



October 17, 2011

The Legacy Companies Acquires Excalibur Retail/Commercial Food Dehydration Equipment Company

The Legacy Companies, Weston, Florida, has acquired Sacramento-based Excalibur, the world leader when it comes to dehydration technology for both home and commercial uses. Terms of the deal were not disclosed. "We are attracted to industry leaders, and Excalibur fits our criteria since it is the finest dehydrator made in the U.S. and the *only* machine with the unique Parallexx™ Horizontal Airflow Drying System. We especially appreciate Excalibur's niche in the healthy food category since its dehydrator technology encourages healthy, low-fat, low-sugar alternatives to junk foods and snacks without resorting to artificial sweeteners, chemical fat blockers and salt substitutes," said Neal Asbury, CEO of The Legacy Companies, whose company exports to more than 100 countries. "Many gourmets own Excalibur Dehydrators; so do the finest culinary schools, including the prestigious Culinary Institute of America and the Living Light Culinary Arts Institute," added Asbury. Asbury notes that he wants to expand the distribution of Excalibur's products, including enhancing the company's market share in the commercial sector. The Legacy Companies is no stranger to acquiring successful U.S. foodservice companies, having acquired The Blakeslee company (a leader in the commercial dishwashing industry in the U.S.); Omega Products (juicers, blenders and food processors); General Foodservice (slicers, mixers and cooking equipment); Maximum Foodservice (refrigeration, and ice machines); and Zeroll (ice cream scoops, dishers and kitchen utensils) and which created its world famous commercial ice cream scoop in 1935. Excalibur started in 1973 and today has hundreds of thousands of customers all over the world that appreciate the company's long standing traditions and the quality of its food dehydrators. "We're proud to have Excalibur join The Legacy Companies family of leading commercial foodservice and retail appliance brands," added Asbury. – Source: The Legacy Companies.

Eddie V's, Wildfish Seafood Grille Sold to Darden Restaurants

The high-profile seafood mini-chain of eight Eddie V's Prime Seafood and three Wildfish Seafood Grilles has been sold for \$59 million. There is one of each here in the Valley: Eddie V's is at the Scottsdale Quarter, where it moved earlier this year after a ten-year run at DC Ranch; Wildfish Seafood Grille has been at the Scottsdale Waterfront since 2005. The buyer is Darden Restaurants, the world's largest restaurant operator, with more than 1,900 restaurants and \$7.5 billion in annual sales. Their two best-known brands are the Olive Garden and Red Lobster. The two fish houses, however, will be run by the company's upmarket specialty division, which includes high-end steakhouse the Capital Grille, Caribbean-accented Bahama Breeze and Seasons 52, a healthful eating spot in which every dish comes in at under 475 calories. Founders Larry Foles and Guy Villavaso say they weren't looking to sell Eddie V's and Wildfish. "Darden contacted us," says Villavaso, after executives dined at their Texas outlets and determined that the restaurants would be a good fit for the company. The two say they "enjoy the creative, start-up process," and aren't "100-restaurant guys." The partners' Valley roots go back 20 years, when they opened Z'Tejas at Scottsdale Fashion Square, which they have since sold. A few years later they partnered with Robert McGrath at Roaring Fork, which is not part of the deal and which they will continue to operate. (McGrath sold them his stake in 2006.) As part of the agreement, Villavaso and Foles will be working with Darden for two or three years "to ensure they get it right." They are also planning to bring a branch of Hopdoddy, their Texas burger restaurant, to the Valley sometime next year. – Source: azcentral.com

Kirk Lanier to Succeed Kelly Saxton as President of Restaurant Franchisee The Saxton Group

Kelly Saxton, the founder of The Saxton Group, is transitioning out of his current role as the president of the Dallas-based restaurant franchise and development company. Saxton, the largest McAlister's Deli franchisee in the country and the first to bring Pinkberry out of California and New York, has had more than 30 successful years in the restaurant franchising industry and will appoint a new leader. Effective this week, vice president Kirk Lanier will take the helm as president. Saxton's sons Adam and Matt, who both hold leadership roles in the corporate office, will complete the executive team as vice presidents. The restructuring will allow Saxton to step away from daily operational responsibilities and focus on his role as the chairman. As Chairman Saxton will work on strategic planning and long-term vision for the company he founded. "Developing this company has been my passion for many years and I'm excited to transition out of the role of president and embrace the new leadership team," Saxton says. "Kirk, Adam and Matt have each achieved much success in their current positions, and I am confident that they will continue to build the company and grow as leaders." Part of The Saxton Group since 1998, Lanier has played a strong role in shaping the organization. As vice president since 2009 and a member of the board of directors, he has spearheaded the opening of 40 McAlister's Deli and Pinkberry locations in Texas and Oklahoma and provided operational leadership toward the company's growth. A proven leader, Lanier's new role will allow him to set the tone and direction of The Saxton Group's 1,500-plus employees in Texas. "I'm honored to follow in the footsteps of such an accomplished mentor," Lanier says. "I look forward to assuming the day-to-day operations of the company and am very enthusiastic about the company's future." Adam and Matt Saxton both got their start in the restaurant industry at an early age, and have worked their way up through the company to secure positions in The Saxton Group's corporate office. Adam, Saxton's eldest son, most recently served as the director of development and Pinkberry brand manager, while Matt was the director of project management and construction. As vice president Adam will continue to oversee real estate, development, public relations and strategic brand management of both the McAlister's and Pinkberry concepts. Matt will manage the company's construction, project management, purchasing, and accounting. Both will be involved with key marketing decisions. – Source: The Saxton Group.

