



December 6, 2011

### 5 Major U.S. Restaurant Brands Gunning For International Growth

The economy might still be in the tank in the United States, with consumer discretionary spending down, and the global economy may still be slumping along displaying tepid growth, if any, but as the old saying goes, "People still have to eat." With that in mind, many of the staples in the US restaurant business are taking their game overseas into markets still booming for new brands. Here are a few names that you might recognize, and some you might not, that are out to repeat domestic success in high-growth international markets: McDonald's may be the recognized leader of US restaurant brand growth overseas, with golden arches appearing in 119 countries around the globe with locations just about right on top of famous historic sites such as the Pantheon in Rome and The Great Pyramids in Egypt. In Europe, as well, McDonald's has made such an inroads over the past couple of decades that the street corners in every major city - and many not so major - resemble those in the United States that are surrounded by the fast food restaurant chains of your choice; namely McDonald's. The slow economy has the consumer looking for cheaper food alternatives, and this, as the world's leading preferable choice for discounted dining, plays right into the hands of McDonald's playbook. Even as international growth picks up, however, the company is reporting solid earnings domestically, too, as evidenced by the latest report. MCD continues to satisfy investors and stomachs alike, even in the volatile world that we live in. With that said, the company is still growing. Leading the charge of McDonald's growth in Latin America is Arcos Dorados Holdings. The company owns and operates a growing number of McDonald's franchises in Latin America and is expected to realize some very significant double digit growth over the better part of the next decade as the company expands its franchise presence. Having fallen significantly from its IPO price, ARCO is attracting headlines and investor attention as a candidate to rebound as an international growth story. With the McDonald's name and success behind it, it's easy to understand why investors are going positive on Arco Dorados. Darden Restaurants is already the world's largest full service restaurant company, but it is another one that is following the mantra of gunning for international growth. Just a couple of months ago Darden announced that it had entered into a formal agreement with CMR SAB de CV to bring its popular American restaurant brands to Mexico. Of the move into foreign markets, and Mexico specifically, Darden senior vice president of Business Development, Kim Lopdrup, noted that, Darden's Red Lobster, Olive Garden and The Capital Grille brands, which join P.F. Chang's China Bistro Inc. as another American player moving into the Mexican market, will all be making the move south of the border with over thirty locations expected to be opened over the next decade. The move south builds on the momentum started in the Middle East this summer where the grand opening of a Red Lobster in Dubai was celebrated. Look for continued Middle Eastern growth from Darden as part of its international strategy. Another hugely popular American restaurant brand that has seen its international presence increase is Hooters. Chanticleer Holdings), along with a group of its investor partners, landed the Hooters name when the Brooks estate put it up for sale, thanks to a first right of refusal that had previously been granted Chanticleer CEO Mike Pruitt by the late Robert Brooks. Since acquiring the Hooters name, Chanticleer has set the course for international growth. A fourth Hooters restaurant was opened earlier this year in South Africa, with plans to further expand into Australia also announced. With the Hooters name now in its arsenal, look for Chanticleer to continue growing the brand internationally as other high-growth areas are targeted. One benefit attached to an investment in CCLR is that few are probably aware that this small company has rights to the Hooters name. How's that for a trivia question while digging some Hooters hot wings? The grand-daddy of all international growth stories

right now, however, might be Yum Brands. Yum, which has such names as KFC, Pizza Hut and Taco Bell in its repertoire, has put a huge emphasis on international growth recently, and the efforts have paid off quickly. The company raked in \$589 million in operating profits in 2010 from its operations outside of the US and China, and opened 884 new restaurants in over 75 countries that year, with roughly the same number expected for the current year. Including a continued push into existing international markets, Yum plans to further its presence in the Middle Eastern and Indian markets, with other high-growth areas around the globe also being targeted. What each of the above stories tells us is that even if the US economy remains sluggish, and the casual diner decides to stay home, there is room to realize growth as the international market continues to expand. – Source: Seeking Alpha.

### **Genghis Grill Parent Company Acquires Baker Bros**

The Chalak Group Inc. acquired 11-unit Baker Bros American Deli, the company said. Dallas-based Chalak Group, which owns Genghis Grill, bought Baker Bros, also Dallas-based, from founder Ken Reimer. Financial details of the deal were not disclosed. “We expect great synergies between our brands and feel that Baker Bros will provide growth avenues for our people in the organization,” said Al Bhakta, president and CEO of The Chalak Group Inc. The Chalak Group hired Henry Leonard as president of the brand. Leonard most recently served as CEO of Rockfish Seafood Grill. Jimmy Salas will serve as vice president of operations and Melissa Dominguez will be in charge of HR and training. The Chalak Group has 80 Genghis Grill locations and is invested in 33 Yum! Brand stores like Taco Bell, Long John Silvers and KFC. – Source: Dallas Business Journal.

### **Wingstop to Grow by 120 Units in Mexico**

Based on the success of its stores in Mexico City, Wingstop has announced that the company will add 120 restaurants across Mexico over the next seven years as part of a master franchise agreement with WIS Master S.A. de C.V. Franchise owners Antonio Ortiz Dominguez, Jose Francisco Cantu Quintero and Jose Luis Serrato Villegas have opened 10 Wingstop locations in Mexico City over the last two years as part of an original multi-unit franchise agreement. Now, with the master license, the group plans to expand Wingstop throughout the country through their own development and sub-franchises. WIS Master is currently seeking qualified franchise candidates throughout Mexico who are interested in expanding with Wingstop. “Now that Wingstop has established its international presence, we look forward to entering new countries in the near future,” said Dave Vernon, vice president of franchise sales for Wingstop. “We are specifically targeting the Middle East, Latin America and Central America.” – Source: FastCasual.com.

