aurifybrands

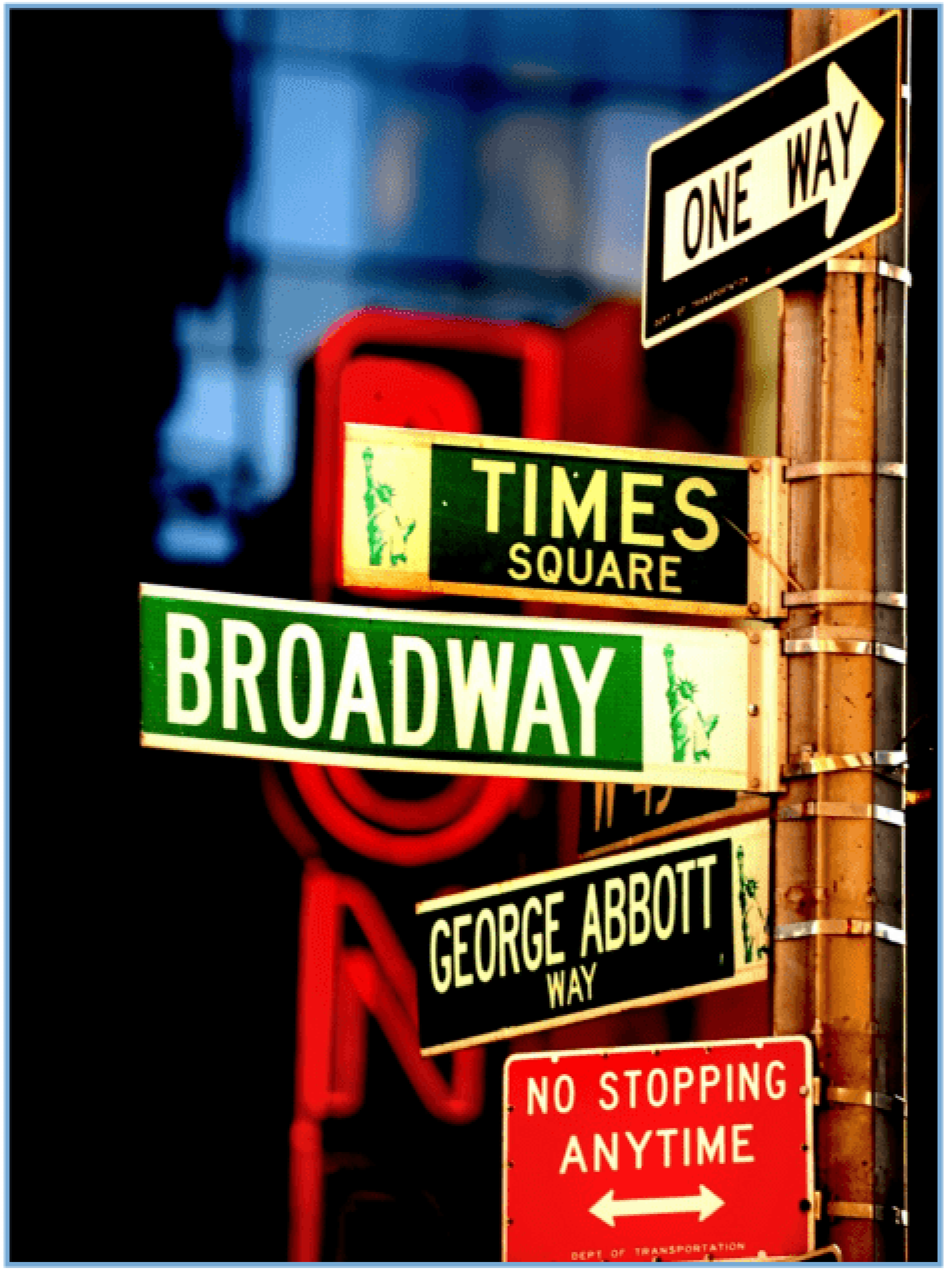
Mitchell Holdings, LLC

Investment Overview
September 2012

EFTA01091908

A Rare Opportunity

- Mitchell Holdings LLC & Aurify Brands have signed a Letter of Intent to purchase one of New York's most sought after and iconic brands.
- Family-owned for generations, the company has worked with us for over two years to create a purchase scenario that will allow the brand to flourish.
- The brand is poised for significant value creation through development and licensing opportunities.
- Few opportunities exist in the restaurant industry with similar brand equity and untapped growth potential.



