



AMERICAN  
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INSTITUTE

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# Reorganization Value, § 363 Value, and the Games People Play

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**Presented By:**

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**Robert J. Stark**  
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**John T. Young, Jr.**  
Senior Managing Director, Riveron

**With Special Guest Appearance By:**

**Honorable Lisa G. Beckerman**  
United States Bankruptcy Court for the Southern District of New York



## Company Profile

- “BLDR” is a New York company operating a secluded 10,000-acre ranch located in California’s famed Santa Ynez Valley, about 125 miles from Los Angeles. We meld the spirit of the Old West with new-age California vibe, infused with 1970’s rock (not the Eagles). Come see our mountain views with a White Russian in your hand.
- BLDR is a working ranch, offering our guests beautiful bungalow accommodations, traditional rustic cuisine, spa treatments from our own mudbanks, and bountiful options for family fun – from ranch skills and horseback trails, to hiking, golf, and tennis. Don’t miss the weekly bowling competitions on our professional-grade lanes (bring your rule book).
- Guests also may tour our state-of-the-art rug manufacturing facility. Yes, we produce the “BLDR” brand of handmade rugs right here in the Santa Ynez Valley! We employ skilled craftspeople from the very best countries South of the Border, producing high-quality rugs sold through a variety of home furnishing and on-line retailers. BLDR is the place to go, if you need a rug that really ties the room together.
- BLDR’s executive team:



Jeffrey Lebowski  
Chairman and CEO



Walter Sobchak  
Chief Financial Officer



Donny Kerabatsos  
Chief Operating Officer



Jesus Quintana  
Accommodations and  
Entertainment

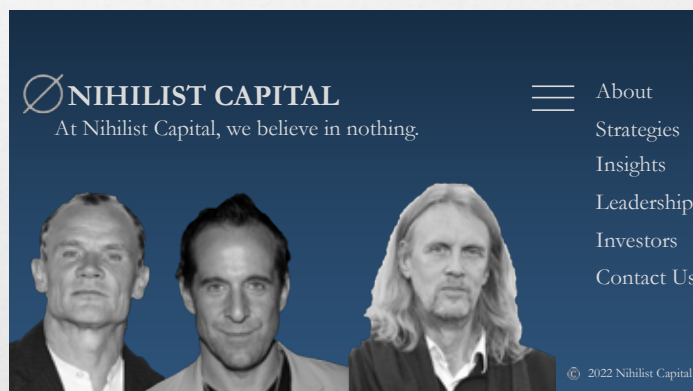


“Brandt”  
Rug Manufacturing  
and Sales



## Capital Structure

- Secured Debt: Term Loan, \$200 million outstanding, secured by all assets.
- Unsecured Notes: \$100 million, maturing June 30, 2022.
- Unsecured Trade and Employee-Related Liabilities: \$50 million.
- Stock Ownership: 100% private equity held by Nihilist Capital.



## Present Financial Circumstances

- BLDR has long enjoyed a steady and predictable flow of income from rug sales, guest stays, day-pass fees, commercial ranching, and occasional movie production fees.
- BLDR has always generated, and continues to generate, sufficient income to cover all operating costs. It does not require a “working capital” facility, and does not presently face liquidity constraints respecting operations.
- Recently, BLDR’s profitability has been hampered by: (i) the general, pandemic-related slowdown in family hospitality/entertainment in the Santa Barbara region; (ii) recent wildfires fed by Santa Ana winds, causing some economic and guest-travel disruptions; and (iii) general shifts in customer demographics, caused by population migration out of this geographical region.
- Term Loan: The company is not now in compliance with performance covenants in the Term Loan Credit Agreement. On January 1, 2022, the Term Loan Agent sent a Notice of Default but, on January 15, 2022, a majority of the Term Loan Lenders signed a forbearance agreement.
- Unsecured Bonds: The bond indenture does not contain performance covenants and, given the Term Lenders’ forbearance, there is no cross-default of the indenture. But, again, the bonds mature on June 30, 2022.

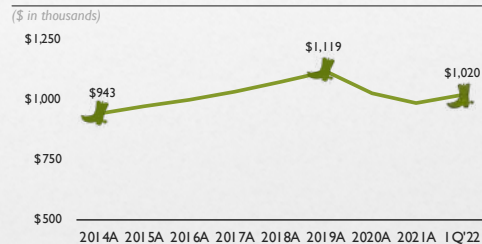
## General Valuation Data

- Comparable companies trade at ~4x EBITDA; average historical EBITDA of ~\$66 million implies a ~\$265 million enterprise value

