THE BLACK SWAN CONNECTION

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Company Profile

Subject Issuer:

Southern Concepts Restaurant Group

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SOUTHERN CONCEPTS RESTAURANT GROUP

Stock Symbol: RIBS
Last Trade Price: $.08
Approximate Shares Outstanding: 71 million
Approximate Market Cap: $5.7 million

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Company Profile

Southern Concepts Restaurant Group, Inc. is a Colorado Springs, Colorado based restaurant operating company founded in 2008. The company currently operates two restaurant brands. The first is a full service barbeque brand called Southern Hospitality. The Southern Hospitality concept was developed in 2007 by entertainer Justin Timberlake and a group of New York restaurateurs. This group currently operates a Southern Hospitality restaurant in New York's iconic Hell's Kitchen. Southern Concepts currently operates three franchised Southern Hospitality restaurants in Colorado Springs, Colorado, Lone Tree, Colorado and in lower downtown Denver, Colorado. Collectively, these stores are achieving marked growth (some of the stores have not been open long enough to provide standard "same-store-sales" comparisons). The company anticipates opening additional Southern Hospitality units in both Colorado and potentially Arizona in the coming quarters. The pace of those efforts will depend on their ability to identify and contract favorable locations as well as their access to the capital necessary to open them.

The Company's second restaurant brand is called Carve. Carve is a fast casual barbeque concept that is owned by the Company. The first Carve store was opened in November 2015, and has performed well. We believe the store is currently operating profitably at the store level. Again, within the constraints of capital and the availability of viable locations, Southern Concepts intends to expand the number of Carve stores in the coming quarters and will seek to establish a licensing platform as well.

In addition to the brands above, we believe the Company may look to accretive opportunities of other small emerging brands along the Colorado front range as well. While adding stores will be paramount to the Company's growth and success, we think they are currently approaching cash flow breakeven, which may provide a catalyst for the valuation of the stock.

Industry and Demographic Overview

According to the National Restaurant Association, America's Restaurant industry generates sales of $783 billion representing 4% of U.S. GDP. In addition, the industry employs 14.4 million which accounts for approximately 10% of the nation's workforce. According to the U.S Commerce Department, in early 2015, U.S expenditures for dining out surprised grocery store sales for the first time ever.

In Colorado, the restaurant industry contributes a similar percentage to the state's gross product but actually employs an even greater percentage of the population (approximately 12%) than the national average. www.restaurant.org estimates that Colorado restraint sales will grow by nearly 6.5% in 2016 over 2015.

According to the Bureau of Economic Analysis, in 2014 Colorado ranked 5th amongst all states in terms of real Gross State Product ("GSP") growth (+4.7%). Projections from www.USgovernmentspending.com suggest that Colorado will remain in the top five states for GSP growth through 2019. The U.S Census Bureau notes that for the annual period ended July 1, 2015, Denver grew faster than any of the 50 most populous cities in the U.S. Relatively speaking, Colorado is one of the fastest growing and more prospering parts of the country, which by extension should speak to Southern Concepts opportunities therein.

On a more granular level, SmartAsset recently produced their annual list of the Happiest Places to Live in America. Colorado's Douglas County was in the top 10 of that list and is home to Southern Concept's third full service restaurant (Lone Tree, Colorado). Incidentally, it was the only entry on this list west of the Mississippi River. Douglas County is located along the I-25 corridor between the state's two most populated cities, Denver and Colorado Springs. It supports one of the nation's highest income ratios and one of the highest median incomes of all counties in the U.S. Over the past decade or more, Douglas County has appeared on many such lists in terms of extraordinary growth, income and basic quality of life. Actually, there are also a number of other communities in or near the Denver metro area that have also shown up on a number of these lists in the past. In short, the demographics of the Colorado Front Range are on the face highly positive for many businesses including restaurants, and other facts seem to bear that out.