### **Manitowoc Foodservice Announces VP Promotion**

Manitowoc Foodservice announced the promotion of Mark Richardson to the position of VP Sales Strategic & Global Accounts. In his new role, Richardson will be responsible for directing Advanced Cooking Technology (ACT) Sales Team while maintaining responsibility for ACT Marketing; focus on strategic direction and business development for 7-Eleven, Retail Accounts, Starbucks, IHOP Restaurants, and Applebee’s. Richardson has over 20 years of experience in foodservice business development with companies such as TurboChef Technologies, MerryChef Ltd., and Bunzl Catering Supplies in the United Kingdom. Previously, Richardson held commercial roles within Manitowoc Foodservice, most recently managing Subway restaurant chain and Dunkin Donuts. – Source: QSR.

### **Yum! Brands Inc. Appoints Mirian M. Graddick-Weir to Board; Announces an Additional \$750 Million Share-Repurchase Authorization and Declares Quarterly Dividend of \$0.285 Per Share**

Yum! Brands Inc. announced the appointment of Mirian M. Graddick-Weir, 56, to its Board of Directors. Graddick-Weir is the Executive Vice President of Human Resources of Merck & Co., Inc. based in Whitehouse Station, New Jersey. The appointment will become effective at the Company’s next Board meeting on January 26, 2012. “Dr. Mirian Graddick-Weir will make an outstanding addition to the Yum! Brands Board of Directors. Mirian leads human resources for one of the leading pharmaceutical companies in the world and has a demonstrated leadership

capability and distinguished career. As we continue to grow our system around the world by putting the capability of our people first, Mirian's specific expertise will complement our efforts to be a magnet for great talent and enhance our recognition culture," said David C. Novak, Yum! Brands Chairman and Chief Executive Officer. Graddick-Weir has been ranked as "HR Executive of the Year," "Woman of the Year" and "Top 25 Most Influential African-Americans" by several leading organizations. Share Repurchase: Yum! also announced that its Board of Directors authorized the repurchase of up to an additional \$750 million of the company's outstanding common stock through May 31, 2013. As of November 11, 2011, there was approximately \$250 million remaining under the existing share-repurchase authorization. Repurchases of common stock may be made from time to time in the open market or through privately negotiated transactions and will be subject to market conditions and other factors. Additionally, Yum! Brands Board of Directors declared a dividend of \$0.285 per share of common stock, which will be distributed February 3, 2012, to shareholders of record at the close of business on January 13, 2012. In September 2011, Yum! increased its quarterly dividend 14% to \$0.285 per share. Yum! has increased its dividend each year since initiating a dividend in 2004. Each annual increase has been at a double-digit percentage rate. This track record of dividend growth places Yum! among top companies in the S&P 500. Yum! is committed to returning significant cash to shareholders through both share repurchases and dividends. The Yum! dividend policy continues to target a payout ratio of 35 to 40% of annual net income. – Source: Yum! Brands, Inc.



### **Court Approves Sale of Giordano's Enterprises, Inc. to VPC Pizza Holdings, an Affiliated Entity of Chicago-Based Victory Park Capital**

VPC Pizza Holdings, LLC, a Delaware limited liability company formed by Victory Park Capital (VPC), a Chicago-based distressed private debt and equity investment firm, announced that the U.S. Bankruptcy Court for the Northern District of Illinois has granted an order approving the sale of substantially all of Giordano's Enterprises, Inc.'s assets, business and goodwill out of bankruptcy in a Section 363 purchase. VPC was also granted an order approving the sale of 740 North Rush Street, Giordano's flagship property in Chicago's Gold Coast. A closing of the sale is expected on November 30, 2011. VPC's winning bid of \$52 million is deeply-rooted in Chicago. It combines the operational orientation and strengths of VPC, a firm with a track record of successfully restructuring businesses, and the industry and brand knowledge of Bill and George Apostolou, part of Giordano's founding family. Unlike "stalking horse" bids for Giordano's assets submitted by other groups, VPC's provided the only buyout offer with the support of members of the management team who recognized the value inherent in maintaining and operating all of Giordano's tangible equity and intellectual property, including its iconic Giordano's brand. It is thus well-positioned to export the World's Greatest Deep Dish Pizza franchise throughout the U.S., while protecting the thousands of valuable and loyal employees the Company and its franchisees have in the Chicagoland area as well as Florida. Richard Levy, chairman of VPC Pizza Holdings, LLC and managing partner of Victory Park Capital, said, "Giordano's has been a symbol of Chicago for almost 40 years and has held the title of Greatest Deep Dish Pizza for most of that time. Our solution combines the critical funding and operational expertise needed to make the necessary investments and management changes that will reposition Giordano's for long-term growth and continue to build on an iconic brand for generations to come." Levy added, "As a Chicago-based firm with expertise in providing specialized financing solutions to small and middle market companies, we feel very fortunate that we had the opportunity to invest in such an iconic hometown brand. Our investment will preserve Giordano's unique brand philosophy, which hundreds of thousands of its customers still trust today, and provide the critical financing necessary to stabilize and grow the business and create jobs." Levy added "We have partnered with Bill and George Apostolou to preserve a long tradition of success and know-how in building the preeminent Chicago deep dish pizza Company. Their knowledge of the Company's operations and adherence to the quality of produce and ingredients

that have made Giordano's so famous are an integral part of making sure our loyal customers receive the same quality they deserve and have come to expect. We appreciate the continued commitment and service of Giordano's franchisees and employees throughout this process and look forward to working together to grow our brand and make the customer experience even more enjoyable." – Source: Victory Park Capital (VPC)/Business Wire.

