1 UNITED STATES BANKRUPTCY COURT
2 DISTRICT OF KANSAS AT KANSAS CITY
3
4

	)	
5 IN RE	)	Chapter 11
	)	
6 JOHN Q. HAMMONS FALL	)	
2006, LLC, et al.,	)	Case No. 16-21142 (RDG)
7	)	
Debtors.	)	

8
9
10 MORRIS JAMES
11 500 DELAWARE AVENUE
12 WILMINGTON, DELAWARE 19899
13 DECEMBER 6, 2016
14 12:23 P.M.
15 VIDEOTAPED DEPOSITION OF
16 MICHELLE DREYER
17
18
19
20
21
22
23 REPORTED BY:
24 DEBRA SAPIO LYONS, RDR, CRR, CCR, CPE
25 JOB NO. 116331

1 Michelle Dreyer
2 debtors.
3 THE VIDEOGRAPHER: Will counsel on
4 the phone please identify themselves for
5 the record.
6 MR. SIDDIQUI: Peter Siddiqui,
7 Katten Muchin Rosenman on behalf of SFI
8 Belmont, LLC.
9 THE VIDEOGRAPHER: Will the reporter
10 please administer the oath.
11 Michelle Dreyer, having been first
12 duly sworn, was examined and testified as
13 follows:
14 EXAMINATION
15 BY MR. SCHWARTZ:
16 Q. Good afternoon.
17 A. Good afternoon.
18 Q. Have you been deposed before?
19 A. I have.
20 Q. How often?
21 A. It's been several years, but I
22 believe four or five times.
23 Q. A few basic rules so that it'll --
24 hopefully we'll get a clean record.
25 I will wait for you to finish an

answer before I ask another question; and, likewise, I'd ask that you wait to hear my complete question before you begin your answer. Is that okay?

A. Yes.

Q. As you did, the court reporter needs you to answer verbally rather than with a nod of a head or something like that because they can't pick that up. Okay?

A. Of course.

Q. If you don't understand a question, please ask me to clarify or rephrase it. If you do answer, I'll just assume that you understood my question. Okay?

A. Yes.

Q. What is your current job?

A. My current job is Manager of Independent Director Services for Corporation Service Company.

Q. And is it okay if I refer to Corporation Service Company as CSC?

A. Yes.

Q. What is Independent Director Services?

1 Michelle Dreyer
2 A. We have a group that provides
3 these director services to special-purpose,
4 bankruptcy-remote entities as required by
5 lenders and rating agencies.
6 Q. And what do you mean by
7 "bankruptcy-remote entity"?
8 A. There are specific provisions
9 within loan agreements and organizational
10 documents which do not preclude a company from
11 filing for bankruptcy but they do require
12 certain actions to take place prior to a
13 bankruptcy filing.
14 Q. You said that sometimes director
15 services are required by lenders or rating
16 agencies; is that correct?
17 A. Correct.
18 Q. Do you have an understanding as to
19 why a lender would require an independent
20 director service?
21 A. It's my understanding that the
22 lenders require an extra step for these
23 companies to file for bankruptcy to help all
24 constituencies, including the creditors,
25 there -- for there to be a less likely chance

1 Michelle Dreyer
2 of a filing to take place that doesn't --
3 where there's no compelling business reason
4 for a filing.
5 Q. And what's your understanding of
6 why rating agencies might require an
7 independent director?
8 A. It's my understanding that some
9 loans are securitized and the rating agencies
10 will provide a certain rating which could make
11 those securities more attractive to investors
12 if the entities have independent directors.
13 Q. And when you say "independent,"
14 what -- what's your understanding of what it
15 means to be an independent director?
16 A. Not affiliated with the company
17 structure in any way, to not be an employee or
18 receive any economic benefit personally for
19 services to the company.
20 Q. Are -- in your experience, are
21 independent directors compensated for their
22 services?
23 A. In my experience, no, we're not
24 directly compensated.
25 Q. Is CSC compensated for the

1 Michelle Dreyer
2 services the directors render?
3 A. Yes.
4 Q. Does that compensation change
5 depending on whether or not a bankruptcy case
6 has been filed?
7 A. No.
8 Q. It's the same no matter what?
9 A. Yes.
10 Q. How long have you been a part of
11 the Independent Director Services?
12 A. Since 2004.
13 Q. And do you serve as an independent
14 director?
15 A. Yes, I do.
16 Q. About how many independent
17 directorships do you hold?
18 A. It does change every day, but I
19 would say roughly 4,000 appointments.
20 Q. And so I'm assuming given the
21 number of appointments that, generally
22 speaking, you don't play a day-to-day role in
23 the management of those entities; is that
24 correct?
25 A. That is correct.

