

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

In re:

CAFE HOLDINGS CORP., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 18-05837 (hb)

(Jointly Administered)

**DECLARATION OF VINEET (“VIN”) BATRA 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, Vin Batra, declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I submit this declaration (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 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**”).

<sup>1</sup> 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.

2. I am over the age 18 and am authorized to submit this Declaration on the Debtors' behalf, and, if called upon to testify, I could and would testify competently to the facts set forth herein.

3. I am authorized to submit this Declaration on behalf of the Debtors. This Declaration is being made pursuant to Rule 1007 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**").

4. I am a managing director in the Special Situations and Restructuring Advisory Group of Duff & Phelps Securities, LLC ("**Duff & Phelps**"). Duff & Phelps is a premier global valuation and corporate finance advisor with expertise in, among other things, complex valuation, mergers and acquisitions ("**M&A**"), and restructurings. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world. Duff & Phelps has extensive experience in marketing and selling distressed businesses, including restaurants.

5. I have held the position of a Managing Director of Duff & Phelps since June 20, 2016. Prior to Duff & Phelps, I was a Managing Director at Deloitte Corporate Finance, LLC and Alvarez & Marsal Securities, LLC and have been providing investment banking and financial advisory services to companies pursuing restructuring activities, special situation financings and debtor-in-possession loans. Companies where I provided these services include, among others, Gordmans, Pacific Crane Maintenance Co., Arrow Group Industries, NextMedia, Lehman Brothers India Operations, Virgin Islands Daily News, Lund International, and Quaker Fabric.

6. I have experience in a wide range of corporate finance transactions, including restructurings and reorganizations, mergers and acquisitions, equity financings, opinions to Board of Directors and other matters. I have advised numerous clients through the restructuring

and M&A processes across a range of industries, including: LifeCare Holdings, Inc, Claire's, True Temper Sports, Canwest LP, International Garden Products, Elpida Memory, Inc., Takefujii Corp., Southwest Airlines Pilots Association, Regatta USA LLC, Instinet Group, Yankee Group, Tower Group, American Express Business Finance, Reuters, amongst others. Prior to Alvarez & Marsal Securities, LLC, I worked in the Investment Banking Division at Lehman Brothers and the Audit & Business Advisory Division at Arthur Andersen. In addition, I worked with Professor Edward Altman at New York University's Stern School of Business from 1999 to 2000 conducting bankruptcy research activities.

7. Duff & Phelps was engaged by the Debtors on April 9, 2018 to assist them in evaluating various strategic alternatives for right-sizing their balance sheet and improving their liquidity and overall financial condition. Subsequently, I worked closely with the Debtors' management and other professionals retained by the Debtors with respect to the Debtors' restructuring efforts. As a result, I have become well-acquainted with the Debtors' capital structure, liquidity needs, and business operations. I have also been directly involved with the Debtors' development of the Bidding Procedures and Proposed Sale Process (both as defined in the Motion).

8. On November 15, 2018 (the "**Petition Date**"), each of the Debtors filed a voluntary petition under chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of South Carolina (the "**Court**"). The Debtors are operating their businesses as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code.

### The Marketing Process

2. The Debtors retained Duff & Phelps to evaluate strategic and financial alternatives for the Debtors, including debt restructuring or refinancing and/or sale of equity or assets. Duff & Phelps conducted due diligence on the Debtors and prepared marketing materials summarizing the Company's business, including a confidential information memorandum setting forth information about the Debtors' business and assets (the "**CIM**"). In consultation with the Debtors, Duff & Phelps also developed a list of potential financing sources and acquirers for the Debtors, based on Duff & Phelps' understanding of their business, their interest in the restaurant sector, and their ability to consummate a financing or acquisition transaction with the Debtors. Over the course of several months in spring and summer 2018, Duff & Phelps contacted 153 financial buyers and 48 strategic buyers to solicit interest in the Debtors' assets, provided an overview of the Debtors' business, and offered additional information upon execution of a non-disclosure agreement.

3. Of those parties contacted, 21 executed a non-disclosure agreement and received the CIM. These parties were asked to provide an "indication of interest" (an "**IOI**") containing a proposed structure for the transaction, as well as the value or a range of value to be provided. Despite repeated correspondence, diligence sessions, and phone calls with potential purchasers, as of mid-July, none of the parties who had received a CIM decided to submit an IOI for a transaction.

4. Once the Debtors and Duff & Phelps determined that there were no third parties interested in pursuing a financing or strategic transaction, and in light of a looming liquidity shortage, the Debtors and its professionals approached its first lien lender at the time, Madison Capital ("**Madison**"), to discuss potential strategic alternatives, including the potential for

Madison to fund a chapter 11 process and serve stalking horse bidder with respect to the Company's business. Madison declined to do so.

5. Consequently, in August 2018, Duff & Phelps re-initiated buyer outreach efforts, including contacting an additional 28 financial buyers and one strategic buyer, bringing the total to approximately 230 buyers, several of which signed a non-disclosure agreement and received a CIM. Certain of these parties submitted IOIs to the Debtors following this additional outreach. While the Debtors were evaluating the IOIs, in September, Madison sold its debt and assigned its position to Shrayne Capital, LLC ("**Shrayne**"). While Shrayne initially expressed a desire to work with the Company to serve as a stalking horse bidder for substantially all of the Company's assets, after extensive negotiations and further diligence, on October 31, 2018, Shrayne informed the Company that it would prefer to sell its position as holder of the First Priority Secured Facility. Duff & Phelps introduced Shrayne to Atalaya Capital Management, LP and certain of its affiliates (the "**First Lien Secured Party**" or "Atalaya") and Atalaya purchased Shrayne's position. Subsequently, the First Lien Secured Party expressed an interest in becoming a stalking horse bidder for substantially all of the Company's assets, to fund a debtor-in-possession loan, and to capitalize the go-forward business.