Subway Opens More than 400 Locations in August, September

Throughout August and September, the Subway restaurant chain opened more than 400 new locations in 44 countries, 36 states and seven Canadian provinces. This tally brings the total number of Subway units to just over 35,300 in 98 countries, further solidifying its spot as the biggest restaurant chain in the world. Development milestones for the 2-month period include: 400 restaurants in Kentucky, 800 in Georgia, and 35,000 locations worldwide, which was achieved just in time for the chain's 46th anniversary. During this time, the chain also announced the opening of five new Subway "Eco-Restaurants." Now with a total of 14 such locations, each are designed with environmentally friendly elements to reduce energy, water and waste consumption in cost effective ways. "All of these new eco-restaurants reflect the brand's commitment to social responsibility and sustainability," said Elizabeth Stewart, who heads the chain's corporate social responsibility efforts. "We have made a commitment to make our restaurants and operations more environmentally responsible. As the largest restaurant chain in the world, in terms of number of locations, we know we can make a real difference and are working towards that goal." Source: QSR.

DineEquity Sells 17 Applebee's Restaurants

DineEquity agreed to sell 17 company-operated Applebee's restaurants as part of its ongoing effort to turn around the bar-and-grill chain through refranchising and other methods. DineEquity, the parent company of Applebee's Neighborhood Grill & Bar and IHOP restaurant chains, said Thursday it would sell the 17 restaurants in the mid-South region to Apple Investors Group for \$15.9 million. Apple Investors already own and operate 27 Applebee's restaurants in New Mexico and Virginia. The deal is expected to close in the first quarter, reducing DineEquity's sale-leaseback-related financing obligations by \$11.3 million. DineEquity already has sold 259 Applebee's restaurants after acquiring the chain in 2007. In August, DineEquity posted weaker-than-expected second-quarter earnings of \$348,000, down 97.5% year over year, as IHOP restaurant sales dragged, overshadowing its Applebee's

turnaround. Revenue fell 21.1% to \$268.3 million, also missing expectations. Investors were pleased with DineEquity's news of the Applebee's sale, and bid the stock up 4.3% to \$42.96 in afternoon trading Thursday. Still, the stock remains nearly 14% lower this year. – Source: TheStreet.

QSR Hispanic Advertising Up in 2011

The Association of Hispanic Advertising Agencies (AHAA) just released its 2010 Report on Hispanic Advertising Spending, which shows a 14 percent increase in budget allocation for these types of campaigns from 2009. Across the top 500 advertisers, Hispanic ad spending for 2010 was \$4.3 billion. The AHAA analysis also found that the percent of ad-spend allocated to Hispanic markets is an important determinant of a company's overall revenue growth rate. The AHAA study found with a confidence level of 99 percent that a best-in-class company (defined as a U.S. company with a Hispanic allocation of marketing dollars of more than 14.2 percent) allocating one-quarter of its ad spend to Hispanic media over five years would generate annual revenue growth of 6.7 percent. Among the best-in-class group, companies with a strong correlation between allocation and revenue growth include: AFC Enterprises, parent company of Popeyes Louisiana Chicken, and Domino's Pizza. Non-restaurant brands included Allstate, AutoZone, Colgate-Palmolive, Collective Brands (Payless Shoesource), DirecTV, EchoStar Communications, Heineken, JC Penney, Rent-A-Center, SAB Miller, State Farm and Vivendi. Hispanic media spend by the Top 500 advertisers stood \$163 million below its peak in 2007, but still showed a strong recovery from the past couple of years. Unlike the general market that saw budgets slashed during the 2008 recession, the Hispanic advertising industry has remained constant at 5 to 6 percent of total advertising budgets from 2006 to 2010. The quick-service restaurant industry falls into the "Leaders" category of the AHAA's list of Hispanic advertisers, divided as such: Best in Class, defined by their allocation of more than 14.2 percent of overall ad budgets to Hispanic media; Leaders, companies which allocate between 6.4 and 14.2 percent. Among the Leaders category, QSR has showed a significant increase of 30 percent, or \$70 million in incremental investment, for \$301 million total spend in 2010. This is the second highest increase in the Leaders category, behind the Telecom industry, which grew 51 percent. The trend toward Spanish-speaking advertising appears to be accelerating. A 2009 analysis by the Latinum Network found that while the American economy floundered, the spending growth by U.S. Hispanics was twice the growth of general market spending. Additionally, one-third of the nation's population 19 years old and younger is expected to be Latino by 2015. Popeye's and Domino's are not alone in reaching out to this demographic. Pizza Patron has been aiming its major ad campaigns toward the Hispanic market since 2004. Within the past year, the AHAA also recognized El Pollo Loco and McDonald's as among the best marketers for the Hispanic demographic. Wendy's and Burger King have launched Spanish-speaking campaigns, Baskin-Robbins created a new role to head up the company's U.S. Hispanic marketing efforts, and Carl's Jr. developed a format to integrate the chain's products into primetime lineups of Univision and TeleFutura affiliates. Also, Whataburger's first new marketing campaign in nine years launched this week, featuring separate Spanish language spots, created by San Antonio-based FPO Marketing. "It is essential to actually build a bridge, provide specific messaging and penetrate this demographic in order to maintain continued success in the market," said Darren Tristano, EVP at research firm Technomic. "Chains that research Spanish-speaking consumers and hire marketing staff with a deep understanding of the market will have a leg up on their competitors." The AHAA's study analyzed all 35,000 U.S. advertisers and their allocation trends to Hispanic media from between 2006 and 2010. – Source: PizzaMarketPlace.com.

