

Four Things to Know about Red Lobster's Bankruptcy Filing

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The tides have turned for Red Lobster, the iconic seafood dining destination, as the company has filed for Chapter 11 bankruptcy protection. As the restructuring process unfolds, it's crucial for customers, employees, and stakeholders to understand the key aspects of this development. Here are four essential things to know about Red Lobster's bankruptcy filing.

Why did Red Lobster file Bankruptcy?

Red Lobster's Chapter 11 bankruptcy is pending here in Orlando, Florida. The company has cited several reasons for the restructuring, with the primary factors being:

- a 30% decline in guest count since 2019;
- declines in net sales over the last twelve months;
- a loss of liquidity tied to operating losses and increased debt payments;
- inflation;
- rising labor costs based on increased minimum wages; and
- marketing and operational missteps.

Are the restaurants still open?

While some locations have closed, many Red Lobster restaurants remain open. Prior to the bankruptcy filing, the company announced the closure of 99 restaurants across 28 states, but it still operates hundreds more nationwide.

The Chapter 11 bankruptcy filings allow the remaining restaurants to remain open while the company tries to renegotiate leases with landlords and evaluates whether to close any more. Since the bankruptcy filing, Red Lobster has filed four separate motions each seeking to reject more leases and close those stores.

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While your beloved Cheddar Bay Biscuits are still available, they may be a bit harder to find.

How long does bankruptcy take?

Generally, Chapter 11 cases can last anywhere from six months to two years, depending upon the particularities of each case.

Red Lobster entered into bankruptcy proceedings with a pre-negotiated Restructuring Support Agreement in place with its existing lenders. This agreement provided an initial bid to purchase the company.

Red Lobster is targeting a sale, either to its existing lenders or to a higher third-party bidder, with the aim of completing the transaction by mid-summer.

Where can I find more information?

All of Red Lobster's bankruptcy filings are publicly available [here](#).

If you have any questions about your rights as a creditor or landlord of Red Lobster, please contact the Lowndes Creditors' Rights & Bankruptcy team.