6. After evaluating their alternatives, the Debtors' board of directors, in consultation with their advisors, determined that an efficient section 363 sale of substantially all of the Debtors' assets with the First Lien Secured Party as the stalking horse bidder combined with an expedited operational restructuring, was the best and most efficient way to maximize a return for the Debtors, their estates, and all parties in interest.

#### **Sound Business Purpose for the Bidding Procedures**

7. In connection with negotiating the APA, the Debtors and their advisors worked diligently to develop the Bidding Procedures (as defined in the Motion). The Bidding Procedures

are designed to obtain the highest and best bid for the Debtors' assets and to maximize value for the Debtors' estate. With these goals in mind, I believe that the Bidding Procedures set forth an appropriate process to test the value of the Debtors' business within the timeframe required by First Lien Secured Party and necessitated by the Debtor's liquidity constraints. The fairness and reasonableness of the consideration to be paid by the purchaser ultimately will be demonstrated by market exposure and an open and fair auction process—the best means for establishing whether a fair and reasonable price is being paid. Moreover, notice of this process will be widely circulated to interested parties.

8. Furthermore, because the Bidding Procedures also preserve the Debtors' ability to solicit and develop qualified bids, Duff & Phelps intends to continue marketing the business by contacting parties previously contacted in connection with a potential purchase of the business, as well as additional parties that may be interested in purchasing the business, if any, with the goal of eliciting a topping bid, if possible. I believe the Bidding Procedures: (a) provide adequate time for interested parties to conduct due diligence, arrange financing, and construct and submit informed competing bids; (b) help ensure that the Debtors are maximizing value for their estates while working towards the efficient completion of the chapter 11 cases; and (c) provide the Debtors' sale process with finality. Importantly, the Bidding Procedures do not impact the Debtors' ability to exercise their fiduciary duties to pursue an alternative restructuring strategy.

9. It is my understanding that the Debtors' management believes that a prolonged stay in chapter 11 will lead to business deterioration. Accordingly, the Debtors seek to complete the transaction quickly, in order to maximize the value of the business. In my opinion, the Debtors cannot risk losing the First Lien Secured Party as a stalking horse bidder if the business

is to be sold in a way that maximizes value, and therefore the proposed bidding procedures—which benefit both parties—have a sound business purpose. The Bid Procedures and corresponding sale timeline will allow the Debtors to obtain the best possible recovery for their stakeholders under the circumstances

**Expedited Post-Petition Process**

10. As described above, with our help, the Debtors conducted a comprehensive prepetition marketing process for the sale of their business, including contact with approximately 230 potential purchasers over several months. For this reason, I do not believe that the expedited nature of the proposed marketing and sale process will have a negative impact on the Debtors' sale effort. Interested parties were previously provided ample time and opportunity to evaluate the Debtors' business and determine whether or not to bid.

11. Moreover, the Debtors, again with the assistance of Duff & Phelps, have already begun the post-petition marketing of their business for sale. Duff & Phelps has reached out to parties that were contacted in the pre-petition period, including, but not limited to, those that signed an NDA and received information on the Debtors. In addition, Duff & Phelps will contact other parties that may have interest in acquiring the Debtors. Duff & Phelps has worked with the Debtors to update the information available to interested parties, including an online dataroom. Interested parties, including those that originally considered purchasing the Debtors' assets, will have the opportunity to participate in the post-petition process. With the overlay of the bankruptcy process, it is possible that parties that passed on a pre-petition basis may consider making a post-petition offer for the business. They will have ample time to do so as bids will not be due until January 11 pursuant to the proposed procedures. For these reasons, I believe that process set forth in the Motion is fair and reasonable and in the best interests of the Debtors and their estates.

**Absence of Bid Protections and Modest Barriers to Entry**

12. In connection with the First Lien Secured Party's bid (the "**Stalking Horse Bid**"), the First Lien Secured Party did not require typical stalking horse bid protections such as a breakup fee or expense reimbursement. The First Lien Secured Party's agreement to serve as Stalking Horse without these protections is a clear benefit to the Debtors' estates.

13. Furthermore, the Stalking Horse Bid is set at a relatively modest number (\$4.2 million) that I believe will encourage competing bids. In addition, the requirements for entry into the bidding process, which include (a) a marked APA that includes an initial overbid of \$4.4 million; (b) a 10% deposit; (c) evidence of ability to close; (d) commitment to close by January 18; (e) identification of executory contracts to be assigned; (f) evidence of authority to bid; and (g) leaving bid open for 60 days, are all reasonable and within the typical range of bid requirements in similar transactions in the market.

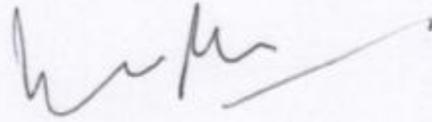
**Auction Process**

14. I assisted in the development of the Auction Procedures (as defined in the Motion) and believe they are fair, reasonable, and designed to encourage competitive bidding and maximize the value of estate assets. The Auction Procedures are typical of auction procedures employed in similar transaction in the market.

**Conclusion**

15. Based on these circumstances, the prepetition marketing process, and my experience, I believe that the terms of the Stalking Horse Bid reflect the highest and best currently available bid for such assets, that the Bidding Procedures will achieve the highest or otherwise best bid for the business, which will ultimately maximize value to 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

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Vineet Batra  
Duff & Phelps Securities, LLC