Fazoli's Comp Sales Growth Streak Enters Second Year. Remodeled and Repositioned Franchise, Company Units See Double-Digit Sales Increases

Odus Mundy, a multi-unit Fazoli's franchise owner is hearing things in his Tennessee restaurants that he likes. Guests frequently comment about Fazoli's improved food that is now presented on real plates, its new table service and fresh décor. But Mundy really likes what he *sees*: full tables that are driving sales increases as much as 20 percent. Like other Fazoli's franchisees who have embraced the company's new menu, expanded service program (ESP) and remodeling program, Mundy is experiencing his strongest sales in years. "I was the first franchisee to roll out ESP, and I'm very thankful I did," he said. Mundy, who has revamped three units, has found that his food and labor costs have remained about the same. "Profitability is much better than last year," he added. Carl Howard, president and CEO, said Fazoli's turnaround has hit a critical milestone – 15 months of continuous comp-store sales growth for both franchised and company restaurants. When Howard joined Fazoli's, the chain was experiencing double-digit sales and traffic declines. For the 15 months ending September 30, comp store sales growth averaged

more than three percent, with some units reporting increases as high as 20 percent. With strong September traffic, Fazoli's has completed five straight quarters of continuous growth. "Fazoli's has been completely repositioned," said Howard. "Today, we deliver a \$10 casual dining experience for \$6. Rather than price, Fazoli's now competes on food quality, service and environment."

All 127 company-owned units will have added ESP and been remodeled by the end of September. 17 franchised restaurants have been updated, with nine more scheduled for completion by the end of this year. "It was important that the company test and refine the new service model in its locations before asking the franchise community to embrace it," Howard said. "It's very rewarding to see our franchisees experience the same positive results in their restaurants." Both Mundy and Howard are very optimistic about Fazoli's future. "The brand is in a better position now than it has been in many years," Mundy said. – Source: Fazoli's.

Starbucks Announces Store Partnership Model with Community Organizations in Harlem and Los Angeles

Abyssinian Development Corporation and Los Angeles Urban League to receive portion of Starbucks store profits in their communities to advance innovative solutions in underserved areas. As part of the company's commitment to the communities where it does business, Starbucks Coffee Company announced that it will introduce a new community model in the neighborhoods of Harlem, New York and Crenshaw, Los Angeles-- where community organizations will share in the profits of a store in each community. Starbucks will donate a minimum of \$100,000 to each organization for the first year of the partnership as it assesses the success of the program and gathers learning in hopes of creating a new type of corporate engagement in communities, potentially providing a model for other companies to consider emulating. Starbucks is partnering with the Abyssinian Development Corporation (ADC) in Harlem and the Los Angeles Urban League (LAUL) in the Crenshaw neighborhood to create a new kind of private sector engagement with these changemaker organizations that have a proven record in creating progress for disadvantaged communities. "Starbucks is partnering with two organizations doing heroic work to address the economic, social and education challenges in their communities," said Howard Schultz, president, chairman and CEO, Starbucks Coffee Company. "These two partnerships are intended to help us learn how our company can successfully join with change-making community organizations in a localized, coordinated and replicable way." – Source: Starbucks Coffee Company.

