IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: ROADHOUSE HOLDING INC., *et al.*,[1] Debtors.	Chapter 11 Case No. 16-11819 (BLS) (Jointly Administered) **Docket Ref. No. 329**

DECLARATION OF RICHARD MORGNER IN SUPPORT OF CONFIRMATION OF DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

I, Richard Morgner, do hereby submit this declaration (this "**Declaration**") and declare under penalty of perjury that the following information is true and correct to the best of my knowledge, information, and belief.

1. I am a Managing Director and Joint Global Head of Restructuring and Recapitalization of Jefferies LLC ("**Jefferies**"). I am duly authorized to make this Declaration on behalf of Jefferies.

2. I submit this Declaration in support of the confirmation of the *Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, dated September 28, 2016 [Docket No. 329] (together with all exhibits and as amended, modified and supplemented in accordance the Plan and the Confirmation Order, the "**Plan**").[2] Except as otherwise indicated, all facts set forth in this Declaration are based on my personal knowledge,

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[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Roadhouse Holding Inc. (5939); Roadhouse Intermediate Inc. (6159); Roadhouse Midco Inc. (6337); Roadhouse Parent Inc. (5108); LRI Holdings, Inc. (4571); Logan's Roadhouse, Inc. (2074); Logan's Roadhouse of Texas, Inc. (2372); and Logan's Roadhouse of Kansas, Inc. (8716). The location of the Debtors' corporate headquarters is 3011 Armory Drive, Suite 300, Nashville, Tennessee 37204.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Plan or Disclosure Statement (as defined in the Plan), as applicable.

information provided by professionals or consultants retained by the Debtors, or information I obtained by reviewing relevant documents. If called to testify, I could and would testify competently as to the facts set forth herein.

A. <u>Background</u>

3. Jefferies is a full-service investment banking firm, with approximately 3,900 employees in more than thirty offices around the world. Jefferies and its senior professionals have extensive expertise providing investment banking and financial advisory services to financially distressed companies, creditors, committees, equity holders, asset purchasers, and other constituencies in reorganization proceedings and complex financial restructurings, both in an out of court.

4. Jefferies has been employed by the Debtors since September 2015, and has advised the Debtors in connection with and was active in the negotiations of the Restructuring Support Agreement, which outlines the restructuring represented by the Plan and the DIP Loan Documents. Additionally, Jefferies has performed financial advisory services for the Debtors, including: (a) providing advice and assistance in connection with analyzing, structuring, negotiating, and effecting, and acting as investment banker and financial advisor to the Debtors in connection with the restructuring embodied by the Plan; (b) becoming familiar with and analyzing the business, operations, properties, financial condition, and prospects of the Debtors; (c) advising the Debtors on the state of the "restructuring market"; (d) assisting and advising the Debtors in negotiating the Creditors' Committee Settlement; (e) assisting and advising the Debtors in developing a general strategy for accomplishment of the Plan and the implementation thereof; (f) assisting and advising the Debtors in evaluating and analyzing the Plan, including the value of securities and debt instruments that may be issued under the Plan; (g) assisting and

advising the Debtors in raising financing, including the Exit Financing Facilities; and (h) rendering certain other financial advisory services as requested by the Debtors.

5. Through Jefferies' engagement by the Debtors, I am familiar with the Debtors' financial affairs, capital structure, and operating performance. Additionally, I am familiar with the Plan and the terms of the Exit Financing Facilities.

6. I am also familiar with the Valuation Discussion included as Exhibit E to the Disclosure Statement (the "**Valuation Discussion**"). I led and oversaw the team that prepared the Valuation Discussion. Additionally, I have reviewed and am familiar with the Financial Projections included as Exhibit D to the Disclosure sSatement (the "**Financial Projections**"). I believe that the Valuation Discussion accurately reflects the range of estimated enterprise value of the Reorganized Debtors, subject to the qualifications set forth therein.

C. The Plan is in the Best Interests of Creditors (Section 1129(a)(7)

7. I believe, based on Article VIII and Exhibits D, E and F of the Disclosure Statement, that each class of claims and interests will receive at least as much as that class would receive in a hypothetical chapter 7 liquidation. Specifically, holders of Revolving Facility Lender Claims, who would receive a 39% to 62% recovery in a hypothetical chapter 7 liquidation scenario, will recover under the Plan 100% of the value of their Claims. Holders of GSO Notes Claims, Kelso Notes Claims, and Unexchanged Notes Claims, each of whom will recover approximately 11.5% of the value of their claims under the Plan, would receive no distribution in a hypothetical chapter 7 liquidation. Holders of General Unsecured Claims, who will receive estimated recoveries of 2.5% to 3.5% of the value of their claims, would also receive no distribution in a hypothetical chapter 7 liquidation.

8. Based upon the estimated range of the reorganization value of the Reorganized Debtors between $131 million and $157 million, and after adjusting for debt of $106.5 million outstanding as of the Effective Date, Jefferies has estimated the range of equity value for the Reorganized Debtors between approximately $28 million and $54 million. In preparing the Valuation Discussion, Jefferies performed both a discounted cash flow analysis and a comparable company analysis, as discussed in more detail in the Disclosure Statement.