Carnegie Deli

A History…

- **1937:** Carnegie Deli opens across from Carnegie Hall at 854 7th Avenue.
- **1938-75:** Known as a local eatery for midtown office & stage professionals.
- **1976:** Purchased by Milton Parker and Leo Steiner.
- **1979:** Modern day Carnegie craze sparked by famed NY Times critic Mimi Sheraton.
- **1980-2002:**
  - Parker's & Steiner's innovative efforts establish Carnegie as "the" NYC deli.
  - Popularity flourishes, deli becomes a favorite of celebrities, dignitaries and tourists alike.
- **2002:** Ownership transfers to Parker's daughter, Marian Levine, and her husband, Sandy.
- **2005:** Termed "Most Famous Deli in the United States" by USA Today.
- **2010-2012:** Continues to enjoy limelight, releasing "The Melo" and "The Jetbow" sandwiches to honor new NYC arrivals.
- **Present day:** Its iconic status solidified, Carnegie serves up to 15,000 lbs of corned beef and pastrami to customers each week.

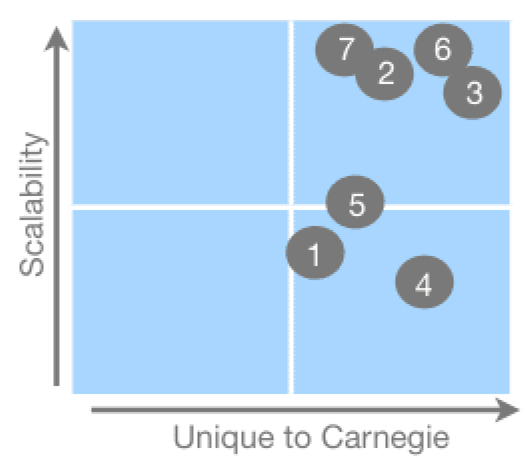
The Carnegie Brand

We seek to utilize Carnegie's strong brand equity to expand and scale the business from a well-run "mom & pop" operation to a professionally-managed, global restaurant & food company.

Key to the success of this expansion will be the ability to scale distinct, defining aspects of the Carnegie Deli brand, while maintaining its underlying integrity.

Distinguishing Brand Elements

1. *NYC lineage and legacy*
2. *Signature Jewish deli food items*
3. *Interior decor: wood, photos, etc.*
4. *Brand ambassador as host*
5. *Dining experience with waitstaff*
6. *The spectacle of the sandwich*
7. *Celebrity & notable sandwiches*



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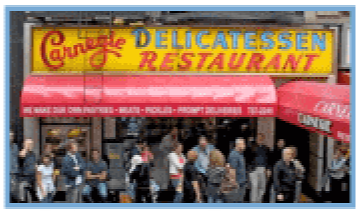
Current Business



Flagship Carnegie Restaurant

- Iconic NYC Location
- Long-term lease in place
- Experienced, dedicated staff
- Low estimated capex req'ts

2011 Revenue = $12.9MM

2011 EBITDA = $1.8MM

Wholesale Food Products

- NJ Real Estate & Factory
- Excess production capacity
- Commissary for NYC, LV & PA
- Select existing distribution:

  MJ Comerford: Supermarkets

  United Pickle: Costco

  Thumann, Inc: Packaged proteins

2011 Revenue (Total) = $9.9MM

2011 EBITDA = $0.9MM

Licensed Restaurant Deals

- MGM Mirage (LV)
- Sands (PA)
- Madison Sq Garden
- US Open

2011 Revenue = $0.7MM

2011 EBITDA = $0.7MM

Solid Existing Business, Exceptional Brand Equity & Myriad of Untapped Growth Opportunities

Letter of Intent

The LOI with current Carnegie ownership includes:

- $27MM Purchase Price (Businesses)
- Purchase of NJ Manufacturing Facility and Real Estate, estimated at $2MM
- 3-Year Seller Note of $6MM
- 2-Year Employment Contract with Sandy Levine, the current owner/operator
- Purchase of all patents, trademarks and proprietary materials (e.g., recipes, etc.)
- Usage and/or reproduction of key assets (e.g., pictures, etc.)

