



NEWS RELEASE

HMB CONGRATULATES CLIENT RED SOUTH BEACH FOR TURNAROUND MANAGEMENT ASSOCIATION SMALL BUSINESS TURNAROUND AWARD

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RED South Beach and its turnaround professionals have been awarded the Small Business Turnaround of the Year Award from the Turnaround Management Association's Chicago/Midwest Chapter. HMB attorneys Aaron L. Hammer, John W. Guzzardo and Nathan E. Delman served as legal counsel to RED South Beach in its turnaround. Although this year's celebration will be virtual, the Chapter's Awards Committee and Board will

highlight the successes of RED South Beach and its professionals on November 12th, from 4:00 p.m. to 6:00 p.m. Former U.S. Presidential Candidate and Ohio Governor John Kasich will keynote the program.

In 2009, RED South Beach opened as an offshoot of the renowned Cleveland steakhouse, and as a member of Red Restaurant Group ("RRG"). Red South Beach was an instant success, providing a financial foundation for RRG's expansion. By 2017, RRG had grown from three to seven restaurants, with ambitious plans to add three new locations by 2022. But RRG's ambitions failed to materialize. By August 2018, multiple RRG ventures went dark and the group went into survival mode. The majority shareholder of RRG and Red South Beach - BJRP, LLC ("BJRP"), obtained a \$1m+ secured loan and granted a blanket lien cross-collateralized against all of RRG's remaining locations, including Red South Beach, in a last-ditch effort to continue the enterprise. The gambit failed, however, and, in October 2018, BJRP filed for chapter 11, leaving Red South Beach to die on the vine.

By itself, Red South Beach was thriving. But, because its revenues had been diverted towards sustaining RRG, Red South Beach had fallen behind in payments to its own creditors. With BJRP in bankruptcy, even more creditors sought immediate collection. Around that time, Red South Beach's Executive Chef Peter Vauthy hired turnaround professionals Aaron Hammer and John Pidcock to help him save the restaurant from closure.

The turnaround team first assessed Red South Beach's general financial condition and implemented a near-term structure focusing on critical vendors, putting a vendor management program in place to communicate and arrange payment plans with vendors. Next, the web of relationships among Red South Beach, BJRP and RRC's lenders and creditors had to be tackled. Red South Beach's naturally landlord desired a continuation of the business as a going concern and without interruption. As luck would have it, Florida law grants landlords a statutory lien for unpaid amounts going back to the lease's start date, which predated any liability to secured lenders. The turnaround team recognized that if Red South Beach's operating company was properly evicted, the landlord could foreclose its statutory lien on the vast majority of the restaurant's working assets – including everything essential to continuing that business.

Chef Vauthy then formed Bisteca Hospitality Group LLC ("Bisteca") to be the investment vehicle for the "new" Red South Beach. Bisteca brought new capital to invest – provided the landlord with an upfront lease origination fee and signed a new 5-year lease on substantially improved financial terms. The landlord then evicted "old Red" so that Bisteca could take the wheel on a "new Red" with a substantially deleveraged capital structure. On November 14, 2018, Chef Vauthy and Bisteca took possession of Red South Beach, and Aaron Hammer soon joined the team as Bisteca's managing partner and principal.

The next eighteen months saw unprecedented stabilization in RED South Beach with over \$6 million in sales and produced a string of record-breaking months. When indoor dining was closed as a result of COVID-19 in March 2020, RED quickly adapted to the new landscape by pivoting to online ordering for takeout and delivery with its traditional menu as well as value-driven family meals, and prepared over 200 meals per day for local healthcare professionals and other first responders to the COVID crisis as part of Meals for Heroes Miami (www.mealsforheroesmiami.org). Vauthy and Hammer also created an online butcher shop to sell RED's signature cuts of meat to the local market and are taking that concept nationally in November 2020.