Hotel Revenues on the Raise for 2011 Holiday Season

In a year where positive economic news seems to come qualified with the phrase "it could have been worse," better-than-expected hotel industry trends suggest that the 2011-2012 holiday season stands to please hoteliers even if it disappoints web-savvy bargain-hunting travelers. It may still be an anemic economy for many, but for the hotel industry, it isn't. Barely a month since the Labor Department announced that the nation failed to add a single job in August, there remains confidence that at least some sectors of the economy are starting to rebound, namely hospitality. PKF, the hospitality research firm, estimates that revenue per available room will grow by 7.2 percent this year - an upward revision from an earlier estimate. While consumers may be traveling fewer miles and to less expensive destinations, the desire to recharge ones batteries through getaways remains robust. Leisure travelers, maybe out of a need for escapism or something entirely else, remained fairly recession proof. Another positive sign: the Travelers Sentiment Index jumped nearly five points from April to July, according to the US Travel Association. The point: recession or no recession people are still eager to travel. This is a particularly strong metric as the summer season, along with the holidays, are the two mostly likely times people travel. Even with fewer deals come Thanksgiving and Christmas, travel websites are still likely to continue offering highly tailored search experiences so that even if travelers are forced to shell out a little extra cash this year, they will at least be getting exactly what they seek. – Source: *REVPAR GURU* /Ehotelier.com.

Denmark Introduces World's First Food Fat Tax

Denmark has introduced what is believed to be the world's first fat tax - a surcharge on foods that are high in saturated fat. Butter, milk, cheese, pizza, meat, oil and processed food are now subject to the tax if they contain more than 2.3% saturated fat. Some consumers began hoarding to beat the price rise, while some producers call the tax a bureaucratic nightmare.

Others suggest that many Danes will simply start shopping abroad. Danish officials say they hope the new tax will help limit the population's intake of fatty foods. However, some scientists think saturated fat may be the wrong target. They say salt, sugar and refined carbohydrates are more detrimental to health and should be tackled instead. – Source: BBC News Europe.



Sale of Pink Ribbon Bagels® Will Support the Jackson Memorial Hospital's Taylor Breast Center/Roberta Orlen Chaplin Digital Breast Imaging Center

Jackson Health System has partnered with Panera Bread to raise awareness of breast cancer and help patients battling the disease. During October, South Floridians are encouraged to eat Panera's pink bagels in support of Jackson Memorial Hospital's Taylor Breast Center/Roberta Orlen Chaplin Digital Breast Imaging Center. This October, the signature Pink Ribbon Bagel® will be sold at all of Panera's approximately 1,500 bakery-cafes, with a portion of the proceeds from each bagel sold going to a variety of breast cancer causes throughout the country. In Miami-Dade county Panera locations, 10 cents from the sale of each individual Pink Ribbon Bagel and \$1 from the sale of each Power of Pink Baker's Dozen will be donated to Jackson Memorial Foundation (JMF) to benefit the center. "We are proud to have the community and Panera Bread support our efforts to save lives. With breast cancer being the most common form of cancer among women other than skin cancer, it is imperative for women of all ages to obtain proper care and screenings. We provide our patients the most comprehensive diagnoses and treatments possible with leading-edge technology," said Ada Romily, M.D., medical director of Breast Imaging at Taylor Breast Center/Roberta Orlen Chaplin Digital Breast Imaging Center. "This year, the Taylor Breast Center/Roberta Orlen Chaplin Digital Breast Imaging Center conducted more than 19,000 imaging visits and diagnosed more than 160 people with breast cancer. The center's facilities, locations and staffing all contribute to provide the best care possible for patients despite the patient's ability to pay," said Joan Bender, Interim CEO for Jackson Memorial Foundation. Donations from the sale of the Pink Ribbon Bagel have raised more than \$1 million for breast cancer charities and Panera Bread hopes to make 2011 the largest year for donations ever. Shaped in the form of the iconic pink ribbon, Pink Ribbon Bagels feature cherry chips, dried cherries and cranberries, vanilla, honey, and brown sugar. They are available in 1,500 bakery-cafes beginning October 1. For each bagel sold, at least 10 cents will be donated to support breast cancer awareness and research. – Source: Jackson Memorial Foundation.

TCBY to expand in North Carolina and South Carolina

TCBY, a US-based franchise frozen yogurt chain, plans to open 23 self-serve outlets in North Carolina and South Carolina over the next three years. It has signed a 10-year area development agreement with Samuel Batt to develop and operate these outlets. Presently, Samuel Batt owns seven TCBY outlets. As part of the agreement, two outlets will open in Charlotte by the end of 2011. TCBY already has 29 outlets in North Carolina and 14 outlets in South Carolina, reported RestaurantNews.com. TCBY CEO Tim Casey said, "This new development agreement is yet another example of TCBY's forward-thinking approach in growing the brand and leveraging our perfected product and self-serve model." The new outlets will serve over 50 toppings and offer 10 to 16 flavors. TCBY yogurt is low in fat, fat free or sugar free. – Source: Food Business Review.