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Growth Principles & Pillars

Embrace the Brand

- Remain committed to the core principles of the Carnegie brand, built over the past 75 years
- Stay true to company culture, signature products and true differentiators of the Carnegie "experience"
- Immediate focus on nurturing NYC operations & customer experience - "The Flagship"

Leverage Expertise from All Sides

- Research and digest vast knowledge base of existing ownership and management teams
- Integrate our seasoned central corporate team and infrastructure to enable intelligent scaling of operations
- Allocate combined pool of human capital efficiently and to areas of greatest impact

Systematically Realize Potential

- Formalize the unique "DNA" of company and infuse it into growth scenarios
- Guide expansion plans with 15-year company vision
- Allocate capital to optimal "brand building" opportunities

Guided by these principles, we intend to significantly expand the Carnegie business across four units...

The 4 Pillars of Carnegie Growth

1. **NYC Flagship Restaurant & Catering:** Expand & systematize the existing business "behind the scenes"
2. **Big Box Licensing:** License mid- to full-scale Carnegie Deli restaurants in select markets through synergistic and strategic partnerships (e.g., hospitality groups, etc.)
3. **Carnegie Express:** Develop & operate and/or franchise small-scale, fast casual Carnegie Deli boxes in select markets
4. **Wholesale Product Lines:** Develop and expand wholesale product partnerships with retailers

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New York City Flagship Restaurant

Key Financials (2012 Pro-forma)

- $12.9MM Annual Net Sales
- 14.0% Operating Margin
- 10,000 Customers per Week

Immediate Focus

- Accept credit cards
- Install networked POS system
- Migrate to payroll processing system
- Digitize and integrate inventory management
- Implement repair and maintenance procedures
- Cleaning and repair cosmetic needs
- Audit financials

Growth Opportunities

- Exploit all day parts (breakfast, etc.)
- Focus on corporate sales & catering initiatives; develop catering menu; create house accounts
- Expand delivery radius & improve delivery operations
- Grow hotel & concierge outreach
- Build nostalgic event schedule

Strategic Considerations

- Union labor & contracts
- Consistency of customer experience through transition

Big Box Licensing

Focus Markets

1. *Los Angeles*
2. *Miami*
3. *Orlando*
4. *Washington, DC*
5. *Boston*

Opportunity

- License operating locations
- Target tourist-rich, high-traffic and captive audience locations for licensing opportunities (e.g., casinos, hotels, large theme parks, etc.)
- Heighten regional U.S. awareness of brand; prep for follow-on introduction of Carnegie Express and/or wholesale product lines
- Expand footprint to international markets via trusted operating partners (discussions progressing with multi-site hoteliers)

Target Unit Metrics

- \$6.00MM Annual Revenue (Avg)
- License Fee = 6% of Revenue or \$0.36MM of Royalty Income
- Incremental Wholesale Revenue of \$900K & EBITDA of \$100K

Strategic Considerations

- Premier real estate & operating partners (past Carnegie "lessons learned")
- Market timing vis-a-vis other growth efforts (CD Express, wholesale lines)

Carnegie Express

Opportunity

- Develop authentic, small-scale "grab-and-go" style restaurants
- Limited menu offering of key products & favorites, more on-the-go sizing & packaging, and a lower price point
- Design would encapsulate key features of Carnegie Deli flagship, yet entail a more repeat visit, less "tourist-centric" layout & operating model
- Multiple boxes per market, expanding beyond tourist-rich centers targeted For Big Box Restaurants

Target Unit Metrics

- $1.50MM Annual Revenue (Avg)
- $0.75MM Build-out Cost
- $0.27MM EBITDA (18%)

Strategic Considerations

- Development of effective and efficient franchise operations
- Balance between operating locations vs. franchised locations
- Hub-and-spoke expansion, beginning in NYC Metro market
- Prime real estate and locations catering to quick-service migration patterns and population

Wholesale Supply & Product Lines

Opportunity

- Following (or in conjunction with) brick-and-mortar restaurant presence, establish wholesale relationships with regional retailers
- Expand & modernize current product distribution, while adding new products to the line (breads/bagels, condiments, etc.) via new subcontractor relationships.
- Establish wholesale supply chain for operating locations, as well as licensed and franchised locations.