1 Michelle Dreyer
2 Q. So when would you as an
3 independent director start playing a role in
4 the management of those entities?
5 A. There are specific requirements,
6 specific actions within the organizational
7 documents of each of the entities for which
8 CSC provides the independent director
9 services; and as the independent director, I
10 only get involved in situations where a
11 company is looking to take one of those
12 actions that would require my consent.
13 Q. Generally speaking, what are those
14 actions?
15 A. Sell the property that is owned by
16 the company, possibly refinance a loan, file
17 for bankruptcy, possibly merge or dissolve the
18 company. I think that's fairly standard for
19 many of the transactions.
20 Q. The entities that you mentioned
21 before, the bankruptcy-remote, special-purpose
22 entities, do those largely relate to real
23 estate holdings?
24 A. Yes.
25 Q. Are you familiar with the

1 Michelle Dreyer
2 John Q. Hammons organization? Use that term
3 loosely, but companies called or affiliated
4 John Q. Hammons.
5 A. Yes.
6 Q. Do you serve as an independent
7 director for any of those entities?
8 A. Yes.
9 Q. Approximately how many?
10 A. Eleven.
11 Q. So I'm just -- rather than make
12 you remember them all, I'm going to read a
13 list and I'll ask you to let me know if
14 it's -- if it's accurate.
15 Was one of those entities Hammons
16 of Rogers, Inc.?
17 A. Yes.
18 Q. John Q. Hammons Hotels
19 Development, LLC?
20 A. Yes.
21 Q. ACLOST, LLC?
22 A. Yes.
23 Q. JQH - Allen Development, LLC?
24 A. Yes.
25 Q. JQH - Concord Development, LLC?

Michelle Dreyer

A. I believe so.

Q. JQH - Glendale Development, LLC?

A. Yes.

Q. Hammons of Huntsville, LLC?

A. Yes.

Q. JQH - Kansas City Development, LLC?

A. Yes.

Q. JQH - Murfreesboro Development, LLC? And Murfreesboro is M-U-R-F-R-E-E-S-B-O-R-O.

A. And that's in Tennessee; is that right?

Q. Yes.

A. Yes.

Q. JQH - Norman Development, LLC?

A. Yes.

Q. And then John Q. Hammons Fall 2006, LLC?

A. Yes.

Q. And is your position independent director with respect to all of those or does it go by different titles?

A. I believe it does go by different

Michelle Dreyer

titles based on the entity.

Q. What are the different titles?

A. Independent director or independent manager, I believe.

Q. Functionally is there a difference in the role that you play based on the different title?

A. No.

Q. When did you first take a position as an -- I'll just -- withdrawn.

I'll just refer to them as independent directors. We won't attach any significance to it that...

When did you first take a role as independent director of one of those entities that we mentioned?

A. I believe it was 2006.

Q. And how did that come about?

A. Just as the JQH organization was a client of CSC's and through ordinary course of business, a new transaction came in. I was most likely the one who reviewed the documents and was assigned to serve as the independent director.

1 Michelle Dreyer
2 documents at the time of initial appointment;
3 and because we were not involved in any of the
4 day-to-day management of the companies, we
5 sent them an annual invoice for our services.
6 Q. And then did -- did that role
7 change at some point this year?
8 A. Yes.
9 Q. When was that?
10 A. Beginning of June.
11 Q. And how did the -- what changed in
12 the beginning of June?
13 A. We were notified that the
14 independent directors may need to take action
15 on behalf of the companies.
16 Q. Was that notice sent to you?
17 A. Originally, no, but was forwarded
18 to me by one of my colleagues.
19 Q. Who is that?
20 A. I believe it was Ben Hancock.
21 Q. So the -- the notice that you
22 mentioned came in the form of an e-mail?
23 A. To me, yes.
24 Q. And do you recall what that e-mail
25 said?

