

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:)	Chapter 11
)	
CICI'S HOLDINGS, INC., <i>et al.</i> , ¹)	Case No. 21-30146 (SGJ)
)	
Debtors.)	(Joint Administration Requested)
)	

**DECLARATION OF TERI STRATTON IN SUPPORT
OF DEBTORS' EMERGENCY MOTION FOR ENTRY
OF INTERIM AND FINAL ORDERS (I) AUTHORIZING
THE DEBTORS TO (A) OBTAIN POSTPETITION FINANCING
AND (B) UTILIZE CASH COLLATERAL, (II) GRANTING LIENS AND
SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (III) GRANTING
ADEQUATE PROTECTION, (IV) MODIFYING THE AUTOMATIC STAY,
(V) SCHEDULING A FINAL HEARING, AND (VI) GRANTING RELATED RELIEF**

I, Teri Stratton, hereby declare under penalty of perjury:

Introduction

1. My name is Teri Stratton. I am a Managing Director of TRS Advisors ("TRS Advisors"). TRS Advisors is a financial advisory firm focused on complex transactions including recapitalizations, reorganizations, restructurings, financings, spinoffs, workouts, exchange offers, acquisitions, and divestitures. As of January 1, 2021, TRS Advisors comprises the reorganization and restructuring arm of Piper Sandler & Co. ("Piper Sandler"), an investment bank and institutional securities firm, serving the needs of corporations, private equity groups, public entities, non-profit entities and institutional investors in the U.S. and internationally. TRS Advisors is the Debtors' financial advisor and investment banker in these chapter 11 cases.

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor's taxpayer identification number are as follows: CiCi's Holdings, Inc. (5177); Awesome Acquisition Company (0481); CiCi Acquisition Company, LLC (N/A); CiCi Enterprises, LP (5070); CiCi GP, LLC (2948); CiCi Services, LLC (3586); JMC GP, LLC (8268); JMC Restaurant Distribution, LP (5075); and Pizza Parent, LLC (9534). The Debtors' principal offices are located at 1080 W. Bethel Road, Coppell, Texas 75019.

2. I submit this declaration (the “Declaration”) in support of the *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* (the “DIP Motion”).

3. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon: (i) my personal knowledge of the Debtors’ operations and finances; (ii) my review of relevant documents; (iii) information provided to me by TRS Advisors employees working under my supervision; (iv) information provided to me by, or absorbed through discussion with, members of the Debtors’ management team or their other advisors; and, (v) my opinion based upon my experience as a financial or restructuring advisor. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

4. Pursuant to the DIP Motion, the Debtors request authority to: (i) enter into a senior secured loan facility in an aggregate principal amount of up to \$9,000,000 (the “DIP Facility”) with the DIP Lender,² comprised of \$3,000,000 of New Money DIP Loans and \$6,000,000 of DIP Roll-Up Loans; (ii) to use Cash Collateral of the DIP Lender (and to continue to use the Cash Collateral of the Prepetition Lender under the terms of the Interim Order); and (iii) grant adequate protection to the DIP Lender and Prepetition Lender. It is my opinion, based on my experience as detailed below, that the proposed DIP Facility is the product of arm’s-length negotiations which culminated in the execution of the RSA and the prepackaged chapter 11 plan filed contemporaneously with the DIP Motion, that the proposed DIP Facility represents the best

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the DIP Motion, the DIP Credit Agreement, and the Interim Order, as applicable.

postpetition financing available to the Debtors given the circumstances of these chapter 11 cases, and that entering into the DIP Facility is in the best interest of the Debtors, the Debtors' estates, and all parties in interest.

Qualifications

5. I received a bachelor's degree in economics from the University of California at Los Angeles as well as a Masters of Business Administration degree in finance, with honors, from the Anderson School at UCLA. I am a Certified Insolvency and Restructuring Advisor, a board member of the Turnaround Management Association, and a member of the Association of Insolvency and Restructuring Advisors and the American Bankruptcy Institute.

6. Prior to joining Piper Sandler in 2010, I spent 10 years with Macquarie Capital Advisors (and predecessor firms), where I focused on providing debt advisory, equity private placements, capital markets, mergers and acquisitions, and restructuring advisory services to middle market companies across many industries, including consumer products (restaurants, food and agriculture), industrials and healthcare. I also have experience in corporate banking, serving in both credit administration and special assets.