Friendly's Chain Files for Bankruptcy

Friendly's to close 63 weaker restaurants, 424 restaurants to stay open for business, Plans sale to a unit of current owner Sun Capital. Friendly's, an ice cream parlor chain known for its Happy Ending sundaes, filed for bankruptcy as the sluggish economy and slow consumer spending claimed another casual dining operator. Friendly's Ice Cream Corp blamed rising prices for cream and high rents for its problems. The company, which operates or franchises restaurants in the eastern United States, plans to close 63 of its weaker restaurants; 424 will remain open. The company, in its Chapter 11 bankruptcy filing, said it intends to sell the business to an affiliate of its current owner, Sun Capital Partners Inc. A restructuring expert said the planned sale was a sign of confidence in the long-term business. Friendly's has struggled to cut prices to lure back recession-weary families who prefer cheaper counter-service chains. The company's debt load also prevented it from sprucing up its restaurants, which got their start in Springfield, Massachusetts, in 1935. "It's horrible," Gene Baldwin, a turnaround specialist with CRG Partners, said of the quality of Friendly's restaurants. "The facilities are terrible and need to be redone." Friendly's and other restaurant chains that were built on traditional American fare and hearty meals have struggled to keep up with shifts in consumer tastes. "It's a comfortable place for families, but we do actually have people watching calories and fat," said Jerry Mozian, a restructuring adviser with Tatum LLC. Sit-down casual dining operators have been hit hard this year. On Tuesday another Sun Capital investment, Mexican restaurant operator Real Mex Restaurants, filed for Chapter 11 bankruptcy. Other casual dining bankruptcies this year include Perkins & Marie Callender's Inc, Fuddrucker's and Charlie Brown's Steakhouse. Harsha Agadi, Friendly's chief executive, said in a statement the bankruptcy would "quickly improve our financial position and ensure we have the resources to build a better and stronger Friendly's." Sun Capital likely sees the bankruptcy as an opportunity to quickly close weaker restaurants while holding onto the potentially lucrative franchise business, said David Pauker of Goldin Associates LLC, a turnaround advisory firm. "It's likely that Sun believes that the crisis in consumer confidence which has reduced revenues in the casual dining sector cannot continue indefinitely," he said. Friendly's said it received a commitment for about \$70 million in financing. Along with cash flow, this will provide the working capital needed to meet its obligations during the restructuring, it said. – Source: Reuters.



Chevys, El Torito Owner Files for Bankruptcy

The owner of Mexican restaurant chains Chevys Fresh Mex, El Torito and Acapulco filed for bankruptcy pressured by years of slipping sales and the country's economic malaise, executives said. Cypress-based RM Restaurant Holding Corp. said its revenue has fallen to \$478 million last year from \$553 in 2008. The company's 178 restaurants are seeing fewer diners, according to the filing in U.S. Bankruptcy Court in Delaware. The restaurants are in states battered by "significant increases in unemployment" and the home mortgage crisis, said Chief Financial Officer Richard P. Dutkiewicz in the filing. About 84% of the company's locations are in California, where the purchasing and distribution facilities are also based. Dutkiewicz added that "the recent national recession has left much of the general public less prone to spending their disposable income" and that the company "does not expect a meaningful improvement in the economy in 2011." A performance index calculated by the National Restaurant Assn. trade group last week fell to its lowest level in 13 months amid dipping customer traffic, the aftermath of Hurricane Irene and continued uncertainty among eatery operators. RM's subsidiary, purchasing and distribution service Real Mex Foods Inc., was hard hit by rising commodity prices and the loss of key contracts, the filing said. Real Mex provides Mexican food products to chains such as El Pollo Loco, Del Taco and Baja Fresh as well as retailers such as Trader Joe's, Costco and Vons. The company has about 11,000 employees. – Source: The Los Angeles Times.

KFC parent Yum Fails to Ease China Fears

KFC parent Yum Brands Inc. posted a quarterly profit that failed to assuage investor worries about slowing growth in China, its biggest market. Shares in the fast-food chain, whose third-quarter profit matched Wall Street's expectations, fell 1.9 percent in extended trading. China -- the world's fastest growing major economy -- is Yum's biggest earnings driver, accounting for just over 40 percent of overall profits. But analysts say the slowdown might have accelerated this quarter. Closely watched sales at Yum's established restaurants in China rose 19 percent in the third quarter, but those results only captured Yum's China operations through the end of August. "The talk in Asia is that China is starting to slow down," said Michael Yoshikami founder and chief executive of YCMNET Advisors, who tracks Yum as part of his investment in rival McDonald's Corp. Yum, which is widely regarded as one of the biggest China plays for investors in the U.S. stock market, will hold a conference call with analysts on Wednesday morning. "You own this stock for their exposure to China," said Edward Jones analyst Jack Russo. "We're going to want to know what's gone on in China for the last five weeks," said Russo, who added that some economic data out of the country backs the thesis that growth is cooling. Yum said it raised menu prices after the quarter ended to help offset higher costs. Yum, based in Louisville, Kentucky, has almost 4,200 restaurants, mostly KFC outlets, in China. It is the largest Western restaurant brand in China, with far more restaurants than competitors such as McDonald's and Starbucks Corp. Yum's other fast-food brands are Pizza Hut and Taco Bell. Sales at established restaurants in Yum Restaurants International were up 3 percent during the third quarter. That division includes Yum's other non-U.S. markets such as France, India and Russia. While Yum's business is robust in international markets, it continues to struggle at home. Overall sales at U.S. restaurants open at least one year fell 3 percent. That result included declines of 2 percent at Taco Bell, 3 percent at Pizza Hut and 3 percent at KFC. Operating profit was up in China and YRI, but down in the United States. Yum's net income in the third quarter ended September 3 rose to \$383 million, or 80 cents per share, from \$357 million, or 74 cents per share, a year earlier. Excluding special items, Yum's profit was 83 cents per share, matching analysts' average estimate, according to Thomson Reuters I/B/E/S. Revenue rose to \$3.27 billion from \$2.86 billion a year earlier. -- Source: Reuters.

