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Fair Market Value of 100.0 Percent of the Invested Capital of Piccadilly Restaurants, LLC

Expert Report of Richard H. Lee, CPA/ABV, ASA
Deloitte Financial Advisory Services LLP
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Piccadilly

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Richard H. Lee, CPA/ABV, ASA Curriculum Vitae

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Engagement Overview

In conducting this fair market value study, I performed the following procedures:

Services Provided

I, and staff working under my direction, performed an analysis to develop an estimate of the fair market value of 100.0 percent of the invested capital of Piccadilly Restaurants, LLC ("Piccadilly" or the "Company") on a controlling basis (the "Business Interest") as of October 31, 2013 (the "Valuation Date") (the "Services"). Invested capital reflects the sum of the common stock, preferred stock, debt, and other long-term operating liabilities of the enterprise, plus cash ("Invested Capital"). A controlling basis reflects the value of an interest in a business having the power to direct the management and policies of that enterprise. In developing my estimate of value, I considered each applicable premium for control, discount for lack of control, or discount for lack of marketability, as well as the presence of non-operating or excess assets and liabilities.

Description of the Analysis

My analysis included, but was not necessarily limited to, the following:

- Analysis of the Company's history; the nature of its business; its competitive position, strengths, and challenges; its operating and non-operating assets, if any; its historical financial position, operating performance, and dividend-payment patterns; and historical transactions involving its debt or equity securities; and its plans for the future, including expectations regarding dividends, operating performance, and financial position.
- Analysis of the Company's historical financial data.
- Research concerning the:
    - Company, its financial and operating history, the nature of its products and/or services, and its competitive position in the marketplace.
    - Current economic conditions and outlook for the national economy, as well as applicable global economic conditions.
    - Industry in which the Company participates.
    - Company's competitors and other companies engaged in the same or similar lines of business.
- Analysis of market research reports regarding participants in the Company's industry.
- Consideration, selection, and application of valuation approaches and methods.
- Estimation of the fair market value of Piccadilly's Invested Capital as of the Valuation Date.

Standard and Premise of Value

For purposes of this engagement, the standard of value is fair market value

- For the purpose of this engagement, the type of value is fair market value. Fair market value, as defined in U.S. Treasury regulations (Reg. §20.2031-1(b)), is "the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts."
- Unless otherwise noted, the type of value reflects the highest and best use of the Business Interest.
- If the highest and best use of the Business Interest is consistent with its value as a going concern, then the value of the Business Interest reflects the continued operation of the business. If the highest and best use of a Business Interest is consistent with its liquidation value, then the value of the Business Interest reflects the estimated proceeds derived from the discontinuation of the business and the sale of its assets.
- The value of the Business Interest reflects the estimated exit price at which the Business Interest would exchange in a hypothetical transaction occurring among market participants.

Information Sources

In conducting this fair market value study, I utilized various information sources

- In the course of this analysis and valuation, I used unaudited financial data and other information provided to me by company management ("Management") or obtained from public sources I believe to be reliable.
- Following are the principal sources of information I relied upon in performing my valuation:
  - Various information from the Corporate Restructuring Group ("Deloitte CRG") of Deloitte Financial Advisory Services LLP ("Deloitte FAS") and Management concerning the history, current business environment, and future prospects of the Company.
  - Management prepared financial statements.
  - Various industry and economic information obtained from The Federal Reserve, Morningstar's Stocks, Bonds, Bills and Inflation Yearbook ("SBBI"), Capital IQ, IBISWorld, Moody's, Euromonitor International, and Economist Intelligence Unit.
  - Publicly-available financial and operating information relating to other companies in industries similar to the Company.
- The Services and this report do not constitute an audit conducted in accordance with auditing standards generally accepted in the U.S. or standards of the Public Company Accounting Oversight Board ("PCAOB"), an examination of internal controls, or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants ("AICPA").
- I do not express an opinion or any other form of assurance with respect to (1) financial statements, (2) operating or internal controls of any entity included in the engagement for any date or period, or (3) future operations of any entity included in the engagement.
- Events and circumstances frequently do not occur as expected. There will usually be differences between prospective financial information and actual results, and those differences may be material.
- The Services and this report do not constitute (1) a recommendation regarding the acquisition or financing of any business, assets, liabilities, or securities; (2) a market or financial feasibility study; (3) a fairness or solvency opinion; or (4) an examination or compilation of, or the performance of agreed-upon procedures with respect to, prospective financial information in accordance with standards established by the AICPA or the PCAOB. The Services and this report are not intended to be and shall not be construed to be "investment advice" within the meaning of the Investment Advisers Act of 1940.

Company Overview

Piccadilly owns and operates a chain of restaurants and food service operations

Introduction

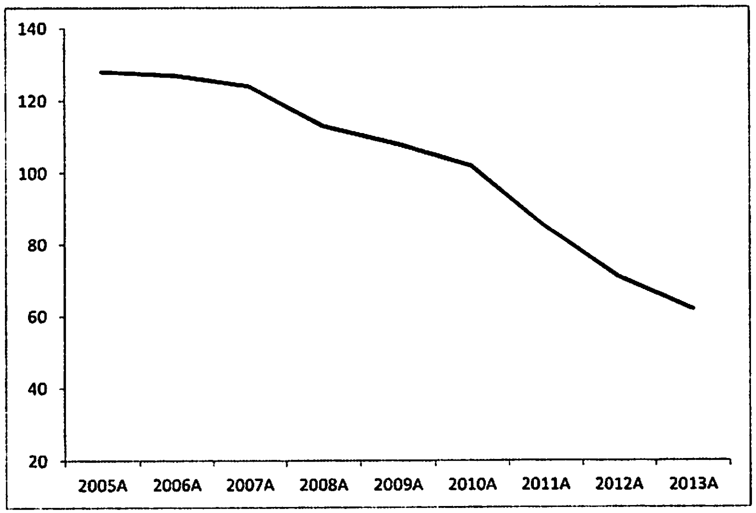
- Headquartered in Baton Rouge, Louisiana, Piccadilly Restaurants, LLC operates a chain of cafeteria restaurants and food service operations. The Company also provides party trays, catering services, and group dining services.
  - The Company focuses on promoting itself as a family dining chain that offers good food at a good value.
  - The Company provides a moderately priced selection of home favorites in comfort foods that varies according to local and seasonal tastes. Each location offers approximately 20 entrees along with breads, soups, and salads.
- The first Piccadilly Cafeteria opened in 1932 in Baton Rouge, Louisiana.
- The Company experienced a major expansion in 1996 with the acquisition of Morrison's Cafeterias.
- Piccadilly filed a voluntary petition of reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Western District of Louisiana on September 11, 2012. The Company previously filed for bankruptcy in 2003.

Locations

- Today, the Company operates 62 locations in the following states:
  - Louisiana – 20 locations
  - Mississippi – 6 locations
  - Georgia – 12 locations
  - Virginia – 5 locations
  - Tennessee – 8 locations
  - Alabama – 3 locations
  - Florida – 7 locations
  - Texas – 1 location

- Over the past seven years, the Company has closed 66 locations, declining from 128 locations in 2005 to 62 locations as of the Valuation Date.