### **New York City to Have 90,000 Hotel Rooms by Year's End**

Mayor Michael R. Bloomberg has announced that New York city will reach a record 90,000 hotel rooms by year's end, representing a 24% increase since 2006. More than 7,000 rooms are in the pipeline that will add to the city's hotel inventory, with an average 40% of new openings taking place in boroughs other than Manhattan, including in Long Island city, Queens, a hotbed of hotel development. The increase in hotels reflects an overall upward trend for the city's \$31 billion tourism industry. In September for instance, an estimated 323,000 people were employed in the travel and tourism sector, a record for the month. Last year, New York city welcomed a record 48.8 million visitors who collectively spent \$31 billion. The city is on track to reach a record number of visitors this year. Room rates are steadily increasing, and occupancy remained at close to 85%, the highest in the nation. "More people want to visit New York city than ever before, and with a record 90,000 rooms, we have great places for them to stay," said Mayor Bloomberg. "That's good news not just for tourists, but also for the city's economy. Our tourism sector employs 323,000 people, and those jobs are now increasingly located outside Manhattan, as tourists want to visit all of the city's great neighborhoods." There are now 17 hotels in Long Island city that are comprised of 1,500 rooms with five more properties and 650 rooms under construction. Major hotel brands in the neighborhood include the Four Points by Sheraton Long Island city/Queensboro Bridge; Fairfield Inn New York Long Island city/Manhattan View; Country Inn & Suites; Holiday Inn Long Island city - Manhattan View; and opening next month, the Wyndham Garden Long Island city. Independent properties such as the Z NYC, which opened in July, join other LIC hotels such as the Ravel, the Queensboro Hotel and the Verve Hotel, among others. "One of the reasons why New York's economy has rebounded faster than the rest of the country's is the growth and development of the city's tourism industry," Deputy Mayor Robert K. Steel said. "The tourism boom is driving a boom in hotel construction, which is creating thousands of jobs throughout the five boroughs." Overall hotel development in the city has been robust in 2011 with new properties recently opened or under construction in all five boroughs. Approximately 40 new projects are slated to open in the next 30 months, with about 13 properties representing 1,865 rooms in boroughs other than Manhattan (5 in Long Island city, 3 in Queens, 1 in the Bronx, 1 in Staten Island and 3 in Brooklyn). 22 new hotels representing 4,120 rooms are also under construction in Manhattan. – Source: ASIATravelTips.

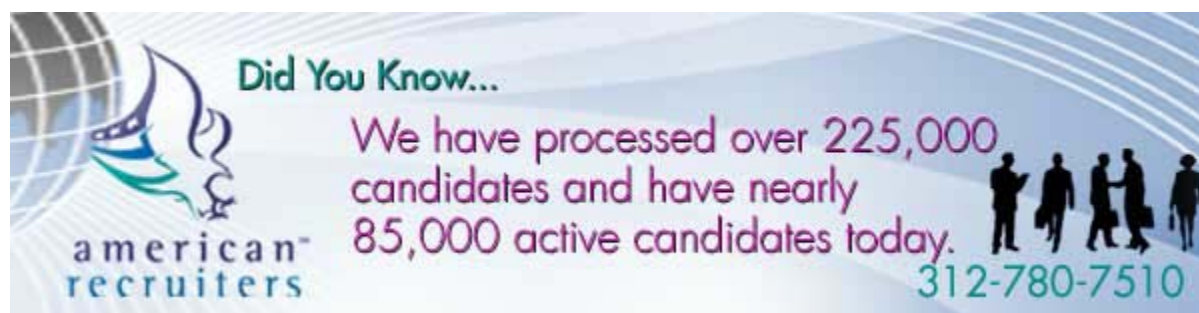
### **Yelp, Others Dive for IPO Window After Groupon**

Groupon Inc opened the IPO window a crack earlier this month and now companies, including Yelp Inc, Angie's List and even social-gaming giant Zynga, are climbing through it, too. Yelp Inc., which offers online reviews of local businesses and services, filed for an initial public offering of up to \$100 million of Class A common shares. A portion of the shares would be issued by Yelp, while the rest would be sold by some stockholders. That followed the stock market debut of Angie's List Inc, another online provider of reviews for local services. Groupon pulled off one of the biggest Internet IPOs in years on November 4, raising more than \$700 million, despite questions about its business model, accounting and management. The deal ended a drought of public offerings since the summer, when stock markets slumped. "When underwriters see a window like this, whether really open or not, they just stuff the IPO channel," said Scott Sweet of research firm IPO Boutique. There are eight IPOs that have either already happened or are scheduled for this week, putting it on course to be the busiest week since 2010, Sweet noted. Yelp, which features more than 22 million reviews of businesses ranging from dentists to restaurants to plumbers, claimed to have 61 million unique visitors on a monthly average basis in its latest quarter, according to a regulatory filing. The company has not picked an exchange to list its shares on yet, but plans to trade under the symbol "YELP," according to a preliminary prospectus filed with the U.S. Securities and Exchange Commission. Earlier this month, the Wall Street Journal reported that Yelp was planning an IPO that could value the company at up to \$2 billion. Yelp was thought to need a new Chief Executive before it went public. In July, the company hired Rob Krolik, formerly CFO of Move.com, who has IPO experience from taking Shopping.com public and selling it to eBay Inc. Goldman, Sachs & Co will be the lead book-running manager for the offering. Citigroup Global Markets Inc and Jefferies & Company Inc will be joint book-running managers. Zynga is expected to go public after Thanksgiving. Recently, the company updated its IPO filing with the SEC, disclosing some executive and board changes. Zynga

investor Brad Feld, managing director of venture capital firm Foundry Group, is leaving Zynga's board. Such moves are common before companies go public. The amount of money a company says it plans to raise in its first IPO filings is used to calculate registration fees. The final size of the IPO can be different. Source: Reuters/baltimoresun.com.

### **Sbarro Fast-Food Pizza Chain Wins Court Approval for Bankruptcy-Exit Plan**

Sbarro Inc., the fast-food pizza restaurant chain, won approval of its plan to restructure and exit bankruptcy protection. Sbarro will give ownership of the reorganized company to senior lenders owed about \$176 million under the proposal approved today by U.S. Bankruptcy Judge Shelley C. Chapman in Manhattan. The company, based in Melville, New York, started as an Italian restaurant in Brooklyn, New York, in 1956 and has more than 1,000 company-owned and franchised restaurants, according to its court filings. Sbarro, acquired in 2007 by the private-equity firm MidOcean Partners, filed for bankruptcy in April, blaming reduced consumer traffic at shopping malls and increased competition at food courts. Increases in ingredient costs also led to higher costs, it said. The bankruptcy plan gives first-lien lenders a recovery of from 69 percent to 95 percent on their claims, according to a plan description. The plan gives no recovery for second-lien claims of about \$34 million and general unsecured creditors with as much as \$173 million in claims, according to court documents. – Source: Bloomberg.



