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PRIVATE AND CONFIDENTIAL
Via Electronic Mail

MCA Clients, Investors & Partners

RE: MCA Quarterly Letter: When Did Noah Build the Ark? Before the Flood.

Ladies and Gentlemen:

There is a deadly, hostile enemy invading the homeland. It is misunderstood, dangerous, deadly, and rampant. Government is confused, disorganized and ill-equipped to fight the enemy. Defenses are ill-equipped and allies are weak, having themselves been overrun by the invaders. Family, friends, neighbors, partners, clients and counterparties are despondent and dejected. While similar to the COVID 19 crisis, the aforementioned are the circumstances described to me by my grandfather during the fall of Saigon, Vietnam in April of 1975. At the time, my grandfather was the CFO of Exxon in Vietnam (Esso Eastern Vietnam) and my grandmother owned a number of private businesses from a car dealership to a jewelry retailer to a cosmetics distribution company. They had four small children, and after an eight year journeyour family made it to America. My grandfather retired from Exxon USA and was instrumental in developing the US Exxon war claim against the Socialist Vietnamese government. This led to the recovery of over \$50 MM in seized assets for Exxon. My grandmother was able to convert her jewelry inventory to cash by exchanging diamonds at home for cash in the west from overseas Vietnamese who couldn't send support payments to their relatives. This nest egg funded a house, a car and an education fund that generated three undergraduate degrees, three master's degrees, and two PhD's for their children. It took a great deal of grit and perseverance to survive that ordeal. This story of leadership, creativity in crisis and, above all, perseverance was the greatest gift of my grandparents' legacy.

Having lost both of my grandparents over the last 2 years, I am comforted and driven by this lesson, particularly, under our current circumstances. My partner and I bring this perspective to what we do for clients, investors, and partners. MCA and our team understand and embrace the leadership and resiliency that it takes to withstand a crisis, whether it is war or COVID-19. We are prepared to work with management, investors, and lenders to take decisive action immediately to secure the long-term value of your business, investment or loan. Our advisory team has the experience and expertise in restructuring, distress asset investment, bank workouts and business right sizing to manage and mitigate risks. This is not the time for prognostication, pontification, or hesitation. Action, decisiveness, and early communication with your counterparties are critical to preserve cash flow and long-term survival. Our team will be your ally in developing a decisive strategy, however arduous or unpleasant the implementation, to assure the survival and vitality of your business or investment. Those that survive this crisis well will be in an auspicious position to thrive post-crisis – MCA can and will help you get there.

Triage

The underlying ability of any business to survive is cash! In times of disruption, cash ensures vitality and the freedom to maneuver quickly in the quickly evolving landscape. While recognizing that investors and lenders

maybe called upon to make capital injections, that may be impossible given the current state of the capital markets or the inordinately high costs to the existing stakeholders. Hence, the best source of cash, in good times and bad, is found in operating cash flows. There are three wells from which to draw: revenues, costs, and working capital. First, our team can work with you to enhance lead generation and pivot to alternative sales tactics. A simplistic illustration can be made in this hypothetical case study of “Mike’s Restaurant”. For instance, if Mike’s restaurant is shut down during the COVID-19 pandemic by government order, a new sales format may be to sell produce or pre-made goods that are in short supply at the grocery store, given that Mike’s restaurant has ready access to a now under-utilized supply chain. A second source of cash is working capital consisting of inventory, accounts payable (“AP”) and receivables (“AR”). Conversion of inventory to cash is essential when in distress. Mike, depending on local/state regulations, may be able to sell his wine and liquor to-go, thereby converting inventory to cash. Mike may have a client who owes him cash from outstanding bills during last year’s Christmas party. He needs to make the strongest possible effort to collect all outstanding AR. Alternatively, Mike may have insurance claims that he can make via business interruption insurance. Aggressive collection of AR and immediate claims from insurance may be possible to push non-cash working capital to cash. Further, Mike may have leverage over certain suppliers who may have the ability to provide Mike longer credit terms and he should use every lever available to extend his accounts payable. Finally, there are costs. This area is perhaps the most complex for management and the most challenging from an interpersonal standpoint. All counterparties need to be contacted and pushed on every contract and renewal to see if costs can be reduced or AP terms extended. A review of leases with landlords and a review of opportunities to limit taxes should be taken and appropriate execution of these cost reduction strategies should be implemented. Furthermore, insurance programs should be reviewed to see if appropriate coverage is in place, where new coverage is required in a crisis environment, and where coverage may be reduced to lower cost on a risk adjusted basis. These are complex areas of expertise and our team is very well equipped to handle many of these issues for our clients. However, the most difficult, but often most effective and critical area of cost reduction, is staff. This matter is complex because too few and a company can’t effectively operate, while too many will crush margins. The analysis on roles and responsibilities as compared to costs is critical. Our team is prepared to work through these issues with you. Secondly, we can assist in re-tasking employees more efficiently. For instance, Mike can have his waiters deliver food orders while the restaurant is closed instead of laying them off. However, layoffs are, unfortunately, almost always inevitable. The execution of the layoffs needs to be considered carefully. Consideration of unemployment payment requirements or termination of executive contracts is not always transparent. Our team can assist you qualitatively and quantitatively to work through those issues and execute the layoff in a labor law compliant fashion while fully understanding the overall cost savings.

