

## THE MONITOR 200 ISSUE

### The Top 200 Franchisees: Why Bigger is Better

In the world of restaurant franchising, bigger is almost always better. Reasons vary, but “scale” usually tops the list. Large multi-unit and, often, multi-brand franchisees get more attention from their franchisors, bankers, vendors and real estate developers. In some cases franchisees are real estate developers—sometimes developing strip centers and becoming landlords to other franchisees.

“It’s not a priority, but sometimes we have to buy a larger site and develop a strip center,” says Sun Holdings (#7) CEO Guillermo Perales, adding that in the process he has had to turn down offers for non-restaurant franchises. “I don’t know anything about those businesses,” he chuckles.

Indeed. Restaurant franchising is complicated enough considering the operators on this list often navigate among brand cultures, landlords, local governments and labor markets. Yet once at scale, they can wield their biggest advantage over smaller rivals: leverage. The sharpest continue to use it to swell their pipelines, access technology and satisfy store re-imaging requirements.

#### Swelling Capital

Cadence Bank EVP Dan Holland is struck by the swelling amount of available growth capital and franchise eateries. “Growth is partly due to the fact that five years ago there were not as many lenders as today,” he explains. “The access to capital, and the sheer amount available, has grown along with these Top 200 franchisees. There’s a direct correlation.”

The companies on the annual Monitor 200 list together posted a 4% increase in the average number of restaurants per franchisee (141) in 2017 vs. 2016 (135). In 2012, they averaged just 102. Total revenues also rose 4%, to \$39.1 billion, or an average \$195.5 million per franchisee.

A development executive for a well-established QSR franchisor seconds the banker’s notion. “Our marketplace is flooded with capital. Private equity groups are putting money to work because they get better returns by investing in franchise companies,” claims the executive, who didn’t want his name used because his company is in transition.

Holland notes the “professional money” in the restaurant space is the result of the cash flow well-run franchisee companies, like those in the Monitor 200, consistently produce. “It’s very attractive,” he says.

*continued on the back page*

### Capital, Contacts, Growth

#### Restaurant Finance & Development Conference November 12-14, 2018 • Wynn/Encore Las Vegas

Despite the choppy sales performance of many restaurant brands, our broker and lending contacts out in the field tell us restaurant dealmaking remains healthy, although lenders are more cautious and seller expectations are receiving a much-needed reality check.

A getaway to this year’s annual **Restaurant Finance & Development Conference** is an opportunity for both buyers and sellers to recalibrate valuation expectations. More importantly, the trek to Las Vegas is an opportunity for owners and executives to meet with their lenders and update them in person on their operating trends and expansion plans—all in three days and under one roof.

A conference is only as good as its agenda—and at the **Restaurant Finance & Development Conference**, you’ll find no commercials. We’re putting the finishing touches on our program, but here’s a sneak preview: In addition to Panera chairman **Ron Shaich**, the noted economist **Arthur Laffer**, and travel guru **Rick Steves**, whom we announced last month, we’re excited to welcome **Paul Wahlberg**, co-founder of Wahlburgers and star of the A&E show that bares the same name. Paul will headline a stellar panel of independent operators. In addition, **CNBC Fast Money’s Guy Adami** is back again this year to provide his insight on Wall Street and provide economic commentary.

We’ve arranged an all-star financial program this year with some of the top CFOs in the industry participating. They include: **Brent Ragsdale**, Chick-fil-A; **Gunther Plosch**, The Wendy’s Company; **Dave Worrell**, Subway; and **Mike Dixon**, Focus Brands.

Conference registration is available online at [www.restfinance.com](http://www.restfinance.com). The complete agenda will be out next month. Don’t delay. Last year’s event sold out.

#### Monitor 200® Franchisee Ranking in this Issue

The Top 200 restaurant franchisees operated 28,109 restaurants in 2017 and had annual revenue of \$39.1 billion, both an all-time record. *Coverage starts on page 4.*

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## FINANCE SOURCES

### First Tennessee Bank Leads \$120 Million Credit Facility for Wendelta Property Holdings

**First Tennessee Bank's Franchise Finance** business recently led a \$120 million new senior secured credit facility for Memphis, Tenn.-based **Wendelta Property Holdings, Inc.**, the real estate holding company for **Carlisle LLC**. The financing includes a \$110 million term loan and an unfunded \$10 million development line of credit to support continued new store development.

Affiliated company and WDPH tenant Wendelta, Inc. (WDI), is a Wendy's franchisee that owns and operates 150 Wendy's restaurants in Alabama, Arkansas, Florida, Louisiana, Mississippi and Texas. WDPH and WDI were previously co-borrowers under an existing credit facility, which was refinanced in full, effectively splitting WDPH (real estate company) and WDI (operating company), each with its own separate credit facility.

"By structuring a transaction that separated the real estate assets from the operating business, we were able to help Wendelta increase the amount of capital available, while also reducing the overall cost of that capital and providing more flexibility as they continue to grow," said Dave Alexander, senior vice president with First Tennessee. First Tennessee served as Administrative Agent and Lead Arranger for this transaction. **Fifth Third Bank** served as Joint Lead Arranger.

For more information on First Tennessee Bank, contact **Todd Jones**, managing director, group head at [tjones@ftb.com](mailto:tjones@ftb.com), or at (480) 375-9889. For more information on Fifth Third Bank, contact **Jeff Hoffmann**, managing director, at (312) 704-6246, or at [jeff.hoffmann@53.com](mailto:jeff.hoffmann@53.com).

### Live Oak Bank Launches Franchise Lending

**Live Oak Bank** recently announced it has formed a new lending division focused on franchised restaurants. The vertical marks Live Oak's 18th industry-specific lending division and will include all franchise businesses from QSR and fast casual to full-service dining.

Live Oak Bank is a digitally focused, FDIC-insured bank that focuses on SBA-guaranteed lending. Led by General Manager **Law Woodbury**, the team includes Senior Loan Officers **Sims Richardson** and **Brian Faulk**. **Jeff Brock**, a 25-year veteran of the banking and investment industry and managing partner at Hargett Hunter Capital Management, will provide guidance as the team's industry expert.

Live Oak provides financing from \$100,000 to \$7.5 million to borrowers "with some form of restaurant management or ownership experience," said Richardson. Live Oak is "more concerned with experience than collateral," he added.

"We provide speed, transparency and process," said **Jason Lumpkin**, general manager of emerging markets at Live Oak, "which is furthered by technology. (SBA is) 100 percent of what we do in the industries we serve. We are leveraging that process with our technology."

In any industry they target, "our technology platforms are superior to the competition," said Woodbury. "If you look at SBA data, restaurants are a large part of SBA lending, but it is pretty fragmented, one-off lending. We feel there is an opportunity to build a national lending platform because those smaller operators are struggling to find financing."

One complaint he hears when out talking to operators is that some banks don't understand their business, said Richardson. "Our industry expertise is important, along with our SBA experience. Our chief credit officer used to head up the SBA. We understand the product and rules better than anyone, and it allows us to be transparent. Everyone we do business with, we are going to come and shake your hand."

It's a big market, said Woodbury, and they intend to be a meaningful player. "There is a big financing void for these types of under-10 unit franchisees. We are committed to the industry."

And it doesn't hurt that SBA is all that they do. "It's coded in our DNA," said Lumpkin. For more information on Live Oak Bank, contact Sims Richardson, at [sims.richardson@liveoakbank.com](mailto:sims.richardson@liveoakbank.com), or at 910-550-2304.

### Citi Group Brings Advisory and Lending to the Restaurant Industry

"We are building a global franchise that is uniquely positioned to help businesses in their entire evolution," said **Brian Anton**, managing director with **Citi Group**. "We are helping very small, very distinct businesses—with M&A, equity and initial public offerings and their capital structures—all the way up to large international companies, to whom we lend money and have relationships with."

In regard to their investment banking practice, "We are fully integrated," he said. "We do equity, debt and M&A. We are better equipped to advise companies on potential buyers, and help them maximize their value, and minimize their cost of capital."

And, as companies grow, Citi Group can offer commercial banking and corporate banking products, too.

"We are very open for business in our commercial bank," said Anton. "Some of the loans we are making are to disruptive, growth businesses around the U.S. We are being very strategic to whom we are partnering with. This work with our commercial bank is a huge part of what we are doing at Citi."

Being strategic includes evaluating "who is winning and trying to align with those businesses. We handle the entire continuum—we're trying to be very strategic in how we grow our platform. We are highly focused on the next generation of disruptors in restaurants, which can be very small companies, too."

Citi has provided debt financing to early stage companies, as well. "Because some of these disruptor businesses are being run by such talented people, we're making investments in

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them,” said Anton. “That’s really new. It’s been fun to engage with these people.”

Another plus, he said, is that Citi is global, existing around the world. “We can connect the dots all over the world in the restaurant industry. I think there is a real opportunity for advisors who see the trends on a global basis. I can bring to bear the lessons I’ve learned globally, and we are bringing the best perspectives from around the world, not just what is happening here in the U.S.”

Anton himself was hired by Citi in 2015 to help build out their global retail business. “Retail has been challenged—there are a few areas that are working—but restaurants are working,” he said. “They have a structural distinction from online encroachment. That’s the future of service-oriented retail. Food binds us and connects us. The experience of restaurants isn’t going anywhere.” For more information on Citi Group, contact Brian Anton at (212) 816-8882, or by email at [brian.anton@citi.com](mailto:brian.anton@citi.com).

### **MSC Retail Making Shift to More Restaurants**

“Since many of our brokers in the MSC Hospitality division have owned or worked in restaurants, both front of house and back of house, they are able to provide unique value to where the restaurant’s business plan, pro forma and P&L, and real estate site selection collide,” said **Gabe Amzallag**, retail guru at **MSC Retail**.

Founded in 1989, MSC Retail provides a range of services including restaurant consulting, tenant representation, and landlord representation—which includes a national platform representing colleges and universities and student housing developers. The firm focuses their work in Philadelphia and New York, and recently opened up an office in Los Angeles, as well. MSC also will do national work for select clients. They can act as a “master broker” that leads the charge with local brokers in other areas.

And, while food and beverage operators always have been a part of their business, food is taking on a more important part of their strategy as retail has shifted over the last few years. “We have identified and hired a team of restaurateurs and industry veterans which gives MSC Retail a foothold into the chef-driven concepts that have been a large part of the growth story in Philadelphia,” said Amzallag, which compliments their franchisee and chain clients looking to grow, too.

“As we have had a strong presence in Philadelphia since 1989, our relationships run very deep, and we are able to leverage those contacts to secure real estate for our clients before many of these spaces even come to market,” he explained. “This is especially important in the food and beverage segment as fast-casual concepts have exploded and the space they are looking for has been in high demand with limited supply for the right locations.”

He says they are also innovative, and will work with clients to

help them think strategically about their expansion. “Being able to speak intelligently with an operator about a restaurant P&L, food costs, labor costs, margins, etc., shows them that our real estate recommendations are rooted in offering the best holistic business solution for the restaurant,” he said. They also provide development to clients.

MSC will work with start ups, as well as experienced operators with more than 1,000 locations and “everything in between,” he said. “We want to work with the right operators. That may mean they have no existing locations but are well capitalized and have good entrepreneurial instincts.”