Towns offer tax breaks to lure Darden restaurants. How much is it worth to bring an Olive Garden to your town?

In Decatur, Ala., the answer is almost half a million dollars. In Bristol, Va., it's \$350,000. Expanding in a shaky economy, Orlando-based Darden Restaurants is pursuing tax incentives from cities and counties to build new Olive Gardens, Red Lobsters and LongHorn Steakhouses. Not all places have agreed, and opponents have questioned why a company that will compete with established restaurants should get tax breaks. But desperate for jobs and economic growth, some communities are saying yes. "At 10 percent unemployment, you look at things through a slightly different lens," said Nathan Sparks, an economic-development director in Glynn County, Ga., an hour north of Jacksonville. There, an Olive Garden/Red Lobster combination restaurant slated to open in Brunswick next year won't have to pay city and county property taxes for up to 10 years for savings between \$75,000 and \$150,000, Sparks said. Greg LeRoy, executive director of Washington, D.C.-based watchdog group Good Jobs First, doesn't know of any other chains seeking community incentives to build restaurants. "There is a slippery-slope issue," he said. "If one chain gets it, the next one's going to say, where's mine?" Darden said it has received tax incentives before, citing state and federal examples. But the company is now turning more often to cities and counties for help in opening restaurants. "They are ecstatic to have us," Darden spokesman Rich Jeffers said. Darden will build restaurants in places that don't agree to tax deals, Jeffers said, just not as quickly. Darden would not say how many deals it has made, but the company does not ask for tax credits in every case, Jeffers said. In at least half a dozen communities, incentive deals have been approved, unveiled or proposed over the past nine months, the Orlando Sentinel has found. In Manatee County, the Bradenton Herald reports that LongHorn Steakhouse has been offered a payment of \$20,000 and a \$12,000 discount on impact fees. A county official would not comment. Palm Desert, Calif., plans to vote this week on whether to give a Red Lobster up to \$40,000 to meet new development regulations. In Decatur and Bristol, the company will build Olive Garden restaurants. Darden also has sought incentives for its first combination Olive Garden/Red Lobsters geared toward smaller markets that won't support full-sized versions. County and town leaders in Wilkesboro, N.C. last month agreed to refund \$100,000 in property taxes over five years for one of them, expected to open next year. But Flagler County, where the first combo restaurant opened in Palm Coast in March, and Beaufort, S.C., where a second is under construction, both told Darden it wouldn't get tax breaks. The incentives have left some owners of local restaurants upset. "They've never given me a subsidy, tax

break or anything. I'm against taking my money to fund a competitor," said Roger Adams, who owns Big Tom's Wings and Pizza in Wilkes County, N.C. In Glynn County, Ga., "it's one thing to give an industry that you don't already have a tax incentive," said Jeff Montaigne, who owns Coastal Kitchen and Raw Bar on St. Simons Island. "But we've got restaurants. We've got seafood restaurants. We're on the coast." In the past, tax incentives have gone mostly to high-tech industry, manufacturing or to build corporate headquarters. – Source: The Orlando Sentinel.

Accor's Hennequin Sees Slowing 2012 Growth

Accor SA Chief Executive Officer Denis Hennequin forecast slowing growth at Europe's largest hotel company as consumers and businesses reduce spending on lodging next year. "In 2012 we expect a slowdown but still positive growth," the CEO said in an interview yesterday in London. I'm cautious, not pessimistic." The owner of Novotel and Sofitel brands may report a 3.6 percent increase in 2011 sales and 2.5 percent in 2012, according to 16 analysts surveyed by Bloomberg. Paris-based Accor gets about 73 percent of revenue in Europe. Goldman Sachs Group Inc. cut its 2012 growth forecast for the euro-area economy to 0.1 percent from an earlier prediction of 1.3 percent this week and said France and Germany may enter a recession. Next year won't be a repeat of 2009, when Accor reported a loss of 282 million euros (\$381 million), Hennequin said, as the London Olympics and trade fairs in Germany boost demand. Corporations have cleaned up their balance sheets and Accor will end this year with almost no debt, he said. "There's a disconnect between market fear and the real robustness of the economy," the CEO said. "We have seen no reaction from consumers. People always want to take a break." Shares Drop Accor shares fell 7 cents, or 0.3 percent, to 21.37 euros at the 5:35 p.m. close in Paris. The stock has dropped 36 percent this year, giving the company a market value of 4.9 billion euros. That's more than twice the decline of InterContinental Hotels Group Plc, the world's largest hotel group by rooms. -- Source: businessweek.com/Ehotelier.com



