

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA**

In re:

CAFE HOLDINGS CORP., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-05837 (hb)

(Jointly Administered)

DECLARATION OF ERIC EASTON IN SUPPORT OF DEBTORS' EXPEDITED MOTION, PURSUANT TO BANKRUPTCY CODE SECTIONS 105(a), 363, AND 365, AND BANKRUPTCY RULES 2002, 6004, AND 6006, FOR ENTRY OF AN ORDER (I) APPROVING SALE, BIDDING, NOTICE, AND AUCTION PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE DEBTORS; (II) APPROVING ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS UNEXPIRED LEASES; (III) AUTHORIZING THE SALE OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, AND (IV) GRANTING RELATED RELIEF

I, Eric Easton, declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury, to the best of my knowledge, information, and belief:

1. My background and qualifications are set forth in the *Declaration of Eric Easton in Support of Chapter 11 Petitions and First Day Relief*, Docket No. 17 (the “**First Day Declaration**”). I submit this declaration in support of the *Debtors' Expedited Motion, Pursuant to Bankruptcy Code Sections 105(A), 363, And 365, and Bankruptcy Rules 2002, 6004, and 6006, for Entry of an Order (I) Approving Sale, Bidding, Notice, and Auction Procedures in Connection with the Sale of Substantially All of the Assets of the Debtors; (II) Approving Assumption and Assignment of Certain Executory Contracts Unexpired Leases; (III) Authorizing*

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Cafe Holdings Corp. (7910); Cafe Enterprises, Inc. (4946); CE Sportz LLC (2009); and CES Gastonia LLC (0863). The location of the Debtors' corporate headquarters is 4324 Wade Hampton Blvd., Suite B, Taylors, South Carolina 29687.

the Sale of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances, and Other Interests, and (IV) Granting Related Relief [Docket No. 106] (the "**Motion**").

2. Except as otherwise indicated herein, all facts set forth in this declaration (the "**Declaration**") are based upon my personal knowledge, discussions with other members of the Debtors' management team and the Debtors' advisors, review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives, or represent my opinions and beliefs based upon my professional experience and knowledge of the Debtors and their operations. If I were called upon to testify, I could and would testify competently to the facts set forth herein on that basis. I am authorized to submit this Declaration on behalf of the Debtors.

The Bid Procedures and Sale Timeline

3. It is my opinion that the bidding and sale procedures set forth in the Motion will facilitate the highest and best proposal for the purchase of the Debtors' business under the circumstances. The procedures are designed to establish a fair, open, and competitive postpetition bidding process, subject to the time limitations set forth in the *Cafe Enterprises, Inc., et al. Terms and Conditions of Proposed Senior Secured, Super-Priority Debtor-in-Possession Credit Facility* (the "**DIP Term Sheet**") approved in the *Interim Order (1) Authorizing the Debtors to Obtain Post-Petition Financing on an Interim Basis, Granting Senior Postpetition Security Interests and According Superpriority Administrative Expense Status Pursuant to Sections 364(c) And 364(d) of the Bankruptcy Code, (2) Authorizing the Use of Cash Collateral, (3) Granting Adequate Protection, (4) Modifying The Automatic Stay, and (5) Granting Related Relief* [Docket No. 70] (the "**Interim DIP Order**"), which are, in turn, driven by the Debtors' constrained liquidity.

4. A sales process longer than the process described in the Motion would jeopardize the Debtors' ability to survive in Chapter 11. The DIP Term Sheet requires that the sale process be completed in mid-January, with mandatory milestones that include approval of the relief sought in the Motion by December 18, conducting of the auction by January 14, obtaining an order approving the sale by January 15, and closing of the sale by January 18. The timeline proposed in the Motion is consistent with the mandatory milestones. The Debtors currently do not have another source of financing outside of that provided by the DIP Term Sheet and Interim DIP Order, and the DIP lender is unwilling to waive the sale milestones set forth in the DIP Term Sheet. Moreover, it is my belief that a longer marketing and sale process would not yield any incremental value for the Debtors' estates but would significantly add to the cost of administrative of the Debtors' bankruptcy case.

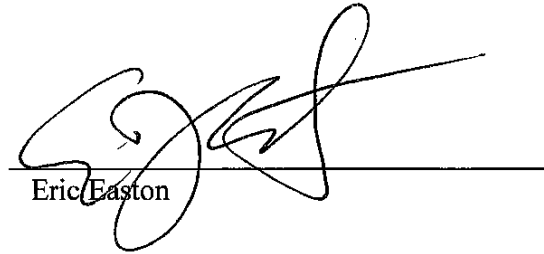
5. It is also my opinion that the timeframe set forth in the Motion is warranted by the nature of the Debtors' business. The Debtors operate in a competitive sector against well-funded industry peers. The Debtors have also experienced the same operating and performance struggles affecting many other casual dining brands, which have been compounded by the Debtors' specific business challenges. Moreover, the Debtors' have faced even greater operational pressure than their competitors due to the inability to complete the Debtors' current operational turnaround initiatives, including appropriate marketing of the business. It is my belief that the longer the Debtors remain in chapter 11, the more the Debtors' competitors will seize on that circumstance to drive business away from the Debtors' restaurants. Consequently, it is my belief that the best outcome for the Debtors' business is effectuating a swift sale process, especially when a lengthy and comprehensive marketing process occurred prepetition.

6. In addition to the Debtors' constrained liquidity and operational challenges, the Debtors' vendors have expressed skepticism regarding continuing to do business with the Debtors on a going-forward basis due to lack of confidence in the Debtors' ability to remain in operation. The Debtors' employees have expressed skepticism in that regard as well. Failure to maintain working relationships with the Debtors' key vendors and employee base would endanger the Debtors' ability to operate as a going-concern, thereby yielding less value for the Debtors' various stakeholders.

7. It is therefore my opinion that an expedited sale process is imperative to stabilize the Debtors' business, provide certainty to the Debtors' employees, customers and vendors, and preserve going-concern value, thus maximizing the value of the Debtors' estates.

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: December 11, 2018



Eric Easton