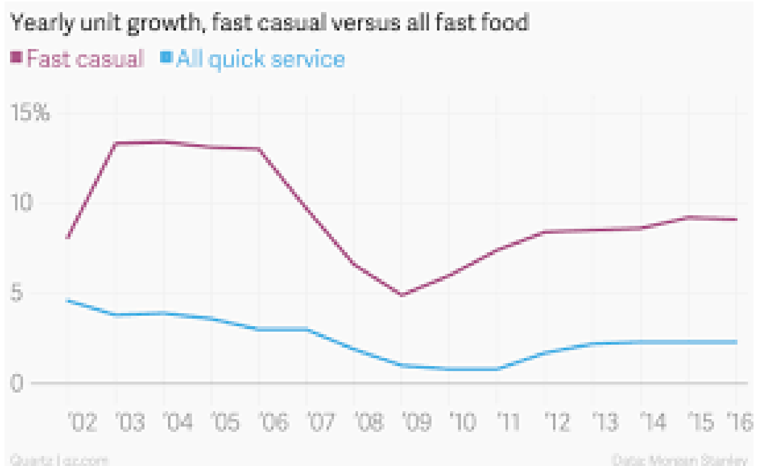
Again, we believe the Colorado Front Range is a favorable environment for Southern Concepts to grow the two brands it currently operates. The Company's 3 casual dining franchise stores under the Southern Hospitality brand have *collectively* experienced growth and (more recently) profitability. We believe they will continue to seek locations along the Front Range that may be conducive to additional units. However, it is the Company's own brand Carve, that we believe can provide the greater opportunity for aggregate Company growth going forward. We will provide some additional color on the brand in the Operating Overview below, but from the 10,000-foot view, Carve is a new fast casual barbeque concept, and fast casual seems to be particularly topical to the Colorado Front Range.

To edify, Fast Casual is a relatively new segment of the restaurant industry. It is characterized as a higher quality, fresher product than what might be typically found at a quick serve restaurant ("QSR"), but with similarly *quick* service. Further, the price points of fast casual concepts tend to fall somewhere in between QSR and casual dining. Perhaps the most visible example of fast casual is Chipotle. That said, part of our thesis here is that fast casual may represent the fastest growing segment of the restaurant industry. Moreover, as we will illustrate below, the Colorado Front Range that Southern Concepts calls home, also happens to be a hotbed of fast casual concepts. The Company's new Carve brand sits at the crossroads of these two themes, which we think should be positive for the Company going forward.

In August of 2013, consumer spending tracking company The NPD Group published some data regarding the fast casual dining segment of the restaurant industry. On the industry side they said that "*the number of fast-casual restaurants grew by 7 percent, year over year, this past spring, and that traffic at said restaurants grew 9 percent. And ground zero for this growth is in Colorado".* More importantly, they also noted that *"the highest concentration of fast casual units are all in Colorado. The most fast-casual intensive metro area is Fort Collins-Loveland, Colorado. It has just 41 fast-casual units, but on a per-capita basis that represents 13.14 locations per 100,000 people. Close behind is Denver, which has 337 fast-casual locations, or 12.76 per 100,000 people. And then there's Boulder, which has 38 locations, or 12.53 units per 100,000. On average, there are only 5 fast-casual units per 100,000 nationwide".*

More recent NPD data suggest that *"fast casual continues to be on a winning streak, growing both in units and customer visits. The number of fast casual chain restaurants rose by 5 percent to 19,043 total units, based on NPD's Fall 2015 ReCount® restaurant census, which includes restaurants open as of September 30, 2015. Fast casual customers increased their visits by 6 percent in the year ending February 2016 compared to a year ago, while total foodservice traffic rose by 1 percent".*

In additional analysis, NPD expects fast casual to grow in the double digits while the balance of the industry may remain relatively flat.



To be sure, the Colorado Front Range is home to a number of successful and well recognized fast casual players, including; Chipotle (perhaps the fast casual king), (Denver), Smashburger, Noodles & Co., Qdoba, Einstein Brothers Bagels, Garbanzo Mediterranean Grill, Boston Market, and Tokyo Joe's.

Since 2013, fast casual has continued to accelerate along the Colorado Front Range.

Lastly, it is worth considering that many view the rise of fast casual as a generational phenomenon.

