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Sarasota judge: One owner's stake in Daiquiri Deck is valued at more than \$3 million



Gabriela Szymanowska

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A Sarasota Circuit judge made a decision on Monday that the "fair value" of one owner's 30% stake in the company operating the iconic Sarasota-Manatee chain restaurants, Daiquiri Deck, is more than \$3 million.

The three owners, Russell Matthes and Troy Syrett – Sarasota natives who became friends in elementary school – and Matthew Grover, a native of Maine, appeared before Circuit Court Judge Hunter W. Carroll in mid-December arguing over millions of dollars in ownership rights.

Carroll found that the value of SMG Companies Holdings LLC was \$15.25 million as of March 20, after hearing testimony from six people, including two business valuation experts.

The hearing and decision stem from both sides not being able to reach an agreement regarding a buy-out for Matthes' interest in the company.

In September 2021, Matthes was terminated from the company and a month later, Syrett and Grover filed a lawsuit against Matthes accusing him of sexually harassing an employee and other inappropriate behavior, exposing them and the company to potential liability. The two-count complaint against Matthes in part was to dissociate him from the company and remove any remaining management rights, according to a memorandum for the hearing.

Matthes denied the claims, and in turn, sued Syrett and Grover for allegedly violating the company's contract and breaching fiduciary duties, among other issues.

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Matthes' expert determined the value of SMG, as of March 20, equaled \$24.17 million, thus making Matthes' claim to be \$7.25 million, according to a memorandum filed by Matthes.

Matthes' expert testified that during her calculations, she concluded that the company's 2021 business performance was a good year to base future performances on and noted that the business would grow at 3% in future years.

In contrast, SMG's expert determined the value to be \$11.175 million based on the projection the company wouldn't be able to match the gross revenue it achieved in 2021 for the next seven years, according to the same memorandum. That would mean, along with the two discounts applied for lack of marketability and lack of control over Matthes' interest, his stake would be \$2.065 million. SMG's expert also predicted revenue growth at 3% in future years beyond 2022.

After hearing both experts' testimonies, Carroll recognized that 2021 was the first year all five Daiquiri Deck restaurants were fully operational but found that Matthes' expert's approach was "too rosy" and artificially inflated the value of the company and Matthes' interest.

"In 2021 and through March 20, 2022, by all accounts, the company and its five Daiquiri Decks were having grand slam revenues and earnings," Carroll noted in his decision.

Carroll also did not fully agree with the company's expert and his "overly pessimistic revenue growth forecast," according to court documents.

Once Carroll concluded that the company's value was \$15.25 million, he looked at whether to apply any discounts to Matthes' interest for lack of marketability and lack of control. Carroll opted to include a 10% reduction for lack of control, rather than the 23% which was used by the company's expert, as Matthes had partial veto power on certain financial decisions. Carroll did include a 20% discount for lack of marketability, making Matthes' share come to \$3.294 million.

Syprett testified during the hearing that the company put aside \$2.1 million to pay Matthes his 30% interest. Since the amount falls short of what is owed, attorneys on both sides will need to meet to set up the terms and conditions on how to pay Matthes for his interest in order to make the final judgment.

If an agreement can't be met between the attorneys, then another hearing will be scheduled to ensure the final judgment on the valuation can be made.

Morgan Bentley, one of the attorneys representing Matthes, said both sides are working together to see what they need to include in the final judgment, including the payment terms and collateral, if needed.

Bentley added they're happy to have the more than \$3 million valuation for Matthes' share but thought that the application of one of the discounts for lack of minority control shouldn't have been applied.

Przemyslaw Dominko, who represented Syprett and Grover, echoed Bentley's comments about the two sides currently working together, adding he doesn't foresee any major disagreements. Dominko added in a statement prepared by his clients, that they believe the judge's order is "just and fair."

"They're pleased with the results and are looking forward to putting this behind them and being able to focus on running their business," Dominko read the statement over the phone Wednesday afternoon. "With a new location on the Bradenton River and a complete renovation of the Village store coming soon, Daiquiri Deck is standing strong with a new food menu rolling out in February and its usual laidback island atmosphere."

Gabriela Szymanowska covers the legal system for the Herald-Tribune in partnership with Report for America. You can support her work with a tax-deductible donation to Report for America. Contact Gabriela Szymanowska at gszymanowska@gannett.com, or on Twitter.