Amzallag says they are expanding the number of concepts they’ve been working with, and have represented franchisees of brands like Five Guys, Pokeworks, Blaze Pizza, Boston’s Pizza, Panda Express, Firebirds, Zoes Kitchen, Shake Shack, Just Salad, The Green Turtle, Firehouse Subs and Clean Juice.

And though he feels the headlines that the “end of retail is near” are overstated, it is evolving and changing, and it includes a shift toward food in malls and other locations.

“With some tenants going away, its like a puzzle we have to figure out,” said Amzallag, “and we have to get creative with other tenants.” For more information, contact Gabe Amzallag at 215-883-7406, or by email at [gamazallag@mscretail.com](mailto:gamazallag@mscretail.com).

### **Auspex Secures \$15.2 Million in Financing for JCR**

**JC Restaurants, TB Conner, and JJJ Real Estate** (JCR), based in Hasbrouck Heights, New Jersey has obtained a \$15.212 million senior secured term loan, including a development line of credit from **Huntington Bank** to refinance its existing debt, remodel three of its Taco Bell restaurants and acquire the real estate underlying one of its Taco Bell restaurants.

JCR is owned by **Joe Cugine, John Antonaccio** and **James Bodenstedt**, who, through various affiliates, own and operate 14 Taco Bell restaurants in New York and Connecticut. **Auspex Capital** served as the structuring and debt placement advisor to JCR for this transaction. For more information about Auspex Capital, contact **Chris Kelleher**, managing director, at 562-424-2455 or email [ckelleher@auspexcapital.com](mailto:ckelleher@auspexcapital.com).

### **Unbridled Closes Deal for 43 Pizza Huts**

**Unbridled Capital**, a restaurant financial advisory firm, provided sell-side advisory to **La Raza Pizza, Inc.** on the sale of its 43 Pizza Huts in Indianapolis. The selling franchisee, Gene Camarena, is a legacy franchisee with the Pizza Hut system. He sold the Indianapolis market to new franchisee, **Quality Huts**, a portfolio company of **GenRock Capital Management**. For more information on Unbridled Capital, contact, Managing Director **Rick Ormsby** at 502-252-6422 or [rick@unbridledcapital.com](mailto:rick@unbridledcapital.com).

**10-Year Snapshot of the Top 200 Franchisees**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenue</b>	\$39.1	\$37.5	\$34.6	\$31.0	\$28.7	\$26.3	\$23.9	\$23.2	\$21.8	\$21.3
<b>Units</b>	28,109	26,997	25,176	23,177	21,831	20,331	18,408	17,887	16,715	16,489

**Consolidation—The Play for a Maturing Industry**

The Top 200 franchisees in the restaurant business continue to impress. Sales reached \$39.1 billion in 2017, up 4.3% over 2016. In prior issues of the Restaurant Finance Monitor, we've attributed the growth of the Top 200 franchisees to three factors: refranchising, access to cheap capital and technology. Let me talk about each of these factors and then I'll offer up what I see as the future of the mega-franchisee movement.

The first factor driving growth of the mega franchisee was refranchising—the sale of company stores to franchisees. The tremendous growth of the Monitor 200 franchisees over the past decade came from them buying existing restaurants, not opening new ones as was the case throughout much of the '80s and '90s. Franchisors were willing to dispose of their company stores in bulk to franchisees, often at lower multiples of EBITDA than franchisees were already paying each other. No wonder franchisees jumped at the chance.

Access to cheap capital is the second factor in the growth of the Monitor 200 franchisees. It's the single biggest reason the majority of refranchising deals were completed and a reason why mega franchisees are now consolidating their smaller brethren. Capital and scale is everything in finance these days.

The immense size of Top 200 franchisees—four franchisees with over a billion in sales, 121 franchisees with \$100 million or more, an average of \$195 million per franchisee—opens up multiple capital options.

The largest franchisee, with close to \$2 billion in sales, Flynn Restaurant Group (Applebee's, Panera and Taco Bell), is majority owned by the deep-pocketed Ontario Teachers Pension Plan. NPC International, owned by two wealthy family offices in California, is the largest Pizza Hut franchisee and the leading consolidator of Wendy's restaurants. Franchisee Carrols Restaurant Group, a public entity, is the largest buyer of Burger King restaurants. Taco Bell franchisees—Tacala and K-Mac—sold debt into the institutional bond market this year for the first time.

The vast majority of the large franchisees in the country have available to them a variety of national and regional lenders aggressively competing against each other to provide them the most advantageous terms. Private equity funds and family offices continue to circle the franchised restaurant business looking for an entry point.

Bankers tell me there is some stress in their portfolios, yet franchisees tell me capital availability has never been as good as it is right now in restaurants.

And don't forget how cheap it is too. The three-month LIBOR rate, a rate frequently tied to most senior debt obligations, dropped from roughly 5% in October 2007, reaching a low of .22% in May 2014, and lately has been hovering around 2.3%.

Technology is the other game changer. The advent of digital POS, outsourced accounting, management dashboards, labor scheduling software, electronic menu boards and sophisticated supply chains, allow Top 200 franchisees to manage a greater number of restaurants. Advanced technology makes large acquisitions of company and franchise stores easier to integrate into another franchisee's operation.

So what's next? On the surface, there is nothing to stop the continued growth of the Top 200 franchisees. Or, is there?

As for more refranchising as a source of growth, the major QSR chains in the U.S. have already achieved a 100% franchise model, or are well on their way. And, refranchising is simply the realignment of restaurant ownership, the byproduct of a financial ethos that equates asset light with profit rich. It represents economic separation, not necessarily a betterment of the brand. The jury is still out on that. Might franchisors eventually be forced back into the development game to drive new unit growth?

The good news is that capital remains relatively cheap and the window is still open for the Top 200 crowd. That keeps the consolidation game going for at least a few more years. But, remember that cheap capital and aggressive lending have not always been a winning combination in economic history.

"Credit frequently encourages extravagance and prompts speculation," write professors Richard Ely and George Wicker in the 1904 edition of the Elementary Principle of Economics, a musty old book that sits prominently on my shelf at the world headquarters of the Monitor.

Rates are creeping up, too, as well as inflation, so don't be surprised one day if the Federal Reserve decides to put the brakes on Donald Trump's growth economy by raising rates faster than they telegraphed.

To all the Monitor 200 franchisees, we say celebrate your inclusion in this ranking. When you are popping the cork and hanging your Monitor 200 plaque in your lobby this summer, remember also to give thanks to the capital markets for making it all possible.

—John Hamburger



# MONITOR 200®



THE TOP 200 FRANCHISEES IN THE U.S.

#	COMPANY	REVENUE	MAJOR CONCEPTS		SENIOR EXECUTIVES
1	<b>Flynn Restaurant Group</b> San Francisco, CA	1,857,412,000	474 248 130	Applebee's Taco Bell Panera Bread	Greg Flynn - Chairman/CEO Lorin Cortina - CFO/EVP
2	<b>NPC International</b> Overland Park, KS	1,334,697,000	1,144 384	Pizza Hut Wendy's	James K. Schwartz - President/CEO Troy D. Cook - CFO/EVP
3	<b>Dhanani Group</b> Sugar Land, TX	1,249,000,000	515 271 27	Burger King Popeyes La Madeleine	Shoukat Dhanani - President Ash Meghani - CFO
4	<b>Carrols Restaurant Group</b> Syracuse, NY	1,088,532,000	807	Burger King	Daniel Accordino - CEO Paul Flanders - CFO
5	<b>MUY! Companies</b> San Antonio, TX	938,931,000	364 312 79	Pizza Hut Wendy's Taco Bell	James Bodenstedt - President John Haynie - CFO
6	<b>Manna</b> Louisville, KY	856,000,000	261 125 23	Wendy's Chili's Golden Corral	Ryan Bridgeman - President Troy Hanke - CFO
7	<b>Summit Restaurant Group</b> Richardson, TX	820,000,000	300 122	IHOP Applebee's	Joe Langteau - President/CEO Doug Shaw - CFO
8	<b>Sun Holdings</b> Dallas, TX	725,000,000	300 131 84	Burger King Popeyes Arby's	Guillermo Perales - President Jorge Vargas - CFO
9	<b>KBP Foods</b> Overland Park, KS	720,000,000	597 91	KFC Taco Bell	Michael Kulp - Chairman/CEO Alan Salts - CFO
10	<b>Covelli Enterprises</b> Warren, OH	680,000,000	287 9 6	Panera Bread Dairy Queen O'Charley's	Sam Covelli - President/CEO Robert Fiorino - CFO
11	<b>Pacific Bells</b> Vancouver, WA	584,000,000	215 66	Taco Bell Buffalo Wild Wings	Tom Cook - CEO Charlie Tiantawach - CFO
12	<b>Yadav Enterprises</b> Fremont, CA	575,865,000	221 73 36	Jack in the Box TGI Friday's Denny's	Anil Yadav - President/CEO Grant Norrid - CFO
13	<b>GPS Hospitality</b> Atlanta, GA	541,194,000	384 19	Burger King Popeyes	Tom Garrett - CEO Scott Jasinski - CFO
14	<b>The Briad Group</b> Livingston, NJ	472,797,000	112 56 15	Wendy's TGI Friday's Zinburger	Brad Honigfeld - CEO David Cahill - CFO/EVP
15	<b>Doherty Enterprises</b> Allendale, NJ	455,070,000	100 41 3	Applebee's Panera Bread Quaker Steak	Edward Doherty - Chairman/CEO Jerry Marcopoulos - CFO
16	<b>K-Mac Enterprises</b> Fort Smith, AR	453,818,000	271 14 6	Taco Bell YUM! Multi Golden Corral	Sam Fiori - CEO Jon Dyer - CFO
17	<b>Tacala</b> Birmingham, AL	431,035,000	288	Taco Bell	Tim Morrison - Co-CEO/COO Joey Pierson - Co-CEO/COO
18	<b>Boddie-Noell Enterprises</b> Rocky Mount, NC	429,243,000	340	Hardee's	William L. Boddie - President W. Craig Worthy - CFO
19	<b>Ampex Brands</b> Dallas, TX	427,404,000	187 126 53	KFC Pizza Hut Long John Silver's	Tabbassum Mumtaz - President/CEO Ken Hignett - CFO
20	<b>Sizzling Platter</b> Murray, UT	382,905,000	256 41 32	Little Caesars Wingstop Dunkin' Donuts	Ted Morton - President David Hall - VP of Finance