### **Bennigan's Promotes Four Execs**

Bennigan's Franchising Co. has promoted four executives at the casual-dining company's corporate support center. The Bennigan's executive changes, effective immediately, are: • Shawn Finn, formerly franchise business coach, was promoted to vice president of international operations. Finn is responsible for supporting Bennigan's franchise operators in 12 nations as well as leading various initiatives domestically. He has been with Bennigan's since 1987. • Dan Poudrier, formerly director of training and operations, was promoted to vice president of operations and training. He will oversee all training, including a new online "Bennigan's University." He joined Bennigan's in 1997. • Jennifer Gamble, formerly director of marketing, was promoted to vice president of marketing. She has been with Bennigan's since 2005. • Nikki Tichansky, formerly brand coordinator, was promoted to brand manager and will oversee the chain's neighborhood marketing, including social media and restaurant-based "brand ambassadors." She joined Bennigan's earlier this year. "Each of these remarkable individuals has demonstrated the passion and commitment it takes to achieve legendary levels of performance for our iconic brand," said Paul Mangiamela, president chief executive of Bennigan's. The Dallas-based company also reported opening a new franchise store earlier this month in Lake Worth, Texas, a Dallas-Fort Worth suburb. The new unit, in a converted T.G.I. Friday's location, has 132 seats and is owned by franchisee Luis Ibarguengoytia, of I-Pub LLC. Bennigan's has about 35 units in the United States and 45 abroad. – Source: NRN.

### **European Hotel Prices Continue to Fall**

In November, European hotel prices in comparison to last month have declined by twelve percent to 97 pounds. Particularly in southern Europe, the cost of a standard double room has become significantly lower. The highest recorded reductions in price can be found within the Italian cities of Venice (125 pounds), Florence (91 pounds) and Rome (100 pounds). These are the findings of the trivago Hotel Price Index (tHPI) prepared each month by the hotel price comparison website [www.trivago.co.uk](http://www.trivago.co.uk). As winter approaches, hotel prices in European cities have fallen to an average of 97 pounds per night for a standard double room-twelve percent less than the one month earlier


(October 2011: 109 pounds). Compared to last year however, the European hotel industry has increased its prices overall by eleven percent (November 2010: 87 pounds). Compared to October, 41 of the 50 European cities listed in the November trivago Hotel Price Index tHPI declined in price this year. What is particularly striking, are the sharply falling hotel prices in Southern Europe. In addition to low accommodation costs in Italy's major cities, travellers can also find favourable hotel rates for November in Lisbon (73 pounds, down 28 percent), Prague (68 pounds, down 27 percent), Granada (55 pounds, down 23 percent) and Istanbul (96 pounds, down 22 percent). – Source: [www.trivago.co.uk/Ehotelier.com](http://www.trivago.co.uk/Ehotelier.com).

### **Yum Splits India Into Separate Division, Names New International CEO**


Yum Brands Inc. is separating its India business into its own standalone segment, a strong indication of the fast-food operator's interest in expansion there given the only other international market it breaks out is China. The owner of KFC, Pizza Hut and Taco Bell named Niren Chaudhary, 48 years old, president of the newly created Yum Restaurants India division, and Micky Pant, 57, as chief executive of its remaining international division. Mr. Pant previously was president of Yum Restaurants International and Global Branding, and as of Dec. 6 is succeeding Graham Allan, 56, who is retiring early in 2012. Mr. Chaudhary joined the company in 1994 and took over the company's India operations in 2007. While India is still substantially smaller than Yum's China division, "the decision to report it separately reflects Yum's expectation that the country will be an increasingly important growth driver," said Sara Senatore, analyst at Sanford C. Bernstein. Last year, Yum's KFC opened its 100th restaurant in India, where it also has 175 Pizza Huts. By comparison, in China, as of Sept. 3 it had 3,475 KFC locations and 564 Pizza Hut Casual Dining restaurants. "There is clear evidence that we are at the same stage of development [in India] as we were in China at a similar juncture in its life cycle, and I'm confident we will turn India into a major growth engine for Yum," Chairman and Chief Executive David C. Novak said in a statement. For the past few years, Yum has touted its strength in China and focused on growth there and other emerging markets, making up for its weak U.S. performance. Yum said that in the third quarter ended Sept. 3, its emerging markets, excluding China, saw same-store sales growth of 7%, compared to 19% same-store sales growth in China. It also opened 127 new units in emerging markets and 138 restaurants in China in the quarter. While India only made up 1% of Yum's international division's total sales in fiscal 2010, through its third quarter this year, India has exhibited the most growth, with sales rising 42%. Yum's increased transparency could put pressure on McDonald's Corp. to offer more insight, as it now lumps Asia/Pacific, Middle East and Africa together in one division. McDonald's has recently started offering more details of its China business to investors, possibly in response to Yum's increased focus on the region, where Yum has more restaurants than McDonald's. Yum has said it is also particularly excited about its growth in Russia, Germany, Africa and France. But shifting to such an international focus, with a lot of exposure to emerging markets, also puts restaurants at risk of higher volatility and of losing momentum in the U.S. About a year ago, Yum said that 75% of its profits will come from its international businesses by 2015. In the third quarter, markets outside the U.S. contributed more than 95% of Yum's consolidated operating profit, albeit that is partially because its unallocated and corporate expenses were much higher than in the past, and its U.S. division hasn't been pulling as much weight as it once did. – Source: The Wall Street Journal.

### **McDonald's Gets a French Makeover**

Can the same place that brings you the Big Mac also offer the cutting edge of architectural style? Just leave it to the French. McDonald's is testing out a new style, conceived by Paris designer Patrick Norguet, at a store in Villefranche-de-Auragais. Bold red-and yellow accents, a gray ceramic floor and metal chairs are an effort to re-imagine McDonald's as a family restaurant instead of a hangout for teens, according to Fast Company. There's standing room as well as private corners with digital ordering terminals — a model to be replicated at six other locations. The golden arches aren't the only fast food joints looking for a makeover. Burger King says it's in the midst of an "edgy, futuristic" remodel, and Del Taco has launched several sleeker prototype stores. Subway is opening "eco-restaurants" built with recycled materials and topped with solar panels. – Source: The Los Angeles Times/FastCo Design Co.



