



Memorandum

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

From: Paul Lambert
Lambert Advisory LLC

Date: 1/18/17

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 PRH Beachwalk Beachclub LLC to Beach-Chu Hallandale LLC, an affiliate of Azumi Limited (Azumi). 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 PRH 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 Azumi's 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 Azumi 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 Azumi Limited has equal or better experience in the State of Florida (and beyond) when compared to PRH Beachwalk Beachclub LLC. Indeed, based upon financial statements provided to the City, Azumi owns and operates what appears to be one of the strongest performing restaurants in the Miami market (Zuma). This strong performance has continued and even strengthened over the past several years despite the fact that Zuma has been in operation for more than six years in a market which is notoriously fickle as it relates to restaurants;
- *34.2.2 Financial Resources* – Azumi Limited, headquartered in London, has submitted three years of audited consolidated financial statements and balance sheets (2013-

2015). They have also submitted three years of audited financial statements for their Zuma Restaurant in Miami. While, Azumi has not submitted a “credit worthiness” letter from a Florida bank or other financial institution as required under 34.2.2, there is nothing within Azumi’s or Zuma’s audited financial statements which would indicate that Azumi or Zuma is anything less than creditworthy. A Citibank letter was submitted on behalf of Azumi’s Zuma restaurant in Miami which indicates that the restaurant’s accounts “have always been managed in a satisfactory manor.” Based upon our review of the statements, on an EBITDA basis, Azumi Limited has significant positive cash flow for all three years of operations submitted. Based upon the information provided and reviewed, the operator is of enough operating depth and financial capacity to deliver and support operations of the North Beach Restaurant as they have proposed.

- *34.2.3 – Character & Reputation* – Azumi has submitted three letters which are consistent with the requirements of the Operating Agreement and speak positively to the character and reputation of Azumi and/or its Zuma restaurant.

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