\* Denotes revenue estimate

#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
<b>\$275 MILLION TO \$375 MILLION</b>				
21	<b>United States Beef Corp.</b> Tulsa, OK	362 6	Arby's Taco Bueno	Brett Pratt - President Lori Pumphrey - CFO
22	<b>RMH Franchise Holdings</b> Atlanta, GA	167	Applebee's	Michael Muldoon - President Mitchell Blocher - CFO
23	<b>Falcon Holdings</b> Dallas, TX	150 45	Church's Chicken Long John Silver's	Azam Malik - CEO Giovanna Koning - CFO
24	<b>Harman Management Corp.</b> Los Altos, CA	121 177	KFC YUM! Multi	James S. Jackson - CEO Jim Beglin - President of Ops.
25	<b>JAE Restaurant Group</b> Pompano Beach, FL	213	Wendy's	Ed Austin - CEO Randy Pianin - CFO
26	* <b>D.L. Rogers Corp.</b> Grapevine, TX	229	Sonic Drive-In	Shawn Cather - President Ron Arlington - CFO
27	<b>Quality Dining</b> Mishawaka, IN	162 45	Burger King Chili's	Daniel Fitzpatrick - CEO Christopher Collier - CFO
28	<b>Border Foods</b> New Hope, MN	183 2	Taco Bell Au Bon Pain	Lee J. Engler - President Jeff Engler - Chairman
29	<b>Meritage Hospitality Group</b> Grand Rapids, MI	247	Wendy's	Robert E. Schermer, Jr. - CEO Tracey Smith - CFO
30	<b>WKS Restaurant Group</b> Lakewood, CA	61 52	El Pollo Loco Wendy's	Roland C. Spongberg - President/CEO Matthew McGuinness - CFO/EVP
31	<b>FMI</b> Woodstock, NB, Canada	107 97	Pizza Hut KFC	Dwight Fraser - President Arlene Dore - CFO
32	<b>Desert de Oro Foods</b> Kingman, AZ	146 65	Taco Bell Pizza Hut	Mark Peterson - Vice President Krystal Burge - CFO
33	<b>Cotti Foods Corp.</b> Rancho Santa Margarita, CA	92 82	Wendy's Taco Bell	Peter Capriotti - President/CEO Holden Capriotti - CFO
34	<b>American West Restaurant Group</b> Orange, CA	298	Pizza Hut	Jerry Ardizzone - CEO Jeff Geddes - CFO
<b>\$225 MILLION TO \$275 MILLION</b>				
35	<b>Mitra QSR</b> Dallas, TX	179 28	KFC YUM! Multi	Pushpak Patel - CEO Martin Cortes - CFO
36	<b>Sailormen</b> Miami, FL	138 23	Popeyes Burger King	Kara Nordstrom - CEO Jonathan Marmolejos - CFO
37	* <b>Charter Foods</b> Morristown, TN	173 45	Taco Bell Long John Silver's	Robert Jenkins - President Nathan Buchanan - CFO
38	* <b>Hamra Enterprises</b> Springfield, MO	89 56	Wendy's Panera Bread	Michael K. Hamra - President Simeon Shelton - CFO
39	<b>Starboard Group</b> Coral Springs, FL	185	Wendy's	Andrew Levy - CEO Kevin Holbrook - CFO
40	<b>ADF Companies</b> Fairfield, NJ	260 15	Pizza Hut Panera Bread	Don Harty - CEO Spencer Manke - CFO
41	<b>Wendy's of Colorado Springs</b> Colorado Springs, CO	148 8	Wendy's Golden Corral	Richard Holland - CEO Thomas Reinhard - CFO
42	* <b>Cerca Trova Restaurant Concepts</b> San Diego, CA	107	Outback Steakhouse	Steve Weigel - CEO Mike Wong - CFO
43	* <b>Manna Development Group</b> Encinitas, CA	134	Panera Bread	Paul Saber - President/CEO Patrick Rodgers - CFO
44	* <b>Gold Coast Holdings</b> Coral Gables, FL	76 15	TGI Friday's Wendy's	Joe Godbey - CEO Richard Yates - COO
45	* <b>HAZA Foods</b> Sugar Land, TX	165	Wendy's	Ali Dhanani - President
46	* <b>WendPartners</b> Cortland, NY	158	Wendy's	Lewis Topper - CEO

#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
47	<b>Ghai Management Services</b> Livermore, CA	123 31	Burger King Taco Bell	Harsh Ghai - Owner Sunny Ghai - President
48	* <b>Fugate Enterprises</b> Wichita, KS	169 75	Pizza Hut Taco Bell	J. Larry Fugate - President Ron Bazzelle - CFO
<b>\$175 MILLION TO \$225 MILLION</b>				
49	<b>Fourteen Foods</b> Minneapolis, MN	207	Dairy Queen	Matthew Frauenshuh - CEO Chad Underwood - Controller
50	* <b>Sundance</b> Brighton, MI	165 1	Taco Bell KFC	Peter Lyders - CEO
51	<b>MarLu Management Co.</b> Elk Grove, CA	52 38	Arby's Church's Chicken	Tony Lutfi - President/CEO Susan Scott - Finance Manager
52	<b>PJ United</b> Birmingham, AL	194	Papa John's	Douglas S. Stephens - CEO Brad Leonard - CFO
53	<b>TA Restaurant Group</b> Westlake, OH	67 56	Popeyes Godfathers Pizza	Andy Rebolz - CEO Bill Myers - CFO
54	<b>JRN</b> Columbia, TN	137 17	KFC YUM! Multi	Tyrone Neal - President Dick Moore - CFO
55	<b>Cambridge Franchise Holdings</b> Bartlett, TN	150	Burger King	Neil Shah - President Dominic Bardos - CFO
56	<b>Romulus Restaurant Group</b> Phoenix, AZ	106 2	IHOP Slim Chickens	Chris Milisci - CEO Mark Steinmetz - CFO
57	<b>Apple Investors Group</b> Chino Hills, CA	73 47	Burger King Applebee's	Andy Patel - President Nimesh Dahya - CFO
58	<b>SSCP Management</b> Dallas, TX	65 51	Applebee's Sonic Drive-In	Sunil Dharod - CEO Dan Patel - CFO
59	<b>BurgerBusters</b> Virginia Beach, VA	102 10	Taco Bell Steak 'n Shake	Tassos Paphites - Chairman/CEO Gregory Rowland - CFO
60	* <b>Rottinghaus Co.</b> La Crosse, WI	380	Subway	Donald Rottinghaus - CEO Dennis Rottinghaus - CFO
61	* <b>Palo Alto</b> Denver, CO	143 32	Taco Bell Pizza Hut	Rob Alvarado - CEO Tony Carroll - CFO
62	<b>Apple Gold Group</b> Raleigh, NC	123	Applebee's	Michael D. Olander - President/CEO John Sook - Controller
63	* <b>Northwest Restaurants</b> Woodinville, WA	94 37	Taco Bell KFC	Sam Sibert - CEO Brett Sibert - Vice President
64	<b>PR Restaurants</b> Newton, MA	63	Panera Bread	Mitchell Roberts - CEO Dean Carman - VP Finance
65	* <b>Caspers Company</b> Tampa, FL	54	McDonald's	Blake Casper - CEO Chuck Peterson, Jr. - CFO
66	<b>TOMS King Services</b> Palatine, IL	131	Burger King	Matt Carpenter - CEO Michelle Bunke - Head of Finance
<b>\$150 MILLION TO \$175 MILLION</b>				
67	* <b>Century Management</b> Memphis, TN	68	McDonald's	Fred Tillman - President Ned Little - CFO
68	<b>Celebration Restaurant Group</b> Celebration, FL	130 34	Pizza Hut Taco Bell	Andy Rosen - CEO Vikki Hodgkins - CFO
69	<b>The Rose Group</b> Newtown, PA	57 7	Applebee's Corner Bakery Cafe	Jeffrey Warden - President/CEO Christopher Tobia - CFO/VP
70	<b>TEAM Schostak Family Restaurants</b> Livonia, MI	65 8	Applebee's MOD Pizza	Mark Schostak - Executive Chairman Ken Stanecki - CFO
71	<b>AFC Brands</b> Greenwich, CT	67 50	Taco Bell Applebee's	Bill Georgas - CEO Mike Rummel - CFO
72	<b>Diversified Restaurant Holdings</b> Southfield, MI	65	Buffalo Wild Wings	David G. Burke - President/CEO Phyllis A. Knight - CFO

#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
73	<b>Retzer Organization</b> Greenville, MS	69	McDonald's	Hal Burt - President Anna Holder - Controller
74	<b>Carolina Restaurant Group</b> Charlotte, NC	90	Wendy's	Quint Graham - President/CEO Gary Miller - CFO/VP
75	<b>Luihn Four</b> Morrisville, NC	96	Taco Bell	Jody Luihn - President
		9	KFC	Michelle Funk - CFO
76	<b>T.L. Cannon Management</b> Ponte Vedra Beach, FL	62	Applebee's	Matthew J. Fairbairn - CEO Clyde Brant - CFO
77	<b>QK Holdings</b> Phoenix, AZ	92	Denny's	Doug Koch - CEO
		9	Del Taco	Bill Rodes - CFO
78	<b>Metro Corral Partners</b> Winter Park, FL	32	Golden Corral	Eric A Holm - Owner/President
		4	Krispy Kreme	Erich J. Booth - CFO
79	* <b>Cafua Management</b> Methuen, MA	232	Dunkin' Donuts	Mark Cafua - CEO
		7	DD/BR	Scott Zeitlan - CFO
<b>\$135 MILLION TO \$150 MILLION</b>				
80	<b>B &amp; G Food Enterprises</b> Morgan City, LA	99	Taco Bell	Gregory Hamer, Sr. - CEO
		6	YUM! Multi	Ellen Pennison - CFO/VP
81	<b>The RC Group</b> Annapolis, MD	64	Taco Bell	Bob Carlucci - President
		23	YUM! Multi	Donald Dames - CFO
82	<b>The Saxton Group</b> Dallas, TX	75	McAlister's Deli	Kelly Saxton - Executive Chairman Max Jodry - CFO
83	<b>Meridian Restaurants</b> South Ogden, UT	89	Burger King	David Harper - President
		10	Chili's	Jared Stone - CFO
84	* <b>Carlisle Corp.</b> Memphis, TN	97	Wendy's	Chance Carlisle - President/COO Karen Carlisle - EVP/CMO
85	<b>Four Foods Group</b> American Fork, UT	54	Little Caesars	Andrew K. Smith - CEO
		47	Kneaders Bakery	Tyler D. Nelson - CFO
86	<b>Potomac Family Dining Group</b> Herndon, VA	68	Applebee's	Dennis Benson - President/COO David Wheeler - CFO
87	<b>Restaurant Management Co.</b> Wichita, KS	132	Pizza Hut	Hal W. McCoy II - President
		6	KFC	Terry Freund - CFO
88	* <b>DORO</b> Eau Claire, WI	115	Hardee's	Jon J. Munger - President/CEO
		4	Taco John's	Dan Shuda - CFO
89	<b>AJP Enterprises</b> Fife, WA	49	Arby's	Ajay Chopra - CEO
		47	Jack in the Box	Steve Wazny - Partner
90	<b>Janco</b> Cranston, RI	88	Burger King	William Janikies - President
		1	Krispy Kreme	Janice Mathews - Vice President
<b>\$125 MILLION TO \$135 MILLION</b>				
91	* <b>Apple-Metro</b> Harrison, NY	34	Applebee's	Zane Tankel - Chairman/CEO
		2	Pizza Studio	Colleen Power - CFO
92	<b>Southern Multifoods</b> Jacksonville, TX	82	Taco Bell	Larry Durrett - President/CEO
		13	YUM! Multi	Robert Cudd - CFO
93	<b>SERVUS!</b> Jasper, IN	76	Long John Silver's	Robert Ruckriegel - Chairman
		34	Wendy's	Jason Kelly - President/CEO
94	* <b>Lemek</b> Elkridge, MD	59	Panera Bread	Brian Lemek - Owner Calvin Anderson - Controller
95	<b>Southern Rock Restaurants</b> Franklin, TN	73	McAlister's Deli	David R. Blackburn - CEO Lisa Mathis - CFO
96	<b>Paradigm Investment Group</b> Carlsbad, CA	95	Hardee's	Don Wollan - CEO
		9	Blaze Pizza	Brian Kelley - CFO/Managing Partner
97	<b>Pizza Properties</b> El Paso, TX	47	Peter Piper Pizza	John T. Hjalmsquist - President Polly Vaughn - CFO
98	<b>Golden Gate Bell</b> Pleasanton, CA	82	Taco Bell	Tom Douglas - Vice President Paul Luce - CFO