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### **Filings Reveal More About Landry's Purchase of McCormick & Schmick's**

Tilman Fertitta and Houston-based Landry's Inc. will finance \$138 million of the \$140 million it expects to spend to acquire Portland's McCormick & Schmick's Seafood Restaurants Inc. The board of the Portland seafood restaurant chain accepted Landry's \$8.75 per share bid, which values the 92-unit chain at \$131.6 million, on Nov. 11. It filed documents with the Securities and Exchange Commission Tuesday disclosing details of the agreement as well as instructions to shareholders on how to accept or reject the offer. Landry's said it will fund the acquisition with \$138 million in financing from New York-based Jefferies Group. Landry's also said that the MSSR board has essentially cancelled a poison pill policy it created in April shortly after Fertitta initially made an unsolicited offer for the company. The poison pill would have made it prohibitively expensive for him or any other buyer to acquire more than 15 percent of its outstanding stock. Once the deal closes, McCormick & Schmick's will cease to be a public company and will become a wholly owned subsidiary of privately held Landry's. – Source: Portland Business Journal.

### **Taco Bell Cuts 105 Jobs in Irvine, Nation**

Taco Bell has cut 105 jobs across the nation and at its Irvine headquarters, company officials have confirmed. Thirty jobs eliminated were open but unfilled positions, while 75 were layoffs, company spokesman Rob Poetsch said. Job cuts, made earlier this month, were scattered throughout the company — from "in the field" positions to "strategic" layoffs at Taco Bell's corporate offices in Irvine. In a prepared statement released Saturday to the Register, Taco Bell chief executive Greg Creed said: "To win in this increasingly competitive marketplace, we've made the difficult but necessary decision to make some structural changes. We're committed to doing fewer things better, becoming more nimble, and providing our customers a better and more relevant Taco Bell." Poetsch said all divisions were affected by the cuts, except for food innovation and technology departments. Taco Bell is "doing everything possible to ease the transition of those impacted, including generous severance, outplacement and financial planning services and continuation of medical benefits," he added. The layoffs come as Taco Bell, a division of Yum Brands, poises for a turnaround in 2012. The Mexican fast-food chain has blamed sluggish 2011 sales on a class-action lawsuit that accused the chain of falsely advertising its seasoned beef tacos as real beef. The lawsuit was eventually dropped but not after causing damage to the brand's image. In the third quarter of this year, Taco Bell posted a 2 percent decline in same-store sales — a key indicator of a company's financial health. – Source: The Orange County Register.

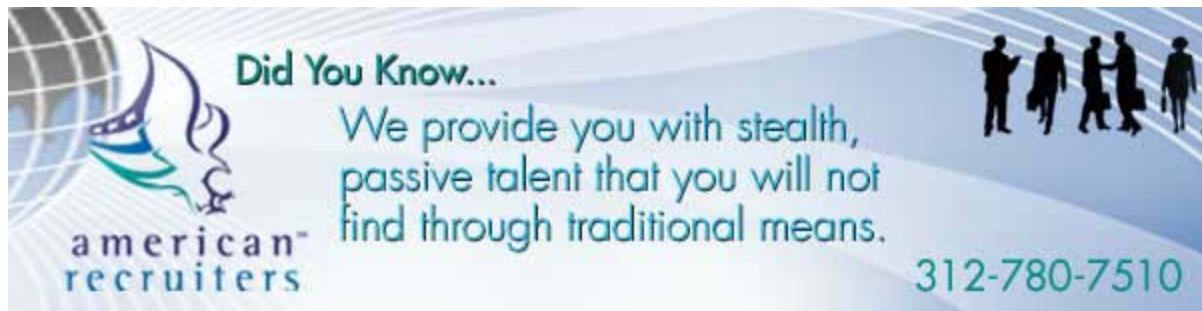
### **Cracker Barrel CEO Defends Chain's Performance Amid Proxy Fight**

The back and forth in Cracker Barrel Old Country Store Inc.'s proxy battle with an activist investor Sardar Biglari continued. This round it was Cracker Barrel CEO Sandra Cochran throwing some verbal jabs as she called Biglari's ideas "misdirected and misinformed" in a letter to shareholders released recently. Cochran's comments were in response to Biglari, who last week detailed his vision for turning around the restaurant chain as he urged shareholders to elect him to the company's board. In the letter, Cochran defended the company's performance. "First, and perhaps most importantly – and contrary to Mr. Biglari's assertions – Cracker Barrel is one of the top performing family dining restaurant companies in America today, with a highly differentiated restaurant and retail experience," Cochran wrote. She said Biglari "misled" shareholders about the company's relative stock price performance. In his letter, Biglari compared Cracker Barrel to the S&P 500 Restaurant Index, "which consists of only five large-cap restaurant companies (including McDonald's, Starbucks and YUM! Brands), all very different

