PEOPLE ■ INVESTMENT INSIGHTS ■ CUSTOMERS COUNT

Multi-Unit Franchisee

ISSUE IV 2012

Dominators Deluxe

THESE SIX MULTI-UNIT OPERATORS THINK BIGGER!

■ **FREE ASSOCIATIONS**
Independent franchisee associations aim to strengthen their brands

■ **WHAT A CONCEPT!**
Evaluating the next brand(s) for your growing portfolio

■ **TOP MSA RANKINGS**
Franchising's biggest U.S. markets—and the operators who dominate them

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ISSUE IV, 2012

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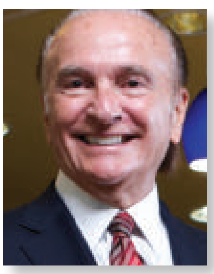



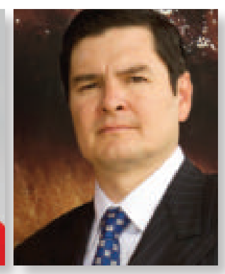
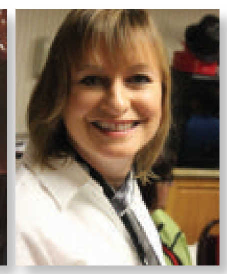

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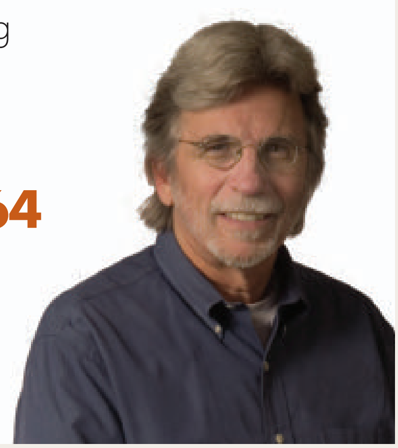

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Chairman's **Note**

BY JOHN METZ

Healthcare 2013: A 5% Solution

It's hard to believe that a year has passed and my tenure as the Multi-Unit Franchising Conference chairman has come to an end. As I write this farewell column, my last official task as chairman, it seems like only yesterday I began working with Therese Thilgen on the content for the 2012 conference. It was indeed a pleasure to work with Therese, and not only do I feel I made a lifelong friend, together we created a tremendously successful conference.

Looking back on the 2012 conference, held at The Mirage in Las Vegas, we packed tons of information and opportunities into less than three days. We opened Day One with a great day of golf and an informal franchisee mixer where we were honored with a visit from former President George W. Bush. (Okay, not really, but the impersonator sure was convincing!) We continued with our outstanding keynote speakers and exceptional sessions throughout the week and ended on a high note and welcomed in our 2013 chairman, Sean Falk.

We published the results from our survey "What Keeps You Up at Night?" One of the top items on the list was healthcare. I would like to expand on this issue as it is definitely a reality and we have to find ways to deal with it. I am personally hoping that Mitt Romney will be elected president and the Republicans take back the Senate so we can possibly "undo" the healthcare bill. However, elections are like Vegas: nothing is a sure bet! Therefore, I am exploring ways of surviving the healthcare bill regardless of who wins this November's election.

I would like to share some of my thoughts on surviving the implementation of "Obamacare" in 2014. The long and short of this bill is that we as employers are going to have to pay a penalty of $2,000 per employee (based on full-time equivalents). As businesses owners, we cannot raise our prices enough to offset this penalty. In my restaurant business I would need to increase prices more than 20 percent to offset this penalty. Clearly this is not the answer. Therefore, I believe we need a different solution.

I am proposing to apply a 5 percent healthcare tax/surcharge to each bill. Call this for what it is: a tax. This way the customer sees what they are paying for, healthcare. You may think this is harsh, but we'll let the customer decide. If we all get together on this and every business owner adds this tax to their bill, our customers will get the message. In fact, in using this approach we begin to move closer to a value-added tax similar to what is used in Canada and Europe.

My year as 2012 conference chairman was an amazing experience. This conference has taught me so much about franchising as well as about business. I've taken many of the lessons and have applied them to my own companies. I hope this conference has been as great for you as it has been for me. Please remember to foster the relationships you acquired and to build on them. Remember most things you have learned, as they will come in handy sooner than you think. Finally, I want to thank all those that helped me pave the way for a truly outstanding and rewarding event.

Our new 2013 conference chairman, Sean Falk, will give this conference a different spin. As a hands-on multi-unit operator, he will bring a new perspective to the event, and the 2013 Multi-Unit Franchising Conference promises to be incredible with Sean at the helm! I am especially looking forward to participating in all aspects of next year's conference. Thank you again for all your support. I look forward to seeing everyone again in Las Vegas!

Sincerely,
John C. Metz

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Aaron's is changing the way a growing and underserved market acquires quality household necessities such as name-brand furniture, appliances, consumer electronics and computers. National Director – Franchising, Greg Tanner, heads the development team that has awarded more than 750 franchises for Aaron's. "I was born to be in this business," Greg says. Greg taught himself about franchising in his early twenties after serving in the military police during the Vietnam era. He has been both a franchisee and a franchisor and helped hundreds of individuals realize their American dream. Greg is a member of the International Franchise Association's VetFran Committee. He led Georgia franchisors in launching the IFA's Operation Enduring Opportunity—a VetFran initiative to hire 75,000 veterans by 2014—at a press conference November 10, 2011 at the Georgia state Capitol. He was also the only franchisor invited to the White House November 21, 2011 to witness President Obama sign the American Jobs Act bill that offers tax credits to businesses that hire veterans. For his successes at Aaron's and his commitment to the franchise industry, Greg was named one of the Top 20 people to watch in 2012 by *Franchise Times* magazine. We caught up with Greg and asked him about Aaron's and its fit for multi-unit franchise owners.

Multi-Unit: Tell us a few things we might not know about Aaron's?

Greg Tanner: It all started with a chair. Our founder, Charlie Loudermilk, opened for business in 1955 renting folding chairs at estate auctions in Atlanta. Today we are NYSE listed and have more than 2,000 Aaron's showrooms throughout the US and Canada.

MU: What is your biggest challenge?

GT: We fly under the radar because our owners are not our customers. Aaron's owners are in the top one percent of investors. Our customers, on the other hand, represent more than 50 percent of all households, but make $50,000 or less in household income per year. Once we get prospective owners into our stores and present the business model, the light bulb switches on.

MU: How would you describe your typical owner?

GT: They are all multi-unit owners. One owner, Charles Smithgall, has 87 stores with another 30 scheduled to open. Charles has been very active with the multi-unit organization. Our owners have on average a net worth of six million dollars. They want to build on their success and make more money. They are looking for a quality of life. They understand cash flow, margin and depreciation. And like all savvy business owners, when they sign up, they are already planning their exit strategy.

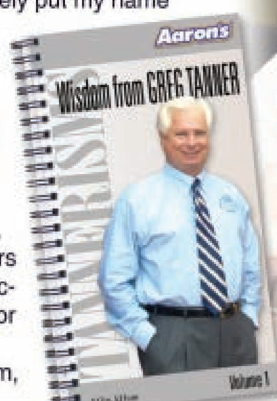
MU: Why Aaron's for a multi-unit owner?