#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
99	<b>Primary Aim</b> Zanesville, OH	74	Wendy's	Benjamin Thompson - President Stephen Thompson - CFO
100	* <b>PacPizza</b> San Ramon, CA	156	Pizza Hut	James Gressett - CEO Alan Fuss - Director of Finance
101	* <b>Paradise Companies</b> Natchez, MS	41	Applebee's	David Paradise - Owner
		16	IHOP	Frank Heath - Owner
<b>\$115 MILLION TO \$125 MILLION</b>				
102	<b>Quality Restaurant Concepts</b> Birmingham, AL	60	Applebee's	Fred Gustin - President Charles Galloway - CFO
103	* <b>Summit Restaurant Group, LLC</b> Blue Springs, MO	127	Pizza Hut	Tom Jorgensen - President
		12	Long John Silver's	Lisa Vaughn - Controller
104	<b>Brodersen Management Corp.</b> Milwaukee, WI	60	Popeyes	John Brodersen - President
		15	Wendy's	Brenda Cook - CFO
105	<b>Kazi Management St. Croix</b> Frederiksted, VI	58	KFC	Zubair Kazi - CEO
		24	Burger King	Shambhu Acharya - CFO
106	<b>TD Food Group</b> Honolulu, HI	44	Pizza Hut	Kevin Kurihara - President
		37	Taco Bell	Brent Matsumoto - CFO/VP
107	<b>Serazen</b> Newport Beach, CA	72	Papa John's	Doug Pak - Chairman
		51	Hardee's	Andy Gale - CEO/CFO
108	* <b>Emerald City Pizza</b> Mukilteo, WA	104	Pizza Hut	Terry Hopkins - CEO John Nguyen - CFO
<b>\$100 MILLION TO \$115 MILLION</b>				
109	* <b>Jackmont Hospitality</b> Atlanta, GA	39	TGI Friday's	Daniel Helpern - CEO Pete McKnight - CFO
110	<b>Wisconsin Hospitality Group</b> Waukesha, WI	72	Pizza Hut	Mark Dillon - President/CEO
		33	Applebee's	Jennifer Lehman - Controller
111	<b>Strang Corp.</b> Cleveland, OH	41	Panera Bread	Donald Strang, III - President/CEO Gerald Stoffl - CFO
112	* <b>McClain Sonics</b> Ridgeland, MS	89	Sonic Drive-In	Buddy McClain - CEO Clark Spencer - CFO
113	<b>America's Pizza Company</b> Lafayette, LA	126	Pizza Hut	M. Brent Stolzenhaller - President/CEO Michelle Guilbeau - Controller
114	<b>KC Bell</b> Wichita, KS	35	Taco Bell	Paul Hoover - President
		16	Freddy's	Travis Jasnowski - CFO
115	<b>Stine Enterprises</b> Phoenix, AZ	86	Jack in the Box	Adam Stine - President Tim Flynn - CFO
116	<b>JEM Restaurant Group</b> Daniel Island, SC	75	Pizza Hut	John McGrath - CEO
		35	Taco Bell	Warren R. Nelson - CFO/President
117	<b>R.E.E.</b> Beaumont, TX	45	McDonald's	Russ Ellis - President Donnie Borel - CFO
118	<b>Den-Tex Central</b> San Antonio, TX	81	Denny's	Dawn Lafreeda - President Lori MacKay - Controller
119	<b>Hospitality Restaurant Group</b> Traverse City, MI	48	Taco Bell	Marty Lobdell - President
		21	Pizza Hut	Diane Burns - Controller
120	<b>Wendy's of Bowling Green</b> Bowling Green, KY	57	Wendy's	Michael O'Malley - CEO John Hughes - President
121	* <b>BAJCO Group</b> Canfield, OH	127	Papa John's	Nadeem Bajwa - CEO Faisal Bajwa - CFO
<b>\$90 MILLION TO \$100 MILLION</b>				
122	<b>Fowler Foods</b> Jonesboro, AR	73	KFC	Chris Fowler - President
		14	YUM! Multi	Jamie King - Controller
123	* <b>Hielan Management</b> Highland Village, TX	43	Chili's	Greg Cyrier - CEO Beth Trafford - COO
124	<b>Rucker Restaurant Holdings</b> Austin, TX	60	Jack in the Box	Clyde Rucker - CEO
		10	Denny's	Jake Wesner - CFO



# MONITOR 200®



THE TOP 200 FRANCHISEES IN THE U.S.

#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
125	<b>SD Holdings</b> Fort Collins, CO	71	Sonic Drive-In	Yaron Goldman - CEO
		6	MOD Pizza	Meagan McGuire - Controller
126	<b>Branded Management Group</b> Worcester, MA	87	Dunkin' Donuts	Robert Branca - President Matthew Doyle - Vice President
127	<b>Benton Properties</b> Springdale, AR	69	Sonic Drive-In	Pete Esch - President A.J. Moses - CFO
128	<b>Rackson Restaurants</b> Bridgewater, NJ	54	Burger King	Christopher Johnson - President Mike Mikos - Controller
129	<b>Great American Chicken Corp.</b> Los Angeles, CA	60	KFC	Aryeh Aslan - CEO
		11	YUM! Multi	Raziel Christie Valiente - CFO
130	<b>Daland Corp.</b> Wichita, KS	106	Pizza Hut	Bill Walsh - CEO Alan Seiwert - CFO
131	<b>Marwaha Group</b> Anaheim, CA	147	Subway	Raghu Marwaha/Rohit Marwaha - Co-CEOs
		4	Yogurtland	Ravi Marwaha - President
132	<b>Hallrich</b> Stow, OH	132	Pizza Hut	Anthony Szambecki - CEO Scott Arbuthnot - CFO/President
133	<b>Friendly Franchisees Corp.</b> La Palma, CA	71	Carl's Jr.	Harshad Dharod - CEO
134	<b>The Kades Corp.</b> Pasadena, TX	38	McDonald's	Kenneth Kades - President Connie Lehman - Controller
<b>\$80 MILLION TO \$90 MILLION</b>				
135	<b>Platinum Corral</b> Jacksonville, NC	26	Golden Corral	Billy Sewell - President Rick Trant - Director of Operations
136	* <b>Boj of WNC</b> Arden, NC	59	Bojangles	Jeff Rigsby - President/CEO Randy Odom - CFO
137	* <b>JK&amp;T Wings</b> Shelby Charter Township, MI	31	Buffalo Wild Wings	Kent Ward - President
		1	Smashburger	Jeremy Krol - CFO
138	* <b>Schuster Enterprises</b> Columbus, GA	67	Burger King	Bruce Walker - CEO Patti Kelly - CFO
139	* <b>Cowabunga</b> Alpharetta, GA	104	Domino's	Michael Orcutt - CEO Julie Geoghan - VP Finance
140	<b>Genesh</b> Lenexa, KS	57	Burger King	Mukesh Dharod - President/CEO
		17	Denny's	
141	* <b>Southeast Restaurant Group</b> New Orleans, LA	26	Taco Bell	Elie Khoury - President/CEO
		19	TGI Friday's	Pete Lewis - CFO
142	<b>Wenspok Companies</b> Spokane, WA	43	Wendy's	Jennifer Robson - President
<b>\$70 MILLION TO \$80 MILLION</b>				
143	<b>MRCO</b> Brentwood, TN	36	Taco Bell	Farzin Ferdowsi - President
		13	YUM! Multi	Michael Shahsavari - CFO
144	<b>High Plains Pizza</b> Liberal, KS	86	Pizza Hut	Kent Colvin - President Amy Hinkle - CFO
145	<b>Ansara Restaurant Group</b> Farmington Hills, MI	22	Red Robin	Victor Ansara - President/CEO
		3	Twin Peaks	John Keros - CFO
146	<b>Bullard Restaurant Group</b> Raleigh, NC	30	Moe's SW Grill	Clif Bullard - CEO
		19	Burger King	Karla Craig - CFO
147	<b>DRM</b> Omaha, NE	76	Arby's	Matt Johnson - President/CEO Michael Swope - CFO
148	* <b>Howley Bread Group</b> Westlake, OH	28	Panera Bread	Lee Howley - President/CEO Bahjat Shariff - COO
149	<b>Lehigh Valley Restaurant Group</b> Allentown, PA	21	Red Robin	James Ryan - CEO Chris DeFrain - CFO
150	* <b>Hoover Foods</b> Suwanee, GA	49	Wendy's	Duane Hoover - CEO
		5	Zaxby's	Carl Hoover - Vice President
151	* <b>Oerther Foods</b> Orlando, FL	24	McDonald's	Gregg Oerther - CEO Janet Kacer - CFO



# MONITOR 200®



THE TOP 200 FRANCHISEES IN THE U.S.

#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
152	* <b>United Restaurant Group</b> Glen Allen, VA	26	TGI Friday's	Tony Grillo - President/CEO Kathy Stevens - CFO
153	<b>McEssy Investment Co.</b> Lake Forest, IL	25	McDonald's	William McEssy - CEO John Hall - CFO
154	<b>Denco Family</b> Whittier, CA	25	Denny's	Rahul Marwah - CEO/CFO
		8	Subway	Ritu Marwah Portugal - President
155	<b>BMW Management</b> Temecula, CA	23	Sizzler	Gary W. Myers - President Aimee Patton - CFO
156	<b>Carisch</b> Wayzata, MN	66	Arby's	Fred Stauber - President Mark Gregory - CFO
<b>\$60 MILLION TO \$70 MILLION</b>				
157	<b>Verlander Enterprises</b> El Paso, TX	10	Applebee's	Jim Gore - President
		10	Village Inn	Ruth M. Blankenship - CFO
158	* <b>Capitol Dough</b> Westlake, OH	29	Panera Bread	Richard Postle - President Adam Jackson - COO
159	* <b>Kergan Bros. Sonic</b> Lafayette, LA	56	Sonic Drive-In	Ted Kergan - CEO Janet Hebert - VP Finance
160	<b>Parrish Restaurants</b> Dallas, TX	21	McDonald's	Roland Parrish - President/CEO Dawn Martin - Vice President
161	* <b>DMAC81</b> Van Wert, OH	44	McAlister's Deli	Dale Mulvey - Managing Partner
		4	Dunkin' Donuts	Steve Topolinski - Partner
162	* <b>Hishmeh Enterprises</b> Ventura, CA	82	Domino's	Sam Hishmeh - President Nick Hishmeh - CFO
163	<b>Janjer Enterprises</b> Silver Spring, MD	32	Popeyes	Mike Burke - COO Ernest Robinson - CFO
164	<b>S-Group Companies</b> Sandusky, OH	34	Wendy's	John Stock - Owner Dave Volz - CFO
165	<b>RoHoHo</b> Charleston, SC	54	Papa John's	Philip Horn Jr. - President
		11	Jersey Mike's	Peggy Hunt - CFO
166	<b>Ocedon</b> Denver, CO	60	Burger King	Elena Donahue - Owner Ken Donahue - CEO
167	* <b>Apple Core Enterprises</b> Minot, ND	23	Applebee's	Myron Thompson - CEO Marguerite Nessel - CFO
168	<b>S &amp; L Companies</b> Portage, WI	24	Culver's	Jeffrey Liegel - CEO Chad Stevenson - President
169	<b>Wendco Group</b> Pensacola, FL	45	Wendy's	Roger W. Webb - President Rick Watson - Controller
170	* <b>Fourjay</b> North Little Rock, AR	47	Wendy's	Jeffrey Voskamp - Owner
171	<b>VKC Group</b> Sugar Land, TX	100	Subway	Brij Agrawal - President/CEO
		15	Great Am. Cookies	Sam Agrawal - CFO
<b>\$50 MILLION TO \$60 MILLION</b>				
172	* <b>Westaco</b> Scottsdale, AZ	43	Taco Bell	Ross Vogt - President
		3	YUM! Multi	Julie Moore - Controller
173	<b>PT Management</b> Tampa, FL	44	Hardee's	Jack Kemp - CEO Bree Sarka - CFO
174	<b>AB Enterprises</b> Redding, CA	13	Burger King	Joe Wong - CEO
		11	Applebee's	Becci Knight - Controller
175	* <b>Creative Foods Corp.</b> Garden City, NY	28	Burger King	Jay DellaMonica - President Don Lanciotti - CFO
176	<b>Great Circle Family Foods</b> Long Beach, CA	17	Krispy Kreme	Roger Glickman - CEO
		8	The Coffee Bean	Brett Garlinghouse - President