Piccadilly Location Count

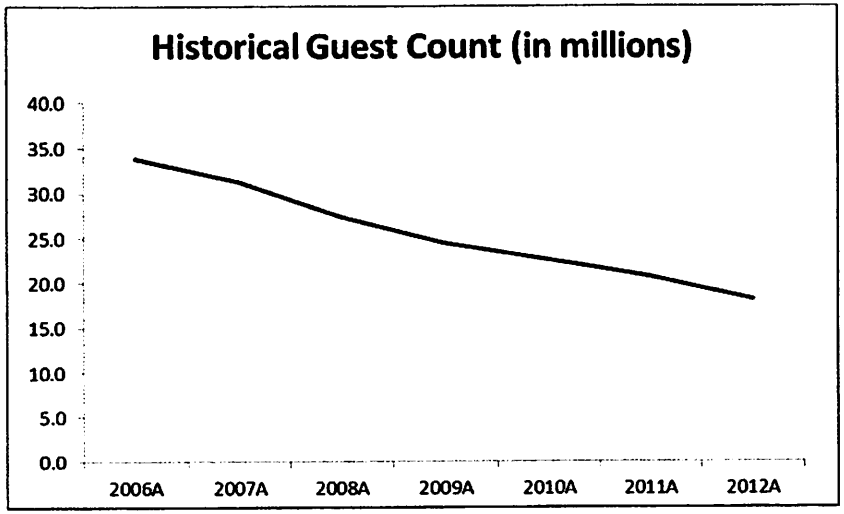


Financial Performance

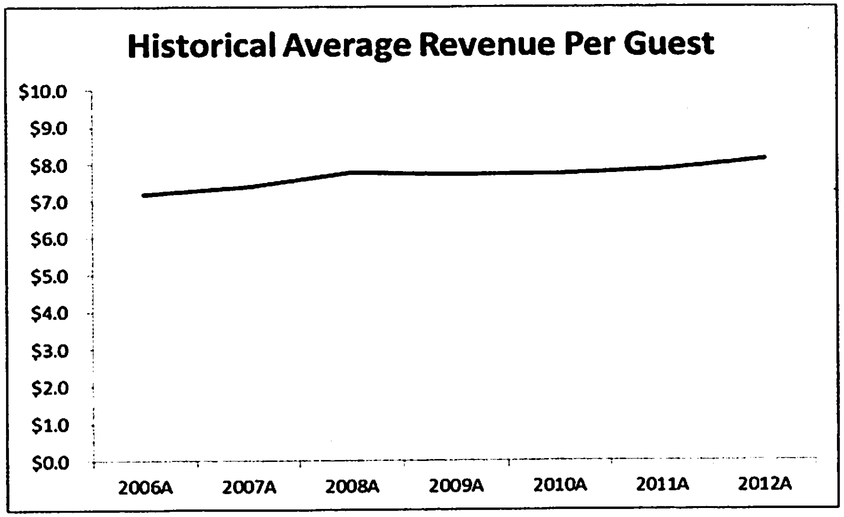
- From January 1, 2013 to October 29, 2013, Piccadilly generated $106.6 million in net revenue and $2.7 million in earnings before interest, taxes, depreciation and amortization ("EBITDA").

Company Overview – Guest Count & Average Revenue

- **Guest Count**: The Company's guest count declined historically from 33.8 million in 2006 to 18.2 million in 2012, representing a compounded annual growth rate ("CAGR") of negative 9.8 percent.
- Guest count (presented in millions) declined consistently over the past seven years, from 33.8 million guests in 2006 to 31.3 million in 2007, 27.4 million in 2008, 24.5 million in 2009, 22.7 million in 2010, 20.7 million in 2011, and 18.2 million in 2012.

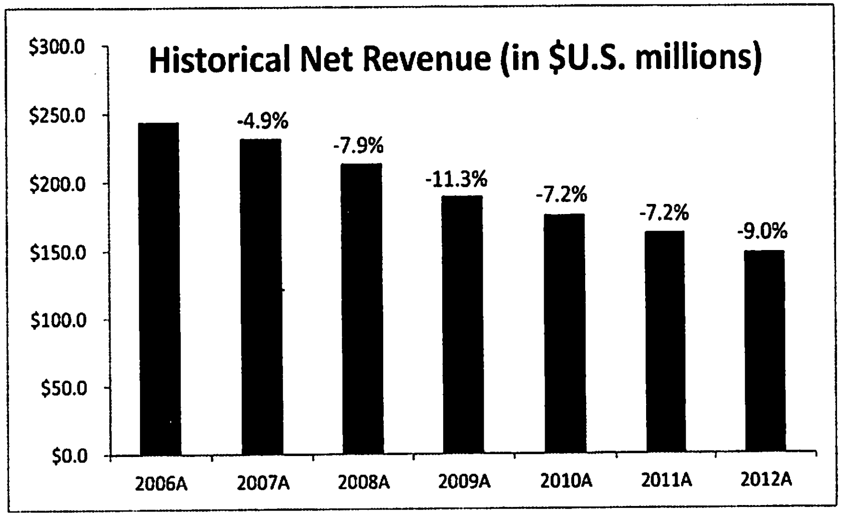


- **Average Revenue per Guest ("ARPG")**: Historical ARPG improved from $7.21 in 2006 to $8.15 in 2012, representing a CAGR of 2.1 percent.
- ARPG increased from $7.21 in 2006 to $7.40 in 2007, $7.78 in 2008, $7.72 in 2009, $7.75 in 2010, $7.87 in 2011, and $8.15 in 2012.

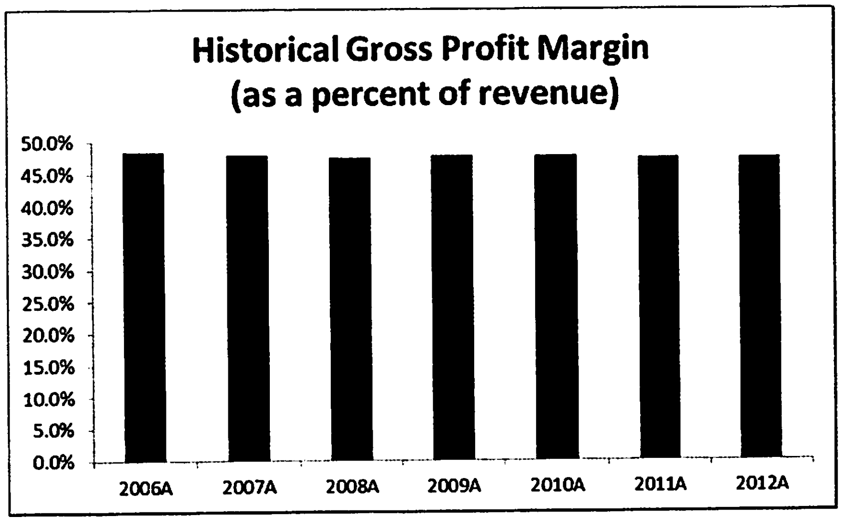


Company Overview – Net Revenue & Gross Profit Margin

- **Net Revenue**: Historical net revenue (presented in millions) declined from $243.9 in 2006 to $148.3 in 2012, representing a CAGR of negative 8.0 percent.
- Net revenue declined consistently over the past seven years from $243.9 in 2006 to $231.8 in 2007, $213.6 in 2008, $189.4 in 2009, $175.7 in 2010, $163.0 in 2011, and $148.3 in 2012.