GT: I'll give you two reasons: First, we have skin in the game. We have corporate stores, too. If the program is going to work for our franchise owners, it has to work for company operated stores. When we introduce new products and services, we test them in our corporate locations. If successful there, we launch system wide. Franchisees aren't the guinea pigs. Second, 100 percent of our owners are multi-unit operators. The greatest share of our growth comes from existing owners. For that to happen, we have to be doing something right.

MU: We see you everywhere.

GT: I've never met a stranger in this business. I learned a long time ago that people buy from people. That building relationships, earning trust and having genuine empathy for your customers makes you successful in any business. We purposely put my name and face on the advertising and in our press releases. I want people to know me before they call, and in some cases that's why they call. I wrote a booklet titled, *Tannerisms*, that offers helpful tips to prospective franchisees. As for as my interest in the IFA's VetFran program, it's my opportunity to give back to the industry that's created financial security and quality of life for me and my family and to the military that changed my life—treated me like a man, gave me responsibility, and taught me respect for authority. I get a great deal of fulfillment putting people, particularly our military veterans, in business for themselves. 'Greg has been at the forefront of renewing our VetFran campaign,' said Beth Solomon, IFA VP for strategic initiatives & industry relations. 'Greg is blazing a trail for franchising into the future that will strengthen our industry and do right by our veterans who have served so bravely.'

For Franchise Information:
www.aaronsfranchise.com



Greg with Medal of Honor recipient, Dakota Meyer.

Greg with Vice President Joe Biden outside the White House November 21, 2011.

Greg Tanner, Aaron's National Director – Franchising at the company's Discovery Day Conference Center.

mufranchisee.com

✓ CONFERENCES

Multi-Unit Conference Raises the Bar... Again

Franchise Update Media Group's annual Multi-Unit Franchising Conference celebrated its 11th anniversary by hosting its largest event to date. The Mirage Las Vegas played host to nearly 1,000 franchise movers and shakers this past April. Plans are already under way for next year's event, which promises to up the ante once again, March 27–29 at Caesars Palace in Las Vegas. For a look back on the 2012 conference and a peek ahead to next spring's conference, visit ***www.multiunitfranchisingconference.com/.***

✓ ONLINE

Multi-Unit Community Grows

Check out our community-based website for multi-unit operators. It's your exclusive look into the world of multi-unit franchising, your one-stop shop to find:

- New brand opportunities
- Exclusive interviews
- Networking opportunities
- Operator profiles
- Online edition and archives
- Financing resources

www.franchising.com/multiunitfranchisees/

✓ NEW ONLINE VIDEOS

EmpireBuilders.tv Expands

Great entrepreneurs build great organizations. They possess a knack for making smart business decisions, building great teams, and creating successful companies.

But as we've learned from years of interviewing successful multi-unit franchisees, they've also struggled, doubted, and made more than a few mistakes—yet they've soldiered on, persevered, and ultimately come out on top. To provide a deeper sense of their journeys, insights, and personalities, we're selecting franchisees from our most inspiring print interviews and creating a new series of online videos of these franchisee leaders—who we call Empire Builders. ***www.franchising.com/empirebuilders/***

✓ Capital Thinking

"It seems to be opening up again. But the requirements are much more stringent. Banking is becoming more of a relationship and more local. For example, we began working with BBVA Compass a few years ago with less than $1 million. But after getting to know each other, the lending relationship expanded to close to $30 million. They have been very supportive and helpful and even invited me recently to their national board of directors."

—Guillermo Perales, who operates nearly 400 units, including Burger King (172), Popeyes (73), Arby's (52), CiCi's Pizza (49), Golden Corral (33), T-Mobile (12), and Del Taco (7).

✓ FRANCHISE OPPORTUNITIES

Looking for your next franchise opportunity? Have we got the tools for you! Find articles on companies, concepts, industries, trends, and profiles—and search our features. Find franchisors looking for multi-unit franchisees, area reps, and area developers. Search by top opportunities, alphabetically, investment level, industry, by state, and more at ***www.franchising.com/.***

✓ RANKINGS

Check out our annual rankings of top franchisees and their multi-unit brands and find out "Who's on first." ***www.franchising.com/multiunitfranchisees/mu50.html,*** and ***www.franchising.com/multiunitfranchisees/mega99.html.***

✓ PRESS OFFICE

"Don't just survive, thrive!"

Franchise Update Media Group's *2012 Annual Franchise Development Report* and *Grow to Greatness* book by Steve Olson offer invaluable tips for franchise sales success and unit growth in tough economic times. For ordering information visit ***www.franchising.com/franchisors/afdr.html*** and ***www.franchising.com/franchisors growtogreatness.html***.

✓ QUICK-LINK

For a one-click online link to articles in this magazine and archived issues of *Multi-Unit Franchisee* magazine, visit ***www.franchising.com/multiunitfranchisees/***.

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Ben & Amanda Hiner
Multi Unit Store Owners
Louisville, KY

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- Named one of the "Top 20 Franchises for the Buck" by Forbes.com, 2012
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EXCITING THINGS ARE HAPPENING AT BURGER KING®

With a renewed focus on restaurant image, franchisees and profitable growth, the BURGER KING® brand is in a better position than ever before to increase its market share amongst QSR competitors. The world's second largest fast food hamburger chain continues to expand its presence in North America by offering franchising opportunities in key markets through multi-unit and single-unit acquisitions, and new restaurant development. From developing its signature prototype in local neighborhoods, whether suburban, rural or urban, to non-traditional opportunities (malls, airports, universities, gas and convenience, and other retail locations), the franchising possibilities are vast. The iconic brand's strategy to be nearly 100% franchised by 2012, has made opportunities available for experienced QSR operators and executives of other brands who want to join the growing BK® family.

The new "20/20 image" design boasts an enhanced drive-thru experience.

A DYNAMIC VISION

The new "20/20 Image" design has transformed BURGER KING® restaurants into a unique dining experience that appeals to an expanded customer base by focusing on comfort, food quality and an inviting atmosphere. Key design elements incorporate natural materials with sleek, modern lines, updated color palettes, and varied seating options, making the 20/20 Image the future face of the BK® brand.

This winning concept, which was voted the preferred design by consumers also boasts an enhanced drive-thru experience. Restaurants that have been reimaged to the 20/20 Image are averaging a sales increase of 13.8 percent and BK® expects to have more than 40 percent of restaurants in the BK® system updated within the next three years.

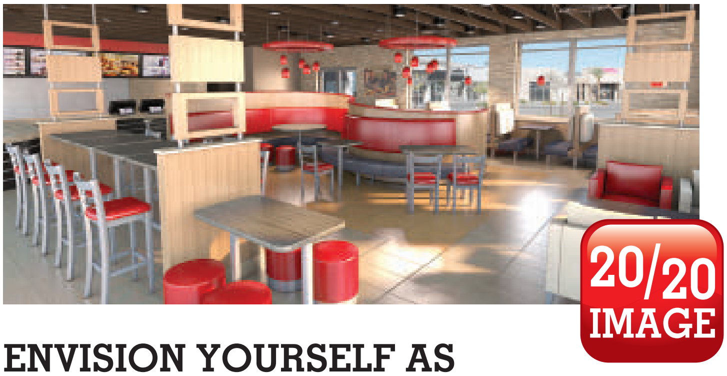
Franchisee Eugene Brooks agrees . . .