companies from us in size and focus,” said Cochran. Compared to the S&P 600 Restaurant Index, which consists of 16 smaller cap restaurant companies, including Cracker Barrel, “our total shareholder returns significantly outperform our peers over three, five, seven and ten-year horizons,” she said. Cochran took issue with Biglari’s call for a moratorium on opening new stores. “Mr. Biglari says we shouldn’t be building new stores and we’re not getting a good return on our investment,” Cochran said. “Between our fiscal 2004 and 2009, we spent \$382 million building 116 stores. For the fiscal year ending July 29, 2011, those stores generated earnings before interest, taxes, depreciation and amortization of \$61.8 million. This represents a 16.2 percent return on our investment, which we believe is a good use of our capital.” She also rejected Biglari’s call to take the brand global. “Similarly, while the idea of international expansion for Cracker Barrel may sound exotically appealing, we have already thought through how our brand may resonate overseas and believe we have better risk-adjusted return opportunities here in the U.S.,” Cochran said. The current leadership’s efforts to improve performance are paying off with improved traffic and strong sales for the quarter, said Cochran. Cracker Barrel will issue its first-quarter earnings tomorrow before the market opens. “What worries me is that our early success could be jeopardized by what I believe is Sardar Biglari’s highly problematic attempt to get elected to our board,” Cochran said. “... Sardar Biglari’s dealings with us to date, as well as his previous actions as a new member of other boards, lead us to believe that his election to Cracker Barrel’s Board would result in the alienation of the board and management team, negatively impacting the strategic efforts already underway and eroding shareholder value.” Biglari heads Texas-based Biglari Holdings, Cracker Barrel’s largest shareholder. His company has applied for regulatory permission to buy up to 49.9 percent of the restaurant chain’s stock. He is urging shareholders to elect him to a seat on the company’s board at its annual meeting Dec. 20. Biglari used a similar strategy in his takeover of Steak ‘n Shake, which Cracker Barrel considers a competitor. – Source: Nashville Business Journal.

### **Mrs. Fields Near Deal to Refinance With Carlyle, Z Capital**

Mrs. Fields Famous Brands LLC plans to cede control to creditors including Carlyle Group LP and Z Capital Partners LLC as the cookie chain refinances debt to return to profitability. The company, which also owns frozen-yogurt maker TCBY, started the refinancing process Oct. 21 and expects it to conclude Dec. 5, according to a statement today. Mrs. Fields hired Houlihan Lokey to advise on a proposed exchange of debt for equity, said four people with knowledge of the plan. Mrs. Fields, based in Salt Lake City, may file for a prepackaged bankruptcy if the swap isn’t approved by next month, said the people, who declined to be named as terms are private. Private-equity firms Carlyle and Z Capital hold the majority of the snack vendor’s about \$65 million in senior secured notes, they said. The lenders support the refinancing and will become the largest shareholders, Mrs. Fields said. “They’ve got a lot more competition than they’ve ever had before and it’s just increasing,” Ron Paul, president of Chicago-based restaurant-industry tracker Technomic Inc., said of the Mrs. Fields chain. “It’s been a tough time for restaurants.” Friendly Ice Cream Corp. and RM Restaurant Holding Corp. both sought bankruptcy protection this year as the industry struggled with surging commodity costs and flagging consumer confidence. Both chains cited the economic slowdown for shrinking sales. Mrs. Fields, which emerged from bankruptcy three years ago, franchises more than 950 stores under its brand and the TCBY frozen-yogurt banner. Revenue amounted to more than \$60 million last year, according to the company. “Both brands have very good growth strategies and this refinancing really will support those,” Chief Executive Officer Tim Casey said in a telephone interview, referring to Mrs. Fields and TCBY. He declined to elaborate further. Representatives for Carlyle and Z Capital declined to comment. Houlihan Lokey declined to comment. Carlyle, the Washington-based buyout firm planning to go public next year, also announced today that it bought Churchill Financial LLC to expand its lending business. Z Capital, based in Chicago, is also among creditors that are in talks to take control of Golden Gate Capital Corp.’s Newways, people familiar with the matter said on Nov. 17. Debbi Fields opened her first cookie store in Palo Alto, California, in 1977 and began franchising in 1990, according to Mrs. Fields’s website. Capricorn Holdings, a Greenwich, Connecticut-based investment firm, bought Mrs. Fields in 1996 and merged the company with TCBY after acquiring the frozen-yogurt maker in 2000, according to Capricorn’s website. Mrs. Fields sought bankruptcy protection in 2008 and emerged with bondholders holding a controlling equity stake and Capricorn retaining a minority position in the reorganized company. – Source: Bloomberg.



### **Figaro,s Italian Pizza Acquiring Nick-N-Willy’s Chain**

Salem, Ore.-based Figaro's Italian Pizza Inc. has entered into an agreement to acquire the Nick-N-Willy's Pizza franchise, which is owned by World Famous Pizza Company Ltd.'s Colorado subsidiary, Nick-N-Willy's Franchise Company LLC. The letter of intent for the acquisition is dated Nov. 7. Terms of the LOI include Figaro's paying a purchase price of \$600,000, of which \$400,000 is payable on closing, and \$200,000 is payable in two installments of \$100,000 each on Feb. 25, 2013, and Feb. 25, 2014. The payment deadlines are subject to certain adjustments based on the royalties received by Figaro's. The sale of the Nick-N-Willy's Pizza business assets is subject to the completion of Figaro's due diligence and obtaining financing, as well as the negotiation and execution of a definitive purchase and sale agreement. The closing of the transaction is expected on or before Dec.28, 2011. World Famous is to receive a refundable deposit of \$10,000, which will be applied to the purchase price on closing. The company intends to use proceeds from the sale of the assets to retire certain debt obligations and to initiate new business. World Famous will seek shareholder approval for the proposed transaction with Figaro's at its annual and special general meeting Dec. 15. Figaro's Italian Pizza is a 30-year-old chain that includes 71 franchised outlets in nine U.S. states, Abu Dhabi, Dubai and Cyprus. Figaro's stores, like Nick-N-Willy's, provide both baked and "take and bake" pizzas. This will be Figaro's third acquisition in the past five years. In 2006, Figaro's acquired Sargo's Subs, a small chain of sandwich shops. In 2008, Figaro's acquired Schmizza International Inc., which franchises gourmet New York style pizzerias known as Pizza Schmizza. Twenty-five Pizza Schmizza's are in operation, concentrated in the Portland, Ore. Market. – Source: PizzaMarketPlace.com.

