtor can report on its progress.

We will be happy to address any comments or questions the court may have at tomorrow's status conference.

Yours very truly,

s//Sandra E. Mayerson
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