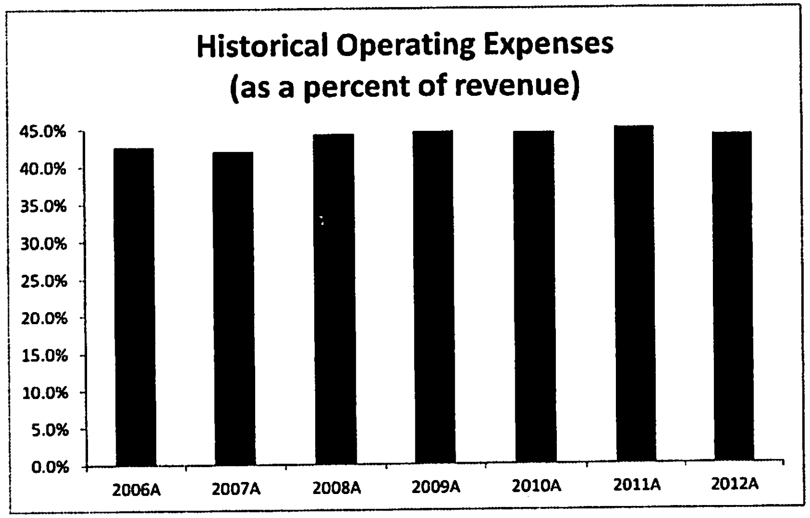


- **Gross Profit Margin**: Historical gross profit margin (as a percent of revenues) declined from 48.5 percent in 2006 to 47.6 percent in 2012.
- Gross profit margin over the past seven years trended down from 48.5 percent in 2006 to 48.0 percent in 2007, 47.5 percent in 2008, 47.8 percent in 2009, 47.9 percent in 2010, 47.5 percent in 2011, and 47.6 percent in 2012.

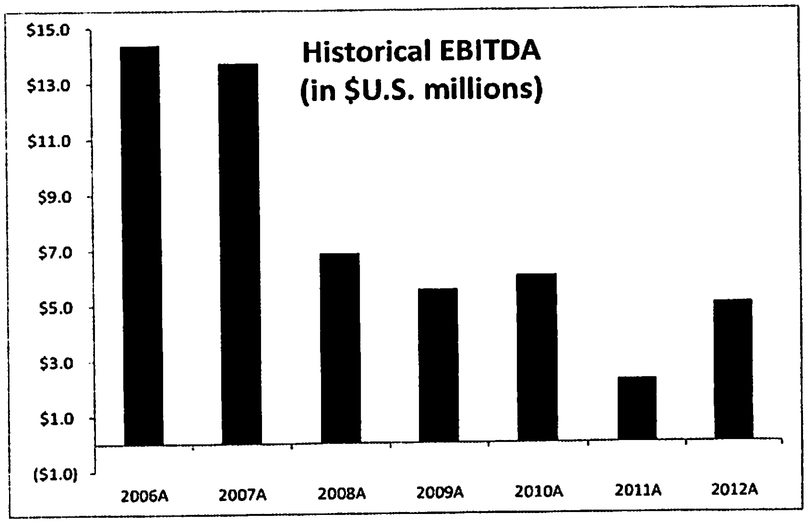


Company Overview – Operating Expenses & EBITDA

- **Operating Expenses**: Historical operating expenses (as a percent of revenue) increased from 42.6 percent in 2006 to 44.2 percent in 2012.
- Operating expenses (as a percent of revenue) generally trended up over the past seven years. Operating expenses were 42.6 percent in 2006, 42.1 percent in 2007, 44.3 percent in 2008, 44.6 percent in 2009, 44.5 percent in 2010, 46.1 percent in 2011, and 44.2 percent in 2012.



- **EBITDA**: Historical EBITDA (in millions) decreased from $14.4 in 2006 to $5.1 in 2012, while EBITDA (as a percent of revenue) decreased from 5.9 percent in 2006 to 3.4 percent in 2012.
- EBITDA (in millions) was $14.4 in 2006, $13.7 in 2007, $6.9 in 2008, $5.6 in 2009, $6.1 in 2010, $2.3 in 2011, $5.1 in 2012.
- EBITDA (as a percent of revenue) decreased from 5.9 percent in 2006, 5.9 percent in 2007, 3.2 percent in 2008, 2.9 percent in 2009, 3.5 percent in 2010, 1.4 percent in 2011, and 3.4 percent in 2012.



Economic Overview

Improvements in the labor market and consumer confidence could positively impact Piccadilly as the economy is expected to improve

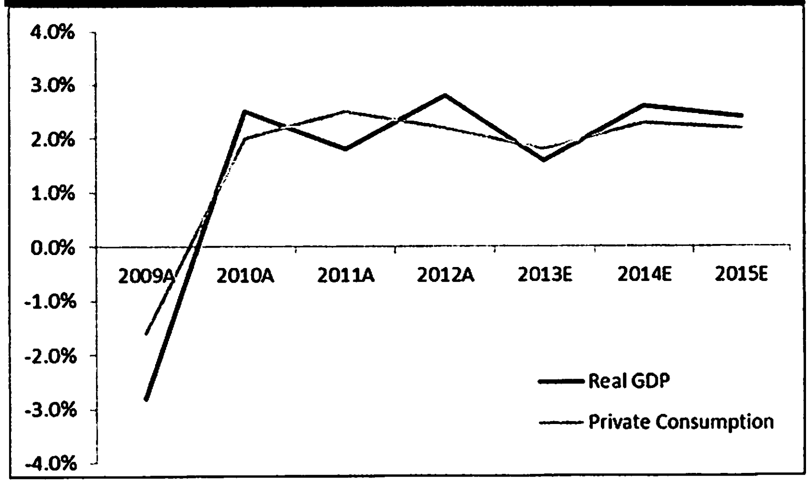
U.S. Economy[1]

- Economic factors influencing the chain restaurant industry include GDP, consumer spending, housing prices, and employment.
- According to the Economist Intelligence Unit ("EIU"), a leading economic research firm, estimated overall growth for the U.S. economy in 2013 as 1.6 percent.
- The EIU forecasts private consumption growth of 1.9 percent for 2013 and slightly higher expansion rates in the following years, given that the underlying drivers of household spending will continue to improve. Households are benefiting from low interest rates to refinance their mortgages, and jobs growth has remained moderately strong and steady. The unemployment rate will fall only gradually, however, as more workers return to the labor force.
- The U.S. housing market is recovering. However, job creation has slowed, and the recent jump in market interest rates will make borrowing costlier for consumers and businesses—acting as a brake on growth.
- The pace of job growth is slowing; an average of 207,000 jobs were added each month in the first quarter of 2013, falling to 182,000 in the second quarter and just 137,000 in the first two months of the third quarter. The unemployment rate improved to 7.3 percent. The decline, however, owed less to new jobs created and more to the fact that just over 300,000 people dropped out of the workforce.

Outlook

- Economic growth over the next five years will be driven by rising private consumption as employment and wages expand steadily, and by relatively high investment growth, especially in the residential construction sector.
- The EIU projects GDP growth of 1.6 percent for 2013, followed by 2.6 percent in 2014, and an average rate of 2.5 percent from 2015 to 2018.
- Inflation is forecasted at 1.5 percent in 2013, 2.2 percent in 2014 followed by an annual average of 2.3 percent in 2015 to 2018.
- The EIU expects the unemployment rate to average 7.3 percent in 2013, 6.9 percent in 2014, and to gradually decline to 6.0 percent by 2018.
- Policymaking will remain difficult, as the 2012 general election preserved divided control of Congress through the 2013-14 legislative term.

Economic Indicators – Historical and Forecast



1. The information in this section was excerpted directly from or based on the Economist Intelligence Unit: U.S. Country Report published in October 2013.