### **IHMRS 2011 Draws Large Crowd of Serious Buyers Ready for Industry Resurgence**

The 96<sup>th</sup> annual International Hotel, Motel + Restaurant Show® (IHMRS), held November 12-15 in New York City, welcomed an additional 2,800 buyers to the 2011 market, attracting a total of 17,955 hospitality executives and 23,953 total trade attendees. Buyers from major chains to independent properties remarked that IHMRS 2011 felt like a homecoming of the industry, with exhibitors echoing those sentiments. "This year, the IHMRS has continued to bring back major corporations in large groups," said Leo Vogel, vice president of contract sales for Sealy, Inc. "What has been one or two representatives for the past few years, is now 30 to 40. This is traffic we're not seeing anywhere else." "We were thrilled with this show," said Julie Gorges, marketing coordinator for Spring USA®. "Traffic was up, and the customers we expected to see were all here - plus some. We're heading home with a lot of leads, from within the U.S. and also internationally, including Mexico, Brazil, Italy and Poland." The Hospitality Leadership Forum kicked off the 4-day event on Saturday, November 12, attracting more than 500 lodging executives. Highlighting the event was a keynote luncheon focused on the growing importance of hotel food and beverage operations, featuring famed chefs Daniel Boulud, Floyd Cardoz and Dan Kluger. The annual CEO Leadership Panel and U.S. Lodging Industry Summit Panel also addressed hot button topics, including the state of the industry, future projections, and the next "big thing". Breakout sessions tackling a variety of issues continued through Monday, November 14. Back following a successful debut in 2010, Boutique Design New York co-located with the IHMRS, attracting 4,686 designers, hotel and restaurant owners and purchasing executives - a 61 percent increase over 2010. A sold-out exhibit hall of more than 200 interior product manufacturers presented the latest in furniture, lighting, wall coverings, fabric, seating, accessories, artwork, carpet and flooring, materials, bath and spa. In addition, BDNY offered timely education, networking events and special exhibits. Foodservice professionals representing every sector of the industry returned for the 3<sup>rd</sup> annual New York Marketplace, presented in conjunction with M. Tucker, a division of Singer, NY LLC. Within this dedicated space, manufacturers of equipment, tabletop, and small wares were complemented by cooking demonstrations, food samplings, wine and

beverage tastings, and more. In addition, the Kitchen Arts and Letters bookstore returned with book signings by best-seller authors including Ron Suhanosky, "The Italian Table;" Gabrielle Hamilton, "Blood, Bones and Butter;" and Maxime Billet, "Moderist Cuisine," among others. – Source: International Hotel, Motel + Restaurant Show®

### **First IHOP Express Opens in San Diego**

To make the IHOP brand more accessible and increase top-of-mind awareness for new and current guests, IHOP opens the first IHOP Express in the Gaslamp District of San Diego. The fast casual concept, which was tested in areas such as university campuses and military bases, offers a selection of IHOP favorites but is focused on products uniquely suited to guests on the go. "After extensive testing, we are introducing IHOP Express to provide an exciting new option for guests on the go who want the IHOP experience," says Jean Birch, IHOP president. "Consumers' dining needs vary, and IHOP Express fills an important need by allowing guests to sip, flip, and enjoy our famous coffee and buttermilk pancakes, along with other options found only at IHOP Express, in less time." Perfect for those on the go, IHOP Express items are available in easy, portable portions, including Cup O' Pancakes, IHOP's famous fluffy buttermilk pancakes cooked and served in a cup and topped with strawberry banana, double blueberry, or caramel apple; and flavorful Corn Cake Tacos with savory meat, shredded cheese, and fresh salsa. New Simple & Fit items, which have fewer than 600 calories, are offered at IHOP Express, such as the Ham & Cheese Crepette. Staying true to its roots, IHOP Express brings signature favorites like the Rooty Tooty Fresh 'N Fruity and Bacon 'N Beef Burgers to on-the-go diners. IHOP Express has a brand new look and feel, offering a contemporary, warm, and inviting interior with fun elements such as an interactive syrup bar, an open grill "flip kitchen," unique menu items, smaller portions, and lower price points. The Gaslamp District IHOP Express opening is part of the company's previously articulated strategy to increase top-of-mind awareness of IHOP with guests in order to increase frequency of visit. – Source: Restaurant Management.

### **10 Fastest Growing Restaurants**

America may be obsessed with healthy eating, but one market trend suggests otherwise. The restaurants with the fastest growing customer bases are Five Guys Holdings LLC, Chipotle Mexican Grill Inc. CMG, Jimmy John's Franchise LLC, Buffalo Wild Wings Inc. BWLD, and Little Caesar Enterprise Inc, according to new research by the private firm NPD Group. The list of top 10 growing restaurants was derived from NPD's ongoing data collection of in-home and away-home eating habits. Growth was determined on a year-over-year percent change in customers for restaurants with more than 300 visits. NPD Group Vice President Harry Balzer acknowledged that a list of restaurants with the greatest number of customers would look different but added that the businesses with the greatest percent change in customers are what the industry looks to for direction in the market. Competitors are asking, "What do these guys got? What are they providing that I should be thinking of doing at my restaurants?" Balzer said. The four publicly traded companies on the list have shown tremendous price climbs. Chipotle (No. 2 on the list) traded at \$225.09 this time last year, and now hovers under \$330. Buffalo Wild Wings (No. 4) rose from \$47.59 in November 2010 to \$64. Eighth on the list, Panera Bread Co. stock grew from \$93.35 in November 2010 to over \$135 in November 2011. Likewise, Starbucks (No. 10) has risen to \$44 from \$30 in one year. Here's the complete list of the 10 fastest growing restaurants, according to NPD Group: 1. Five Guys Holdings, LLC; 2. Chipotle Mexican Grill Inc.; 3. Jimmy John's; 4. Buffalo Wild Wings Inc.; 5. Little Caesar Enterprise Inc.; 6. Qdoba Mexican Grill.; 7. Panda Restaurant Group, Inc.; \*. Panera Bread Co.; 9. Papa Murphy's International LLC, and 10. Starbucks Corporation. – Source: MarketWatch.