#	COMPANY	MAJOR CONCEPTS		SENIOR EXECUTIVES
177	<b>Brumit Restaurant Group</b> Asheville, NC	50	Arby's	Joe Brumit - CEO Greg Catevenis - CFO
178	<b>Tria Company</b> East Grand Rapids, MI	35 5	Burger King Arby's	Paul D. Gregory - President Melissa Pierce - Controller
179 *	<b>Beavers</b> Fort Walton Beach, FL	48	Arby's	Jimmie Beavers - CEO Brandon Spain - CFO
180	<b>U.S. Restaurants</b> Blue Bell, PA	32	Burger King	Steven M. Lewis - President Michael J. Kadelski - CFO
181 *	<b>PJ Holdings KY</b> Lexington, KY	57	Papa John's	Tom Wylie - President David Allen - Vice President
182	<b>Elbardi Group of Companies</b> Miami, FL	55 2	Charleys Philly Stks Gyu-Kaku	Mario Contreras - President/CEO Jesus Urdaneta - CFO
183	<b>Century Fast Foods</b> Los Angeles, CA	33	Taco Bell	Robert M. Brunson - CEO James R. DeBoard - CFO
184 *	<b>RCO Limited</b> Columbus, OH	20	Raising Cane's	Eric Ongaro - President Jake Crocker - Chairman
<b>\$37 MILLION TO \$50 MILLION</b>				
185	<b>Ponder Enterprises</b> Donalsonville, GA	37	Hardee's	Dan Ponder - President Daaron Vanstone - CFO
186 *	<b>Roaring Fork Restaurant Group</b> Milwaukee, WI	55	Qdoba Mexican Eats	Ron Stokes - President/COO James Anderson - CFO
187 *	<b>Staab Management Co.</b> Grand Island, NE	62	Pizza Hut	Dave Staab - President Kirk Shuck - CFO
188	<b>Rawson Foodservice</b> Rocky Hill, NJ	20	Wendy's	Laura Butako - President Scott Christine - Controller
189 *	<b>Trigo Hospitality</b> Stevensville, MI	30 9	Pizza Hut Sonic Drive-In	Joyce Lunsford - President/CEO Gregory Molter - Partner
190	<b>Northcott Hospitality</b> Chanhassen, MN	22 3	Perkins Houlihan's	Paul Kirwin - President/CEO Brian Schwen - CFO
191	<b>North Texas Bells</b> Grapevine, TX	34	Taco Bell	Troy Morrison - Operating Partner Taylor Morrison - CFO
192 *	<b>STP JJ Team I</b> Oakdale, MN	56	Jimmy John's	Dan Vansteenburgh - CEO Pete Thelen - CFO
193 *	<b>FOR Northwest</b> Mercer Island, WA	38	Burger King	Phillip DeMaria - Managing Member Mark Escamilla - COO
194	<b>Tetra Management</b> Wichita, KS	41 3	Pizza Hut Freddy's	Jack Shelton - President Doug O'Connor - CFO
195 *	<b>Apple Gilroy</b> San Jose, CA	14	Applebee's	Scott Wohlgenuth - President
196	<b>Heartland Beef</b> Bloomington, IN	34	Arby's	Stephen Huse - Chairman Thomas R. Browne - President/CEO
197	<b>Blue Ribbon Restaurants</b> Walled Lake, MI	18 6	Famous Dave's Penn Station	Elliott Baum - President/CEO Michael C. Devlin - CFO
198	<b>HNI</b> Houston, TX	34 16	Hardee's Carl's Jr.	Charles Boyd - President/CFO Alvin Ricker - Vice President
199	<b>Vasari</b> Irving, TX	49	Dairy Queen	Bill Spae - President/CEO Debbie Wood - CFO
200	<b>Lunan Corporation</b> Chicago, IL	39	Arby's	Greg Schulson - President Tony Stella - CFO

\* Denotes revenue estimate



## Alphabetical Listing

Company	Rank	Company	Rank	Company	Rank	Company	Rank
AB Enterprises	174	Diversified Restaurant Holdings	72	Luihn Four	75	S & L Companies	168
ADF Companies	40	DMAC81	161	Lunan Corporation	200	S-Group Companies	164
AFC Brands	71	Doherty Enterprises	15	Manna	6	Sailormen	36
AJP Enterprises	89	DORO	88	Manna Development Group	43	Schuster Enterprises	138
America's Pizza Company	113	DRM	147	MarLu Management Co.	51	SD Holdings	125
American West Restaurant Group	34	Elbardi Group of Companies	182	Marwaha Group	131	Serazen	107
Ampex Brands	19	Emerald City Pizza	108	McClain Sonics	112	SERVUS!	93
Ansara Restaurant Group	145	Falcon Holdings	23	McEssy Investment Co.	153	Sizzling Platter	20
Apple Core Enterprises	167	Flynn Restaurant Group	1	Meridian Restaurants	83	Southeast Restaurant Group	141
Apple Gilroy	195	FMI	31	Meritage Hospitality Group	29	Southern Multifoods	92
Apple Goldwest	62	FOR Northwest	193	Metro Corral Partners	78	Southern Rock Restaurants	95
Apple Investors Group	57	Four Foods Group	85	Mitra QSR	35	SSCP Management	58
Apple-Metro	91	Fourjay	170	MRCO	143	Staab Management Co.	187
B & G Food Enterprises	80	Fourteen Foods	49	MUY! Companies	5	Starboard Group	39
BAJCO Group	121	Fowler Foods	122	North Texas Bells	191	Stine Enterprises	115
Beavers	179	Friendly Franchisees Corp.	133	Northcott Hospitality	190	STP JJ Team I	192
Benton Properties	127	Fugate Enterprises	48	Northwest Restaurants	63	Strang Corp.	111
Blue Ribbon Restaurants	197	Genesh	140	NPC International	2	Summit Restaurant Group	7
BMW Management	155	Ghai Management Services	47	Ocedon	166	Summit Restaurant Group, LLC	103
Boddie-Noell Enterprises	18	Gold Coast Holdings	44	Oerther Foods	151	Sun Holdings	8
Boj of WNC	136	Golden Gate Bell	98	Pacific Bells	11	Sundance	50
Border Foods	28	GPS Hospitality	13	PacPizza	100	T.L. Cannon Management	76
Branded Management Group	126	Great American Chicken Corp.	129	Palo Alto	61	TA Restaurant Group	53
Brodersen Management Corp.	104	Great Circle Family Foods	176	Paradigm Investment Group	96	Tacala	17
Brumit Restaurant Group	177	Hallrich	132	Paradise Companies	101	TD Food Group	106
Bullard Restaurant Group	146	Hamra Enterprises	38	Parrish Restaurants	160	TEAM Schostak Family Restaurants	70
BurgerBusters	59	Harman Management Corp.	24	Pizza Properties	97	Tetra Management	194
Cafua Management	79	HAZA Foods	45	PJ Holdings KY	181	The Briad Group	14
Cambridge Franchise Holdings	55	Heartland Beef	196	PJ United	52	The Kades Corp.	134
Capitol Dough	158	Hielan Management	123	Platinum Corral	135	The RC Group	81
Carisch	156	High Plains Pizza	144	Ponder Enterprises	185	The Rose Group	69
Carlisle Corp.	84	Hishmeh Enterprises	162	Potomac Family Dining Group	86	The Saxton Group	82
Carolina Restaurant Group	74	HNI	198	PR Restaurants	64	TOMS King Services	66
Carrols Restaurant Group	4	Hoover Foods	150	Primary Aim	99	Tria Company	178
Caspers Company	65	Hospitality Restaurant Group	119	PT Management	173	Trigo Hospitality	189
Celebration Restaurant Group	68	Howley Bread Group	148	QK Holdings	77	U.S. Restaurants	180
Century Fast Foods	183	Jackmont Hospitality	109	Quality Dining	27	United Restaurant Group	152
Century Management	67	JAE Restaurant Group	25	Quality Restaurant Concepts	102	United States Beef Corp.	21
Cerca Trova Restaurant Concepts	42	Janco	90	R.E.E.	117	Vasari	199
Charter Foods	37	Janjer Enterprises	163	Rackson Restaurants	128	Verlander Enterprises	157
Cotti Foods Corp.	33	JEM Restaurant Group	116	Rawson Foodservice	188	VKC Group	171
Covelli Enterprises	10	JK&T Wings	137	RCO Limited	184	Wendco Group	169
Cowabunga	139	JRN	54	Restaurant Management Co.	87	WendPartners	46
Creative Foods Corp.	175	K-Mac Enterprises	16	Retzer Organization	73	Wendy's of Bowling Green	120
D.L. Rogers Corp.	26	Kazi Management St. Croix	105	RMH Franchise Holdings	22	Wendy's of Colorado Springs	41
Daland Corp.	130	KBP Foods	9	Roaring Fork Restaurant Group	186	Wenspoc Companies	142
Den-Tex Central	118	KC Bell	114	RoHoHo	165	Westaco	172
Denco Family	154	Kergan Bros. Sonic	159	Romulus Restaurant Group	56	Wisconsin Hospitality Group	110
Desert de Oro Foods	32	Lehigh Valley Restaurant Group	149	Rottinghaus Co.	60	WKS Restaurant Group	30
Dhanani Group	3	Lemek	94	Rucker Restaurant Holdings	124	Yadav Enterprises	12

### About the Monitor 200

The Monitor 200 research includes questionnaires, phone surveys, and in some cases, a review of public documents such as annual reports, 10Ks and FDDs. We sincerely thank the companies that responded to our survey, as most of the top 200 companies in this year's ranking provided us with their complete data.

Our report consists of ranking companies according to revenue generated by the company's franchised restaurants. If the company happens to operate a restaurant concept that is not franchised, or is the franchisor of another concept, we will not include that number in the overall revenue or unit count. In some cases where an acquisition took place during the year, we derive pro-forma revenues in calculating the company's ranking.