" After 25 years of building & remodeling BURGER KING® Restaurants, we are excited about the curb appeal of this new concept and its ability to attract customers to our restaurants. Since completing two remodels last year in Jackson, Tennessee we are seeing double digit positive sales, despite fierce competition from other fast food restaurants. This has encouraged us to sign up for more remodels!"

BRINGING THE VISION TO LIFE

BURGER KING® is offering comprehensive incentive programs for new and existing franchisees committed to the 20/20 Image to facilitate the transformation. Whether acquiring existing BURGER KING® restaurants or developing new ones, franchisees may be eligible for limited-time incentives, including, but not limited to:

- Up to $500,000 of financing, depending on selected 20/20 Image options
- Franchisee fee reductions, payable over two equal annual installments
- 1% royalty for up to three years for new restaurant development
- Additional royalty incentives for franchisees opening multiple units
- Grand opening marketing contribution of $5,000
- Limited personal guarantee for the first five years
- Royalty discounts for those remodeling to the 20/20 image



ENVISION YOURSELF AS *YOUR OWN KING*

There's never been a better time to become a BURGER KING® franchisee. The renewed focus of the brand is connecting with a broader consumer base and attracting an even more diverse group of customers. BURGER KING® has the recipe for success and is determined to empower franchisees with first-class knowledge, resources and support needed to be a successful member of the BURGER KING® community. The original HOME OF THE WHOPPER® stands ready to support the franchising and development plans of qualified franchisees.

Go to www.BeYourOwnKing.com to learn more about how you can join the royal family and "Be Your Own King." Or call our Franchise Inquiry Line 1 (866) 546-4252.

Acquisition Opportunities and New Restaurant Development Opportunities Available in Select Markets

What Franchisees Are Saying...

" We became BURGER KING® franchisees in 2005 when we acquired one restaurant in Oklahoma City...seven years later we own 20 restaurants with several more under development. I can't say enough good things about the product and the people. When I look at all I've been able to accomplish as a BK® franchisee, I only wish I'd started with such a strong brand 10 years earlier."

– **David Ostrowe,** *Oklahoma & Louisiana*

" You have to be with a franchisor that has a good name; that financially makes good sense to partner with. BURGER KING® is exactly that," says Guillermo Perales, the brand's fourth largest franchise operator in the U.S. and the largest minority franchisee, with restaurants in Florida, Oklahoma and Texas.

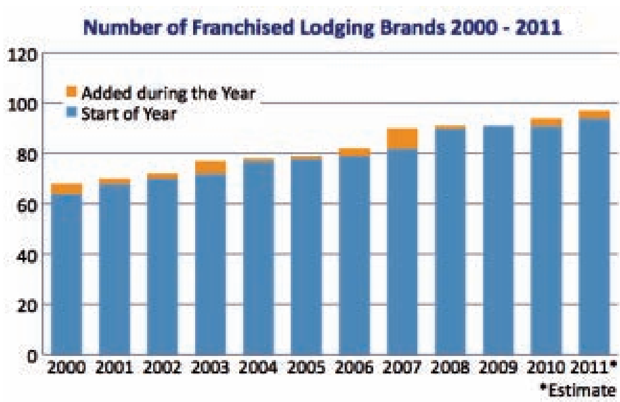
" When the time came to decide which brand to invest in, BURGER KING® was attractive to me because it's in 'a league of its own,' according to franchisee Patrick Sidhu, Alabama. "BK® offers diversity and allows entrepreneurs like myself an opportunity to buy existing restaurants."

" I remodeled my first restaurant to the new 20/20 image in 2011 and the results have been phenomenal. The restaurant has a warm and welcoming feel and customers have commented on the comfortable seating and décor. The restaurant opened above our expectations and continues to outperform projections six months later."

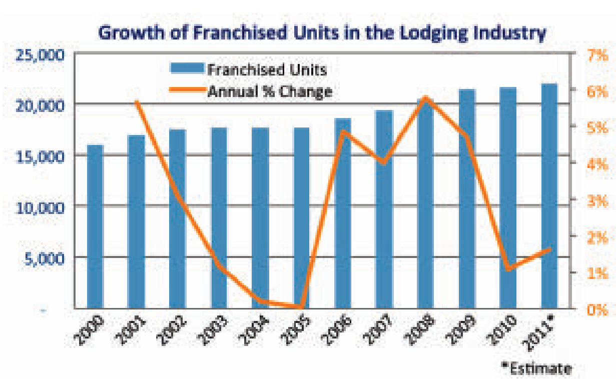
– **Jill Lillaney,** *MRB Holdings Corp (Reno DMA)*

Franchise Brands in the Lodging Sector

Approximately 100 franchise lodging brands are active in the United States in 2012. One of the oldest is Hilton, which started franchising in the 1960s. By 2000, there were more than 60 franchised lodging brands operating in the U.S., increasing by more than 50% to about 100 through 2011.



Over the 2000–2011 period, lodging brands grew at an annual average rate of 3%, while the number of franchised units grew by 39%, from about 16,000 to an estimated 22,300. Following a drop of 9% in 2005, the sector registered its highest annual growth rate in 2006, at 16%.



Holiday Inn, with just over 2,400 franchised locations in the U.S., is the largest system in the country, followed by Comfort Inn at just over 2,000. Some of the fastest-growing brands over the period that had already franchised units in 2000 include the following:

Brand	2000	2011*	Growth 2000 to 2011
La Quinta Inn	1	102	10100%
Staybridge Suites	9	163	1711%
Candlewood Suites	22	284	1191%
Wyndham Hotels & Resorts	8	70	775%
Hilton Garden Inn	82	491	499%
SpringHill Suites	49	251	412%
Motel 6	106	446	321%
Renaissance Hotels & Resorts	10	42	320%
Red Roof Inn	84	342	307%
The Luxury Collection	2	8	300%

*Estimated in some cases

Three brands, Candlewood Suites, Staybridge Suites, and The Luxury Collection, are also in the top 10 for the 2005–2011 period:

Brand	2005	2011*	Growth 2005 to 2011
Value Place	6	131	2083%
InterContinental Hotels & Resorts	1	21	2000%
Hotel Indigo Franchise Program	3	30	900%
Cambria Suites	2	19	721%
Candlewood Suites	35	284	711%
The Luxury Collection	1	8	677%
Hyatt Regency/Hyatt	2	15	653%
Shilo Inns/Shilo Inn Suites Hotel/Shilo Inn Hotel	1	5	387%
Staybridge Suites	42	163	288%
Studio 6 Extended Stay	7	27	286%

*Estimated in some cases

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"Give the customer what they want - Your Menu….Online"

Foodservice operators understand the importance of the first part of this statement, and have done a great job creating their dining experience – from restaurant design, color scheme, menus, beverages, and pricing – to match their customers' expectations. But what do potential customers want to know BEFORE they walk into your restaurant, and where are they finding the information they need? The answer - the number one item people look for when making a dining decision is your menu, and the number one place they're looking for that menu is online.

Current statistics show that 73% of online searches are related to local content, and that restaurants are the most searched type of local business. Furthermore, when making a dining decision, your restaurant's menu is more of a priority to these consumers than your location, reviews, ratings and even coupons. Over the past 3 years, domestic searches on Google that contained the word "menu" have more than doubled as consumers increasingly make their dining decisions online. That is why it's imperative that every brand migrate this information as broadly as they can to the digital world. Clearly, the way diners make decisions has changed over the last decade. The question is - has your system has kept up with these changes to take advantage of these massive number of local food-related Internet searches?