Target Metrics

- 10% YOY Revenue Growth
- 12% Operating Margin

Strategic Considerations

- Prioritizing products with high-margin + high-volume potential
- In-house vs. 3rd party production of key, signature items
- Master license program for regions and/or cities

Sources & Uses

- $30.4MM will be needed at closing with an approximate 60/40 split of debt/equity.
- Close to 90% of this capital will be used to purchase the businesses.

Sources		
Acquisition Financing	$6,000,000	19.7%
Real Estate Mortgage	1,500,000	4.9%
Seller Note	6,000,000	19.7%
Mezzanine Financing	5,000,000	16.4%
Equity Investment	12,000,000	39.3%
Total Sources	30,500,000	100.0%

Uses		
Purchase of The Businesses	$27,000,000	88.5%
Purchase of the NJ Real Estate	2,000,000	6.6%
Closing Costs	500,000	1.6%
Growth Capital	1,000,000	3.3%
Total Uses	30,500,000	100.0%

Development & Revenue

- Careful & deliberate development schedule with moderate ramp-up occurring in Year 2.
- $1.2MM incremental revenue from New Business in Year 1, increasing to $50MM by Year 7.
- 2.0x current revenue by Year 4 and 3.0x by Year 7.

Development Schedule	Year 1	2	3	4	5	6	7
New License Deals	0	1	1	1	1	1	1
Total License Deals	0	1	2	3	4	5	6
New Express Boxes (Operate)	1	3	4	4	4	4	4
New Express Boxes (Franchise)	0	0	0	0	0	0	0
Total Express Boxes	1	4	8	12	16	20	24
Wholesale Growth	10%	10%	10%	10%	10%	10%	10%

Revenues (In Thousands)	Pro-forma	1	2	3	4	5	6	7
Existing								
The Deli	$12,961	$13,090	$13,221	$13,353	$13,487	$13,622	$13,758	$13,896
Existing Licensing Fees	721	743	765	788	811	836	861	887
Existing Wholesale	9,875	10,369	10,887	11,431	12,003	12,603	13,233	13,895
Existing Revenue	23,557	24,202	24,873	25,573	26,302	27,061	27,852	28,677
New								
License Deals	0	0	180	551	933	1,326	1,731	2,149
Express Boxes (Operate)	0	750	3,795	9,226	15,593	22,151	28,905	35,863
Express Boxes (Franchise)	0	0	0	0	0	0	0	0
Wholesale	0	480	1,640	3,515	5,511	7,555	9,649	11,793
New Revenue	0	1,230	5,615	13,292	22,037	31,032	40,286	49,804
Total Revenue	23,557	25,432	30,488	38,865	48,339	58,093	68,138	78,482

Key Assumptions

- Open 1 significant license location per year.
- Ramp up development & openings of CD Express locations to 4 per year; own & operate 100% of locations.
- Existing & new business grows at 3% / yr.
- License Deals entail 6% revenue license fee.
- All new locations (Big Box Licensing, Express Boxes) open on 1-July of each year.
- Annual Revenue: Big Box Licensing = $6MM; Express = $1.5MM.
- New Wholesale includes (1) commissary for Big Box Licensing & Express Boxes and (2) 10% growth of distribution business per year ($4.1MM of $9.9MM total pro-forma).

EBITDA

- Express Boxes as primary contributor by Year 4, surpassing NYC Deli location; attractive unit-level economics & ability to develop.
- License Deal cash flow entails minimal overhead & minimal finance/development capital outflows.

EBITDA (In Thousands)	Pro-forma	1	2	3	4	5	6	7
Existing								
The Deli	$1,816	$1,834	$1,853	$1,871	$1,890	$1,909	$1,928	$1,947
Existing Licensing Fees	704	743	715	738	761	786	811	837
Existing Wholesale	980	1,037	1,089	1,143	1,200	1,260	1,323	1,390
Existing EBITDA	3,500	3,614	3,656	3,752	3,852	3,955	4,062	4,173
New								
License Deals	0	0	180	551	933	1,326	1,731	2,149
Express Boxes (Operate)	0	135	683	1,661	2,807	3,987	5,203	6,455
Express Boxes (Franchise)	0	0	0	0	0	0	0	0
Wholesale	0	58	197	422	661	907	1,158	1,415
New EBITDA	0	193	1,060	2,633	4,401	6,220	8,092	10,019
Total EBITDA	3,500	3,806	4,716	6,385	8,252	10,175	12,154	14,192
SG&A	0	(509)	(610)	(777)	(967)	(1,162)	(1,363)	(1,570)
Depreciation & Amortization	0	(1,700)	(1,925)	(2,225)	(2,525)	(2,825)	(3,125)	(3,425)
Interest Expense	0	(1,138)	(1,210)	(1,306)	(1,376)	(1,417)	(1,427)	(1,404)
Income Taxes	0	(161)	(340)	(727)	(1,185)	(1,670)	(2,184)	(2,728)
Net Income	0	299	631	1,350	2,200	3,101	4,056	5,066