### **President of Wendy's North America Departing**

The Wendy's Company has announced that David Karam, president of North America, will be leaving the company, effective as of the end of 2011. Karam intends to return to his Cedar Enterprises business, which operates 151 Wendy's restaurants in six states. "David provided excellent leadership to the organization during a critical time in the company's history. He drove significant improvements in Wendy's financial performance by implementing a disciplined and thorough business review process throughout the system. He also improved store operations and focused the brand on higher quality products such as Wendy's Natural Cut Fries, Premium Salads and Dave's Hot 'N Juicy cheeseburgers," said Emil Brolick, president and CEO. Wendy's will not replace Karam's position. Brolick

will assume direct management responsibility for leading the business. "The Wendy's business is considerably stronger today due to the many strategic initiatives we've implemented," Karam said. "I believe the brand is poised to continue growing and producing improved results." – Source: QSRWeb.com.



### **New Charley's VP Tasked with Bringing Brand to Life**

Charley's Grilled Subs named accomplished marketing veteran Mike Cassar as the company's new vice president of marketing. Cassar, a leader in branding, digital marketing, and franchise relations, is tasked with bringing the brand personality of Charley's to life. He has extensive experience building brand equity for global consumer brands including companies such as Valvoline Instant Oil Change, Michelin, XM Radio, Craftsman, IBM, and Ford Motor Company. Most recently, he served as chief marketing officer for EAS Technologies. "Charley's is an outstanding company with a tremendous following and superior food," says Cassar. "The foundation is all here; we just need to spread the word and bring the qualities that make Charley's such a unique experience to life. I'm thrilled to use my expertise to help communicate this message to the consumer, and I am excited about what's in store for the company." "Everything Mike does begins and ends with the consumer," says Charley Shin, CEO and founder. "Mike shares our passion for hot, fresh food and our vision for the brand, and I'm confident that Mike's experience and consumer-focused approach will help lead Charley's in the right direction." The company, founded in 1986 by Shin, has grown to more than 430 locations in 16 countries. In 2010 alone, 38 new Charley's restaurants opened. The company is planning to build another 46 locations this year. In addition to fast U.S. restaurant growth, Charley's has also hit some milestones with development overseas. Charley's recently signed its 12th location in the United Arab Emirates and will soon be opening in the Dubai International Airport in Terminal 1. In addition, Charley's expanded this year to the Dominican Republic and Brazil. – Source: QSR.

### **Restaurants Recruiting More Veterans with Franchise Discounts**

According to a recent Small Business Administration study, veterans in the private sector are at least 45 percent more likely than those with no active-duty military experience to be self-employed. The National Restaurant Association's analysis of U.S. Census Bureau data shows that nearly 10 percent of restaurants in the U.S. are at least 50-percent owned by military veterans. Veterans are majority owners of 33,864 restaurant businesses, and half-owners of 31,805 restaurant businesses, totaling nearly 65,700 restaurants total. "America's restaurants are also a stronghold of entrepreneurial spirit and opportunity, and veterans are finding both in the nearly 66,000 restaurants that are owned by former military personnel," said Dawn Sweeney, NRA president and CEO. Many veterans are drawn to entrepreneurship because there are parallels between being in the military and owning a business, said Sean Falk, a former U.S. Marine who served more than eight years in active duty and reserves. Falk now owns 10 franchised restaurants including Pretzelmaker, Mrs. Fields, Salsarita's and Great American Cookies. Falk said the restaurant industry in particular is a good match for veterans because of the operations-based business model and relatively low entry costs. "You don't need specific experience being a baker or how to bake a cookie. Most franchisors are just looking for someone who has leadership, determination and operational skills," he said. "The franchisor already has figured out how to run the business. Most veterans have the right skills and know how to execute operations, they just need to learn the system." Chains offering more incentives for veterans. There are plenty of restaurant franchisors that offer special ownership incentives specifically for veterans, from Little Caesars to Great American Cookies. GFG, the parent company of Great American Cookies, Pretzelmaker and MaggieMoo's/Marble Slab, is hoping to recruit 150 veteran franchisees by 2014 through its program. Falk has been

traveling the country to speak to veterans about potential ownership, and the company also has launched a series of webinars and other online educational tools about the program. The program has generated so much interest that Great American Cookies recently extended its discount to 40 percent on franchise fees. The program initially featured a 15-percent discount. "We've been thrilled with the initial response from service members to our new Great American Patriot program," said Chris Dull, president & CEO of parent company GFG Management LLC. "By increasing this special offer and adding additional learning opportunities we hope to make it even easier for veterans to start their own small business through a proven franchising model with an exceptional brand." Subway also introduced a new program for veterans last year, waiving the \$15,000 franchise fee for anyone who has been honorably discharged from the U.S. military who wishes to open a Subway restaurant on a government or military installation. Also, the franchise fee is reduced by 50 percent for any veteran opening a Subway unit at any non-military or non-government location. More than 400 companies – many of them restaurants – participate in the International Franchise Association's VetFran program, which offers special programs just for veterans. VetFran began in the early 1990s, and has since grown to more than 1,200 franchisor members and 600 supplier members. When Falk exited the military as a Marine captain in 1994, there weren't many of these incentive programs available. That has since changed dramatically for a few reasons, he said. "We went through a quiet period in the 1970s through 1990s where there weren't a lot of conflicts. But there are now several wars and many more recognition efforts for veterans. There have been a lot of deaths and it's touched more people's lives. More people are supporting those coming back who need jobs and opportunities," he said. "More people are aware that they need to be taken care of when they come home." He expects veteran franchise recruitment efforts to accelerate even more as tens of thousands of troops withdrawal from Iraq in the next year or two. Tax incentive legislation passes Senate Adding even more incentive, the United States Senate has passed legislation that would provide a tax break to businesses that hire unemployed veterans. The measure offers a credit of up to \$5,600 for hiring veterans who have been looking for a job for more than six months, as well as a \$2,400 credit for veterans who have been unemployed for more than four weeks. The measure was applauded by the National Restaurant Association. "As the second-largest private-sector employer, America's restaurants provide 13 million jobs nationwide," said Scott DeFife, EVP of Policy and Government Affairs for the NRA. "The restaurant industry provides great opportunities for post-military culinary and management careers, as well as ownership opportunities, and with the right policies, such as small business tax assistance to hire unemployed veterans, we will be able to create even more jobs and provide greater opportunities." – Source: PizzaMarketPlace.com.



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