While most brands have a website, a presence on Facebook, and possibly good engagement through Twitter, these social media tools are only used by customers who already know your brand. Your potential customers visit search engines, city guides, travel sites, and review sites to find NEW venues, and they increasingly use itemized search to find restaurants that serve the one dish they're craving at any given moment.

So if the key influencer in the dining equation is your menu, and millions of potential customers in major markets are searching for this information online, why haven't most brands created a huge digital footprint that also allows for itemized search? Here are a few reasons:

- It is virtually impossible to keep track of the ever-expanding universe of applications and platforms where you need to post your current menu
- Ensuring that your menu, pricing, and specials stay current and accurate poses an equally daunting task
- Optimizing your menu for mobile apps is not as easy as it looks (just ask Facebook)
- Making sure that your updates are simultaneously updated (to avoid online confusion) takes technical skills that are probably not available in-house

Faced with these challenges, most brands limit their digital presence to the above mentioned "inclusive" channels – their website, Facebook, and Twitter – and thus miss out on reaching all the potential consumers searching the Web who are not already familiar with their brand or their current menu/pricing/specials.

About two years ago, SinglePlatform endeavored to fill this vacuum. The company has created a simple, efficient, and cost-effective platform for foodservice operators to update their menus/pricing/specials once, and broadcast this information to the widest net available on the Web. Through exclusive publishing arrangements with most of the Tier 1 content distributors on the web (like YellowPages.com, foursquare, and Urbanspoon to name just a few), SinglePlatform is able to leverage its proprietary technology to allow foodservice operators to post changes once, and have them simultaneously broadcast to all relevant online publishers on the Web (including your company's website, Facebook page and Twitter account).

SinglePlatform has relationships with more than 100 publishers, including the top 3 business directory sites, the top 3 ratings and reviews sites, and dozens of other sites and apps that reach more than 200 million consumers per month. SinglePlatform has also created a system that meets the needs of the entire foodservice sector – from single independent fine dining establishments to massive QSR franchise systems. If you're looking to efficiently reach your best prospects online, let SinglePlatform help design and implement the best solution for your company. ■

BY KERRY PIPES

Outstanding in their Field!

Six multi-unit operators tell how they made it big… then bigger

Some multi-unit franchisees take it to the limit. They're not content with one or two or even a handful of units. They want to rule the roost in their markets, their territories, and their brands. We like to call them Dominators.

So once again we've lined up six top multi-unit operators—one of them approaching the 400-unit mark—to talk shop and share their stories with us. They've learned the ropes of franchising and aren't afraid to take calculated risks in the name of growth. After all, no risk, no reward.

With this group of Dominators we've uncovered six more remarkable tales of discovery, transformation, and bare-knuckle expansion. Their stories reveal savvy operators willing to share some of their strategies, philosophies, and personal approaches to building and running a franchise organization. Their passion, dedication, hard work, and smarts have lifted them to the top of their game—and their stories are filled with payoffs generated by years of long hours, determination, and perseverance.

Though their journeys are unique, their common bond is a passion for their business, their employees, their customers, and their communities. Here's a quick look at this year's Dominators:

■ **Greg Mooneyham** is a natural risk-taker, which comes with the territory for this former Air Force pilot. But his decision to venture into the world of franchising in the fitness industry in the depths of an economic downturn was a calculated move. This 47-year-old is CEO of Atlanta-based JRG Fitness Operations, which recently closed a private equity deal to acquire 35 Snap Fitness facilities—making his company the largest independent North American franchisee of Snap Fitness.

■ **Michael Knobelock** likes to say he's been in sales his whole life. From selling newspapers as a teenager to creating his own restaurant concept last year (with another in the hopper), he can sell an idea and make it work. During the past two decades he's built a Southern empire that includes 34 Church's Chicken and 15 Little Caesars Pizza restaurants, and he operates his own full-service seafood/steakhouse restaurant, Dekkers Mesquite Grill.

■ **Pam Wolfe** was never afraid to roll her sleeves up and dive right in, chopping, kneading, and shredding ingredients in her Papa Murphy's pizza stores. "It's a great day when you can make pizzas all day long," says the 46-year-old. "That is the fun part." It's so much fun that she and her husband and partner Jim have expanded steadily and today operate 15 units throughout Minnesota, with annual revenue topping $8 million.

■ **William Bruce** is all about good vibrations. "My main thing is our people," says the 49-year-old COO of Abundant Brands. "We hire great people with the same vibration I have, that our company has, and our culture has. We have low attrition and that is a good win for us in all our restaurants." The good vibes are working for this former southern California surfer: his company's portfolio includes 241 Subways, 14 Costa Vida Mexican restaurants, 11 Roxberry Smoothies, and one Big Al's Bar-B-Q, dominating the state of Utah. Surf's up!

■ **Guillermo Perales** really defines a multi-unit franchisee dominator. When we last visited with him, he had 140 units across five brands. As of a few weeks ago, he was 2 shy of 400 units and looking for more. "We're in growth mode, yes," he says, a bit understated. This year alone, his growth mode has included adding 51 Arby's and purchasing 19 Burger Kings out of bankruptcy in the Dallas area, and adding 96 Burger Kings in central Florida. And talk about dominators: although he already has 72 Burger Kings in the Dallas area, his goal is to own all 96. Stay tuned.

■ **Frank Bonanno** could be called the Food Court King of Las Vegas. His brands include Nathan's Famous, Häagen-Dazs, Johnny Rockets, and four Bonanno's New York Pizzeria restaurants (among others), which can be found in most major Vegas hotel/casino food courts, and his nearly 50 locations provide more than 700 jobs in the area. We last visited with Bonanno in 2010, but when we heard he was named 2012 Vetrepreneur of the Year by the National Veteran-Owned Business Association, we decided it was time to catch up. Still going strong at age 70, he says he may begin to slow down… but he has a business to run!

Along with the six profiles, we've included a list of the U.S. MSAs with the most franchised units, as well as the dominant franchisee organizations by region and by state. Thanks to FRANdata for gathering the information. Maybe it will inspire your own dreams of domination! MUF

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BY HELEN BOND

When the Brand Fits

Largest Snap Fitness franchisee has big plans

As a former Air Force fighter pilot, Greg Mooneyham is a natural risk-taker. But his decision to venture into the world of franchising in the fitness industry during an economic downturn was a calculated move to practice what he preached.

Mooneyham, CEO of Atlanta-based JRG Fitness Operations, recently closed a deal with a private equity firm that opened the financial door for him to acquire 35 Snap Fitness facilities. The move made JRG Fitness the largest independent North American franchisee of Snap Fitness, the compact, state-of-the-art 24/7 fitness center concept based in Chanhassen, Minn.