Surgey

Having addressed operating cash flow, it is important to review broader capital projects, and strategic models. First, all capital projects, such as buying capital equipment and large cash requirement projects should be canceled or substantially slowed unless the cash flow return time frame is immediate. We well understand that the execution of these steps is often far easier said than done. Long lead time purchase contracts or long-term service agreements need to be reviewed for force majeure clauses or other termination options that allow for the least costly exit. Secondly, optimization of resources and long-term strategies is required. Let’s go back to Mike’s restaurant. Mike was serving sushi at his restaurant, but fish is too perishable during his shut down. However, when he moved into the space there was an old oven, which Mike put in storage because he didn’t use it. Mike needs to pull that out and start baking cookies. Again, a very simplistic example, but the point is clear. Optimize your assets so that they are not under-utilized and producing the highest volume and margin products. A commercial review and ROI analysis are essential to this process. Mike should also consider new business models such as converting from a product business, food sales, to a service business such as catering, private chef services or having his sommelier serve as a cellar consult. The orbit of sub-sectors, and business models in each industry can be diverse and if one strategy is challenged the conversion to a new one may be required to survive.

Life & Death

Admittedly, even after extraordinary measures, some businesses do not survive. However, this does not mean that value is destroyed or can't be recovered. Bankruptcies, work-outs, and restructurings are sometimes a stark fact of life. Our team has tremendous experience in executing these processes on behalf of our clients whether lender, equity investor, or borrower. Our team members have served as chief restructuring officer, and work-out specialists, and equity representatives in various stages of foreclosures, bankruptcies and work-outs. Our team has worked closely with litigators and bankruptcy counsel to effectively secure value for our clients. We have shepherded the auction of assets, seized operations, preformed valuations and provided expert witness testimony. Once the business is in the end stage, the value comes from a series of complex rules in federal and state bankruptcy courts. We are well positioned to help you navigate this complex landscape and protect your interests. Alternatively, if Mike was able to secure a strong cash position via the triage aforementioned, he may be in a very strong place to buy assets or notes for very good value to expand his business when the dust settles. We have assisted lenders, investors, and operating companies in bids for loans and assets from distressed sellers or through the court process. We can advise on the positioning of the investment in the capital structure that optimizes returns and asset protection such as DiP financing, White Knight equity investments, loan purchases and direct asset purchases. Additionally, we can assist managers handle capital calls and commitment issues from limited partners, and help companies pursue federal relief programs like SBA loans and direct capital infusions (currently on the table for airlines, hospitality, and corporate debt purchases).

