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Portfolio Media, Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com  
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

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## Village Inn Parent Approved For \$20M Ch. 11 Loan

By **Vince Sullivan**

Law360, Wilmington, Del. (February 24, 2020, 2:42 PM EST) -- The parent company of restaurant chains Village Inn and Bakers Square received final approval for a \$20 million Chapter 11 loan Monday in Delaware after negotiations with unsecured creditors yielded a consensual order.

During the hearing, American Blue Ribbon Holdings LLC attorney Jonathan M. Weiss of KTBS Law LLP said the hard work of the parties including the debtor, its post-petition lenders, the Office of the United States Trustee and the recently formed official committee of unsecured creditors had resulted in a deal that allowed the financing motion to go forward without dispute.

"The fact that we are here consensually this morning is a credit to all parties in the courtroom," Weiss told the court.

The negotiations among the case stakeholders resulted in two major amendments to the final debtor-in-possession financing order, Weiss explained. The DIP collateral package was changed to carve out causes of action owned by the debtor related to avoidance actions for prepetition transactions, and a \$75,000 budget was added to fund the unsecured creditors committee's investigation of prepetition transactions and the debtor's intercompany cash management system.

Committee attorney James S. Carr of Kelley Drye & Warren LLP said upon formation in early February, the committee began discussions with the debtor and DIP lender Cannae Holdings to learn about that cash system. The deal reached on the DIP order also included a delay in final consideration of the debtor's motion seeking approval of the cash management programs until March to allow for additional inquiries by the committee.

With the final approval of the DIP loan, Carr said his clients are looking forward to examining the profitability of American Blue Ribbon's business operations and the potential for reorganization.

"I'm happy to report that the committee shares a common goal with the debtor and lenders, and that is to emerge from bankruptcy as a healthy, viable reorganized entity as quickly as possible," he said.

In light of the deal and the lack of opposition, U.S. Bankruptcy Judge Laurie Selber Silverstein agreed to approve the amended final DIP order.

"Given that the parties have arrived at an arrangement, I will approve the financing as amended," Judge Silverstein said.

American Blue Ribbon Holdings hit Chapter 11 Monday after several years of losses funded by Cannae Holdings. Chief financial officer Kurt Schnaubelt said in a first-day declaration that those losses amounted to nearly \$20 million total in 2018 and 2019 and were expected to continue into 2020.

The debtor blamed declining foot traffic at its restaurants and increased competition from existing brands and new ventures, while also losing market share to grocery stores.

The company has no secured debt and lists about \$15 million of unsecured debt consisting mostly of trade obligations and rent costs.

According to its bankruptcy filings, Nashville, Tennessee-based Blue Ribbon operates 97 family dining restaurants under the Village Inn and Bakers Square names in 13 states and franchises an additional 84 Village Inn restaurants. It said it operates two Legendary Baking production facilities in Illinois and Minnesota, making approximately 25 million pies a year for Blue Ribbon's restaurants and for third parties. It said it currently has more than 4,500 employees.

Before the bankruptcy, American Blue Ribbon closed 50 underperforming restaurants, including 33 in the weeks before the Chapter 11 filing, and reduced its workforce by 1,100.

Blue Ribbon is represented by Michael R. Nestor, Robert F. Poppiti Jr. and Ian J. Bambrick of Young Conaway Stargatt & Taylor LLP, and David A. Fidler, Jonathan M. Weiss and Sasha M. Gurvitz of KTBS Law LLP.

The committee is represented by James S. Carr, Maeghan J. McLoughlin and Konstantinos Katsionis of Kelley Drye & Warren LLP, and G. David Dean, Patrick J. Reilley and Katherine M. Devanney of Cole Schotz PC.

Cannae Holdings is represented by Todd L. Padnos, Ori Katz and Robert K. Sahyan of Sheppard Mullin Richter & Hampton LLP, and Jennifer R. Hoover, Kevin M. Capuzzi and John C. Gentile of Benesch Friedlander Coplan & Aronoff LLP.

The case is In re: American Blue Ribbon Holdings LLC, case number 1:20-bk-10161, in the United States Bankruptcy Court for the District of Delaware.

--Additional reporting by Rick Archer. Editing by Gemma Horowitz.