Sbarro Amends Chapter 11 Plan to Reduce Debt

Sbarro Inc. has filed an Amended Disclosure Statement and related Amended Plan of Reorganization with the U.S. Bankruptcy Court for the Southern District of New York. Under the Amended Plan, Sbarro will significantly reduce its total debt and expects to emerge with approximately \$110 million in net debt. Also, the company's first lien lenders will become the new owners of the business by converting the majority of their debt to equity. The first lien lender sponsors have agreed to provide the company with new money commitments of up to \$35 million, which will provide significant additional liquidity for the company's post-emergence operations. The amended plan has the support of all of Sbarro's key stakeholders. "The amended plan is a positive development for Sbarro that will allow the company to emerge from bankruptcy in the very near term with significantly reduced debt. The plan also provides the company with approximately \$35 million of new capital to continue our turnaround effort, which has already increased same store sales year-to-date, including continued improvement in the third quarter," said Nicholas McGrane, interim president and CEO of Sbarro. Additionally, because of this process, Sbarro has been able to improve lease terms at a number of locations while closing some underperforming restaurants, further positioning the company for accelerated growth. The exit financing package provided by the first lien lenders allows the Sbarro to exit bankruptcy in the fourth quarter with significant cash interest coverage. As the company enters the fourth quarter – historically its busiest period – it expects to be able to generate positive cash flow before year-end, resulting in net leverage below \$100 million and expected liquidity of approximately \$40 million by the end of 2011. – Source: PizzaMarketPlace.com.

Tata Coffee, Starbucks Near Deal for Stores

Indians could soon be sipping cups of coffee and chatting at Starbucks outlets, as the U.S. chain sets out to perk up global sales by making a long-awaited entry into one of the world's fastest-growing economies. Starbucks Corp. could over the next three weeks announce an alliance with Tata Coffee Ltd. to open stores in India, a person familiar with the matter said recently. Starbucks is exploring an alliance with India's Tata Group. The Starbucks outlets—which would offer the brand's coffees and food—are likely to be located in retail stores and hotels associated with the Tata group, the person said. A spokesman for Starbucks, Corey duBrowa, said its talks with the Tata group are "moving forward" and that the U.S. company hopes to make an announcement soon. "We are excited about the great opportunities that India presents to Starbucks," he added. While the core deal would be between Starbucks and Tata Coffee, the partnership would take advantage of the strengths of various other companies under the Tata group umbrella, the person said. The Tata group runs its hotel operations through Indian Hotels Co., which owns and manages the Taj Hotels Resorts and Palaces brand. The group's retail operations are through Trent Ltd. and the privately owned Infiniti Retail Ltd. The group also has salt and steel businesses. India remains one of the big untapped markets for Seattle-based Starbucks, and the company's expected entry comes at a time of growing popularity of coffee outlets in the country. Traditionally drinkers of tea, Indians have of late been taking to ordering espressos and cappuccino at quick-service cafes as a growing middle class increasingly adapts to Western tastes. As a result, overall domestic consumption of coffee rose to an estimated 108,000 metric tons in 2010, up 80% in the past decade, according to government figures. Foreign food companies apart from coffee brands are also noticing a growing propensity among India's middle class to eat out and spend on beverages and processed foods. Dunkin' Donuts, a unit of U.S.-based Dunkin' Brands Inc., in February entered into a pact with India-based Jubilant FoodWorks Ltd. to open 25-30 Dunkin' Donuts outlets over the next three years. Starbucks would face several other competitors in India. Cafe Coffee Day, a unit of Amalgamated Bean Coffee Trading Co., runs the largest chain of coffee retail stores in India. Other competitors such as the Luigi Lavazza SpA-run Barista Lavazza chain of espresso bars and Whitbread PLC-operated Costa Coffee stores have a head start as well. – Source: The Wall Street Journal.