After serving his country as a fighter pilot for more than a decade, the U.S. Air Force Academy graduate worked as an account executive with corporate giant Johnson Controls, where he learned the real estate and store management ropes from an entrepreneurial owner of a retail chain of decorative fabric stores. Mooneyham caught the entrepreneurial bug and ventured out solo as a consultant for The Entrepreneur's Source, a franchise and business ownership coaching organization. When Mooneyham, a fitness buff, saw the need for a gym near his home in

NAME: Greg Mooneyham

TITLE: CEO

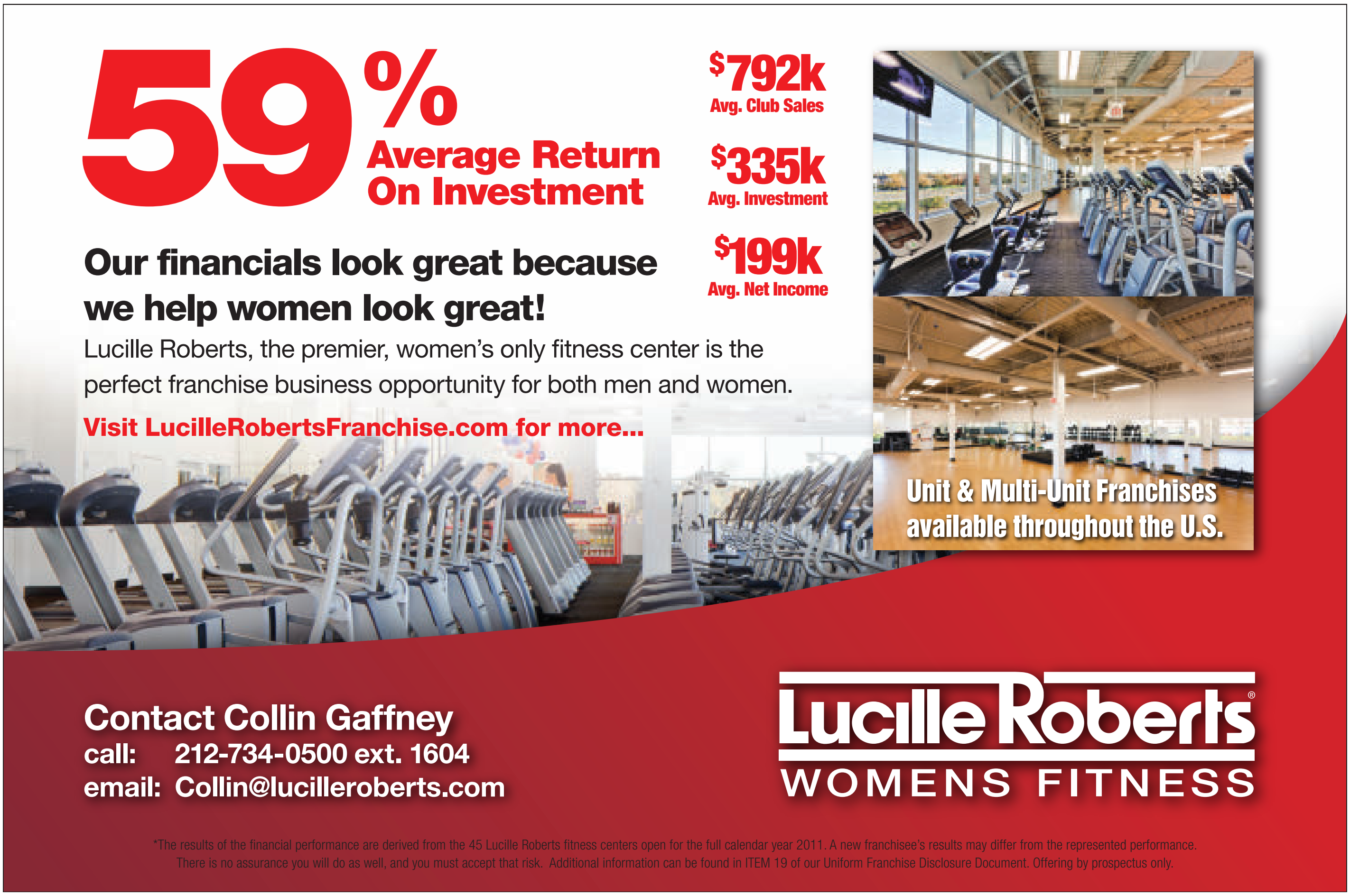
COMPANY: JRG Fitness Operations, LLC

NO. OF UNITS: 37 Snap Fitness

AGE: 47

YEARS IN FRANCHISING: 9

YEARS IN CURRENT POSITION: 2 months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"If you let yourself get stressed, you become a less effective leader. So I take time to exercise, play with my dogs, and stay in touch with those important to me."

PERSONAL

Key accomplishments: Purchasing and transitioning 37 clubs.

Biggest mistake: Thinking it would be easy.

How do you spend a typical day? We are still transitioning and optimizing these new clubs. So I spend time traveling, in the office, and on the phone with vendors.

Work week: Monday through Sunday.

Favorite fun activities: Golf, traveling, hanging out with my dogs.

Exercise/workout: Four days a week, both cardio and resistance training.

Favorite tech toys: I prefer a good book, but I do like to read books on my iPad.

What are you reading? The Steve Jobs bio.

Do you have a favorite quote/advice? I have lots of them. I pull them out depending on the need and timing.

Best advice you ever got: From a previous boss: "It's not about research and education, it's about having the ability to pull the trigger."

Formative influences/events: Four years of education at the U.S. Air Force Academy.

How do you balance life and work? You have to. One of the great things about this business is that there is rarely a dire emergency that needs immediate attention. Ultimately, if you let yourself get stressed, you become a less effective leader. So I take time to exercise, play with my dogs, and stay in touch with those important to me.

MANAGEMENT

Business philosophy: Work hard, but have fun.

Are you in the franchising, real estate, or customer service business? Why? I prefer the franchise sector. Franchises are more successful for many reasons, brand recognition and franchise support being two of the most important.

As an operator, what are the two most important things you rely on from your franchisor? I need them to keep an eye on the future and help us plan strategy to deal with change and also to set the course for change.

What gets you out of bed in the morning? My dogs.

What's your passion in business? I enjoy creating new. I like to find and develop new opportunities more than run existing ones. So my VP of operations is spending his time optimizing our existing portfolio, while I am trying to identify new locations.

Management method or style: I believe that you must pass responsibility to the lowest level that can handle it. So I have no problem delegating. The military taught me that. Your employees will always surprise you with just how good they can be if you give them the chance.

Greatest challenge: Melding personalities.

How close are you to operations? I keep my eye on it, but my VP of operations is all over it.

Have you changed your marketing strategy in response to the economy? How? Not really. We believe we offer great value for the money. It's our job to demonstrate that value to our members. When we do that successfully, they join and stay. You cannot put a price on your health.

How is social media affecting your business operations? We take advantage of Facebook and Twitter. It works and will continue to become more important. We find that the majority of folks find us on the Internet these days.

Personality: Charming, of course.

How do others describe you? You'll have to ask others.

How do you hire and fire? Not as much as I used to. Mostly I make suggestions now.

How do you train and retain? Always. It's one of the most important things that we do as an organization.

How do you deal with problem employees? It really depends on the problem.

southeast Atlanta, he decided to heed the advice he gave his clients. He opened his first Snap Fitness unit in March 2007, half a mile from his house.

"I was looking for something that would provide, essentially, passive residual income to my consulting business and Snap Fitness was a perfect fit," he says. "It got to the point where the tail was wagging the dog and the consulting business became residual income, instead of the Snap Fitness business."

Not a bad problem to have. His first Snap Fitness location remains the top gym in the system. He opened a second unit in 2008 and a third in January 2012. In between, in 2010, he earned the brand's Franchisee of the Year award.

