

Memorandum

To: Ms. Jennifer M. Frastai
City of Hallandale Beach, FL

From: Paul Lambert
Lambert Advisory LLC

Date: 5/1/15

Re: North Beach Restaurant Operator Review

Lambert Advisory (Lambert) has completed its review of certain terms associated with the proposed sublease of the restaurant operation from BRH Beachwalk Beachclub LLC to sbe Restaurant Group LLC. Specifically our review relates to subsections 34.2.1, 34.2.2, and 34.2.3 of the Operating and Management Agreement dated December 6, 2012 between the City and BRH Beachwalk Beachclub LLC.

Please note, analysis and documents we prepare, including this memorandum are based upon assumptions and estimates which are subject to uncertainty and variation. These assumptions and estimates are often based on data obtained in documents supplied by or in interviews with third parties, and such data are not always completely reliable. We are not accountants and have not conducted a review or audit of the sbe Restaurant Group LLC financial statements. Therefore, while our review is conscientiously prepared on the basis of our experience and the data available to us, we make no warranty of any kind that the statements below associated with financial health or position of sbe Restaurant Group LLC represent an accurate portrayal of their financial condition.

Our findings are as follows:

- 34.2.1 Restaurant Experience – As it relates to restaurant experience in the State of Florida, it is clear that the sbe Restaurant Group LLC has equal or better experience in the State of Florida (and beyond) when compared to BRH Beachwalk Beachclub LLC;
- 34.2.2 Financial Resources – sbe Restaurant Group has submitted three years of audited financial statements and balance sheets (2011-2013) and draft statements from 2014. It has also submitted a “credit worthiness” letter from a Florida bank or other financial institution as required under 34.2.2. Based upon our review of the statements, on an EBIDTA basis, sbe Restaurant Group has positive cash flow for all three years of operations submitted. In 2013, there was a sharp increase in debt, however this increase appears to be a strategy for ownership to realize cash value from built up equity rather than any underlying operating concern. Given the increase in debt, the company was showing losses post repayment of debt and depreciation for 2013. However, despite the losses in 2013, if the questions from the City’s perspective are: Does the operator have enough resources to complete the build out of the restaurant, provide enough resources to market the restaurant to guests, and bring the restaurant to stabilized operations? It appears from the information

reviewed that the operator is of enough operating depth and financial capacity that it can meet and exceed these thresholds.

- 34.2.3 – Character & Reputation - sbe Restaurant Group LLC has submitted three letters which are consistent with the requirements of the Operating Agreement and speak positively to the character and reputation of the sbe Restaurant Group LLC.

Please let me know if you have any additional questions or would like to discuss the above further.