7. I have more than 20 years of experience in financial advisory and investment banking services and have been involved in numerous financial and operational restructurings, valuations, solvency analyses and fraudulent transfer disputes, investment banking and corporate finance transactions, and troubled company due diligence investigations.

8. In addition to working with the Debtors in the above-captioned cases, my restructuring and financial advisory engagements have included representations of debtors and unsecured creditor committees in the following chapter 11 cases: VIVUS, Inc., The Krystal Company, Houlihan's Restaurants, Kona Grill, FTD Companies, Synergy Pharmaceuticals, Willowood USA, RM OpCo (RealMex) Portrait Innovations, Bravo Brio Restaurant Group, Ignite

Restaurant Group, Central Grocers, Pyote Water Systems, Sotera Wireless, Garden Fresh Restaurant Corporation, Rotary Drilling Tools, Malibu Lighting Corporation, Golden County Foods, Mi Pueblo San Jose, C&K Markets, Eurofresh Farms, Neogenix Oncology, Chef Solutions, Brooks Food Group, Claim Jumper, Sun World International, Custom Food Holdings, Hoop Retail, J.T. Packard, Brown & Cole Stores, Larry's Markets, Select Snacks, Chi-Chi's, Mercury Plastics, Safety-Kleen, and Edwards Theatres, as well as numerous private transactions.

9. I have advised the Debtors on, among other things, debtor in possession financing. I participated in negotiations amongst the Debtors and various creditor constituencies, as well as between the Debtors and potential lender and investors. I participated in numerous discussions with the Debtors' management team regarding the Debtors' need for, and available sources of, debtor in possession financing.

Debtors' Immediate Need for DIP Financing

10. Debtors' prepetition capital structure is described in detail in the *Declaration of Richard Peabody, Chief Financial Officer, in Support of Chapter 11 Petitions and First Day Motion* (the "Peabody Declaration").

11. While the Debtors are able to operate on their existing cash for the short-term, they can only do so with the consent of their Prepetition Lender, and only without paying debt service and restructuring professional fees. Obtaining the DIP Facility is necessary to maintain the Debtors' business operations and complete the transaction contemplated in the RSA and prepackaged chapter 11 plan. In the current operating environment, it is critical for the Debtors to maintain sufficient liquidity to fund operations and give confidence to their vendors that they are able to make payments in the normal course in order to avoid any acceleration in trade terms and resulting negative impact to liquidity. The DIP Facility will provide the Debtors with the liquidity needed to operate their business in the ordinary course during these chapter 11 cases. If the

Debtors are not able to access the DIP Facility, there is a substantial risk that their ability to continue operating as a going concern will be negatively impacted, resulting in a significant deterioration in the value of the estate assets, and immediate and irreparable harm to the Debtors and their stakeholders.

Debtors' Efforts to Obtain Postpetition Financing

12. As set forth more fully in the Peabody Declaration, CiCi's recent history has been impacted by the uncertainty, unexpected challenges, and ever-changing landscape resulting from the COVID-19 pandemic. Despite these operational initiatives and cost savings, CiCi's dwindling liquidity resulted in an event of default under the Prepetition Credit Agreement. On August 13, 2020, CiCi's received a written notice of default and acceleration from Wells Fargo, National Association, the previous administrative agent under the Prepetition Credit Facility.

13. The Debtors engaged TRS Advisors in November 2020 as investment banker to advise the Company on that sale process. TRS Advisors provide investment banking advisory services which include exploring financing options to address the Debtors' liquidity constraints. To that end, TRS Advisors contacted approximately 292 investors and provided confidential information memoranda and dataroom access to over 70 potential purchasers, which resulted in four indications of interest that included both in-court and out-of-court options. While this process was ongoing, on December 15, 2020, CiCi's received a notice that D & G Investors, L.C.C. ("D & G") had purchased all of the outstanding debt obligations arising under the Prepetition Credit Agreement from the previous lender group. This change essentially required CiCi's to restart lender negotiations from scratch.

14. After weeks of negotiations with D & G, the parties were able to reach agreement on the terms of a consensual global prepackaged restructuring, memorialized in the Restructuring Support and Forbearance Agreement (the "RSA").

