

AVADO BRANDS: Committee Raises Concerns on DIP Financing Terms

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The Official Committee of Unsecured Creditors in Avado Brands Inc. and its debtor-affiliates' chapter 11 cases informed the U.S. Bankruptcy Court for the District of Delaware that it has begun discussions with the Debtors regarding their request to obtain postpetition financing from DDJ Capital Management LLC. The Committee further tells the Court that it is also commencing discussions with the lenders regarding these issues.

The Committee relates that based on its initial discussion with Debtors' chief financial officer and preliminary review on the budget, it is concerned that the Debtors' 5% weekly variance cushion may not provide sufficient protection from minor forecasting errors. In addition, the Committee believes that the \$150,000 post-default carve-out is insufficient and should be increased.

Additionally, the Committee points out that the proposed interest rates for the DDJ debtor-in-possession financing at 18% non-default rate and 20.5% default rate appear relatively high.

However, the Committee says that presently, it doesn't object to the second interim order issued by the Court since it understands the Debtors' need for financing.

The Committee hopes that its concerns will be resolved prior to the October 16 final hearing on the Debtors' motion to obtain DDJ DIP financing.

About Avado Brands

Madison, Georgia-based Avado Brands Inc., aka Applesouth -- <http://www.avado.com/> -- operates about 120 casual dining restaurants under the banners Don Pablo's Mexican Kitchen and Hops Grillhouse & Brewery. The restaurants are located in 22 states in the U.S. As of Sept. 5, 2007, the Debtors employed about 9,970 people. For the year ended July 31, 2007, the Debtors generated about \$227.8 million in revenues and a negative EBITDA of \$7.8 million.

The Debtor filed for chapter 11 protection on Feb. 4, 2004 (Bankr. N.D. Tex. Case No. 04-1555). On April 26, 2005, Judge Steven Felsenthal confirmed Avado's Modified Plan of Reorganization and that Plan became effective on May 19, 2005.

On Sept. 5, 2007, Avado filed a voluntary chapter 22 petition (Bankr. D. Del. Case No. 07-11276) to complete an orderly sale of its assets, via Section 363 of the Bankruptcy Code. About 10 of Avado's affiliates also filed for bankruptcy protection on the same date (Bankr. D. Del. Case Nos. 07-11277 through 07-11286).

Klee, Tuchin, Bogdanoff & Stern LLP represents the Debtors in their latest restructuring efforts. Donald J. Detweiler, Esq. and

Sandra G.M. Selzer, Esq. at Greenberg Traurig, LLP serves as the Debtors' local counsel. The Official Committee of Unsecured Creditors retains Otterbourg, Steindler, Houston & Rosen PC and Pepper Hamilton LLP as its co-counsel and BDO Seidman LLP and Trenwith Group LLC as its financial advisors. In their second filing, the Debtors disclosed estimated assets and debts between \$1 million to \$100 million.