In the case of a tie in the amount of total revenue, we settled the tie in favor of the company with the most units.

For companies that did not respond to our survey, we confirmed the number of units operated by the company, and then estimated the revenue based on concept and regional averages.

Also note, this report only lists the top two franchised restaurant concepts operated by the company, although we counted the revenue from all brands.

If you believe your company might make the Monitor 200 list or we've missed you or you know of another company that should be listed, please contact Liz Olson at (612) 767-3200.

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## FINANCE PROFILES

### **Armando Pedroza: Lenders Are Lining Up for Restaurants**

Armando Pedroza clearly remembers the first restaurant loan he ever made. It was Dec. 20, 1995. Not only was it the start of a new chapter in his finance career, but it was a vastly different financing climate for restaurant operators than what exists today.

The deal involved setting up a program for a large restaurant chain looking for lending to provide its franchisees. What is interesting is that for a national chain of that size there would be plenty of lenders today that would jump at the chance to make those loans. But back in the mid-1990s, there were relatively few national restaurant lenders, and even fewer willing to lend to a restaurant, especially to a restaurant franchisee with less than 20 stores, says Pedroza.

These days, restaurant operators have dozens of choices when it comes to accessing both debt and equity due to the amount of capital in the market. “Capital has found the restaurant industry, and that has driven a lot of the development and M&A activity in this last business cycle,” says Pedroza.

Pedroza currently serves as managing director of restaurant finance at Citizens Bank where he leads a team of seven restaurant bankers who provide financing for both franchisors and franchisees, as well as regional and national chains.

His initial “boot camp” into finance was a first job for a big accounting firm specializing in audit after graduating from UCLA in the early 1980s with a business degree. “It was a great start where I learned a lot, but I wanted a role that was closer to the operational front line working directly with customers and clients,” says Pedroza.

He ended up going to grad school, earning an MBA from the UCLA in 1988 and landed a job in the specialty finance group at Citicorp. There were several businesses within that division, and the one that floated to the top for Pedroza was the restaurant lending practice where he eventually did get to have a more hands-on role working with clients.

Although there has been a growing lender appetite to do restaurant deals in the past decade, there have been headwinds emerging over the past 12 to 24 months. Casual dining is one sector that has struggled with competition and overbuilding in some cases. “As things tighten up as we have seen some of the headwinds in the industry, it is important for borrowers to understand where we are in the cycle and find the lender that is best suited for their brand, their size and their segment,” says Pedroza.

Some advice for new entrants, emerging brands and smaller operators is to find out what lenders are focused on their brand or particular segment. “The biggest challenge I have seen with smaller operators over my career as they grow and move into a commercial bank market, is that in addition to being a strong operator, they need to begin to focus on consistent and reliable financial reporting especially as it relates to lender reporting requirements,” adds Pedroza. For more information, contact Armando Pedroza at [armando.pedroza@citizensbank.com](mailto:armando.pedroza@citizensbank.com)

### **Pabst: Helping Owners Execute an Exit Strategy**

Experience and problem-solving matter in the world of M&A, according to Bill Pabst, a principal with The Cypress Group. Effectively marketing a business for sale is only 20% of what it takes to get a deal closed. The other 80% is solving problems, knowing the answers to questions before they’re asked and developing a mutual understanding of what’s going to work for all parties involved, he says.

The value of experience in franchise finance is something Pabst knows a thing or two about. Across his nearly 30 years in the franchise finance industry, he has originated, structured, and closed nearly \$3 billion in sell-side engagements, loans, and sale-leasebacks (generally M&A related), including three of the largest franchisee transactions ever completed, with each individual deal valued in excess of \$150 million.

Pabst is in his eighth year at The Cypress Group, an investment banking firm that helps clients sell, buy and consolidate their restaurant businesses. He followed a fairly typical path into finance, earning a B.S. degree in finance from the Kelley School of Business at Indiana University-Bloomington, graduating in 1986.

One of his first roles was working at a large finance firm where he provided equipment financing to franchisees for various POS manufacturers. “I fell in love with the franchise business and specifically the franchisee customers. Our clients are great. They are typically first-generation wealth. They are generally humble, honest, fair, self-made, loyal. It’s easier when you truly love the people in this industry, and sincerely want what is best for them,” says Pabst.

He also likes their decisiveness. “These are usually founders and sole shareholders. There are no steering committees that select the criteria under which they will evaluate the RFP process for the board. They gather facts, listen to advice, and make decisions quickly,” he says. The Cypress Group also is a hands-on, engaged and entrepreneurial enterprise, notes Pabst. There, he is actively involved with clients at all phases of a transaction.

Today, the aging of franchise owners is providing a steady pipeline of M&A activity. “People who have built significant enterprises are looking at their strategic options, and there are a lot of people who are very interested in the dynamics of the franchised and multi-unit restaurant industry,” says Pabst. Potential buyers like restaurants because they are easy to understand, albeit difficult to execute. Franchised food is uniquely American and has less technology risk as compared to the disruption occurring in other industries, he adds.

There is a deeper buyer pool with more professional money and long-term capital that has interest in the restaurant space, he says. The best advice for sellers is to start the process early. “There are a number of things we can do to help people position their business, sometimes over a number of years, that will help them when they do decide to sell,” he says. For more information, contact Bill Pabst at 847-637-0790 or [wpabst@cypressgroup.biz](mailto:wpabst@cypressgroup.biz).

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## Fixing Key Financial Issues in the Restaurant Industry

By Dennis Monroe

Last month I addressed specific financial fixes for casual dining. This month, I'll dig deeper into three areas of concern: dealing with problem stores, leases and senior debt.

There are always underperforming stores, both franchised or non-franchised. Sometimes, franchisors won't deal with bad stores until the franchisee is on the steps of bankruptcy court. And landlords are often not interested in dealing with the problems either, especially when they are sitting on above-market rents. And finally, lenders are often reluctant to deal with these situations despite having available tools.

Let's deal with problem one—store closings. Closing stores is a last resort. Usually, before closing a store, an operator has tried operational changes and is no longer able or willing to put additional money into the store.

A franchise store creates a unique situation. The franchisor must be reasonable in assessing actual damages. If a store doesn't make enough profit, the franchisee can't pay royalties—they have an investment they'll lose, and will still incur fixed costs, such as rent. So, the franchisor should consider whether to continue to charge royalties, and whether to invoke personal guarantees on closed stores. Store-closings should be approached in a systematic way with the franchisor involved from day one—not to derive financial benefit from a distressed franchisee, but to help them so other stores are not jeopardized.

The truth is, many mature systems have stores that should be closed. Systems have overbuilt, population centers have changed and all parties must recognize this reality. Some of the franchisor's issues, such as cross-default and development agreements, should be reexamined and revised. In many cases, development agreements were too aggressive. One approach franchisors take is to offset a closing by building another store. But there has to be time to find an appropriate site, and often the offset timelines are too short. In some cities, opening a new store within a year is a problem. Bottom line: Reasonable, non-punitive collaboration must prevail.

The second problem is above-market leases. Landlords come in three different groups: There are developer landlords who develop and own the single-tenant restaurant real estate. There are sale/leaseback groups where the property has been sold to an investor and leased back. And finally, there are landlords that own and manage multi-tenant properties. Each scenario requires a slightly different approach.

The landlord who's developed and leased a store to an operator is the easiest one to deal with, because they've usually been involved from the beginning. Plus, they've probably borrowed money for the development. If that's the case, debt service on the property and the interest rate need attention. If the site needs to be closed, maybe there's a way to get a buyout on the lease, particularly if the debt is a lot less than the original cost of the project. Secondly, if the site is viable but the rent is too high, negotiate a lower rent

to cover the landlord's debt service, or try to tie the rent to the interest-only portion of the debt service.

In case of sale/leaseback groups, a bad store may be part of a master lease. Try to get the landlord to think of the properties individually, and how you can make them viable so the overall master lease is more feasible. Under individual leases, the operator may have a stronger bargaining position, including the option of closing the store. Many leases involve personal or corporate guarantees, which need to be addressed, too. The question is what, if any, are the damages? In some cases, commercial leases require the landlord to find another tenant. The best thing is to talk—perhaps offer the landlord a percentage of sales vs. a fixed rent lease. Or, you might consider substituting another property for a bad one. Many leases have a right of substitution of properties.

Finally, for leases that are part of larger leased premises, landlords don't like vacancies. If they want to sell the property eventually, they need long-term leases from high-performing tenants. Often, if there are other national tenants surrounding a poor-performing restaurant, replacement tenants may be an option for the landlord, so explore potential lease assignments and subletting.

The final problem is the structure and level of senior debt. Many lenders in this sector are large, and have a specialty in restaurant lending. These lenders are now grappling with the value of their collateral. In almost all cases, lenders do not want to take back the stores in any form of legal proceeding. In the case of franchise locations, lenders may have remarketing agreements with the franchisor that allow them to sell a store as an ongoing business. In most situations, lenders don't want to see a bankruptcy, because they may be under-secured and may not be able to count on a secondary source of repayment such as personal guarantees.

The key here is to understand exactly what debt service level the operator can afford and then restructure accordingly. It's not uncommon to enter into a forbearance agreement, where the lender stands still and provides time to dispose of assets to pay down the loan or negotiate a restructure and deal with documentation issues. Consider the options you have with a lender: Look for real estate or other collateral you can sell, or stores to close to improve performance within the remaining stores. An operator may have stores that haven't been placed under the credit agreement. They can be added. At the same time, try to get royalty relief to help you continue to service the bank debt.

To have good projections, there must be an understanding of what the future brings, and cooperation among all parties. Be realistic, so you don't have to keep renegotiating. There are practical solutions and it may be possible to work these things out without getting near the bankruptcy court steps.

*Dennis Monroe is chairman of Monroe Moxness Berg, a law firm specializing in multi-unit restaurant finance. You can reach him at [dmonroe@mmlaw.com](mailto:dmonroe@mmlaw.com) or at 952-885-5999.*

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## FINANCE INSIDER

Former **Jack-in-the-Box** franchisee and real estate developer **Abe Alizadeh** was sentenced to four years and eight months in prison and ordered to pay \$15.9 million in restitution after pleading guilty to bank fraud and making false statements to a federally insured financial institution. Prosecutors for the U.S. government maintain Alizadeh induced a number of banks to make loans to him and then altered the purchase agreements to avoid making the required downpayment. This, they said, "resulted in a loss to the named financial institutions of over \$22 million." The recession of 2008-2009 and Alizadeh's penchant for debt ultimately collapsed his real estate and restaurant businesses and focused the government on these transactions. At his peak, Alizadeh owned 70 Jack in the Box, 11 TGI Fridays and five Qdoba restaurants. Sixty-six of Alizadeh's Jack in the Box restaurants were auctioned in February 2010 for \$39 million in a sale conducted by National Franchise Sales.

A number of leading restaurant industry executives gathered last month in New York to celebrate **Patrick Doyle's** successful tenure as CEO of **Domino's Pizza**. Doyle announced in January that he would be leaving the 15,000-unit chain next month. Attendees included restaurant veteran and Domino's board member **Rick Federico**, investor and former **Shake Shack** CEO **David Swinghamer**, **Honeygrow** founder and CEO **Justin Rosenberg** and **Chicken Salad Chick** CEO **Scott Deviney**. The event was hosted by executive search advisor **Alice Elliot**.