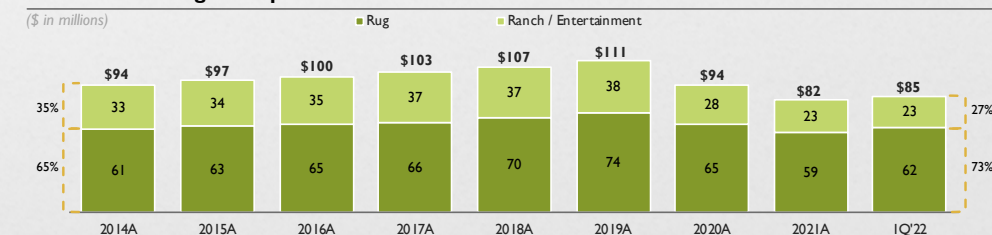
### Historical Earnings Performance



### Santa Ynez Avg. Real Estate (Home) Value



### Historical Earnings Composition<sup>(1)</sup>

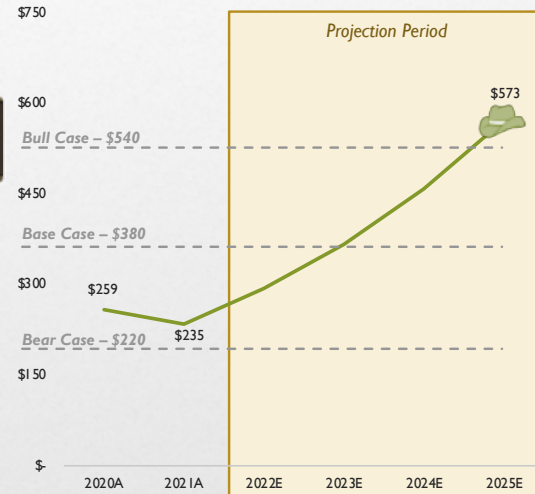




## Management Projections

### Estimated Total Enterprise Value

(\$ in millions)



### Discounted Cash Flow Valuation Range

	Multiple				
	2.0x	3.0x	4.0x	5.0x	6.0x
Earnings (\$ mm)					
\$55	110	165	220	275	330
\$75	150	225	300	375	450
\$95	190	285	\$380	475	570
\$115	230	345	460	575	690
\$135	270	405	540	675	810



## Workout Negotiations

- January 1, 2022:** BLDR retained Ronit Berkovich (Weil, Gotshal & Manges) as Restructuring Counsel. Ronit promptly secures a forbearance agreement with the Term Loan Lenders, avoiding a cross-default of the bond indenture.
- January 15, 2022:** BLDR retains Reid Snellenbarger (Houlihan Lokey) as Restructuring Investment Banker. Reid immediately reaches out to the Term Loan Agent, encouraging the Agent to retain a Financial Advisor that he can speak to. That same day, the Agent retains John Young from Riveron and BLDR acknowledges its obligation to pay Riveron invoices.
- January 31, 2022:** BLDR receives a letter from Seth Lieberman (Pryor Cashman), counsel to the Indenture Trustee and an Ad Hoc Committee comprised of 50% of the Unsecured Noteholders, requesting formal engagement in "workout" negotiations. That same day, BLDR signs a commitment to pay Pryor Cashman invoices.
- February 1, 2022:** All parties sign confidentiality agreements, management/creditor meetings take place, and relevant financial information is shared. The meetings are tense.



Ronit Berkovich  
BLDR Restructuring Counsel



Reid Snellenbarger  
BLDR Restructuring Banker



John Young  
FA to Term Lenders



Seth Lieberman  
Counsel to Bondholders



## Workout Developments

- BLDR is advised to pursue a dual-track strategy: (i) creditor negotiations; and (ii) a quiet and informal sale process (the creditors are not told that BLDR is marketing itself, which is being done largely through Houlihan outreaches). The bondholders, not aware of the sales process, play it coy: they tell BLDR they are only willing to "take the keys" or be taken out in full (expecting Nihilist Capital to provide the funding).
- Houlihan, "dialing for dollars," talks to long-standing firm client, Maude Capital. By mid-March, a deal is struck.



- On March 30, 2022, BLDR informs its creditors that it will be filing for bankruptcy protection to pursue a sale strategy.
- Maude Capital will provide a \$120 million DIP Loan: (i) \$100 million for an upfront 50% refinancing of the Term Loan, (ii) \$15 million for budgeted administrative expenses, and (iii) \$5 million for a "Management Incentive Program" incentivizing cooperation during the sales process. DIP milestones: 30 days to complete Houlihan's market test; 30 days thereafter to obtain Court approval of the winning bid; 30 days thereafter to close.
- Maude Capital also offers a \$270 million stalking horse bid. The amount offered repays the DIP Loan and the residual 50% Term Loan, and includes the assumption of all unsecured trade and employee-related claims (i.e., only the unsecured bondholders are "left out in the cold," receiving no recovery).
- The Term Lenders promptly agree with this case strategy and to the priming of their collateral to secure the DIP Loan. The Term Lenders also indicate that they will not: (i) provide their own DIP funding; or (ii) agree to collateral priming for any other DIP Loan, especially one with different case milestones.