Michelle Dreyer

A. I do not.

Q. Do you recall if it -- if it mentioned bankruptcy specifically or it was more general that action may be required?

A. I don't recall specifically. I -- I don't recall any bankruptcy language in the e-mail.

Q. And then after you received this e-mail from Mr. Hancock, what happened next with respect to the Hammons entity?

A. I believe I spoke with general counsel to JQH, Greg Groves.

Q. And what do -- when was that conversation?

A. On or around June 2nd.

Q. That was a phone call?

A. Yes.

Q. And what did you discuss?

A. Honestly, I -- I don't recall specifically what we discussed. He -- he mentioned the fact that there were some issues the companies were facing and that he would potentially like to have a meeting with the independent directors.

Michelle Dreyer

A. No.

Q. And then you said you received some correspondence on the 13th or 14th from Mr. Groves; is that correct?

A. Yes.

Q. What was in that correspondence?

A. I believe that's when he reached out to schedule -- actually, let me take a step back.

I think he originally reached out to actually schedule the meeting with the independent directors prior to the 13th. I specifically remember a date about June 10th, and we weren't available on June 10th.

So his -- the e-mail correspondence, I may have some of the dates wrong, but it was sometime between the 3rd and the 13th. He had reached out to coordinate schedules to try to schedule a meeting with the group of independent directors.

Q. What happened in response to that correspondence?

A. We scheduled a meeting, an informational meeting for the independent

1 Michelle Dreyer
2 directors to meet with Mr. Groves and JQH's
3 outside counsel in our offices in Wilmington,
4 Delaware.
5 Q. And who was JQH's outside counsel?
6 A. Stinson Leonard.
7 Q. Had the independent directors
8 retained counsel by that -- the time of that
9 meeting?
10 A. Yes.
11 Q. And who are -- who's counsel to
12 the independent directors?
13 A. Eric Monzo of Morris James.
14 Q. And you don't view Stinson Leonard
15 as counsel to the independent directors;
16 correct?
17 A. Not the independent directors,
18 specifically.
19 Q. And what do you mean by the
20 qualification of "specifically"?
21 A. The Stinson Leonard team is
22 company's counsel and the independent
23 directors, because we do have, generally under
24 the organizational documents, different duties
25 than the other folks who are in management, we

1 Michelle Dreyer
2 always hire our own counsel who can advise us
3 separately.
4 Q. In between -- I'm sorry. Was
5 there a meeting that actually occurred in
6 mid-June with Mr. Groves and the Stinson
7 Leonard firm?
8 A. Yes.
9 Q. Do you remember the date?
10 A. It was June 16th.
11 Q. In between the first part of June
12 and June 16th, did you or anyone at the
13 independent directors that you're aware of
14 request information from the Hammons
15 organization?
16 A. Yes, I do believe there was an
17 e-mail that I may have sent requesting
18 information about the issues the companies
19 were facing.
20 Q. And did you receive a response?
21 A. Yes.
22 Q. And what information did you
23 receive in response?
24 A. We received a memo from
25 Mr. Groves.

1 Michelle Dreyer
2 Q. Anything else?
3 A. Not prior to the meeting.
4 Q. When's the last time you reviewed
5 that memo?
6 A. Last night.
7 Q. Why did you review it last night?
8 A. To help me remember conversations
9 that we had at the meeting on the 16th.
10 Q. And did it help you remember?
11 A. Yes.
12 Q. And did you do that in preparation
13 for your testimony here today?
14 A. Yes.
15 Q. What -- what were the topics of
16 discussion at the June 16th meeting?
17 A. We discussed the financial outlook
18 for each of the companies. We discussed two
19 potential Chancery Court litigation
20 proceedings that the companies were facing.
21 We discussed if there was a plan for the
22 companies as they entered bankruptcy, if that
23 really was their -- you know, if there was a
24 compelling reason for them to file.
25 I remember there was questions

1 Michelle Dreyer
2 asked about the companies' abilities to pay
3 their debts as they became due.
4 I think those were the -- the main
5 topics.
6 Q. So start with the first one that
7 you mentioned, which was the finance --
8 financial outlook for each company, what
9 information did you receive about the
10 financial outlook for the Hammons companies?
11 A. Overall, many of the companies
12 were operating and were able to pay their
13 debts and operate in a positive way. There
14 were certain companies, I can't recall if any
15 of them were specifically companies I'm the
16 independent director for, that were operating
17 in the negative.
18 We were told about -- again, about
19 the default on one loan.
20 And I do recall that we requested
21 to actually see financial statements so that
22 we would be able to work with our counsel to
23 better understand and analyze the numbers for
24 each of the companies.
25 Q. And so did you look at the