



AMERICAN BANKRUPTCY INSTITUTE

WINTER LEADERSHIP CONFERENCE

"Out of the Frying Pan and Into the Fryer: Today's Restaurant Industry and the Challenges Ahead in Surviving the Decay of Everything a Sector Needs to Stay Viable"

Franklind Lea

Tactical Financial Consulting

Atlanta, GA

(Moderator)

Richard Cobb

Landis Rath & Cobb LLP

Wilmington, DE

Derek Pitts

Houlihan Lokey

New York, NY

Randy Schultz

Regions Financial Corporation

Atlanta, GA

Steven Simms

FTI Consulting

New York, NY

Franklind Lea, CIRA



- **TACTICAL FINANCIAL CONSULTING**
 - Atlanta, GA
- **QUALIFICATIONS**
 - Florida State University, Management
 - Florida State University, MBA
 - University of Florida, Master of Real Estate and Urban Analysis
- **CERTIFIED INSOLVENCY AND RESTRUCTURING ADVISOR - AIRA**
- **PRACTICE AREAS**
 - Bankruptcy; Workouts; Receiverships; Asset Protection; Litigation Support; Expert Witness, CR
- **REPRESENTATION**
 - Debtors
 - Creditors
 - Investors



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Richard Cobb



- **Landis Rath & Cobb LLP**
 - Wilmington, DE
- **QUALIFICATIONS**
 - Rick graduated from Moravian College in 1987, and Villanova University School of Law in 1992.
 - Rick is admitted to practice in Delaware and Pennsylvania and by the U.S. Court of Appeals for the Third Circuit.
 - Delaware State Bar Association and the Pennsylvania Bar Association.
- **REPRESENTATION**
 - Richard S. Cobb practices in the areas of commercial bankruptcy and litigation.
 - His experience includes representation of secured lenders, including agents for prepetition and debtor in possession financing bank groups, unsecured creditor committees, asset purchasers, and significant secured and unsecured creditors.

Derek Pitts



- **HOULIHAN LOKEY**
 - New York, NY
- **QUALIFICATIONS**
 - Northeastern University, B.S. Management
 - Darden School of Business, MBA
- **PRACTICE AREAS**
 - Financial Restructuring , Distressed M&A and Financing
- **REPRESENTATION**
 - Debtors
 - Creditors



HOULIHAN LOKEY

Regions Restaurant Group

Randy Schultz, Managing Director



- Randy Schultz is the Managing Director of Regions Bank's Restaurant Banking Group (RRB), which was formed in April 2009.
- Randy is responsible for leading the delivery of the full range of Regions services to the restaurant industry with an emphasis on providing capital to multi-unit franchisees and restaurant operating companies.
- Extensive banking experience including commercial banking, corporate and investment banking and global treasury management.
- He managed Bank of America's Restaurant and Beverage Finance Group ("RBFG") from 1996 to 2006. During this period, RBFG grew from approximately \$300 million in assets under management to approximately \$7 billion and \$200 million in revenue.
- Regions Bank serves clients in 16 states across the South, Midwest and Texas, and operates approximately 1,800 banking offices. Its investment and securities brokerage trust and asset management division, Morgan Keegan & Company, Inc., provides services from over 300 offices.



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Steven D. Simms



- **FTI Consulting**
 - New York, NY
- **QUALIFICATIONS**
 - Cornell University, BS
 - New York University Stern School of Business, MBA
- **REPRESENTATION**
 - Debtors
 - Creditors
 - Investors
- **REPRESENTATIVE RESTAURANT DEALS**
 - Avado
 - Boston Chicken
 - Buffets
 - Chi Chi's
 - Claim Jumper
 - Denny's
 - Fazoli's
 - Fuddruggers
 - Furr's Cafeterias
 - Quincy's
 - Shoney's
 - Uno Restaurant Group
 - VICORP

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Questions

- Thank you for attending!

What happened/How did we get here?

- What are some of the headwinds that the market has experienced over the last 36 months?

Where are we now?

- Has the market hit bottom for restaurant operating performance or are trends still negative and will this cause future restructurings?

What's the problem?

- Capital structure?
- Concept / Market Repositioning
- Deferred Capex?
- Broken operating model?

How are operators addressing market challenges?

- Out of court versus in-court
- How is a restaurant operator's performance typically impacted by a bankruptcy?

How Does The Company Structure Affect the Reorganization

- What is the typical legal structure of a restaurant company? (i.e. Board of Directors & Management versus closely held)
- What do you tell the Board or Ownership?

What is typical capital structure of a restaurant and How Does It Affect the Restructuring?

- Publicly Held versus closely held,
- Owned store sites versus leased stores

Restructuring - Capital Structure

- Exactly “who” is in the capital structure, where are they and what are they likely thinking?
- Do they have motives?....Do the actual holders (named institutions) and who is running the credit?
- Restaurant names with strong concepts can typically have aggressive investors buy-in looking to get a strong concept at a significant discount?

Sell Vs. Reorganizing Vs. Liquidating

- What are the primary drivers that seem to cause so many restaurant Companies to sell versus reorganizing or liquidating?

Auctions

- What is the current M&A market like for distressed restaurant deals and how have recent auctions gone?

What are we seeing in restaurant sales/auctions?

- Sale process timing
- stalking horse bidder issues
- over-bid issues
- lease designation rights
- 365 and franchise agreements
- 363 Sale vs. Plan (releases in APA/Sale Order for purchaser; releases in Plan by and in favor of others)?

What is the current debt financing market like for distressed restaurant deals

- What has changed since 2006-2007?
- What are lenders looking for in restaurant financing
- How much capital is active?
- typically get very limited trade payable relief in a Chap 11 as a result of PACA
- Does this present significant challenges in getting DIP financing?
- Are existing lenders our only source of additional financing / liquidity?

Valuation

- Are valuation multiples improving or declining?
- What are some of the variables driving current multiples?
- What are the unit level economics?

Restructuring - What issues drive Chapter 11 filings for restaurants?

– Timing

- seasonality;
- gift card receipts vs. redemption;
- lease obligations/renewals
- recent case-law;
- inventory issues.

Restructuring - Leverage Points

- Where are the Company's strongest points of leverage?
- Where are the Secured Creditors?
- For example, do we have "weak" lessors where we can get meaningful concessions?
- Can we walk away from dark or underperforming stores and make landlords chase us? Do we have vendors/distributors where we represent a material portion of their revenues? Do we have lenders who need to make this work?
- Do unsecured creditors have an economic voice or merely a process voice?
- Conversely, and just as critical, what are our creditors strongest points of leverage against the Company or other constituents?
- Unsecured creditors challenge liens or take advantage of unperfected leasehold interests?
- Distributors have substantial leverage over us or are any of them particularly weak from a liquidity perspective themselves?
- How have unsecured creditors tried to use the failure of lenders to perfect liens against leases in various situations

Restructuring - Leases

- What are the things you look for when you look at your lease portfolio and assessing landlords?
- Recent trends in negotiating with landlords? (pressure to avoid filing vs. requirement to file to gain concessions; breaking up a master lease; revised 365(d)(4), negotiating landlord consents)?
- What is the make-up of the Company's lease portfolio and who do we have to deal with (master lease agreements, REITS, mom & pop, etc)?

Restructuring - Leases

- How do master lease issues impact a restaurant restructuring and how are they dealt with
- What are the things you look for when you look at your lease portfolio and assessing landlords

Where are we headed?

- Where do you see the industry going over the next 3 to 5 years?
- What lessons has the industry learned during this downturn?
- What sectors of the industry are poised to outperform as the market improves?