**Apoplectic Bondholders Remind Management Of Their Fiduciary Duties,  
Their Projections, Their “Back of the Envelope” DCF Calculation,  
The Real Estate Valuation Data (10,000 Acres Just Waiting For Subdivision!), But:**



**Bankruptcy Filing In S.D.N.Y.  
The Honorable Lisa G. Beckerman Presiding**





# Faculty

**Ronit J. Berkovich** is a partner in the Restructuring Department of Weil, Gotshal & Manges LLP in New York, where she represents debtors, creditors, lenders, investors, and acquirers of assets in all aspects of distressed situations. She has served as debtors' counsel in several of the largest and most significant chapter 11 cases in history, including General Motors, Lehman Brothers, WorldCom/MCI and Takata. Ms. Berkovich has experience representing large and mid-market companies in out-of-court workouts, international restructurings and prepackaged chapter 11 cases in a variety of industries, and she has provided advisory services to Fortune 500 companies and other companies on corporate structuring strategies. She actively lectures on various topics relating to restructuring, including for organizations such as PLI, Bloomberg Law, the American Bar Association, ABI, the New York City Bar Association and Columbia Law School). In addition, she is the co-editor of the Weil Bankruptcy Blog and has also written extensively on restructuring-related topics, including articles published in *The Banking Law Journal*, *The American University Law Review*, *Real Estate Finance* and the *Harvard Law School Bankruptcy Roundtable*. Previously, she taught legal research and writing at Harvard Law School for two years and a seminar in economics at Harvard College. Ms. Berkovich was named "Highly Regarded" for Restructuring and Insolvency in the U.S. by *IFLR1000* (2021 and 2022) and was previously named a "Rising Star" for Restructuring and Insolvency in the U.S. by *IFLR1000* (2019 and 2020). She was also named among the 500 Leading Global Bankruptcy & Restructuring Lawyers by *Lawdragon* (2020 and 2022). In 2021, she was named among Notable Women in Law by *Crain's New York Business* and named among "Women in Business Law Guide" by Legal Media Group's *Expert Guides* (2020 and 2021). She was awarded 2019 Dealmaker of the Year by *The American Lawyer* for her work as counsel to Takata in its global restructuring and \$1.6 billion asset sale to Key Safety, was named an "Outstanding Restructuring Lawyer" by *Turnarounds & Workouts* (2019) and was previously named as one of its Outstanding Young Restructuring Lawyers on multiple occasions, and in 2018 was named an MVP for Bankruptcy by *Law360*. Ms. Berkovich co-chairs Women@Weil in New York, and she serves on TOWER (Taskforce on Women's Engagement and Retention) and on Weil's Hiring Committee. Most recently, she was elected as a member of the National Bankruptcy Conference, and she is a member of the Lawyers Executive Committee and Bankruptcy and Reorganization Group of the UJA Federation of New York, and co-chaired its Next Generation Bankruptcy and Reorganization Group for several years. In 2013, she received the James H. Fogelson Emerging Leadership Award from the UJA Federation of New York. Ms. Berkovich received her B.A. with distinction from the University of Virginia in 1997 and her J.D. *magna cum laude* from Harvard Law School in 2001.

**Seth H. Lieberman** is a partner with Pryor Cashman LLP in New York, chairs its Bankruptcy, Reorganization + Creditors' Rights Group and co-chairs its Corporate Trust Practice. He assists indenture trustees, agents, trade creditors and landlords with distressed and bankrupt companies. Mr. Lieberman takes on creditor engagements in the firm's most significant chapter 11 cases. He has first-chaired indenture trustee and agent representations in the restructurings/bankruptcies of Atlas Financial, Ion Geophysical, Mallinckrodt, Intelsat, Avianca, Carlson Travel and CBL. He also has represented the largest trade creditors as UCC members in the GBG and Neiman Marcus bankruptcies. Mr. Lieberman served on the *Law360* Bankruptcy Editorial Advisory Board in 2016 and 2022.

He received his B.A. *magna cum laude* in 1999 from James Madison University and his J.D. *cum laude* from Benjamin N. Cardozo School of Law at Yeshiva University in 2004.