Restaurant Industry Overview

An increase in consumer sentiment and disposable income is expected to increase overall industry revenues over the next five years by 2.5 percent annually

Overview of Chain Restaurant Industry[1]

- The restaurant industry is comprised of the following four categories:
  - Fast food / Quick service
  - Fast casual dining
  - Casual dining
  - Fine dining
- Piccadilly owns and operates cafeterias, which can be considered a subset of the fast casual dining category.
- The chain restaurant industry experienced a slowdown during the recession due to reduced consumer spending. Consumers have also become increasingly health conscious, as they have opted for healthier eateries and home cooked meals.
- Although major restaurants have responded by expanding the number of nutritious options on their menus, the general trend toward better eating has hurt many of the less-healthy chain restaurants. As a result, industry revenue has grown at a muted average annual rate of 1.5 percent in the five years to 2013.

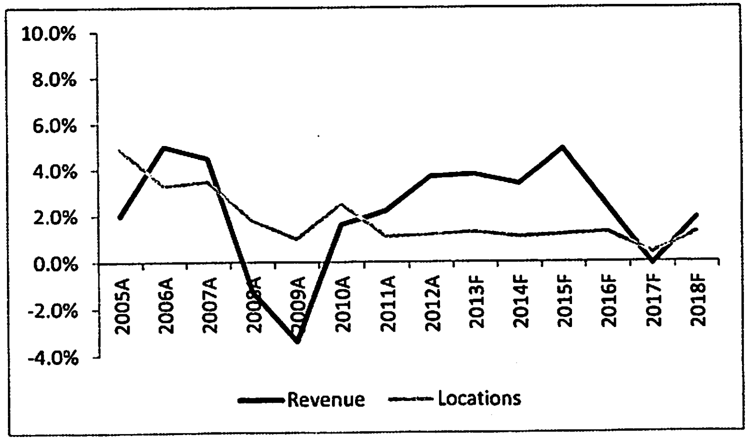
Key External Drivers

- Consumer Spending: This industry is strongly affected by the growth of personal consumption expenditures. Consumer spending is inversely related to the unemployment rate of the economy. IBISWorld expects consumer spending to increase in 2014.
- Healthy Eating Index: Over the past five years, consumers have been more aware of issues related to weight and obesity, nutrition and food safety than they were before. Therefore, as the healthy eating index rises, demand for some restaurants with fewer healthy options will decrease. Healthy eating is expected to increase slowly during 2014 and will remain a potential threat to the industry.

Outlook

- Over the next five years through 2018, IBISWorld, a leading market research firm, expects industry revenues to increase by an average annual rate of 2.5 percent. Stronger overall operating conditions are expected as consumer confidence and consumer expenditures increase.
- During the next five years, the number of establishments is forecast to increase at an average rate of only 1.1 percent per year.

Annual Restaurant Industry Change – Historical and Forecast



1. The information in this section was excerpted directly from or based on the IBISWorld Industry Report, "Chain Restaurants in the U.S." dated October 2013.

Self Service Cafeteria Industry Overview

However, the Self Service Cafeteria industry is expected to continue to decline through at least 2018

Overview of Self Service Cafeteria Industry[1]

- The industry is a regional phenomenon, concentrated in the West South Central and South Atlantic United States, a fact which places a substantial cap on expansion opportunities.
- Typically, consumers include senior citizens, families, and other high value conscious customers.
- Traditionally, menus contain southern style recipes and generous portions.
- Eating-in is the standard for Self Service Cafeterias, a category where 94.0 percent of sales are derived. This is a nature of the food preparation and presentation, in which food sits under heat lamps for hours and is not suitable for reheating at a later time. Home delivery is negligible in the industry, as the service is not offered by any of the major chains.

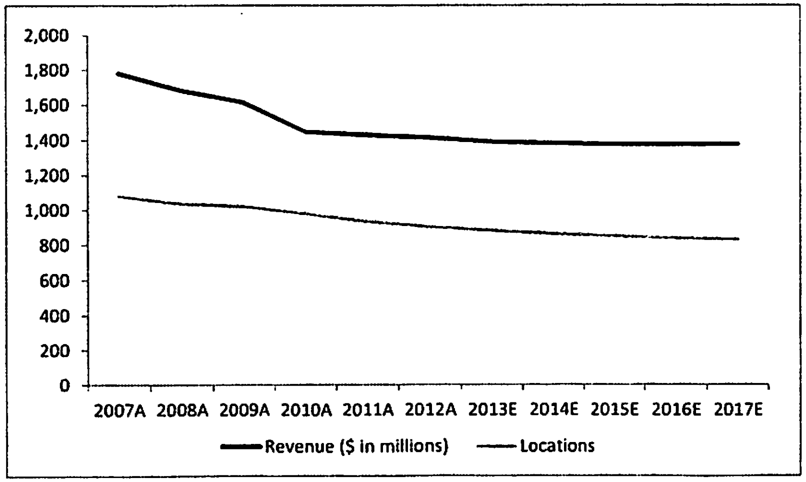
Key Industry Facts

- Self Service Cafeteria locations declined by 3.0 percent in 2012 amounting to 906 total locations.
- The industry recorded a 1.0 percent sales decline in 2012, a trend that was mirrored in 2011, falling to a total of $1.4 billion in sales. The industry recorded a total sales decline of 20.5 percent from 2007 to 2012.
- The Self Service Cafeteria industry failed to capitalize on its position as value-focused eateries over the past five years which was marked by the worst recession in the past 50 years. Self Service Cafeterias could have made use of advertisements and discounts to attract share away from those leaving full-service restaurants. Instead, these companies failed to aggressively pursue these new customers, who either traded down to fast food, or opted out of foodservice purchases entirely and began to eat more at home.
- Luby's Cafeteria remains the leading Self Service Cafeteria chain, accounting for 16.3 percent market share in 2012.
- The other major players in the industry include Piccadilly Restaurants which had 12.5 percent market share in 2012, IKEA Holdings which had a 8.5 percent market share in 2012, and Buffet Partners (which owns Furr's) which had a 5.1 percent market share in 2012.

Trends

- Self Service Cafeterias are seeing fading demand as consumers become more mindful of food quality and healthy eating habits.
- The industry is expected to record a negative 0.5 percent CAGR over the next five years.
- As consumer demand for Self Service Cafeterias continues to diminish, locations will shut down as they are no longer profitable.

Self Service Cafeteria Sales and Locations – Historical and Forecast



1. The information in this section was excerpted directly from or based on the Euromonitor International Report, "Self-Service Cafeterias in the US" dated September 2013.

Valuation Approaches

The income and market approaches were used to value the Company

Introduction

- I considered and evaluated each of the three traditional approaches to value:
  - Income Approach
  - Market Approach
  - Cost Approach
- A detailed description of the valuation approaches and methodologies are included in the following pages.
- I relied on the income and market approaches to value because in my opinion (1) each is appropriate for the valuation analysis, and (2) sufficient information was available for their use.
- I employed the Discounted Cash Flow ("DCF") Method within the income approach. In this method, the present value of cash flows reasonably expected to be produced by the Company from its operations were summed to produce an estimate of the Company's value.
- Within the market approach, I applied the Guideline Public Company Method and the Guideline Transaction Method.
  - The Guideline Public Company Method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business as the Company and that are actively traded on a free and open market.
  - The Guideline Transaction Method relies on market multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business as the Company.
- I evaluated and reconciled the indicated values of invested capital to arrive at an indicated value of invested capital of the Company on a controlling, marketable basis.
- Where applicable, the indicated non-controlling, marketable value of common equity was modified through the use of a control premium to develop an estimate of controlling, marketable invested capital.

