

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

HRI HOLDING CORP., *et al.*¹

Debtors.

Chapter 11

Case No. 19-12415 (____)

(Joint Administration Requested)

DECLARATION OF JEAN E. HOSTY IN SUPPORT OF THE MOTION OF THE DEBTORS AND DEBTORS-IN-POSSESSION FOR INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS, ON AN INTERIM BASIS, TO (A) OBTAIN POST-PETITION FINANCING, (B) GRANT LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS TO POST-PETITION LENDERS AND (C) UTILIZE CASH COLLATERAL, (II) PROVIDING ADEQUATE PROTECTION TO THE PRE-PETITION SECURED PARTIES, (III) MODIFYING THE AUTOMATIC STAY, (IV) GRANTING RELATED RELIEF, PURSUANT TO 11 U.S.C. SECTIONS 105, 361, 362, 363, 364 AND 507, AND (V) SCHEDULING A FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001 AND LOCAL RULE 4001-2

I, Jean E. Hosty, hereby declare under penalty of perjury and pursuant to 28 U.S.C. § 1746 that the following is true and correct to the best of my knowledge and belief:

1. I am a Director at Piper Jaffray & Co. (“PJC”), an investment banking firm that has its principal office at 800 Nicollet Mall, Suite 1800, Minneapolis, Minnesota 55402. I am duly authorized to make this declaration (the “Declaration”) on behalf of PJC.

2. PJC is the proposed investment banker for the debtors and debtors in possession

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: HRI Holding Corp. (4677), Houlihan’s Restaurants, Inc. (8489), HDJG Corp. (3479), Red Steer, Inc. (2214), Sam Wilson’s/Kansas, Inc. (5739), Darryl’s of St. Louis County, Inc. (7177), Darryl’s of Overland Park, Inc. (3015), Houlihan’s of Ohio, Inc. (6410), HRI O’Fallon, Inc. (4539), Algonquin Houlihan’s Restaurant, L.L.C. (0449), Geneva Houlihan’s Restaurant, L.L.C. (3156), Hanley Station Houlihan’s Restaurant, LLC (4948), Houlihan’s Texas Holdings, Inc. (5485), Houlihan’s Restaurants of Texas, Inc. (4948), JGIL Mill OP LLC (0741), JGIL Millburn, LLC (6071), JGIL Millburn Op LLC (N/A), JGIL, LLC (5485), JGIL Holding Corp. (N/A), JGIL Omaha, LLC (5485), HOP NJ NY, LLC (1106), HOP Farmingdale LLC (7273), HOP Cherry Hill LLC (5012), HOP Paramus LLC (5154), HOP Lawrenceville LLC (5239), HOP Brick LLC (4416), HOP Secaucus LLC (5946), HOP Heights LLC (6017), HOP Bayonne LLC (7185), HOP Fairfield LLC (8068), HOP Ramsey LLC (8657), HOP Bridgewater LLC (1005), HOP Parsippany LLC (1520), HOP Westbury LLC (2352), HOP Weehawken LLC (2571), HOP New Brunswick LLC (2637), HOP Holmdel LLC (2638), HOP Woodbridge LLC (8965), and Houlihan’s of Chesterfield, Inc. (5073). The Debtors’ corporate headquarters and the mailing address is 8700 State Line Road, Suite 100, Leawood, Kansas 66206.



in the above-captioned chapter 11 cases (collectively, the "Debtors").

3. I make this Declaration in support of the *Motion of the Debtors and Debtors-in-Possession for Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing, (B) Grant Liens and Superpriority Administrative Expense Claims to Post-Petition Lenders and (C) Utilize Cash Collateral, (II) Providing Adequate Protection to the Pre-Petition Secured Parties, (III) Modifying The Automatic Stay, (IV) Granting Related Relief, Pursuant to 11 U.S.C. Sections 105, 361, 362, 363, 364 and 507, and (V) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 and Local Rule 4001-2 (the "Motion")*.²

4. PJC was engaged by the Debtors in June 2019 as their investment banker to evaluate the Debtors' operations and business and liquidity issues and evaluate and present strategic alternatives to the Debtors' board of directors including a potential restructuring in any form including a sale transaction, communications with the prepetition lenders and other creditor constituents and assist the Debtors in obtaining DIP financing if required. In that capacity, I have become and am familiar with the Debtors' businesses, day-to-day operations and financial affairs. Except as otherwise indicated herein, all statements set forth in this Declaration are based upon (i) my personal knowledge, (ii) information supplied to me by members of the Debtors' management team or individuals under my supervision, (iii) my review of relevant documents, and/or (iv) my experience and knowledge of the Debtors' operations and financial affairs. If called upon to testify, I could and would testify to the facts set forth in this Declaration.