The Pew Research Center recently noted that *"millennials, those ages 18 to 34 in 2015, usurped baby boomers (ages 51 to 69) as America's largest generation. As of last year, there were 75.4 million millennials and just 74.9 million baby boomers. Generation X (ages 35 to 50 in 2015) were ranked third at 66 million and are projected to pass the baby boomers in 2028. Pew estimated that the millennial population, bolstered by immigration, would reach its peak at 81.1 million in 2036".* In addition, a 2015 survey by Morgan Stanley suggests that *"Millennials make up 51% of fast casual customers, although they represented only 31% of the people surveyed".* Although perhaps anecdotal, the rise of fast casual seems to be driven in part by the expansion (and changing attitudes about the food they eat) of the millennial population and the millennial population will not only continue to grow, but will become an increasing force with respect to consumer spending. As with other points we have argued here, we view the Denver metro area as favorably positioned to benefit from this trend as well. Data suggest that millennials made up approximately 31% of the Denver metro area population from 2009 thru 2013, and about 26% of the Colorado Springs population for the same period. By contrast, the national average is approximately 23%.

While operating a successful fast casual concept still depends on typical restaurant metrics, location, quality service, price etc. we tend to believe that the Colorado Front Range is particularly supportive of the segment.

Operating Overview

To recap, RIBS currently operates 4 restaurants along the Colorado Front Range. These include 3 (casual dining) Southern Hospitality franchise stores and 1 Carve, a fast casual brand owned by the Company. The table below summarizes these assets:

Store	Location	Opening Date	Square Feet	*Est. 2017 Revenues
Southern Hospitality Restaurant and Bar	Denver, Colorado (Lower Downtown)	02/21/2013	7,464	$2.7 million
Southern Hospitality Southern Kitchen	Colorado Springs, Colorado	02/27/2014	9,191	$2.6 million
Southern Hospitality Restaurant and Bar	Lone Tree, Colorado	04/27/2015	5,513	$2.3 million
Carve Barbeque	Glendale, Colorado	11/05/2015	2,500	$1.4 million

* These are Touch 4 Research estimates, not management's.

Below is an excerpt from the Company's most recent 10Q filing illustrating some of the Company's recent store level performance:

"During the first quarter of 2016, Southern Hospitality in downtown Denver increased store level EBITDA by 146 percent compared to the first quarter of 2015, from $24,400 to $60,100. As a percentage of revenue, EBITDA in Southern Hospitality Denver during the first quarter of 2016 was nine percent compared to four percent in 2015. During the quarter, Southern Hospitality in downtown Denver grew comparable same store sales by three percent.

Southern Hospitality in Lone Tree, Colo. also earned nine percent in store-level EBITDA during the quarter, its third full operating quarter. Earning nine percent in the first quarter during its initial year marks the most profitable first calendar quarter for an opening of any of Southern Concepts' restaurants historically".

"The results from Q1 illustrate the major strides we are making as a management team to grow profitability throughout the system and we are only getting started," said Mitchell Roth, Southern Concepts CEO. "With relatively normal sales, we more than doubled bottom line margins and increased efficiencies that will allow us to consistently serve a world-class product."

There are a handful of issues that we view as topical to the operating posture of RIBS. Here are the more germane of those issues.

First, we believe that three of the four company stores are currently profitable at the store level, and our expectation is that as the stores continue to grow they should be able to achieve better margins. We think that may be especially true of the new Carve store, as well as the concept in general. The Company's overall experience to this point with the Southern Hospitality brand has been that the longer they are open the better they perform, as name recognition, customer loyalty et al. take hold. We view the fact that the first Carve store has only been open for a few months (and is already experiencing store level profitability) as highly encouraging, and perhaps telling in terms of the future of the brand. On the other hand, the Company's Colorado Springs store, continues to be a bit of a drag on performance. There are some reasons for that situation that are worth noting.