Income Approach

The indicated value of Piccadilly's Invested Capital under the income approach was $29.1 million as of the Valuation Date

Income Approach

- The income approach is a general way of developing a value indication for a business, business ownership interest, or a tangible or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount. The income approach is also one of the most common approaches used in valuation.
- In estimating the value of a business or business interest, the most common measure of economic benefit is net cash flow, also referred to as "free cash flow." Net cash flow can be the free cash flow to equity holders or to all long-term stakeholders of the company.
- The discounted cash flow ("DCF") method relies upon discount rates at which to discount the income stream. This rate is defined as follows:
  - Discount rate — A rate of return used to convert a future monetary sum into present value. Also referred to as the "required rate of return" or "cost of capital".
- The discount rate represents the estimated cost of the capital generating the income stream. Free cash flow to the firm is typically discounted using the weighted average cost of capital ("WACC") consisting of the cost of equity and the cost of debt.
- When using an income approach to value an interest in a business, it is essential not only to clearly define the income stream representing the anticipated economic benefits, but also to use the discount or capitalization rate appropriate for that defined stream.

Discounted Cash Flow Method

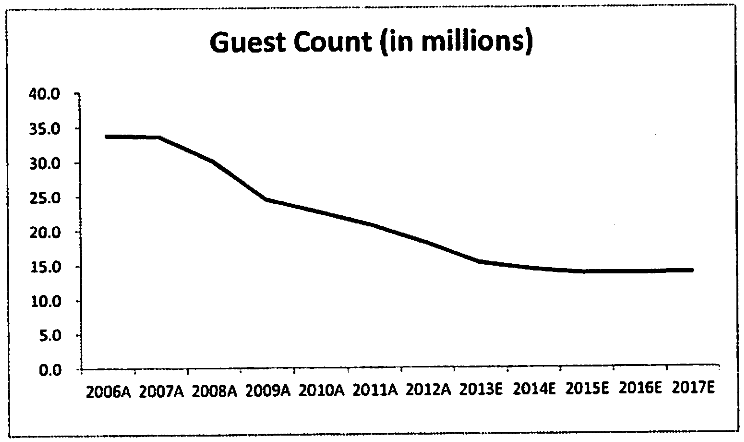
- For the purpose of this analysis, a projection of the Company's revenue, earnings, and required capital expenditures was prepared by Deloitte CRG.

Analysis

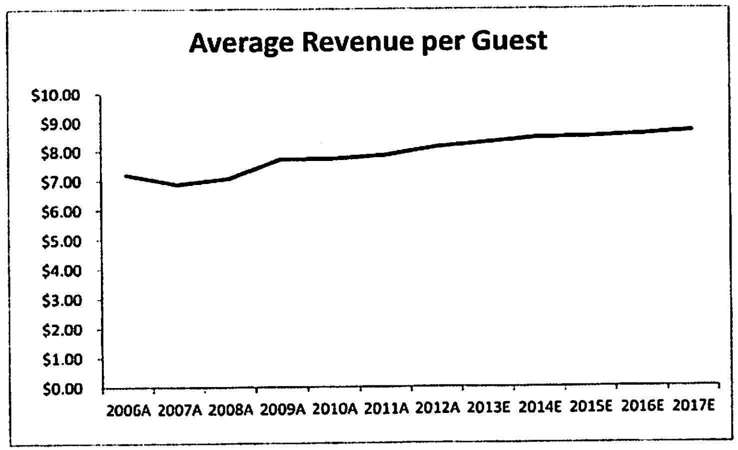
- The following provides a summary of assumptions contained in the projection:
  - **Net Revenue:** Net revenue is projected to decrease by 14.2 percent in 2013 as a result of restaurant closures, 4.5 percent in 2014, and 3.7 percent in 2015. Revenue growth is projected to turn positive in 2016 before stabilizing at 2.5 percent annually.
  - **Gross Profit Margin:** Gross profit is forecasted to be 48.2 percent of revenue in 2013, 49.1 percent in 2014, and approximately 49.2 percent thereafter.
  - **Operating Expenses:** Operating expenses are forecasted to be 45.2 percent of revenues in 2013 and are projected to gradually decline to 42.5 percent in the terminal period.
  - **Tax Rate:** A tax rate of 40.0 percent was utilized in the DCF analysis. The rate reflects the blended marginal state and federal marginal tax rate.
  - **Depreciation Expenses:** Depreciation expenses are based on current net property, plant & equipment net book value, projected capital expenditures, and a 7-year ("Modified Accelerated Cost Recovery System") MACRS calculation.
  - **Capital Expenditures:** Capital expenditures are based on Deloitte CRG projections.
  - **Working Capital:** Debt-free, cash-free net working capital is forecasted to be negative 7.3 percent of revenues based on Piccadilly's four year historical average.
- The following page provides a summary of some of the important projection estimates:

Income Approach – Guest Count & Average Revenue

- **Guest Count:** Guest count for the actual period declined from 33.8 million guests in 2006 to 18.2 million guests in 2012, representing a CAGR of negative 9.8 percent.
- Throughout the forecast period, guest count is projected to decline from 15.3 million in 2013, to 14.3 million in 2014, 13.8 million in 2015, 13.8 million in 2016, and 13.9 million guests in 2017, representing a CAGR of negative 2.5 percent.

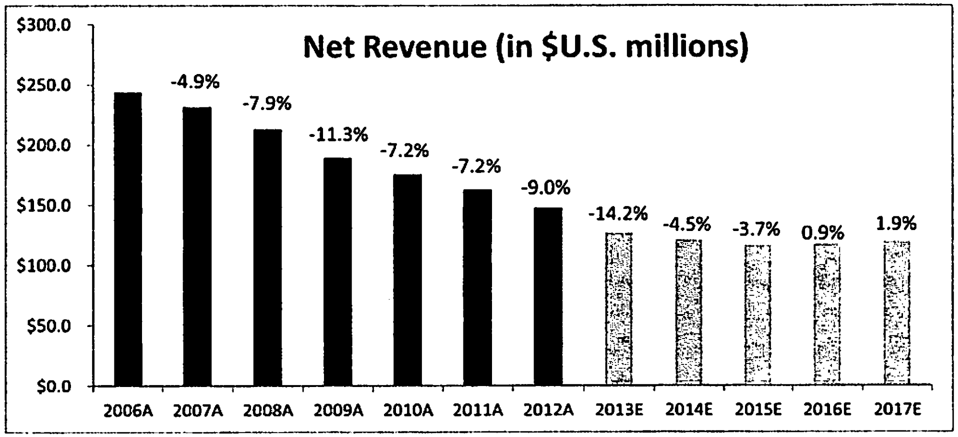


- **Average Revenue per Guest ("ARPG"):** ARPG improved from $7.21 in 2006 to $8.15 in 2012, representing a CAGR of 2.1 percent.
- ARPG is projected to grow from $8.30 in 2013 to $8.48 in 2014, $8.50 in 2015, $8.57 in 2016, and $8.69 in 2017, representing a CAGR of 1.1 percent for the forecast period.