As financing and credit slowed and industry growth fell flat, opportunities to snatch up more Snap Fitness facilities grew. Mooneyham turned to The North Avenue Group, an Atlanta-based lower middle market private equity firm, for capital. This past July, North Avenue acquired his company, JRG Fitness, providing him with the funding to purchase 35 Snap Fitness facilities spanning nine states east of the Mississippi. The acquisition dovetailed perfectly with North Avenue's business plan to build onto the multi-unit management segment of the company's franchise target focus.

"The evolution of the fitness industry comes at a time when more than a third of our nation is obese."

"The industry has evolved, it has become much more professional," says Mooneyham. "There is no longer the sweaty, grimy gym the local body builder owns. Now it is an industry that has a lot of the same business concepts as any other retail industry."

The partnership with North Avenue has put Mooneyham's growth plans on the fast track: he hopes to grow his portfolio to 200 gyms, including new construction, in the next five years.

The timing couldn't be better. The evolution of the fitness industry comes at a time when more than a third of our nation is obese, says Mooneyham. Most people who are fit, he says, are already gym rats. The challenge is to get the folks who need to work out to use the gym, he says. His marketing plan is to focus on personal training and results.

"The gym is no longer just a place to go. It is a place to go to lose weight, get your cholesterol down, get off your diabetes medication, and do all the things you need to get results," he says. "As the economy picks up, we believe the growth in the industry will also pick up." In the meantime, he hopes to snap up more Snap Fitness locations. MUF

BOTTOM LINE

Annual revenue: $8.5 million.

2013 goals: $10 million in revenue.

Growth meter: How do you measure your growth? We look primarily at EBITDA.

Vision meter: Where do you want to be in 5 years? 10 years? We want to grow to over 200 clubs.

How has the most recent economic cycle affected you, your employees, your customers? The economy kept things flat over the last three years or so. But we did not suffer any real losses. We focused on improving our personal trainer sales and providing good customer service. As a result our attrition rate remained steady. On the employee side, we were able to attract some very high-level folks that were out of work. That also helped on the customer service side.

Are you experiencing economic growth/recovery in your market? The economy has been growing for over three years now. Sometimes folks forget that. Our business will continue to thrive as the recovery pace quickens.

What did you change or do differently in this economy that you plan to continue doing? We just doubled down on good customer service and training. Plenty of people are still going to the gym. So we just need to be the place that they go.

How do you forecast for your business in this economy? The business is still very cyclical. So forecasting has not changed all that much.

Where do you find capital for expansion? That's the hardest part. We have looked at senior level lending to PE lending to high net worth individuals to friends and family. There is still money out there. You just have to work hard to get it.

Is capital getting easier to access? Why/why not? No, it's still very difficult.

What kind of exit strategy do you have in place? We have two strategies for this new entity. Time will tell which is the better option.

What are you doing to take care of your employees? We will be offering healthcare within three months. We also try to hire and promote from within. We want our folks to have a chance to advance in the organization.

How are you handling rising employee costs (payroll, healthcare, etc.)? We are using a PEO. The costs are there, we just have to get the value we need out of the employees.

How do you reward/recognize top-performing employees? We use all the normal things like bonuses and rewards. But I learned a hard lesson some time ago. Employees want to be recognized and they want to know they are valuable members of the team. I used to tell folks that if I was not talking to them, then they were doing a great job. Now I know that I need to let people know that they are doing a great job. Recognition from the top is vitally important.

BY KERRY PIPES

Development Minded

Michael Knobelock is always thinking ahead

Michael Knobelock has always been in sales. As a 14-year-old growing up in Houston, he sold newspaper subscriptions and was a top salesman, earning between $400 and $500 a week in the 1970s. After high school he sold ads for the Yellow Pages where he was again a successful bell-ringer. But the real twist of fate in Knobelock's sales life came when a friend approached him about purchasing a convenience store.

"My parents loaned me $10,000 to purchase a closed-down convenience store and reopen it," says the 50-year-old Knobelock.

NAME: Michael Scott Knobelock

TITLE: Owner/CEO

COMPANY: MSK Enterprises, Inc.

NO. OF UNITS: Church's Chicken (34), Little Caesars Pizza (15), and 1 Dekkers Mesquite Grill, a full-service seafood/steakhouse restaurant

AGE: 50

FAMILY: Wife Patty and two teenage daughters, Torrey and Kally

YEARS IN FRANCHISING: 21

YEARS IN CURRENT POSITION: 21

It turned out to be a life-changing move. For the next six years he made the store more profitable than it had ever been, and in the process realized that he knew how to run a business. Of course, after making it successful, he turned around and sold the store for a hefty profit. He was just 29 years old.

The convenience store was his first taste of operating a business, but there would be much more to come. In the early 1990s, Knobelock looked at a variety of franchise brands. "There were a lot of company-owned franchise stores in Houston back then," he says. "Some of the franchise opportunities I could have had at the time were in other cities and states, and I wanted to stay in the Houston area." He says it was also important for him to sell something he believed in. "I loved the Church's Chicken brand. I ate there, and I knew I could sell that."

So he sold his home, his car, and his convenience store and used the proceeds to purchase and open his first Church's unit in 1992 in Houston. In fact, he was Church's very first Houston franchisee. And how did that work out? He recouped his initial investment in the first 8 months of operation. He continued to add Church's units, then in 2003 began adding Little Caesars Pizza to his portfolio. Today he has 34 Church's and 15 Little Caesars locations across five southern states (Texas, Arkansas, Mississippi, Alabama, and Florida). And in the Houston market, he has a commanding presence with both brands, with 18 Church's and 13 Little Caesars. And he's served as president of the Houston area Church's Chicken Marketing Co-op since it was founded.

Knobelock will be the first to tell you that he has ADD tendencies. "I discovered that what I like to do is search out locations and potential sites, get the deals going, get the units built, and then move on to the next project," he says. This character trait helped him discover that he needed great people and managers around him to oversee the stores once they were open. Knobelock says he has a great crew, which frees him to focus on his sweet spot: expansion and growth. His company, MSK Enterprises, even has its own construction department, which does about 90 percent of the building themselves, he says. "This allows us to do it for about half the cost that a typical franchisee would have to pay to get started."

His ongoing quest for development recently led him to test the waters of opening his own restaurant concept in Houston, Dekkers Mesquite Grill. The idea began when a friend approached him with the idea of converting a nearby burger joint into something more. "I knew he was a great chef and so we teamed up, bought the property, and built a new restaurant from the ground up," he says. Dekkers, a fine dining establishment with a large mesquite grill and rotisserie, opened in September 2011. The concept has done so well (Knobelock estimates sales will top $3 million in the first year) that he's already planning to build and open a fine Italian restaurant nearby in the near future.

He hasn't turned his back on franchising. Next up for Knobelock are more Little Caesars locations in Arkansas, Florida, and Alabama. All the deals are already inked.

"I like to keep moving," he says. "I have hired the right people in the right positions to handle our operations and that lets me do what I like to do." MUF

PERSONAL

Key accomplishments: Started with a single restaurant and now own and manage 50 high-performing restaurants in 5 states.

Biggest mistake: Not hiring my current COO, JJ Villafranca, in an earlier opportunity. We are so glad to have him here now!