**Brad Blum**, the former Darden executive and CEO of Burger King and Macaroni Grill, has a new turnaround project at the helm of **FoodFirst Global Restaurants**. The company now controls **Bravo Brio**, a former public company that was recently merged with Spice Private Equity, a subsidiary of **GP Investments**. But it's not a typical GP Investments portfolio company, but a co-investment. "We've got a variety of investors, this is entrepreneurial money GP has led the way with this... with me putting in significant money as a partner side by side with them," Blum told the Monitor. "With the close partnership with GP, suddenly the company is in a strong position, the liquidity crisis is solved, we've got much less debt on the balance sheet and we're putting a lot of money back on the balance sheet to grow these businesses."

**CapitalSpring** provided **Panera** franchisee **Manna Development Group** (#43 on the Monitor's Top 200) with senior debt financing to refinance the company's existing debt and acquire 38 Panera company stores in the Denver metro area. **Owl Rock**, a private alternative investment company participated in the credit facility with CapitalSpring. **Chad Spaulding**, managing director of CapitalSpring told the Monitor the debt financing was conceived as an alternative to a private equity recapitalization of Manna, which a number of franchise systems remain uncomfortable with. Investment banking firm **Trinity Capital** provided Manna with financial

advisory in the transaction.

One of the most expensive real estate streets in the restaurant business has to be **International Drive** in **Orlando**. Two recent deals caught our attention: The **Bahama Breeze** restaurant location at 8849 International Drive was recently sold by **Four Corners Property Trust** (NYSE:FCPT) for \$16.2 million to a high net worth individual, with a cap rate of roughly 5%. Four Corners is the real estate investment trust formed during the spinoff of Darden Restaurant's real estate properties (Olive Garden and Bahama Breeze). In another transaction, **Del Frisco's** sold their restaurant property at 9150 International Drive last December for \$15.1 million to family office **Amzak Capital Management**. They leased it back over a 15-year term.

**Macaroni Grill** exited bankruptcy in February after filing for Chapter 11 protection five months earlier. "About as quickly as you can do it," CEO and CRO **Nishant Machado** told the Monitor last month. In the process, the legacy brand renegotiated leases, vendor contracts and received \$13.5 million in new capital to restructure the balance sheet and improve systems. Today, Machado boasts that the 86-unit chain (which once numbered 220) is posting positive same-store sales and prepared to acquire other restaurant brands with revenues above \$150 million. "Then you can consolidate and realize synergies from a back-office standpoint and leverage the platform. We're not all hellbent on specific cuisine," he explains. To date, Machado hasn't had much luck. Macaroni Grill's offer of \$4.78 per share for struggling **Brio Bravo** was rebuffed despite being 73 cents more per share than the private equity firm that landed it.

**High Bluff Capital Partners**, the new owners of "substantially all of Quiznos' assets," have quite a job ahead. The PE firm hopes to return the brand to a growth path. The battered sub chain known for toasted subs now sits at 800 locations, down precipitously from the 5,000 locations in 2000. **Amy Forrestal**, an advisor on the deal at **Brookwood Associates**, said High Bluff believes the recognizable brand is poised for better things. Forrestal told the Monitor the deal took about nine months from start to finish, but it would have happened sooner had it not been for a pesky airport liquor license that was included in the deal. A corporate-run location that also included a bar and convenience store couldn't—under Colorado law—be operated under a management agreement.

**Buffalo Wings & Rings** franchisee **Todd Fetter** opened his ninth restaurant earlier this month in Mankato, Minn. The Ohio-based Fetters are the largest franchisees in the Wings & Rings system and previously owned a powder coating business prior to getting into restaurants. The Cincinnati-based brand now has 80 restaurants—57 domestic and 23 international—and emphasizes an extensive menu with higher-quality food offerings than their main competitor, Buffalo Wild Wings.



Former Felt & Company research analyst **Mark Smith** has joined **Oak Ridge Financial Services**, a Minneapolis-based financial advisor. Smith began new research coverage of **Chanticleer Holdings** (BURG-NASDAQ), a multi-unit Hooter's franchisee and better burger concept operator. Smith's rating included a buy rating and \$5 price target. For more information, contact Smith at [msmith@oakridgefinancial.com](mailto:msmith@oakridgefinancial.com).

**A&W** free-standing locations now average annual sales of \$951,678. That's according to Item 19 in A&W's recently updated Franchise Disclosure Document. Founded in Lodi, Calif. in June 1919, the almost 100-year old system has over 1,000 units.

Independent stock analyst **Mark Kalinowski** speculates that **Roark Capital**-funded **Inspire Brands** (Arby's and Buffalo Wild Wings) is a likely candidate to acquire **Cheesecake Factory** (CAKE-NASDAQ). In a June 13 research report, he pointed to Inspire Brand's CEO **Paul Brown's** January comments of wanting to make acquisitions in the \$1 billion to \$4.5 billion range and noted that "Roark Capital had already raised over \$3.4 billion toward its goal of raising \$5 billion for its fifth flagship buyout fund." Kalinowski initiated coverage of Cheesecake with a buy rating, citing the possibility of better-than-expected same store sales and the potential of the company's investment in two emerging brands—**North Italia** and **Flower Child**.

**JAB's** acquisition of 530-unit British sandwich chain **Pret A Manger** for £1.5 billion has private equity investors in restaurants salivating. The acquisitive German investment group has gobbled up Au Bon Pain, Panera, Bruegger's, Krispy Kreme, Caribou Coffee, Einstein Noah Restaurants, and Peet's Coffee all for \$12.5 billion. Private equity fund Bridgepoint is exiting their majority stake in Pret A Manger, for which they paid £500 million in 2008.

**Earl Enterprises**, the parent company of **Planet Hollywood** and **Buca di Beppo** agreed to acquire Bertucci's in bankruptcy and pay \$3.05 million in cash, repay the \$4 million in debtor-in-possession financing outstanding and issue new Second Lien notes in the amount of \$13 million. There are now 59 stores remaining in the Bertucci's system, down from approximately 90 restaurants when the company was acquired in a leveraged buyout in 1998.

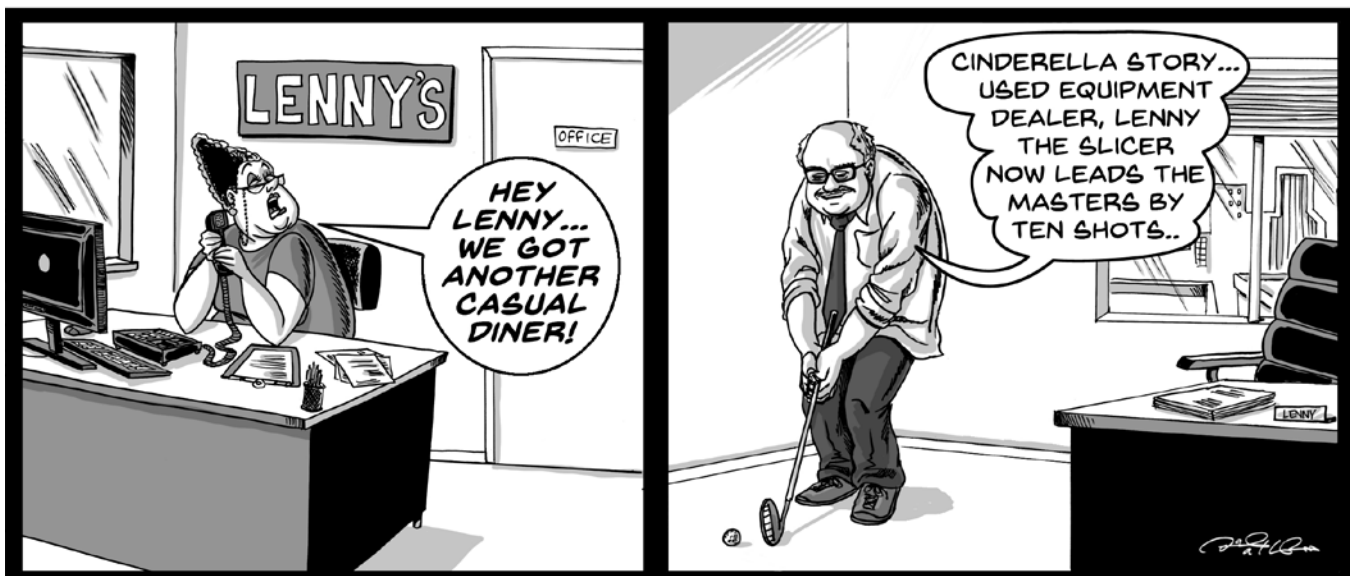
**BTIG** research analyst **Peter Saleh** compared prices at over 25 independent pizza operators that were near **Domino's Pizza** locations in various markets and found that compared to Domino's \$5.99 two medium, two-topping pizzas, independents charged 92% more.

**Cambridge Franchise Holdings** (#55 on the Monitor Top 200) raised \$75 million from a number of family offices to support new builds and acquisitions. Cambridge is a multi-unit operator of **Burger King** and **Popeyes** restaurants. Cambridge partner **Matt Perelman** told the Monitor the majority of the capital was added to the balance sheet with a small amount used to buy back shares from some early investors.

**Papa John's** franchisee **Bajco Global Management**, now with over 125 units, is consolidating the pizza system. Bajco (#121 on the Monitor 200) is acquiring 10 stores in Toledo, OH and another six in Wisconsin.

**Rick Vanzura** is off to a new assignment, although no one at the 27-unit Wahlburgers is disclosing exactly where the former CEO is going. Vanzura's wife, Liz Vanzura, the company's chief marketing officer since August 2017 has also left the company. An executive search has begun for a new Wahlburger's CEO, while CFO **Patrick Renna** has been named the interim CEO.

**AT THE HEADQUARTERS OF LENNY'S EQUIPMENT LIQUIDATORS, THERE'S WORD OF YET ANOTHER RESTAURANT CLOSURE.**



# MARKET SURVEILLANCE

## ARC Group, Inc.

**ARCK:OTC**

Intends to acquire the  
Tilted Kilt Pub and Eatery

**Date:** June 11, 2018

**Purchase Price:** Not Disclosed

**Transaction:** A company owned by one of ARC Group's board members, Fred Alexander, has agreed to acquire Tilted Kilt Franchise Operating, LLC. Seenu Kasturi, ARC's chairman and chief financial officer is providing interim financing until such time as ARC Group can arrange financing to take over the deal.

**Finance Advisor:** Rob Hunziker of Advanced Restaurant Sales represented the buyer.

### Tilted Kilt's Financial Statements INCOME STATEMENT

Year ended December 31, 2017

Revenue.....	\$13,998,931
Net Income.....	(\$1,170,103)

### BALANCE SHEET

As of December 31, 2017

Cash.....	\$1,407,400
Shareholder's Deficit.....	(\$617,575)

### SUMMARY:

ARC Group operates and franchises 22 Dick's Wings & Grill restaurants in Florida and Georgia. Dick's restaurants range in size from 3,500 to 5,500 square feet and serve Buffalo chicken wings, sandwiches, burgers, wraps, salads and waffle fries. The company is looking for franchisees in Florida, Georgia, Alabama, Louisiana, North Carolina and South Carolina.

