



3100 Clarendon Blvd
Suite 200
Arlington, VA 22201
SRGconcepts.com

July 10, 2023

Dear Swan Point Restaurant, LLC Capital Partners,

SRG Concepts is working to streamline your quarterly updates to a brief one and ½ page bullet summary of our restaurant issues and action plans. Beginning Q2, all financial reports will be posted on the new SRG Concepts website Investor Portal www.srgconcepts.com. Shortly, you will receive email notification to join the Investor Portal and will be asked to create a username and password. We ask for your patience as you navigate this new platform as technical glitches may occur. Please notify us immediately and we will work quickly with our webmaster to resolve these issues.

Executive Summary

The Walrus Oyster & Ale House National Harbor averaged \$208,000 in weekly sales resulting in Q2 revenue of \$2.50M and \$388,897 in EBITDA. Sales increased .6% vs. LY while EBITDA declined \$86,500 or 18.2%. Cover counts increased 1,414 or 2.9% and but our PPA declined \$1.07 from LY at \$50.00.

Sales and cash flow were impacted over Easter weekend by backed up sewer lines the responsibility of our landlord Peterson Companies. We closed Saturday, Sunday and ½ of Monday from 4/8 to 4/10 resulting in missed sales of \$79,500 and cash flow of \$33,549. Walrus received proceeds totaling \$14,439 from an insurance reimbursement and is now seeking a \$19,110 settlement from the landlord. This restaurant achieved all Q2 key performance metrics except for a slight decline in PPA from 2022.

Our decline in EBITDA was due to four issues: (1) a 16.8% year over year hourly wage increase (\$11.60 to \$13.55) costing \$56,800, (2) an increased reserve for business profits tax totaling \$31,000 and, (3) an increased reserve of \$30,000 for % rent to meet obligations of lease and (4) the unreimbursed impact of closing 2½ days over Easter Holiday weekend totaling \$19,110 in cash flow.

Tom's Watch Bar 245 seats (replaced *Granite City*) and *Fogo de Chao*, the new 185 seat competitor overlooking the Potomac River (replaced *McLoone's*) have not yet made a significant impact on our sales, but we are keeping a watchful eye on any changes. Silver Diner will open in August.

Walrus National Harbor will delay its \$1.3M renovation until December 2024. It is disappointing to create another delay and face this reality, but SRG Concepts is simply unable to withstand the missed management fees and profit distribution over six months while three of our important projects *Chicken + Whiskey Clarendon*, *Chicken + Whiskey Ballpark* and *Chicken + Whiskey Columbia* have not reached cash flow stabilization.

A Q2 distribution of \$450,000 was made last week. \$100,000 investors received \$18,000 and \$50,000 investors received \$9,000 for a 72% annual cash on cash return.

Action Plans

- A demand letter was sent to Peterson Companies in May to compensate *Walrus National Harbor* for its failure to carry out its responsibilities outlined in the lease. We are seeking a remaining reimbursement of damages of \$19,110 which includes gross profit, cost of food and extra labor.



3100 Clarendon Blvd
Suite 200
Arlington, VA 22201
SRGconcepts.com

- Drive PPA to \$50.00. We recently introduced weekly features at a higher price point which have done impressively well. We are also looking into increasing our alcohol prices in beverage packages for events.
- Negotiate with Peterson on adding an additional 5-year option to our current lease. Our first 10- year term is set to expire at the end of next year.

Quarterly Reporting

SRG Concepts is transitioning your Q2 reporting to our Investor Portal on the SRG Concepts Website. Investors will be able to find the following quarterly reports for their respective restaurants on the SRG Concepts website under the Investor Portal.

- Profit & Loss with Key Performance Metrics
- Balance Sheet
- Guest Satisfaction (Google, Yelp)
- Mystery Shop Performance vs. Brand Standards.
- Associate Engagement
- Turnover

As always, we appreciate your support of SRG Concepts and our restaurants. Please give us a call at 571-512-8361 or email sdamon@srgconcepts or gchang@srgconcepts with your questions.

Sincerely,

Des, Kris, Stu, and Grace