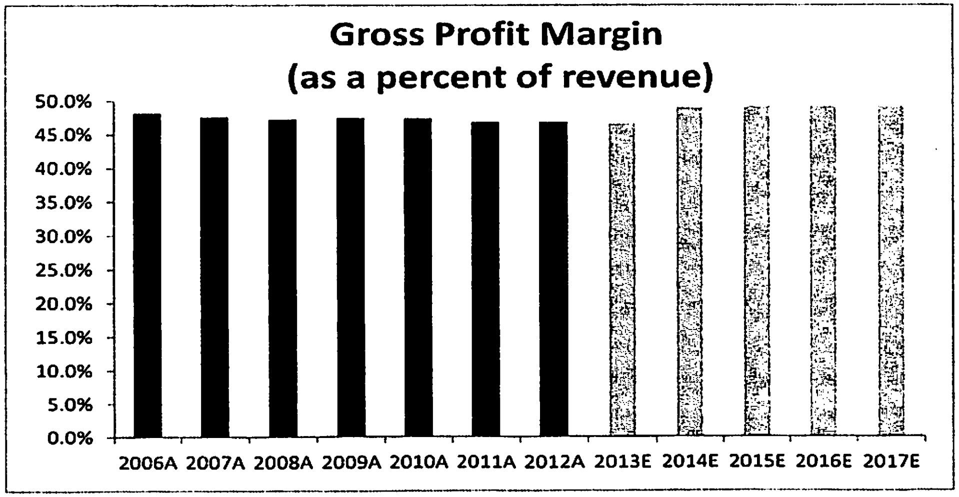


Income Approach – Net Revenue & Gross Profit Margin

- **Net Revenue**: Historical net revenue (presented in millions) declined from $243.9 in 2006 to $148.3 in 2012, representing a CAGR of negative 8.0 percent.
- Net revenue is projected to decline from $127.3 in 2013 to $121.6 in 2014, and to $117.1 in 2015. Net revenue is expected to increase slightly in 2016 to $118.2 and $120.4 in 2017.
- Net revenue is projected to have a CAGR of negative 1.4 percent between 2013 and 2017.
- Net revenues are expected to grow at a 2.5 percent annual rate in 2018 and after.

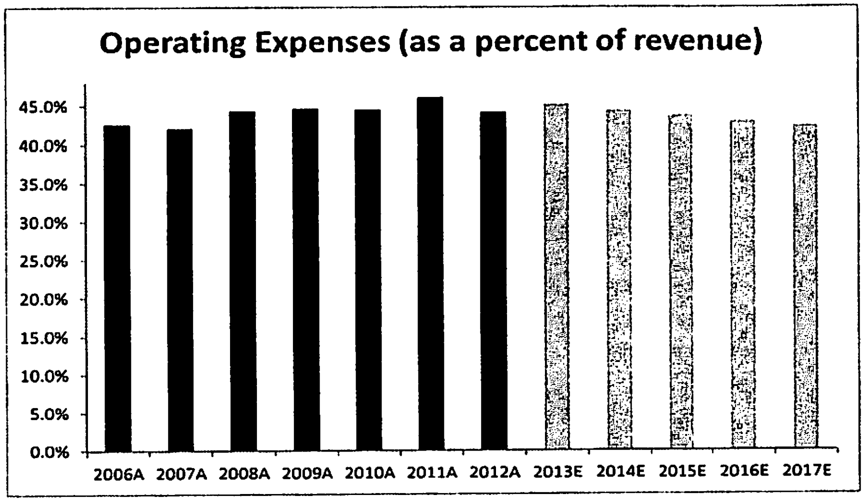


- **Gross Profit Margin**: Historical gross profit margin (as a percent of revenues) declined from 48.5 percent in 2006 to 47.6 percent in 2012.
- Gross profit margin (as a percent of revenues) increases from 48.2 percent in 2013, to 49.1 percent in 2014, before stabilizing at 49.2 in 2015 and thereafter.

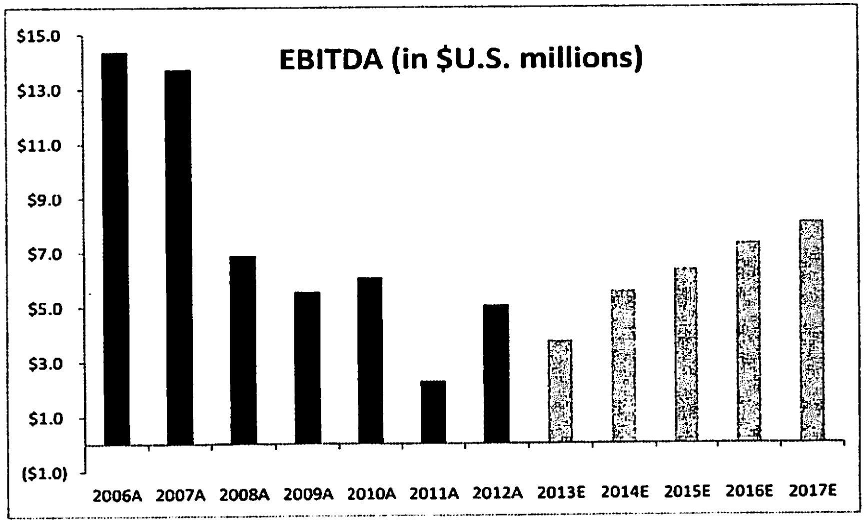


Income Approach – Operating Expenses & EBITDA

- **Operating Expenses**: Historical operating expenses (as a percent of revenue) increased from 42.6 percent in 2006 to 44.2 percent in 2012.
- Throughout the forecast period, operating expenses are expected to decrease from 45.2 percent in 2013 to 44.5 percent in 2014, 43.8 in 2015, 43.0 in 2016, and 42.5 percent in 2017.



- **EBITDA**: Historical EBITDA (in millions) decreased from $14.4 in 2006 to $5.1 in 2012, while EBITDA (as a percent of revenue) decreased from 5.9 percent in 2006 to 3.4 percent in 2012.
- For the projected period, the Company is expected to earn $3.8 in EBITDA beginning in 2013, increasing to $5.6 in 2014, $6.4 in 2015, $7.4 in 2016, and $8.1 in 2017 (all in millions).
- EBITDA (as a percent of revenue) is projected to increase from 3.0 percent in 2013 to 4.6 percent in 2014, 5.5 percent in 2015, 6.2 percent in 2016, and 6.7 percent in 2017.



Income Approach (Cont.)

Discount Rate

- The discount rate utilized in my analysis represents an estimate of the WACC. The WACC represents the blended required return of both debt and equity stakeholders.
- The Company's cost of equity was estimated based on the application of the capital asset pricing model ("CAPM"). The CAPM measures the estimated return required by investors given a particular risk profile. The model is expressed arithmetically by the following equation:

$$Ke = Rf + (\beta \times Rpm) + Rps + Rpc$$

Where:

- Ke = Required Rate of Return for Equity.
- Rf = Risk-Free Rate. The selected risk-free rate of return of 3.3 percent represents the current 20-year yield to maturity of long-term U.S. Treasury bonds as of the Valuation Date as reported in the Federal Reserve Statistical Release.
- β = Beta. A beta of 0.88 was estimated from the unlevered equity betas of guideline public companies by comparing the monthly returns of each stock to those of the S&P 500 for the 60-month period preceding the Valuation Date. The unlevered beta was relevered using the Company's marginal tax rate and estimated market participant capital structure.

- Rpm = Market Equity Risk Premium is the extra return that the overall stock market has historically provided over the risk-free rate as compensation for market risk. Data provided by the Morningstar SBBI Yearbook for 2013 was considered in estimating the market equity risk premium. The SBBI calculates the market equity risk premium by reducing large-company stock returns by the risk-free rate of return over the period from 1926 to 2012. Further adjustments were made to the SBBI equity risk premium in order to account for the inflation in the market price to earnings ratio as well as recent declines in the risk-free rate. In addition to the data provided by the SBBI Yearbook, consideration was also given to the equity risk premium implied by the dividend discount model for a broad market index such as the S&P 500. I applied a 6.75 percent market equity risk premium.
- Rps = A Size Premium is added to the cost of equity to compensate investors for assuming additional risk. SBBI's Size Premium Study is a well-known source for estimating size premiums in the calculation of cost of equity. Accordingly, I selected a size premium of 3.8 percent based on the 9th-10th deciles small stock premium.
- Rpc = Company-Specific Risk Premium corresponds to risk related to company-specific factors that are not already accounted for. Factors considered include business risk and financial risk that are specific to the Company and not pervasive to the industry. I did not include a company-specific risk premium in my calculation of the WACC.