Tilted Kilt describes itself as "Celtic-themed sports and entertainment bar and restaurant," however others have compared it to a strip club. There are 49 franchised locations. It's first location was in the Rio Hotel and Casino in Las Vegas. The brand requires that all servers and hostesses must be female. Franchisees pay an initial franchise fee of \$75,000 and 6% of sales. The company has been involved in numerous lawsuits with franchisees. According to the company's recent Franchise Disclosure Document, there were 33 fewer Tilted Kilt restaurants open at the end of 2017 than the previous year.

## Landcadia Holdings, Inc.

**LCA:NASDAQ**

Will merge with Waitr Incorporated

**Date Announced:** May 16, 2018

**Background:** Landcadia is a publicly traded, special-purpose acquisition vehicle (SPAC) formed by Landry's CEO and Houston Rocket's owner Tilman Fertitta and Jefferies Chairman and CEO Richard Handler. In May 2016, Landcadia completed an initial public offering, raising \$250 million.

**Transaction:** Landcadia will pay a transaction total of \$300 million with approximately \$50 million paid in cash and by issuing shares of the company's common stock valued at \$10.00 per share.

### Landcadia Holdings, Inc.

#### BALANCE SHEET

As of March 31, 2018

Cash.....	\$252,845,063
Shareholder's Equity.....	\$284,797,000

### SUMMARY:

The Lake Charles, Louisiana-based third-party delivery company intends to be in 70 delivery markets by 2019, and is predicting \$500 million worth of gross food sales, resulting in about \$125 million worth of net revenue. The company focuses on smaller markets, those areas with 50,000 to 70,000 people. The company tries to set itself apart from other delivery businesses by employing drivers instead of using contract workers. In addition, Waitr charges a 15% take rate commission, much lower than its competitors.

During a May 17 conference call announcing the transaction, Fertitta said that "Waitr is a growth business with a huge potential and a tremendous complementary relationship with my existing businesses. We believe we have an incredible opportunity to create the next leader in the fast-growing online food delivery market."

Waitr was founded by Chris Meaux, who was recently named Association for Corporate Growth's Louisiana award winner for emerging growth company of the year.

## Fat Brands Inc.

**FAT:NASDAQCM**

Sold \$8 Million of  
Series A Preferred Stock

**Date:** June 14, 2018

**Transaction:** Fat Brands entered into an agreement to sell \$8 million of Series A Preferred Stock to Trojan Investments, LLC. Trojan is the family office of Dr. Ray Irani, retired Chairman and CEO of Occidental Petroleum. The offering consisted of 800 units at \$10,000 per unit. Each unit included a warrant to purchase 125 shares of the company's common stock at \$8.00 per share.

**Interest Rate:** Series A preferred shareholders will receive quarterly cash dividends at a fixed rate of 9.9% per year, plus deferred dividends equal to 4% per year, payable upon the five-year anniversary of the initial issuance date or the earlier redemption of the preferred shares.

### INCOME STATEMENT

13 weeks ended April 1, 2018

Revenue.....	\$3,585,000
Net Income.....	\$509,000

### BALANCE SHEET

As of April 1, 2018

Cash.....	\$15,000
Notes Payable.....	\$17,468,000
Shareholder's Deficit.....	(\$1,129,000)

### SUMMARY:

Fat Brands owns five restaurant brands—Fatburger, Buffalo's Cafe, Buffalo's Express, Ponderosa and Bonanza Steakhouses—279 total locations across 23 states and 18 countries. CEO Andy Wiederhorn told Franchise Times his plan is to continue to acquire franchise brands, those in the 50- to 300-unit range. He also intends to cross-sell the brands to existing franchisees.

In October 2017, the company generated net proceeds of \$20.9 million through the sale of 2,000,000 shares of common stock at \$12 per share. The offering was made via a Reg A+ public offering, a crowdfunding process in which an issuer can raise up to \$50 million per year marketing online directly to individual shareholders.

## STATS AND QUOTES

HEARD ON THE CALL: WHAT TO DO ABOUT LABOR PAINS?		
Company	Recent Price	Comments
Carrol's (TAST)	\$13.00	Restaurant labor decreased 24 basis points to 33.6% of sales compared to a year ago. "Actually the two for chicken deal and two for Whopper deal labor efficiencies are quite good," says the CEO.
Chuy's (CHUY)	\$30.70	A new labor management tool within the POS system is being rolled out this quarter with hopes of "getting rid of the early and late punches" that add up in a big restaurant chain.
Del Taco (TACO)	\$13.15	Rolling out new prep equipment to "absolutely speed the process of prep" and reduce labor hours. Also, the company dispatched its team to the NRA show to look for labor-saving technologies.
Cracker Barrel (CBRL)	\$164.42	Wage inflation is in line with pricing levels, and running about 2.5%. A new POS system will enable other tools such as tablets that will help with labor productivity.
Dave & Buster's (PLAY)	\$55.40	The company has rolled out a new labor management tool to about 20 locations which is "a lot more state of the art, more nimble, more real time."
Habit Burger (HABT)	\$9.75	The company is hoping a new mobile app and self-order kiosks will help offset wage headwinds, especially in the cost of cashiers.
Red Robin (RRGB)	\$54.00	Improved incentive payouts for managers that improve labor productivity and generate better restaurant-level economics is working. More online orders are saving front-of-the-house labor.
Zoe's Kitchen (ZOES)	\$8.90	Labor costs as a percentage of sales in the first quarter increased 210 basis points over last year. "There's a war for talent out there."

INTEREST RATES				
	6/15/18	Last Month	A Year Ago	Trend
Fed Funds Rate	2.00	1.75	1.00	↑
1-Month Libor	2.08	1.94	.99	↑
3-Month Libor	2.33	2.32	1.18	↑
1-Year Treasury	2.35	2.31	1.35	↑
5-Year Treasury	2.81	2.75	1.76	↑
10-Year Treasury	2.93	2.82	2.16	↑
30-Year Treasury	3.05	3.08	2.78	↑
Prime Rate	5.00	4.75	4.25	↑

**Retiring Domino's CEO Patrick Doyle speaking at an event in New York City, hosted by executive search advisor Alice Elliot on May 29:** "Worry about the long term and the short term will take care of itself."

**Former Rent-a-Center founder Tom Devlin discussing the art of selecting the right business partner in his 2003 autobiography:** "Pick a partner who brings strengths that you don't have. Be clear about what a potential partner brings to your business. Capital? Management skills? What need will they fill? Partners cost money, and people often pick partners who don't bring enough to the table to pay for themselves."

**Anthony Bourdain, in a 2008 interview with tv.avclub.com's Sean O'Neal:** "If anything is good for pounding humility into you permanently, it's the restaurant business."

**The late Chick-fil-A founder S. Truett Cathy on one of the reasons the chicken QSR brand is closed on Sunday:** "Closing on Sunday gives us an advantage when we're hiring, because people like to know that they'll be guaranteed a day off every week to rest, spend time with their family and friends, and worship if they choose. Other companies may promise a day off every week, but if the company is open every day, the employee's day off might be on a Tuesday or a Thursday. Most people would rather be off on Sunday, when many of their friends and family members are also off."

	12-29-17	6-15-18	YTD%
RFM INDEX	4359.31	4,990.46	+14.5%
S&P 500 INDEX	2673.61	2779.66	+3.97%

The **Restaurant Finance Monitor Index** is a stock market index that shows how a basket of restaurant stocks trade in the stock market during a particular period. It follows a strict rules-based methodology that weights QSR and Fast Casual at 70% with full-service making up the balance. For more information on the index go to [www.restfinance.com](http://www.restfinance.com) or contact Dan Weiskopf at [dweiskopf@accessetsolutions.com](mailto:dweiskopf@accessetsolutions.com).

# OUTLOOK

Continued from page one

## Widening Gap

Bank and private capital underwriting, apparently, is creating a widening gap among restaurant companies, according to Black Box Intelligence founder Wally Doolin. He describes two studies measuring comparable sales and guest traffic at 30,000 chain outposts. The first, a three-year examination from 2014 to 2016, showed that the spread between top quartile and bottom quartile companies was just under 7%. In the second study, done in 2017, the gap had grown to 10%.

“And now it’s around 11%,” Doolin notes. “It’s not a just story about the average results. It’s a story about the strong get stronger while the weak get weaker. The only way the situation will improve is to have closures at the bottom companies, to bring themselves up.”

Given the 4% increase in average number of units open, the Top 200 franchisees are more likely to be deploying readily available capital to open new ones and/or acquire them from the franchisor or other franchisees. The development executive notes, in fact, that franchisees on the Monitor 200 “all have money” to grow their systems. And, he adds, they all tell him they want to build restaurants.

“But what I want to find out is, ‘What’s your development history? Are you a proven developer?’ I want to find the right kind of franchisee who can help me make our brand better and who are going to grow the brand,” he says.

## Grilling CEOs

We wanted to learn the financial strategies these companies used to increase their size. So we grilled two CEOs of two growth-oriented franchisee companies in the Top 25 to explain that; we also wanted to know how they avoid over-leveraging their empires given easy accessibility to the various treasure chests filled with growth capital.

“I always look at the historical cash flow and never at future cash flow,” explains Anil Yadav of Fremont, Calif.-based Yadav Enterprises (#12). “If you have to invest a lot of money back into the brand, you have to back that into the model and cash flow before you purchase locations.” The company has been adding to its stable of Denny’s, Jack in the Box and TGI Fridays over the past year; it also has been acquiring resort properties in California.

Yadav says it’s crucial today to use leverage carefully, citing rising gas prices, minimum wage increases and government

regulations that crimp EBITDA margins and potentially limit returns. “That is something we don’t want to see. So the right leverage is always key and cash flow is the biggest determinant,” he adds.

Yadav’s bankers remind him he could, at this point, cash out or take an “extra special dividend.” To date, he’s resisted. “Look,” he reasons, “if you don’t need the cash, if you’re not investing into it or if you’re not creating additional EBITDA by taking the money out, I would not put the leverage on it. And that’s what I would advise.”

Dallas-based Sun Holdings, which operates about 800 restaurants—most are Burger King—throughout Texas and Florida, likes to own land. “Today, I feel we are very under-leveraged,” Perales says. “We pay down debt and grow every year. What has helped over the years is that we own real estate.”

Perales declines to estimate the value of Sun’s real estate holdings, saying only, “We own a lot.” Of 30 restaurants now under construction, for instance, the company owns the land underneath 28. The company will add 17 Arby’s (its latest portfolio brand) this year in Houston and Florida. “Then we will reload with Arby’s,” he adds.

Sale/leasebacks are out of question for Perales, despite that they could help him de-leverage. “But it leaves a huge 15- to 20-year debt and uses your cash flow,” he says. Private equity? Nope. “I’ve been in this space for 20 years. If I’d brought in private equity, I’d probably be on my fourth or fifth partner,” he says. Sun Holdings would probably be a smaller entity, too.

“Every time you’re changing [private equity] partners, you have to slow down and think about how you’re investing your cash,” Perales contends, “and agree with them on how to invest. So you lose time.”

He adds that investors who base every move on returns may at times decline to invest in remodeling or building new restaurants. “That is all we do. We invest our cash in remodels and new builds,” he says.

The ideal partner, Perales explains, is someone who is well-connected and could introduce Sun Holdings to new and exciting concepts. “And help us grow, and not just limit us by saying, ‘Hey, we gave you this much equity. Let’s get the maximum return.’”

Takers, anyone?

—David Farkas

## RESTAURANT FINANCE MONITOR

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