How He's Starting Over with Salsarita's

The untold story of industry veteran Phil Friedman's acquisition of Salsarita's Fresh Cantina. When Phil Friedman stepped down as CEO of McAlister's Deli, a sandwich concept based in Ridgeland, Mississippi, that he grew from 30 to almost 300 locations during his 11-year tenure, many of his friends and colleagues assumed the 65-year-old industry veteran had retired. "Most of the people were asking, 'How's retirement?'" Friedman says. "I'm not retired." In fact, only a few months after he left McAlister's, Friedman formed an acquisition company called Mississippi Restaurant Group and recruited Barry Canada—"the leading merger and acquisition guy in the South," Friedman says—to help him find an emerging chain to buy. Friedman was looking for a concept that was in a similar stage of its evolution as McAlister's was when he took the helm there, but this time around he didn't want to answer to anyone else. "I wanted to be the principal, a major investor, have it be my company that was the acquisition company, versus going to work for other people," Friedman says. "I did have some offers to go work for some private companies, some big, some small. But I didn't want to report to the board, I wanted to be the company." This desire to do it his way led Friedman to fund the acquisition search with his own money. Rather than raising a fund, he lined up investors who were interested in backing an acquisition once Friedman found a worthy restaurant chain. "I had the good fortune, because of the success of McAlister's, to [fund] it myself," Friedman says. "It was really important to me to do it that way." A "big step in the march to Salsarita's," Friedman says, was attending the Restaurant Finance & Development Conference, which was held in Las Vegas in early November. It gave Friedman an opportunity to reintroduce himself to small-company investment bankers, including Carty Davis

of Cypress Group. At the time of the conference, Friedman was looking “pretty hard” at two other companies, both founder-owned, full-service concepts geared toward family dining. But when Davis presented him with the opportunity to acquire Salsarita’s, Friedman shifted his focus. In Salsarita’s, a fast-casual, build-your-own burrito concept based in the Southeast, Friedman says he found his “prototype acquisition.” It’s a young company that was established in several markets but seemed to need the guidance of experience to reach its potential. Furthermore, the relatively young chain was still owned by its founder, Bruce Willette, a prerequisite for any company Friedman would consider acquiring. This stipulation also had to do with Friedman’s desire to be his own boss. “I like more of the raw concept that is ready to be managed than something that has been worked over,” Friedman says. Salsarita’s had hired Cypress Group to find a buyer, and in the first round of bidding, Friedman was disappointed to come up short. (A group including Real Mex Restaurants CEO David Goronkin and Fortress Investment Group’s Joel Holsinger had bid \$6 million, according to Restaurant Finance Monitor.) He felt he had lost a brand that matched the skills he had honed for more than 30 years in the restaurant industry, a brand that in many ways resembled McAlister’s back in 1999, when he became chief executive. “I wanted to be the principal, a major investor, have it be my company that was the acquisition company, versus going to work for other people.”

“At that time, [McAlister’s] had grown substantially, had franchised substantially, but the organization strains were getting to a point where the company could implode, because growth also requires a lot of work,” Friedman says. What was needed, Friedman says, was “organization development, structure, and leadership.” The same was true, in Friedman’s assessment, of Salsarita’s when he first made a bid for the company. Founded in 2000, Charlotte, North Carolina-based Salsarita’s was in its 10th year, as was McAlister’s back in 1999, and had locations in 19 states, with most of its 82 locations concentrated in the Southeastern region of the country. Friedman is quick to concede the complexity of the restaurant industry—“every business is a collection of details,” he says—and he operates under the motto that “all businesses have their own physics.” Still, with its similarities to McAlister’s and positioning in the vibrant category of fast-casual Mexican, Salsarita’s seemed to him to be the perfect chain for his next venture. Needless to say, he was happy when he got another chance to buy the company.

“We jumped on it,” says Friedman, who would not reveal how much his company paid. “Let’s just say this is not an acquisition that is going to break any records.” “Any organizational change has its challenges, and this is a good example of that,” says director of franchise administration Tim Carter, who has been with the chain since before the acquisition. Carter says Friedman has challenged the administrative staff to take a hard look at how Salsarita’s can improve its existing franchisee-support system. “They’re having us ask ourselves the hard questions,” Carter says. “Is this the best way to do it? How do we compare to others in the franchise community? Is there a smarter, more efficient way to deliver the world-class support that is expected of the national chain that we intend to be?” The corporate staff understands that Friedman’s emphasis on introspection is a necessary part of growth, Carter says. Over the next two years, however, Friedman expects to grow by as much as 10 percent, which he calls “not significant.” “We’re going to grow through franchising, so that means my role is to put together support and leadership systems to help people grow,” Friedman says. “So I can’t grow today faster than the organization is capable of. “But as I increase the capabilities of the current franchisees, and the support system to help them develop their capabilities, and as I find new franchisees—we’re developing a multiplier effect,” he says. With a reputation for taking brands national, Friedman is confident in his ability to grab more market share in the highly competitive, fast-growing category of fast-casual Mexican, just as he did in the deli sandwich category with McAlister’s. “If I do everything right, we’ll get there,” he says. If his timeline proves accurate, Friedman will be 70 years old when Salsarita’s gets “there.” But there is little indication that he plans to retire even then. “I want to make this work,” says Friedman, referring to Salsarita’s. “But then I will be looking for other things.” – QSR.com.



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