Income Approach (Cont.)

- The Company's cost of debt was estimated based on the 5.2 percent yield of Baa-rated corporate debt as of the Valuation Date. The yield was adjusted by the Company's tax rate of 40.0 percent to estimate the after-tax cost of debt.

WACC Conclusion

- Based on my analysis, I estimated the discount rate at 11.5 percent. The WACC for the Company is presented in the table below. Please refer to **Exhibit 6** for a detailed presentation of this analysis.

Cost of Equity	After-Tax Cost of Debt	Debt/ Capital	WACC
13.1%	3.1%	15.0%	11.5%

Capitalization Process

The capitalization of earnings method is based on the Gordon Growth Model, in which a projected level of stabilized cash flow available for distribution is divided by a capitalization rate. The stabilized cash flow is assumed to grow at a constant rate into perpetuity. The capitalization rate is equal to the difference between the WACC and the selected growth rate. As applied to the capitalization of earnings method, the Gordon Growth Model is shown arithmetically as follows:

$$V = CF^S / (K - g)$$

Where:

V = Estimated Value

CF^S = Stabilized Cash Flow

K = WACC

g = Long-Term Growth Rate

The Company's long-term growth rate was estimated at 2.5 percent based on expectations for long-term inflation.

DCF Conclusion

- The application of the DCF method yielded an indicated business enterprise value ("BEV") of $28.4 million for the Company. Adding cash results in a **$29.1 million** value.
- **Exhibit 5** presents the detailed application of the DCF method, which produced an indicated value of invested capital of **$29.1 million** as of the Valuation Date on a controlling, marketable basis.

Market Approach

The indicated value of Piccadilly's Invested Capital was $29.3 million under the Guideline Public Company Method as of the Valuation Date

Market Approach

- When applied to value an interest in a business, the market approach includes consideration of the financial condition and the historical and expected operating performance of the company being valued relative to those of publicly traded companies or to those of companies acquired in a single transaction that (1) operate in the same or similar lines of business; (2) are potentially subject to corresponding economic, environmental, and political factors; and (3) could reasonably be considered investment alternatives. These two methods are further described as follows:
  - Guideline Public Company Method – This method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market. The application of the selected multiples to the corresponding measure of financial performance for the subject company produces estimates of value at the marketable, non-controlling level.
  - Guideline Transaction Method – Also referred to as the "transaction method" or "merger and acquisition method," this method relies on pricing multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business. The application of the selected multiples to the corresponding measure of financial performance for the subject company produces estimates of value at the marketable, controlling level.

Guideline Public Company Method

- I performed a search of publicly-traded companies based on the following factors :
  - Companies in the Cafeteria or Full Service Restaurant industry as classified by Capital IQ, a leading financial data provider
  - Headquartered in the United States
- This resulted in 45 companies. I reviewed each company for comparability to Piccadilly's based on:
  - Size: annual revenues less than $2.7 billion (approximately 20 times the Company's revenue)
  - Company owned and operated restaurant business model
  - Exclusion of pink sheet companies traded over the counter
  - Exclusion of restaurants categorized as fine dining
- This screening process yielded the following nine companies, which I consider to be reasonably comparable to the Company (see **Appendix 1** for background on each company):

BJ's Restaurants, Inc.

Bob Evans Farms, Inc.

Bravo Brio Restaurant Group, Inc.

Chuy's Holdings, Inc.

Cracker Barrel Old Country Store, Inc.

Granite City Food & Brewery Ltd.

Ignite Restaurant Group, Inc.

Kona Grill Inc.

Luby's, Inc.

Market Approach (Cont.)

Analysis

As summarized in the tables below, the Company's financial performance trails the performance of the guideline public companies:

LTM Revenue		
Rank	**Company**	**Metric**
1	Cracker Barrel Old Country Store, Inc.	2,645
2	Bob Evans Farms, Inc.	1,615
3	BJ's Restaurants, Inc.	747
4	Ignite Restaurant Group, Inc.	588
5	Bravo Brio Restaurant Group, Inc.	417
6	Luby's, Inc.	372
7	Chuy's Holdings, Inc.	192
8	Granite City Food & Brewery Ltd.	131
9	**Piccadilly's**	131
10	Kona Grill Inc.	97
Median (excl. Subject)		**417**

Total Assets		
Rank	**Company**	**Metric**
1	Cracker Barrel Old Country Store, Inc.	1,388
2	Bob Evans Farms, Inc.	1,024
3	BJ's Restaurants, Inc.	588
4	Ignite Restaurant Group, Inc.	330
5	Bravo Brio Restaurant Group, Inc.	255
6	Luby's, Inc.	242
7	Chuy's Holdings, Inc.	141
8	Granite City Food & Brewery Ltd.	72
9	Kona Grill Inc.	44
10	**Piccadilly's**	34
Median (excl. Subject)		**255**

LTM EBITDA		
Rank	**Company**	**Metric**
1	Cracker Barrel Old Country Store, Inc.	268
2	Bob Evans Farms, Inc.	182
3	BJ's Restaurants, Inc.	86
4	Bravo Brio Restaurant Group, Inc.	46
5	Ignite Restaurant Group, Inc.	42
6	Luby's, Inc.	25
7	Chuy's Holdings, Inc.	24
8	Granite City Food & Brewery Ltd.	11
9	Kona Grill Inc.	10
10	**Piccadilly's**	4
Median (excl. Subject)		**42**

LTM EBIT		
Rank	**Company**	**Metric**
1	Cracker Barrel Old Country Store, Inc.	202
2	Bob Evans Farms, Inc.	101
3	BJ's Restaurants, Inc.	41
4	Bravo Brio Restaurant Group, Inc.	26
5	Ignite Restaurant Group, Inc.	19
6	Chuy's Holdings, Inc.	16
7	Luby's, Inc.	7
8	Kona Grill Inc.	5
9	Granite City Food & Brewery Ltd.	3
10	**Piccadilly's**	(3)
Median (excl. Subject)		**19**

Market Approach (Cont.)