9. The valuation of the Debtors' going-concern operations reflects a number of assumptions, including that the Reorganized Debtors will achieve the Financial Projections in all material respects. The Valuation Discussion contemplates facts and conditions known and existing as of September 9, 2016. For purposes of the Valuation Discussion, Jefferies assumed that no material changes that would affect value will occur between September 9, 2016 and the Effective Date of November 14, 2016 contemplated by the Restructuring Support Agreement, and, as of the date hereof, Jefferies is not aware of any such material changes. The Valuation Discussion presents a hypothetical enterprise value of the Reorganized Debtors on a going-concern basis and pro forma for the transactions contemplated by the Plan, and it is subject to the qualification and limitations included in the Valuation Discussion.

10. In preparing the estimated enterprise value of the Reorganized Debtors, Jefferies, among other things, consulted with the Debtors' Co-Chief Restructuring Officers and senior management to discuss the Debtors' operations and future prospects, reviewed the Debtors historical financial information, and reviewed certain of the Debtors' internal financial and operating data, including the Financial Projections. Jefferies has relied on the Debtors' representation and warranty that the Financial Projections (a) have been prepared in good faith; (b) are based on fully disclosed assumptions, which, in light of the circumstances under which

they were made, are reasonable; (c) reflect the Debtors' best currently available estimates; and (d) reflect the good faith judgments of the Debtors.

C. Feasibility of the Plan (Section 1129(a)(11))

11. I believe, based on my review of the Financial Projections included as Exhibit D of the Disclosure Statement, that confirmation of the Plan is not likely to be followed by a liquidation or the need for further financial reorganization of the Debtors in the foreseeable future. I believe that the Plan provides more than a reasonable assurance of success in this regard. It is my understanding that the Debtors thoroughly analyzed their ability post-reorganization to meet their obligations under the Plan. The Financial Projections, moreover, show that the Debtors will have sufficient cash flow to meet their obligations under the Plan. In addition, the transactions contemplated under the Plan will enable the Debtors to continue their current operations and will eliminate more than $300 million of debt.

12. It is my understanding that, in formulating the Plan, the Debtors, with the assistance of Jefferies and their other professional advisors, sought to ensure that the Plan would provide sufficient funding to allow the Debtors to continue to operate their business successfully after emergence and to satisfy all of their obligations under the Plan.

13. I understand that the Plan provides for the Reorganized Debtors to enter into the Exit First Lien Facility and Exit Second Lien Facility. The Exit First Lien Facility is a roll-over of the Debtors' pre-petition $29 million revolving credit facility. While the pre-petition revolving facility is fully drawn as of today, it is anticipated that it will provide the Debtors with revolving availability following the Effective Date of the Plan as the Debtors generate cash from operations and are able to pay-down the amounts currently outstanding. A portion of the interest

expense under the Exit First Lien Facility can be paid in kind at the Debtors' election, providing the Debtors with an incremental liquidity benefit.

14. The Exit Second Lien Facility is a term loan facility that rolls over the obligations under the existing DIP Facilities and also includes an additional $3.5 million of cash to be funded by the Unanimous Supporting Noteholders on the Effective Date. The Exit Second Lien Facility has a number of features that are beneficial to the Reorganized Debtors. First, it is a consensual roll-over of the DIP Facilities that was agreed to by the holders of the GSO Notes and Kelso Notes and those holders of the Unexchanged Notes that were initial parties to the Restructuring Support Agreement. Second, as part of the post-petition negotiations that led to the Creditors' Committee Settlement and the consensual Plan, those parties also agreed to provide an additional $3.5 million of additional liquidity under the Exit Second Lien Facility. Third, during the pre-petition negotiation of the Exit Second Lien Facility, those same holders agreed that the Reorganized Debtors would only be required to pay interest in kind under the facility, thereby avoiding the demands on cash that would otherwise be attendant to an approximately $80 million credit facility and benefiting the Reorganized Debtors' liquidity position.

15. I believe that by substantially reducing the Debtors' secured debt obligations pursuant to the terms of the Plan, obtaining the ability to pay-in-kind some of the debt service under the Exit Financing Facilities (including all of it under the Exit Second Lien Facility), and obtaining the additional $3.5 million capital infusion from certain prepetition Noteholders under the Exit Second Lien Facility, the Reorganized Debtors will be better-positioned to service ongoing debt obligations, generate free cash flow to reinvest in their business, and create value for the Noteholders that are receiving the New Stock under the Plan. Thus, I believe that the

Plan provides for a feasible reorganization of the Debtors, with a reasonable likelihood of success, and is not likely to be followed by liquidation or the need for further financial reorganization in the foreseeable future.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 7, 2016

/s/ Richard Morgner
Richard Morgner
Managing Director
Jefferies, LLC