**Reid Snellenbarger** is a shareholder and managing director of Houlihan Lokey in Chicago and a senior member of the firm's Financial Restructuring Group. For more than two decades, he has specialized in assisting companies, lenders, creditors and investors in unique and stressed situations. Mr. Snellenbarger's experience includes conducting acquisitions and divestitures of unique and special-situation assets, raising various forms of capital, and negotiations relating to the restructuring of private and public securities, both in chapter 11 and in out-of-court situations for large public and private companies. He recently advised Briggs and Stratton on the sale of the company and raising third-party DIP financing in chapter 11, Shiloh Automotive on its sale in chapter 11, Ditech Mortgage on its sale in chapter 11, Walter Investments on its restructuring in chapter 11, TPG Mortgage REIT and MFA on their respective capital-raises, Mortgage Contract Servicing on its fully consensual out-of-court restructuring, the senior lenders in Jason Industries, Gawker Media Group on its asset sale and raising third-party DIP financing in chapter 11, Canyons Ski Resort in Park City on its out-of-court restructuring, Phoenix Brands and Tactical Holdings on the sale of their assets in chapter 11, Prospect Mortgage on its discounted bond tender process, an ad hoc group of bondholders of Residential Capital in its chapter 11 case, and the OpCo debt holders of Kerzner International in an out-of-court restructuring. Mr. Snellenbarger has served on Houlihan Lokey's Valuation and Technical Standards Committee, is a member of ABI and the Turnaround Management Association, and serves on the board of directors of the Make-A-Wish Foundation of Illinois. He received his B.S. in finance with distinction from Purdue University.

**Robert J. Stark** is a partner with Brown Rudnick LLP in New York and the practice group leader for the firm's Bankruptcy & Corporate Restructuring Practice Group in the U.S. He focuses his practice on complex corporate restructuring, including in-court chapter 11 cases and out-of-court workouts. He also has experience representing debtors/borrowers, secured and unsecured creditors, official creditor/equity committees, and other significant parties-in-interest in large corporate insolvency matters. Mr. Stark's case experience includes the representation of an official or significant ad-hoc creditor/equity committee in the restructuring of American Safety Razor, CEDC, Colt Defense, Delta Petroleum, The Dolan Co., Endeavour International, Energy Conversion Devices, Evergreen International Aviation, Falcon Products, Fedders, Flying J/Big West Oil, Forest Oil, Green Field Energy Services, Green Valley Ranch Hotel and Casino, Hawkeye Renewables, Hayes Lemmerz International, InSight Health Services, Le-Nature's, Lionel Trains, *Minneapolis Star Tribune*, Motor Coach Industries, Newark Group, NV Broadcasting, Oakwood Homes Corp., Oneida, Owens Corning, Patriot Coal, Refco Capital Markets, Renewable Biofuels, Riverstone Networks, School Specialty, Spansion, Synagro Technologies, TOUSA, Tropicana Entertainment, Visteon, Washington Mutual and York Research. His debtor/borrower engagements include Keys Resort Investors and Wells Dairy (Blue Bunny Ice Cream), the principal owner of Centrix Financial, and the special committee of the board of directors of Allied Systems Holdings. Mr. Stark has been cited in *The Best Lawyers in America*, *Benchmark Litigation*, *Chambers Global*, *Chambers USA*, *Global M&A Network: Top 100 Restructuring Professionals*, *Legal 500*, *Litigation Counsel of America* (Fellow), *Super Lawyers* and *PLC Which Lawyer*, among others. He has published extensively on bankruptcy and restructuring topics, and was the lead editor of the 400-page legal treatise *Contested Valuation in Corporate Bankruptcy* (Matthew Bender 2011). He also is a contributing editor to *Collier on Bankruptcy* (LexisNexis 2020). Mr. Stark is admitted to the Bars of New York and New Jersey, the U.S.

District Courts for the Southern and Eastern Districts of New York, the District of New Jersey and the Eastern District of Michigan, and the U.S. Court of Appeals for the Third Circuit. He received his B.A. in 1992 from Lafayette College and his J.D. in 1995 from Vanderbilt University Law School.

**John T. Young, Jr., CPA, CTP, CIRA** is a senior managing director with Riveron's Restructuring and Transformation group in Houston. He oversees a suite of Houston-based engagement services, including transaction and transformation services, fiduciary services, restructuring advisory, interim management and litigation support. Mr. Young has experience serving in interim leadership positions, including CRO, CEO and CFO. Most of his interim management and advisory experience has involved chapter 11 debtors. His experience also includes governance roles as an independent director and special board advisor. Mr. Young leads Riveron's Unsecured Creditors' Committee advisory practice with a focus on maximizing value for unsecured creditors in chapter 11 bankruptcies. In his capacity as practice Leader, he oversees a team of specialized committee advisory professionals who are skilled in quickly identifying and evaluating issues affecting creditor recoveries and providing investigation, litigation support and expert testimony on behalf of creditors. Mr. Young regularly serves as post-confirmation trustee on behalf of creditors with fiduciary oversight responsibility for analyzing and prosecuting claims against third parties, liquidating assets and managing distributions to creditors. Previously, he held roles at KPMG and Lone Star Funds. Mr. Young received both his B.B.A. and M.B.A. from Baylor University.