Key Assumptions

- Existing Business Operating Margins: Deli = 14%; Wholesale = 10%
- New Business Operating Margins: Big Box Licensing = 100%; Express = 18%; Wholesale = 12%
- Corporate SG&A = 4%
- All Depreciation uses 10-year, straight line method
- Income Taxes = 35%

Balance Sheet

Balance Sheet (In Thousands)	Pro-forma	1	2	3	4	5	6	7
Assets								
Cash	$1,000	($669)	($1,872)	($2,546)	($428)	$2,490	$5,731	$5,318
Accounts Receivable	0	966	1,123	1,357	1,605	1,860	2,123	2,394
Existing Business Assets	29,000	28,050	26,600	25,150	23,700	22,250	21,300	19,850
New Express Boxes	0	675	2,625	5,025	7,125	8,925	10,425	11,625
Other Assets	0	75	150	225	300	375	450	525
Total Assets	30,000	29,097	28,625	29,211	32,302	35,900	40,029	39,712
Liabs & Equity								
Accounts Payable	0	991	1,139	1,372	1,631	1,898	2,173	2,456
Senior Bank Financing	6,000	5,307	4,565	3,771	2,922	2,013	1,040	0
Real Estate Mortgage	1,500	1,469	1,436	1,401	1,365	1,326	1,286	1,244
Mezzanine Financing	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0
Seller Note	6,000	4,000	2,000	0	0	0	0	0
CD Express Financing	0	532	2,056	3,888	5,404	6,581	7,392	7,808
Total Liabilities	18,500	17,298	16,195	15,431	16,321	16,818	16,892	11,509
Preferred Stock	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Retained Earnings	(500)	(201)	430	1,780	3,980	7,082	11,137	16,203
Total Equity	11,500	11,799	12,430	13,780	15,980	19,082	23,137	28,203
Total Liabs & Equity	30,000	29,097	28,625	29,211	32,302	35,900	40,029	39,712

Cash Flow

Year	1	2	3	4	5	6	7
Cash Flow (In Thousands)							
Net Income	$299	$631	$1,350	$2,200	$3,101	$4,056	$5,066
Depreciation & Amortization	1,700	1,925	2,225	2,525	2,825	3,125	3,425
Changes in Operating Activities	25	(9)	(2)	12	12	12	12
Changes in Financing Activities	(2,792)	(3,051)	(3,397)	(1,769)	(2,170)	(2,602)	(8,066)
Changes in Investment Activities	(900)	(700)	(850)	(850)	(850)	(1,350)	(850)
Beginning Cash Balance	1,000	(669)	(1,872)	(2,546)	(428)	2,490	5,731
Total Change in Cash	(1,669)	(1,204)	(674)	2,117	2,918	3,241	(413)
Ending Cash Balance	(669)	(1,872)	(2,546)	(428)	2,490	5,731	5,318

Our Team

Entrepreneurs

Owner / Operators

Investors

David Mitchell

- Over 30 years of finance, [redacted] and real estate investment experience.
- President of Mitchell Holdings LLC, completing over $3.7B in transactions since 1991.
- Managing Partner of Las Vegas Land Partners LLC, developing the new Las Vegas Civic Center.
- Experienced owner & operator of multiple businesses in the hospitality & gaming industries.

John Rigos / Andy Stern

- 10+ companies founded.
- 40 combined years investment and operations experience.
- 16 combined years in the restaurant / hospitality industry.
- 48 stores owned, developed and operated across 6 brands.
- 4 Board of Director seats across 3 non-profit organizations.

- Operators of Acquired, Franchised & Original Concept Businesses
- Broad Experience with Development & Growth Capital
- Robust Real Estate Investment Record
- Extensive Network of Industry Advisors & Experts
- Operational Focus on Human Capital
- NYC Market Expertise (site selection, labor pool, unit-level [redacted])