15. Under the RSA, the prepetition lenders will convert their secured debt into 100% of the new equity interests in the reorganized Debtors, with the option to roll over a combination of DIP claims and prepetition claims into an exit facility on terms to be mutually agreed upon among the Debtors and the lenders.

16. To finance these chapter 11 cases, D & G will serve as the DIP Lender, and will provide the Debtors with a DIP Facility in the principal amount of \$9 million, comprised of \$3 million in new credit and deemed term loan “roll up” of \$6 million in prepetition debt. TRS Advisors has also been actively involved with the Debtors’ efforts to secure postpetition financing and the arm’s length negotiations of the proposed DIP Facility. The DIP Facility will bear interest at the rate of 15% per annum and will mature on the date that is 75 days after the Petition Date. For the first 60 days of these chapter 11 cases, there will not be any adequate protection provided to the lenders on account of the prepetition debt, provided that if the Plan is not confirmed by the 60th day from the Petition Date, then on day 61 the lenders will receive go-forward adequate protection payments equal to the monthly amount of default interest payable under the Credit Agreement. The DIP Facility also contains certain case milestones, as follows:

- Entry of an interim DIP financing order not later than 5 days following the Petition Date;
- Entry of a final DIP financing order not later than 35 days after the Petition Date;
- Entry of an order confirming the Plan not later than 45 days after the Petition Date; and
- Effective date of the Plan not later than 60 days after the Petition Date.

17. After careful consideration of the proposals received, the Debtors, in consultation with TRS Advisors, determined that the DIP Facility was the best financing alternative available to the Debtors because it: (i) avoids the delay, expense, and uncertainty surrounding a priming

fight; (ii) provides sufficient financing to meet the Debtors' proposed liquidity needs; and (iii) is a critical component to obtain the Prepetition Lender's consent and support for the Plan.

Negotiations Were in Good-Faith and at Arm's-Length

18. The Debtors, through their advisors, including TRS Advisors and Gray Reed, actively negotiated the terms and provisions of the RSA, Plan and DIP Facility on behalf of the Debtors. The process was rigorous and ultimately resulted in the proposed DIP Facility, as a key component for the prepackaged Plan, which, based on my experience, I believe to be the product of good faith negotiations conducted at arm's-length. I also believe that, based on my observation and professional experience, the terms of the DIP Facility are fair, reasonable and appropriate under the circumstances and are in accordance with current market terms.

The DIP Facility Is the Best Postpetition Financing Available to the Debtors

19. Based on my prior experience with debtor in possession financing transactions, as well as my experience in the negotiations of the DIP Facility and competing proposals, I believe the DIP Facility is the best postpetition financing arrangement available to the Debtors under the circumstances for the following reasons:

- a. The Prepetition Lender agreed to provide the DIP Facility on terms that I consider to be fair and reasonable under the circumstances;
- b. After extensive discussions with the Prepetition Lender, it became clear that the Prepetition Lender would not consent to being primed by an unaffiliated third-party lender, nor would it consent to use of Cash Collateral without an agreement concerning an exit from bankruptcy. Such a "free fall" bankruptcy filing would have resulted in greater administrative costs to the estates and substantially more uncertainty for the future of the Debtors' businesses, franchisees, employees and vendors;
- c. TRS Advisors reached out for an alternative DIP loan to over 10 financing sources who have experience in restaurants and bankruptcy financing. No party would be willing to engage in a priming fight and would charge an origination and administrative fee; and
- d. Finally, the DIP Facility is a critical component of the RSA, through which the Prepetition Lenders have agreed to support and vote for the Plan.

20. In sum, it is my professional opinion that the terms of the DIP Facility are fair and reasonable under the circumstances, and are the product of good-faith negotiations conducted at arm's-length, and that the DIP Facility will benefit the bankruptcy estates and result in a successful reorganization of the Debtors through these chapter 11 cases. Accordingly, I submit it would be appropriate for the Court to approve the DIP Facility, and grant all other requested relief, as contemplated by the DIP Motion.

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

Dated: January 25, 2021

/s/ Teri Stratton

Teri Stratton

Managing Director

TRS Advisors, a division of Piper Sandler & Co.