Theater of Operations

War, even one on COVID-19, can get very hard for the patient that is your business or investment. It may be painful, but being decisive quickly is the key to save the patient. This requires data/analysis and tough negotiations that may result in some bleeding in the form of litigation. Data may be the panacea. Every data point reveals something about a business, and there may be one data point that may lead to a solution that ensures the survival of the business. We have domain expertise in a number of different industries and can quickly build a data set that helps you clarify where the damage is located and how best to fix it. Second, negotiation can be the most challenging piece of the process for some, but not for us. Under shared crisis, there can be a tendency to have a sense of chivalry in these negotiations - STOP! You are fighting for survival in this crisis. Take every step to protect your interest. Our team will review commercial terms and exit clauses in conjunction with a recommended counsel partner to ensure that every claim is made in a timely matter and no stone is unturned when it comes to protecting and advancing your interests. In history, noblemen have never derived their nobility from chivalry. Their nobility comes from being tough, decisive and doing what it takes to survive. Asserting legal claims in a timely fashion is important in the event litigation ensues. Be forewarned, if there's a bankruptcy or foreclosure, there will be litigation. It is not ideal, but is sometimes necessary. We have strong relationships with several independent litigators who are very tactical and judicious when it comes to stretching the value of your legal costs. These firms are highly acquainted with the venue, jurisdiction and judges and are executioners not legal theorists. They can cut through court bureaucracy even in this environment of courthouse closures and docket resets. We have worked side-by-side with such firms to secure the best legal and commercial outcomes for our clients.

Medivac (Personnel/Personal Logistics)

Debate rages over this crisis. Are there enough tests? Why not more tests? Why/why not shut down? Do we have enough data to judge if the curve has flattened? How would we know if not everyone is tested? These are questions for policy makers and politicians who, up to this point, right or wrong are working through the machinations of government bureaucracy. Our message is simple. Plan for the worst at your household and let the politicians sort out the rest. We pray and hope that the worst doesn't come but a plan that is decisive, simple, executable and ready to go at a moment's notice is critical. The basic, albeit nuanced, question is what

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is your evacuation plan for you and your family? What is your healthcare plan if the system is overwhelmed? Imagine: a military presence on Inwood Drive or tanks and hummers rolling down Kirby (reference to major streets in my hometown of Houston, TX) or any major street in your city, the hospitals are full and high truancy rates by police, fire department, and first responders, ATMs stop spitting out cash, and you have an ill loved one and a family of four to relocated. We know that there are not enough ventilators, medical supplies and equipment to treat the estimated infections from health officials. Headlines are dire: Bill Ackman “Hell is Coming” (CNBC March 18th, 2020). If the system is overwhelmed, the personal health and safety of your family and key-man, executives are at risk. Our team is prepared to work with you to develop a plan and put in-place the parties that can execute that plan. The components include a path to four key services/venues. First, extraction from the “hot zone”, working with various contractors vis-à-vis former military officers who are part of our team, we can devise an extraction plan that is timely and effective in the worst circumstances. Second, medical services, if needed, can be arranged at an alternative venue with a defined medical team at the end. Third, temporary relocation and housing for short term duration needs to be assessed and a plan in place to relocate. Four, financial and cash management, offshore accounts and international access to cash, along with the ability to arrange strategic capital for your business(es). Our international banking relationships are well positioned for these services. A review of kidnapping/ransom and key-man insurance policies are important as those policies may cover the major expenses of any relocation or housing, and services. We are here to work with you to devise an executable plan and put in place a team of service providers and professionals to execute on that plan.

The Strength to Do What’s Necessary

Just as in any war, fear is rampant. Government has lost control of the messaging and the trust of the public has been eroded due to petty political fighting. Resources have not been properly allocated – business and the public are paying the price. Any official action that is taken only brings confusion and fear; thereby, exacerbating the underlying issue, resulting in market collapse and hysteria. To paraphrase Warren Buffet in his last investor letter, in this environment, you want to choose a pit bull not a cocker spaniel, and our team is all pit bull. You may have doubts about the voracity of our message because, as Americans, we fundamentally want to be fair and generous in tough times. However, realizing resources are limited and timing can be critical, we must act quickly and, in some cases, adversarially, in order to protect value and ensure security of the businesses, investments, and most importantly our stakeholders.

With backgrounds from University of Chicago, West Point, MIT, military intelligence, Haliburton, Barclays, and Credit Suisse, as country and continental heads, Presidential and US Senate staff, our team has access to trusted data, insight and information on the pandemic and the global markets. We can be your private and integrated crisis suite both from a business and logistical perspective. Beyond our access, we have the skills and expertise to preserve and protect value for our clients. The crisis will take its course, irrespective, we will be your ally with the perseverance, resolve, and strength to do what’s necessary.

If you need us, we are here to start immediately and ready to take the action needed in your defense during this chaotic time. Team credentials available on request.

Best Regards,



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