

From: "Steve Hanson" <[REDACTED]>
To: <jeevacation@gmail.com>
Subject: Fw: I just was informed...
Date: Wed, 11 Dec 2013 03:05:30 +0000

I missed this at 6. It is the in house attorney. Call me when ur up in am. I'm at 6. Your are GOOD

Sent from Steve Hanson's Blackberry

Proud to be the first national multi-concept restaurant group to be certified Green by the Green Restaurant Association
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----- Original Message -----

From: Ellis Rinaldi <[REDACTED]>
To: Steve Hanson; Barry Sternlicht <[REDACTED]>
Cc: Dan Yih <[REDACTED]>; [REDACTED] <[REDACTED]>
Sent: Tue Dec 10 18:09:53 2013
Subject: RE: I just was informed...

Hi Steve. Barry has been in non-stop meetings but we had a chance to speak briefly about this and he asked me to respond. Option number one below is fine with a 5 year period for the Strip House and 2 restaurants would be allowed during the non-compete period as long as they were outside of NY City and Atlantic City. If this is acceptable to you, we will then revise the latest draft of the agreement and see if we can finish it up. As usual, nothing is binding until all of the terms are agreed to and the separation agreement is signed by both parties. Thanks.
Ellis

-----Original Message-----

From: Steve Hanson [mailto:[REDACTED]]
Sent: Monday, December 09, 2013 6:49 PM
To: Barry Sternlicht
Cc: Dan Yih; Ellis Rinaldi; [REDACTED]
Subject: RE: I just was informed...

Barry,

I've carefully reviewed your email. I agree that we should not have a messy divorce. I understand your concerns regarding me not having skin in the game, so in a friendly attempt to get this behind us, I suggest, for purposes of settlement only, that we try to resolve matters. Here's three suggested alternatives.

1. I kick in 500k from our agreed 2.5. million to go to employees. You buy my stock by the end of this year for \$1.5MM and I will resign at that time. After my resignation, you will get a 6-month general non-compete from me, as well as a multiple year (you choose the number) non-compete for Striphouse . At the end of the 6-month general non-compete and only at the end, you pay me \$500K, provided I have not breached the non-competes (thus, I am wholly at risk if I breach). I would ask that you allow me 2 restaurants during the 6-month general non-compete, but I will accept it if you decide not to allow any. I will help you transition and sell the business during these 6 months non-compete.
2. I will kick in 500k for employee retention. You will buy 25% of my stock in each of the four consecutive months from January through April 2014 for \$500K per monthly purchase, or \$2MM in the aggregate. I will continue to work as CEO until June 2014 at full salary and benefits. There will be no non-compete when I resign in June 2014, except for a multiple year (you choose the number) Striphouse non-compete. In

the event of a sale of the business between now and June 2014, you will pay me a bonus, the amount of which is to be decided solely by you.

3. You will buy my stock for \$1.5 MM by the end of this year and I will resign at that time. There will be no non-compete, except for a multiple year (you choose the number) striphouse non-compete, and neither you nor I will have any further obligations.

I have really attempted to address your lack of trust and other concerns that I find upsetting but which I believe to be fair to us both.

I am available to meet or speak.

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-----Original Message-----

From: Barry Sternlicht [mailto: [REDACTED]]

Sent: Monday, December 09, 2013 1:43 PM

To: Steve Hanson

Cc: Dan Yih; Ellis Rinaldi; [REDACTED]

Subject: Re: I just was informed...

Steve,

I did not ever agree to what you suggest. I originally offered you 1m to go away. You asked for millions. Then you told me you would leave at the end of your term in February with no payment. I went away, came back, said ok, and then you said you would accept \$2.5m (2.5x your salary) and would not agree to a any real noncompete and even the flimsy one you suggested you would put no money behind violating it.

It is stressful for me as well. This is among the two worst investments of my career. We have done nothing but lose money, pay off recourse, pay off your note, pay for bad new restaurants you closed, fired the COO you chose, paid him a fortune too, paid you, your brother, for your commissary, your office rent etc. I have a lot of patience at this point to go to the mat for my investors. You will lose any possible action to prevent Dan from being the CFO so be my guest to contest it.

You will pay our legal fees as well as your own. He was a public company CFO of a entity larger than BR Guest. Hard to imagine he isn't more qualified than anyone who has ever filled this position.

All you have to do is say, "hey, I've made a lot of money and good luck to you running and selling this business. Id love to help!" All you have to say to yourself is "I have made enough money here and for the good of the company and my legacy, I should act honorably. I should go do the other things I want to do and get on with my life." You somehow have concluded that getting extortion is the better avenue, that "I need to get one more payment out of these big cat guys." How am I threatening you? You are asking for money from us, not the other way around. I am asking to run this company for us until we sell it. I am not threatening you.

However, I do expect you to act in the best interests of this company, its employees and its investors. If this doesn't happen, rest assured we will be forced to reinforce our rights. I want to immediately offer BR Guests key employees a combination stay bonus and a performance payouts based on EBITDA in 2014. This MUST be in the companies best interest so I sure hope you will agree wholeheartedly.

I will not lose any more money in this entity in payments to you to have you then compete against us. Nobody is threatening you. You don't have compete with BR Guest for a while. It is totally in your court. We have never suggested you don't work. We suggested you not work against BRG's interest, trying to hire its people, interfering with its leases, trying to screw us on Strip House which is a material part of the entities cash flow. What you wrote is simply untrue. Most "partner/founders" would be asked to sign 3 year non competes. You wouldn't even give us a real 6 months.

I wish it weren't so. It you who is asking for still more money. We are not the catalysts to your and your attorney's apparent greed. The proverbial well is dry.

Up to you. It sure doesn't have to be a messy divorce. If you don't want to be a full time CEO per the specific requirements of Howie's employment agreement, you should clearly do something else. Fine with us.

We cant possibly be "in the wrong." We, SCG, stand to make not even a penny for ourselves for protecting our investors in any fight with you.

But a fight will surely take both of our time, time that neither of us have and for which the outcome is not certain other than enriching attorneys.

> On Dec 9, 2013, at 12:52 PM, "Steve Hanson" <[REDACTED]> wrote:

>

> Yes we have been good partners. I understand your being upset and
> thought our clean divorce was the way to go. You twice agreed, shook
> hands and hugged on our separation only to twice re-neg on the deal
> only after we parted. You are also well aware that the cash basis
> number is larger than it would have been had not the loan I conceded
> to and your
> 12 percent pref been put on the books. It's extremely stressful to
> have you on the one hand constantly berate, accuse, and attack both me

> personally and my capabilities while at the same time have your legal
> team spend weeks to argue that I should not work for anyone else if
> and when we part. In addition, as per my emails to you, I do not, did
> not and will not consent to Dan as CFO(as per our agreement section
> 9). I would have thought that you had wanted the best chance of a
> business success, so forcing your unreasonable choice of CFO on me,
> and the company is at best, puzzling.

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> I am available to meet or speak.

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> -----Original Message-----

> From: Barry Sternlicht [mailto:[REDACTED]]

> Sent: Sunday, December 08, 2013 8:33 PM

> To: Steve Hanson

> Cc: Dan Yih; Ellis Rinaldi

> Subject: I just was informed...

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> Our cash basis in BRGUEST is now \$128 million!!!

>

> You really should be ashamed of yourself demanding more money to
> behave after we have been friggin idyllic partners for 7 years and
> will lose a fortune.

>

> Amazing chutzpah.

>

> Good luck devoting substantially all your business time to making sure

> the company performs at its best as our the duties of the CEO.

>
> Im so angry my heart is racing.
>
> Barry
>
> _____
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