Smartest mistake: Because I did not have any experience in operating a full-service restaurant and bar, it was quite risky to invest $600,000 to open one. Fortunately, this restaurant, Dekkers Mesquite Grill, has been a big success and my initial investment will be recouped within our first year of operations.

How do you spend a typical day? Checking sales at all restaurants and following up with operators. Checking and responding to emails. Participating in executive board meetings.

Favorite fun activities: Traveling and vacationing with family, trophy hunting, attending NASCAR and other college and professional sporting events.

Exercise/workout: Walking with my family on the beach, mountain biking with family and friends, stalk hunting in Africa and Alaska.

Favorite tech toys: Smartphone and iPad.

What are you reading? *Wall Street Journal.*

Do you have a favorite quote/advice? From my late grandfather: "Don't go work for someone else."

Best advice you ever got: Same as above.

Formative influences/events: Almost 27 years ago, my friend pointed me to an opportunity to buy a defunct convenience store at a very good price. I bought, reopened, operated, and then several years later, sold that store for a significant profit. That's how I got my first start in business. My amazing parents contributed tremendously by spending a very significant amount of their time helping me to run that store. Later, when I sold it, I used the sales proceeds to buy into my first franchise store. Since then, I have been very fortunate to be able to open additional franchise stores.

How do you balance life and work? I am motivated to be there for my family because I know time goes by so quickly and I don't want to miss any opportunity to be there for them. Occasionally, my wife Patty will gently remind me to maintain a balance and to put family first.

MANAGEMENT

Business philosophy: To reach our company goals, I must also hire good employees, give these employees clear job descriptions, and ensure the employees have the tools needed to accomplish their jobs. Also, I believe it is very important to give employees career opportunities by promoting from within.

Are you in the franchising, real estate, or customer service business? Why? All three, because together the three help balance my business.

As an operator, what are the two most important things you rely on from your franchisor? Building the brand through national marketing efforts including successful national advertising campaigns and the introduction of new and innovative products.

What gets you out of bed in the morning? The excitement of being with my family and growing my business.

What's your passion in business? To become the most respected QSR owner and operator in the country.

Management method or style: I have a strong personal desire and commitment to influence people's actions. I hold people accountable for their actions by being straightforward and clear when discussing what and when actions should or should not be taken.

Greatest challenge: Balancing competing goals like work time versus family time, company growth versus company stability, etc.

How close are you to operations? I spend most of my time looking for acquisitions and ways to grow the company. However, I stay close to operations by consulting daily with my COO, JJ Villafranca and my CFO, Brian Distefano.

Have you changed your marketing strategy in response to the economy? How? Our customers are primarily looking for "value" and "quality" when they go to our restaurants. Our advertising, store imaging, product offerings, and customer service all promote the great value and quality that is provided at our restaurants.

How is social media affecting your business operations? We use customers' feedback collected on the franchisor websites to determine what is being done well and what needs to be improved.

Personality: While I'm empathetic, I am also very competitive and have an intense desire to win.

How do others describe you? Trustworthy and credible. Driven.

How do you hire and fire? I like to meet job prospects face to face. Firing is based upon performance or lack of.

How do you train and retain? We use the training programs provided by our franchisors.

How do you deal with problem employees? We expect employees to perform. We determine if an employee has all the required tools and information needed to do their job before taking disciplinary actions.

BOTTOM LINE

Annual revenue: $45 million.

2013 goals: $50 million.

Growth meter: How do you measure your growth? Growth in total number of stores, sales, and profits.

Vision meter: Where do you want to be in 5 years? 10 years? 100 stores in 5 years; 150 stores in 10 years.

Are you experiencing economic growth/recovery in your market? Yes, same-store sales are up.

What did you change or do differently in this economy that you plan to continue doing? Continue to focus on controlled growth by taking advantage of profitable opportunities, while improving our margins and maintaining adequate cash reserves.

How do you forecast for your business in this economy? We forecast flat sales growth and budget accordingly. If sales trend positively, then we are pleasantly surprised. If not, then we do not create a deficit in our spending.

Where do you find capital for expansion? GE Capital Franchise Finance Corporation and internal funds.

Is capital getting easier to access? Why/why not? About the same for us. However, loan applications are being more closely scrutinized.

Have you used private equity, local banks, national banks, other institutions? Why/why not? GE Capital helped us in our recent expansion into three new states and they have been a pleasure to work with.

What kind of exit strategy do you have in place? I really am enjoying my work at this time and have no plans to retire for many years.

How do you reward/recognize top-performing employees? Top performers receive bonuses, plaques, and are promoted from within.


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BY HELEN BOND

Single-Minded Couple

Papa Murphy's is their brand of choice!

When Pam Wolfe began operating Papa Murphy's Take'N'Bake Pizza franchises 15 years ago you could almost always find her in the company kitchen, kneading, chopping, and shredding the fresh ingredients made daily for the pizzeria, known for its take-and-bake, made-to-order concept.

"It's a great day when you can make pizzas all day long," says Wolfe, 46. "That is the fun part." However, she adds, "Papa Murphy's is very physical. We make our own pizza dough and cookie dough and everything else at the store. It is a labor-intensive business, but sometimes people don't think about that. You can't get into Papa Murphy's and assume someone else will run them and you will make a lot of money."

Wolfe still loves to cook—at home—but these days she has left the pizza-making to others to focus on running the company with her husband Jim. In their first year of business they opened three stores, and today their companies, PJC Corp. and

NAME: Pam Wolfe

TITLE: Franchisee

COMPANY: PJC Corp., Eflow Inc.

NO. OF UNITS: 15 Papa Murphy's

AGE: 46

FAMILY: Married, with a 27-year-old son

YEARS IN FRANCHISING: 15

YEARS IN CURRENT POSITION: 15

DOMINATORS

"We love being Papa Murphy's franchisees. We find it rewarding to build a good team of leaders."

PERSONAL

Key accomplishments: Opening 15 stores.

Biggest mistake: If I had it to do over again, I would geographically place our stores closer together, but I don't consider it a big mistake.

How do you spend a typical day? Working with my leadership team on day-to-day operations.

Work week: Overseeing operations and P&L management.

Favorite fun activities: Traveling and golfing with my husband Jim.

Exercise/workout: Not enough.

Favorite tech toys: iPad.

What are you reading? Psalms.

Do you have a favorite quote/advice? "The product is the hero."

Best advice you ever got: Be honest.

Formative influences/events: I started my food service management at Burger King under the owner, Ray Veronte, and worked for him for seven years. Ray invested time in training me, was harder on me than anyone else, and held me to a higher standard. That early foundation is what gave me the talents and strengths to become a leader, and is a big part of what got me where I am today.

How do you balance life and work? Papa Murphy's is a great business model, which provides a comfortable lifestyle and opportunity to enjoy life as well. My husband and I make it a priority to manage our business well and still have a quality personal life apart from that.

MANAGEMENT

Business philosophy: Run our business with honesty and integrity and train up leaders with the same vision and values.

Are you in the franchising, real estate, or customer service business? Why? Franchising. Franchising was a great business opportunity.

As an operator, what are the two most important things you rely on from your franchisor? First, we rely on the franchisor to provide us with a great marketing direction to build sales and gain market share; and second, to continue to provide a business model that is profitable and opportunities to expand.

What gets you out of bed in the morning? Our dogs. We have two toy poodles, Jazzy and Lucky.

What's your passion in business? Being business partners with my husband Jim. We love being Papa Murphy's franchisees. We find it rewarding to build a good team of leaders.