5. In forming the views set forth herein, I have relied upon and/or consider, among other things, the following: (i) my experience in other chapter 11 cases, including with debtor-in-

² Capitalized terms not defined herein shall be given the meanings ascribed to them in the Motion.

possession financing facilities; (ii) the Motion, (iii) *Declaration of Matthew R. Manning in Support of the Debtors' Chapter 11 Petitions and First Day Pleadings* (the "First Day Declaration"), (iv) certain of the Debtors' financial statements and reports, (v) documents related to the proposed DIP Facility, (vi) PJC's analyses regarding the proposed DIP Facility, (vii) discussions with the Debtors' management team concerning the Debtors' businesses and finances, (viii) discussions with certain other professionals at PJC and the Debtors' professionals, and (ix) discussions with prospective sources of postpetition financing.

QUALIFICATIONS

6. PJC is an international investment banking and financial advisory firm, with 51 offices worldwide and more than 1,300 employees. PJC provides corporate finance and investment banking services, as well as execution capabilities, in a variety of areas including financial restructuring. PJC is one of the leading advisors and investment bankers to troubled companies, both inside and outside of bankruptcy, as well as to their bondholders, banks, other secured and unsecured creditors, official creditor committees, acquirers, equity sponsors, and other parties in interest involved with financially challenged companies. PJC's Restructuring and Special Situations Group has professionals dedicated to providing restructuring and other financial advisory services. The professionals of PJC's Restructuring and Special Situations Group have advised on over 100 transactions, valued in excess of \$200 billion.

7. I hold a Bachelor of Science degree in Foreign Service from the Georgetown University Walsh School of Foreign Service, with honors. I have been an investment banker specializing in serving distressed and stressed clients for 12 years. In the course of my employment, I have served a number of reorganization, workout, and bankruptcy clients in several industries across the United States, and I have extensive experience in structuring

transactions, financings and conducting merger and acquisition processes in the distressed environment. I am a Board Member of the Association of Insolvency and Restructuring Advisors (AIRA) and a member of the Turnaround Management Association. I regularly speak on a variety of investment banking and banking topics at industry conferences.

EFFORTS TO OBTAIN POSTPETITION FINANCING

8. The Debtors engaged PJC in June 2019 to provide investment banking advisory services which include exploring financing options to address the Debtors' liquidity constraints. To that end, PJC has been actively involved with the Debtors' efforts to secure postpetition financing and the arm's length negotiations of the proposed DIP Facility.

9. PJC also sought postpetition financing proposals from six (6) potential lenders. None of these lenders were willing to extend financing, let alone financing more favorable, than the terms of the DIP Facility. Accordingly, the DIP Facility is the best, indeed the only, financing available to the Debtors under the circumstances.

10. For these Chapter 11 Cases to succeed – and survive more than a limited period of time in chapter 11 – the Debtors must have access to postpetition financing and use of cash collateral. The Debtors lack sufficient funds on hand and will not generate sufficient funds in the near-term to operate their restaurants and fund their working capital needs in the ordinary course. Specifically, the Debtors have an urgent need to obtain access to postpetition financing and cash collateral to, among other things, continue the operation of their restaurants in an orderly manner, maintain their vendor relationships and pay their employees. As a result, absent approval of the DIP Facility, the Debtors will not have access to sufficient liquidity to fund either their ongoing operations or the administration of these Chapter 11 Cases.

11. In my role as investment banker, I was actively involved in the Debtors' analysis

of their postpetition financing options and the development of the budget in connection with the DIP Facility (the “DIP Budget”). All negotiations regarding the procurement of postpetition financing for the Debtors (including with the DIP Lenders and with respect to the DIP Budget) were the product of extensive good faith, arms’-length negotiations. Based on my experience and involvement in the consideration and negotiation of the DIP Facility, it is my belief that the DIP Facility represents the best, and only, option available to address the Debtors’ immediate liquidity needs and their liquidity needs during the course of these cases. Moreover, I believe (a) the terms and conditions of the DIP Facility are reasonable and appropriate under the circumstances and (b) the DIP Budget is sufficient for the Debtors to operate in chapter 11 and satisfy administrative claims that are expected to accrue during the course of these cases.

12. Based on the foregoing, I submit that the DIP Facility is not only the best source of postpetition financing, but the Debtors’ only source of postpetition financing. I further submit that the Debtors’ decision to enter into the DIP Facility – which, pursuant to the DIP Budget will allow the Debtors to operate during these Chapter 11 Cases and preserve the value of the Debtors’ estates – is reasonable and appropriate.

Dated: November 14, 2019

/s/ Jean E. Hosty

Jean E. Hosty
Piper Jaffray & Co.