As the table above reflects, this store has a larger footprint than the others, which means it has a higher occupancy rate and therefore a bigger nut to crack to get to profitability. Succinctly, the store resides in a relatively new commercial development in Colorado Springs called Polaris Point. The restaurant sits across the street from the development's initial anchor tenant, Bass Pro Shops. The development's second major anchor tenant was supposed to be a *"A 400-room hotel project called the Colorado Grand Resort and Hotel"*, which was also to be situated across the street from the restaurant (next door to Bass Pro). The resort has for various reasons been delayed as it was originally supposed to be operational by a number of points in time that have come and gone. However, at the beginning of 2016, the developer suggested that the resort will be breaking ground in the near term. In short, while this particular store has had some challenges, which are then also challenges of RIBS, its location (assuming the continued growth of the development coupled with its larger footprint) may ultimately make this restaurant the most successful of the Company's current locations. Succinctly, in our view, getting this location to higher utilization and resulting positive earnings (perhaps markedly profitable earnings) may be the simplest path to profitability for both the store and RIBS in general. Incidentally, we believe a transition to ***corporate*** profitability would provide a major catalyst for the valuation of RIBS shares. While we recognize that this is something that Southern Concepts has no control over, we would view any positive developments at Polaris Point as positive developments for RIBS as well.

Second, the Company has developed some creative store level financing to open new stores. In short, where possible they have financed the startup and FF&E costs of new stores by selling a portion of the profits to investors. Obviously, that is not something they will likely continue to do when they growth operations to the point of being able to finance new stores through internal cash flow, but at this phase, it has allowed them to open some new locations with less dilution to Southern Concepts shareholders. We actually think these investment vehicles make attractive alternative investment options for some investors.

Third, the Company needs to open more locations of either (or both) of the existing brands in order to generate additional contributions to fund the corporate/public company overhead. That is not a revelation by the way as it is a large part of the strategy here. Recent presentations suggest that the Company intends to open four additional company owned stores in 2016 and as many as 10 new Carve locations in 2017. They also intend to seek franchise opportunities for the Carve concept through 2017 as well. Unfortunately, in retrospect, those plans appear to be a bit aggressive, and our sense is that they may be behind in that goal by 6 to 12 months. We think part of that delay is about evaluating the Carve concept in general, and fine tuning the concept. Obviously, they need to demonstrate the brand's appeal as well as their ability to operate it optimally and profitably. However, there have been some additional hurdles that have impacted the growth plan. That brings us to our next point.

Inasmuch as we have argued and believe that the Colorado Front Range supports a favorable demographic for restaurants and perhaps specifically fast casual, and has in fact proven to be a hotbed for these concepts, that fact carries some challenges for new brands starting in the area (Carve for example). Specifically, the Company has experienced considerable challenges in terms of locating viable real estate options for new stores. In short, the area's support for fast casual is not a secret, and the competition for available locations is fierce. That scenario has acted to drive rents/occupancy rates to levels that frankly makes us question how some of these concepts in some of these locations are going to make it work. To this point, Southern Concepts has (prudently we believe) resisted engaging new locations at any price, on the other hand, adding these new locations in a timely and economic manner is paramount to the success of the company. We would submit that finding and launching an additional

4 or 5 new stores is at this point the Company's biggest and most critical challenge. We would view news to that end as highly positive. That leads to an additional point as well.

The competition for fast casual real estate along the Front Range is problematic, especially for Southern Concepts vis-à-vis other more established brands with greater resources at their disposal. On the other hand, Southern Concepts is not the only (small) player in the space facing that same problem. As a result, we tend to believe that the acquisition of some of other local concepts facing the same location challenges may be the critical path here. Granted, that is a bit conceptual at this point, but, we think that may create a more optimal (synergistic) growth opportunity at least until the point where rents along the Front Range come back to earth. Her again, we would view news of this nature as potentially quite positive.

To reiterate, we think the Company has demonstrated an ability to operate both brands profitably at the store level. Granted, there are nuances to that statement (utilization in Colorado Springs and a more established track record at Carve), but in general, the margins are taking shape and we believe they will prove to be able to operate at reasonable comparable returns. That said, expanding the footprint is paramount.

Lastly, in terms of some of the delays in the growth plans (which we think has negatively impacted the stock) the data below might provide some basis for reasonable expectations. We admit the table below is perhaps a bit cursory, however, these are four well known Colorado Front Range founded fast casual concepts, plus one – Zoe's Kitchen. The takeaway here is that the most common thread to establishing and growing a successful fast casual brand might be time. Recognize, the time frame required to start a concept and get to even 15 stores looks to typically be somewhere in the 5 to 10 year horizon. While we recognize that the Company has encountered some challenges with respect to meeting its growth plans, we would submit that even the revised growth calendars are well within the horizons that other successful brands have experienced. More importantly, while these often take years to grow, the resulting valuations have proven extraordinary. We continue to believe that Southern Concepts possess that same potential and is not largely off-track in that regard.