LTM EBITDA Margin		
Rank	Company	Metric
1	Chuy's Holdings, Inc.	12.5%
2	BJ's Restaurants, Inc.	11.5%
3	Bob Evans Farms, Inc.	11.3%
4	Bravo Brio Restaurant Group, Inc.	11.0%
5	Kona Grill Inc.	10.5%
6	Cracker Barrel Old Country Store, Inc.	10.1%
7	Granite City Food & Brewery Ltd.	8.3%
8	Ignite Restaurant Group, Inc.	7.1%
9	Luby's, Inc.	6.9%
10	**Piccadilly's**	3.2%
Median (excl. Subject)		**10.5%**

LTM EBIT Margin		
Rank	Company	Metric
1	Chuy's Holdings, Inc.	8.5%
2	Cracker Barrel Old Country Store, Inc.	7.6%
3	Bob Evans Farms, Inc.	6.2%
4	Bravo Brio Restaurant Group, Inc.	6.2%
5	BJ's Restaurants, Inc.	5.5%
6	Kona Grill Inc.	4.7%
7	Ignite Restaurant Group, Inc.	3.2%
8	Granite City Food & Brewery Ltd.	2.3%
9	Luby's, Inc.	2.0%
10	**Piccadilly's**	(2.1%)
Median (excl. Subject)		**5.5%**

3-Year Historical Revenue Growth		
Rank	Company	Metric
1	Chuy's Holdings, Inc.	26.4%
2	Ignite Restaurant Group, Inc.	18.7%
3	Luby's, Inc.	14.9%
4	Granite City Food & Brewery Ltd.	13.6%
5	BJ's Restaurants, Inc.	13.3%
6	Bravo Brio Restaurant Group, Inc.	6.7%
7	Kona Grill Inc.	5.4%
8	Cracker Barrel Old Country Store, Inc.	3.2%
9	Bob Evans Farms, Inc.	(2.3%)
10	**Piccadilly's**	(25.6%)
Median (excl. Subject)		**13.3%**

5-Year Historical Revenue Growth		
Rank	Company	Metric
1	BJ's Restaurants, Inc.	136.4%
2	Granite City Food & Brewery Ltd.	72.5%
3	Bravo Brio Restaurant Group, Inc.	57.0%
4	Kona Grill Inc.	39.2%
5	Luby's, Inc.	16.0%
6	Cracker Barrel Old Country Store, Inc.	10.9%
7	Bob Evans Farms, Inc.	(7.0%)
8	**Piccadilly's**	(38.8%)
Median (excl. Subject)		**39.2%**

Analysis (Cont.)

- Given the history and nature of the Company and the industry in which the Company operates, a BEV/EBITDA multiple would be used by a likely buyer of this business.
- I calculated BEV/EBITDA multiples using both LTM and 2014 forecasted EBITDA. 2014 forecasted EBITDA is based on investment bank equity analyst consensus estimates as published by Capital IQ.
- A summary of the guideline company LTM BEV/EBITDA multiples are included in the table below:

	LTM BEV/EBITDA
Max	26.3x
Median	9.7x
Average	11.3x
Low	6.1x

- As shown in the previous tables and in **Exhibit 8**, the Company lags behind the guideline public companies in nearly every important financial metric. In particular, declines in the Company's revenue and EBITDA over an extended time period coupled with more than 39.2 percent of its locations closing in the last three years would significantly impact the Company's value to any potential buyer.
- As a result, a willing buyer would pay no more than the low end of the guideline public company range, or 6.1x LTM EBITDA for the Company.
- In analyzing the 2014 BEV/EBITDA multiples of the public companies compared to the LTM BEV/EBITDA multiples, the smallest decline was 8.9 percent. If the 8.9 percent decline is applied to the selected multiple of 6.1x LTM EBITDA, a 5.6x multiple would be applied to the Company's 2014 projected EBITDA.

Guideline Public Company Method Conclusion

- The selected multiples were applied to the LTM EBITDA and projected 2014 EBITDA of the Company to arrive at indications of its BEV.
- I weighted each of the two multiple calculations equally at 50.0 percent.
- I considered the application of a control premium, but determined that a control premium was not appropriate since the Company's invested capital value was less than its interest-bearing debt as of the Valuation Date.
- A marketability discount of 0.0 to 10.0 percent is typically applied in a valuation of 100.0 percent of the invested capital in a business. I have applied a 0.0 percent marketability discount.
- Finally, I added cash to arrive at an indication of value for invested capital on a marketable, controlling basis.
- **Exhibit 7** and **Exhibit 8** present the detailed application of the guideline public company method, which produced an indicated value for the invested capital of the Company of **$29.3 million** on a marketable, controlling basis as of the Valuation Date.

Guideline Transaction Method

- In order to identify transactions involving target companies that are similar to the Company, I performed a search focusing on the following:
  - Companies in the Cafeteria or Full Service Restaurant industry as classified by Capital IQ
  - Headquartered in the United States
  - Mergers and Acquisitions involving a majority stake
  - Announcement and Closing date within the last three years
  - Details regarding the transaction BEV/EBITDA were published
- This resulted in 14 transactions. I reviewed each company for comparability to the Company based on:
  - Franchises accounting for less than 20 percent of locations
  - Exclusion of locations categorized as fine dining
- This screening process yielded the following three transactions, which I considered to be potentially comparable to the Company (See **Appendix 2** for background on each target):

Target	Buyer
J. Alexander's Corp.	American Blue Ribbon Holdings, LLC.
Real Mex Restaurants, Inc.	Tennenbaum Capital Partners, LLC; JP Morgan Investment Management Inc.; Z Capital Management
O'Charley's Inc.	Fidelity National Financial, Inc.

Analysis

- Given the history and nature of the Company and the industry in which the Company operates, a BEV/EBITDA multiple would be used by a likely buyer of this business.
- One of the weaknesses of the guideline transaction method is that there is often limited information available about the financial performance of the business acquired in the transaction. As a result of the limited information available, assessing the comparability of the transaction to the company being valued is difficult.
- All three of the transactions were completed in 2012, more than a year prior to the Valuation Date.
- I determined that J. Alexander's is an upscale formal restaurant that serves a different customer demographic than the Company. There is little financial information about J. Alexander's publicly available. As a result of these factors, I do not believe the transaction can be used in a valuation of the Company.
- Real Mex Restaurants owns a number of Mexican restaurant brands including El Torito, El Torito Grill, Chevys Fresh Mex, and Acapulco. Approximately 15.0 percent of Real Mex Restaurants locations are franchised as of the latest available data in 2010. There is little financial information about Real Mex publicly available. As a result of these factors, I do not believe the transaction can be used in a valuation of the Company.

Guideline Transaction Method Conclusion

- In my analysis, I determined that the O'Charley's transaction was the most comparable based on an analysis of the company's business model, restaurant concept, and limited financial data available. However, because of the lack of detailed financial information available, in my opinion it is not as reliable as the DCF and Guideline Public Company Methods.
- However, if the O'Charley's transaction 5.3x BEV/EBITDA multiple was applied to Piccadilly's LTM EBITDA of $4.2 million, the BEV is approximately $22.5 million. Adding cash of $772,000 results in an indicated value of invested capital for the Company of $23.2 million on a marketable, controlling basis as of the Valuation Date (see **Exhibit 9**).

Cost Approach

Cost Approach

- The cost approach is a way of estimating value using one or more methods based on the value of the operating assets net of operating liabilities of the subject business.
- The most commonly used methodology within the cost approach is the adjusted book value method. Under this method, all operating assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to reflect the applicable standard or type of value. After all of the operating assets and liabilities of a business are defined and valued, the difference between the value of the total assets and total liabilities provides an estimate of value for the equity of the business.
- This method is also referred to as the "adjusted net asset value method," the "adjusted balance sheet method," the "asset build-up method," or the "asset accumulation method."

Valuation Methods Applied

- As discussed earlier, I relied on the income and market approaches to value, because in my opinion (1) each is appropriate for the valuation analysis, and (2) sufficient information was available for their use.
- Based on my analysis of Piccadilly's balance sheet as of the Valuation Date, the fair market value of the Company using the cost approach would produce a lower value than either the income or market approaches.

Summary

The fair market value of Piccadilly's Invested Capital was $29.2 million as of the Valuation Date

Concluded Value of Invested Capital

- To estimate the fair market value of invested capital for the Company, I applied 50.0 percent weighting to the DCF Method under the Income Approach and 50.0 percent weighting to the Guideline Public Company Method under the Market Approach. This resulted in a **$29.2 million** valuation conclusion as of the Valuation Date.
- The chart below and **Exhibit 1** present summaries of my concluded value.