Brand	1st Opening	2nd Opening	15th Opening	Other Events
Chipotle	1993	1995	1998	February 1998 – McDonalds buys a minority stake in Chipotle. Store count reached 300 in 2003. Company went public in January 2006.
Noodles & Company	1995	1996	2000	Opened their 80th Company owned store (and their first franchise store) in 2004. Opened their 300th store (company owned plus franchises) in 2012. Noodles went public in 2013.
* Zoe's Kitchen	1995		2005	*The first Zoe's was launched in Homewood, Alabama. Zoe's went public in 2014. As of May 31, 2016 Zoe's had 174 company owned stores and 3 franchise stores.
Smash Burger	2007		2008	Opened their 300th store (company owned plus franchises) in 2015.

Modern Market	2009	Opened their 5th in 2013	2015	Modern Market currently has 21 locations in 4 states.

*Zoe's Kitchen is the only of these that was not started in Colorado.

Risk and Caveats

We have discussed a number of Southern Concept's risks and caveats above but here is a brief recap. First and foremost, the Company is currently not profitable. That means they will likely need to raise additional cash to get them to profitability, which in turn probably means some added dilution. The best way out of the negative cash flow situation is to increase revenues and/or margins. We have seen them do some of both organically, which is positive, however, they clearly need to add stores, which requires even more cash beyond the working capital needs. As noted, they have been able to utilize some creative store level financing to add locations, and we suspect they will continue to pursue that path. Obviously success therein will depend on a number of variables, some of a more micro variety (the continued operating success of comparable stores especially the flagship Carve store), and others on a more macro level (the general "risk on" investment climate as well as perhaps commercial rents along the Colorado Front Range).

Beyond the capital issues, they continue to face typical operating risks associated with the restaurant space (food and labor costs, product quality, competition etc.) Moreover, given the discretionary nature of eating out, the health of the economy in general will remain topical.

As a relatively small enterprise, Southern Concepts relies heavily on the contributions of a handful of individuals. That risk is likely to remain for some time until again, they are able to grow the business to a level that supports additional layers of management. The Company is currently quite lean in terms of management overhead, and while we believe they have the ability to leverage existing management across some added growth, this will be an issue at some point in the not-to-distant future.

While the Company is public, the shares are rather illiquid. Contrary to the view of some, we don't think the Company's second tier listing has much to do with that, rather, we tend to believe that the trading volume will be positively correlated with improving fundamental results. For instance, as we alluded to above, we tend to believe that a transition to positive cash flow either internally or via acquisition would provide a highly positive catalyst for the stock. In the meantime, the stock may remain thinly traded.

These are just a few of the more obvious risks associated with Southern Concepts.

Summary and Conclusion

In a little over three years, Southern Concepts has built from zero a small restaurant group which today consists of two brands and four stores on a current annual (seasonally adjusted) revenue run rate of approximately $8 to $8.5 million. Moreover, three of those four stores are operating profitably at the store level. We think that constitutes a pretty solid effort given the specific challenges associated with getting started in the restaurant industry, as well as the broader funding and other associated hurdles of startups in general. To be sure, it has not been easy nor has it all gone as planned. Further, they still have a considerable amount of work to do to get to that elusive positive cash flow threshold.

Currently the stock trades at a market cap of approximately $7 million, or roughly 85% of our estimated $8-$8.5 million 2016 revenue expectation. We feel quite confident suggesting that the business could not be built from scratch for that number. Further while the challenges we have identified remain topical, we also think they may be on to something with the Carve concept. To reiterate, there are several fast casual concepts that have grown to considerable footprints and some monster valuations. We are not suggesting getting Carve to that status will be quick, easy or cheap but we think the early success of the brand bodes well for that potential. Moreover, we are not sure the current valuation of the stock reflects any of that potential. After all, the brand is launched and they *are* experiencing early success.