Management method or style: Consultative.

Greatest challenge: Recruiting managers. We have a tough time being competitive in wages in the foodservice industry. Most foodservice managers work more hours and have bigger restaurants and lobbies in which they serve on site. Papa Murphy's is an easier management position, but we can't always compete with benefits.

How close are you to operations? All aspects of my day-to-day activities are operationally focused.

Have you changed your marketing strategy in response to the economy? How? As our competitors have brought their price points down we have had to be more aggressive in our pricing.

How is social media affecting your business operations? Papa Murphy's, as a company, is striving to implement social media in the best way possible to benefit our brand and our guests. We have used online banners, Facebook, text club, eClub (Papa Murphy's online coupon club), and other online couponing.

Personality: I have a strong personality, confident and motivated, and make it a mission to always turn things into a positive.

How do others describe you? Goal-oriented, productive, compassionate, and generous.

How do you hire and fire? We use multiple recruiting options, Craigslist, Indeed, and Quest. We screen them with predictive profiles and we terminate them after addressing performance issues that continue to be unresolved.

How do you train and retain? We use the Papa Murphy's training program. We have used DVD training with quizzes associated with each position that is the focus of the training. The crew member then uses a "One Bite at a Time" brochure to monitor each position. The trainee signs off on each item as they are being trained, and then the trainer signs off that they are proficient in the trained item.

How do you deal with problem employees? Counsel and give them the opportunity to improve.

Eflow, Inc. in Savage, Minn., operate 15 units throughout the state, recording annual revenues of more than $8 million.

For Wolfe, the journey working with her husband of 25 years has been a labor of love. When the couple decided to jump into the world of franchising with both feet, and together, they knew exactly which brand and business model they wanted, and what to expect. Wolfe's in-laws had owned two Papa Aldo's Pizza units, and Jim had spent some time managing one of the restaurants.

Papa Murphy's traces its roots back to 1981, when the Papa Aldo's chain was born in Hillsboro, Ore. Papa Aldo's Pizza would later merge with Murphy's Pizza, creating the Papa Murphy's brand in 1995. Currently, Papa Murphy's is the largest take-and-bake pizza company in the world and the fifth-largest pizza chain in the country, based on number of U.S. locations.

Papa Murphy's may be a different restaurant animal than fast food, but Wolfe is no stranger to the sweat equity required. She credits her first job at Burger King at age 16, and a boss that brought out her best, for her strong work ethic and savvy business foundation, which also includes service and management experience at McDonald's.

The couple hope to have a bigger slice of the pizza market with the addition of three to five more Papa Murphy's.

At Papa Murphy's, she thrives on being in charge of operations and marketing, while Jim, who has a corporate background with a major insurance company, is the risk-taker. Jim, she notes, is skilled in building business relationships and focuses his expertise on the development and financial side of the business.

The couple look for strong character in their employees and believe that honesty and integrity go a long way in running a successful business with happy employees. "We are strong in faith and our church. That is all character and part of who we are, and we try to carry that over into our business," she says. "This focus helps people want to stay here longer, who want to do what is right." She points to two area supervisors who have worked for them for 9 and 10 years as one example.

Looking ahead, the couple hope to have a bigger slice of the pizza market with the addition of three to five more Papa Murphy's. "We don't want to do anything else, and we want to do it well," she says.

Wolfe projects that the bigger they are, the better the financial benefits that will ultimately allow for a comfortable retirement down the road. In the meantime, you can bet the Wolfes, who have a 27-year-old son, will continue to balance work and play (think travel and golf).

"I can't imagine having it any other way," she says. "We love working together. We divide our responsibilities and love being together every day." MUF

BOTTOM LINE

Annual revenue: Over $8 million.

2013 goals: For our 15 stores to be leaders in the system in sales and growth.

Growth meter: How do you measure your growth? Increased sales and guests over previous year.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, we want to be still building our company to have 18 to 20 locations. In 10 years, we would like to be retired.

How has the most recent economic cycle affected you, your employees, your customers? To value our employees and our guests more and try and "wow" the guests every time they enter our locations.

Are you experiencing economic growth/recovery in your market? We are seeing growth.

What did you change or do differently in this economy that you plan to continue doing? New products and competitive pricing. We have to introduce new products three to four times a year to create news about Papa Murphy's, as well as attract new guests. We have also had to drop our promotional pricing.

How do you forecast for your business in this economy? We project minimal increases.

Where do you find capital for expansion? We have used the same lender for all of our locations, First Franchise Capital.

Is capital getting easier to access? Why/why not? No, restaurant lending is still very tight and they require more down on loans.

Have you used private equity, local banks, national banks, other institutions? Why/why not? Private equity.

What kind of exit strategy do you have in place? We are just beginning to plan for that.

What are you doing to take care of your employees? Incentives, raises, 401(k), tenure awards.

How are you handling rising employee costs (payroll, healthcare, etc.)? Controlling all costs to maintain profitability. We have been bidding out all of our vendors and getting the best pricing in every category.

How do you reward/recognize top-performing employees? Incentives, promotions, bonuses, and 5- and 10-year awards.

BY HELEN BOND

Good Vibrations

Trading in his surfboard for the restaurant life

For William Bruce, chief operating officer at Abundant Brands in American Fork, Utah, a late night of channel surfing turned into a life-altering idea to feed the hungry.

After stumbling across a cable showing of "Dive!," a documentary that chronicles this nation's habit of throwing out massive amounts of edible food, Bruce was inspired to see how his company—whose portfolio includes 241 Subways and 14 Costa Vida Mexican Restaurants—could bring about its own change.

With a central kitchen for the company's Costa Vidas already in place, Bruce joined forces with The Rescue Mission in Salt Lake City to transform a weekly average of 300 pounds of excess rice, pork, beef, tortillas, and other food into a seven-layer burrito dish. These days, the regular delivery of 450 meals is known on the streets as "Costa Vida Thursday," says Bruce, who hopes to start including leftover bread from his Subway shops in the donation program.

"I'm so happy that we are not wasting a lot of food as a restaurant company," says Bruce, a trained chef who has also been known to serve food at the mission with his wife Tali. "I feel good about it, our company does, and even the kids who make the tortillas late at night feel good knowing the extra is going to feed the community."

Bruce is energetic, warm, and friendly, and his desire to do good seems a natural part of a corporate culture he strives to have permeate throughout Abundant Brands, whose holdings also include Roxberry Smoothies, Big Al's Bar-B-Q, and the Utah Blaze arena football team. This self-described operating philosophy of "good and human progression," or "good vibra-

NAME: William Ray Bruce

TITLE: Chief operating officer

COMPANY: Abundant Brands, LLC

NO. OF UNITS: 283: 241 Subways (developing agent for Utah; 16 are AB LLC owned, the rest franchised); 14 Costa Vida Mexican Grills; 11 Roxberry Smoothies; 1 Big Al's Bar-B-Q

AGE: 49

FAMILY: Beautiful wife Tali; three boys, Austin, Baron, Kai; two girls, Kelby and Kenzie; and one Schnoodle puppy.

YEARS IN FRANCHISING: Our company has been franchising since the late 1970s. I have been doing franchising for about 18 years with other companies: Paradise Bakery and Cafe, El Pollo Loco, and now Abundant Brands.

YEARS IN CURRENT POSITION: 4


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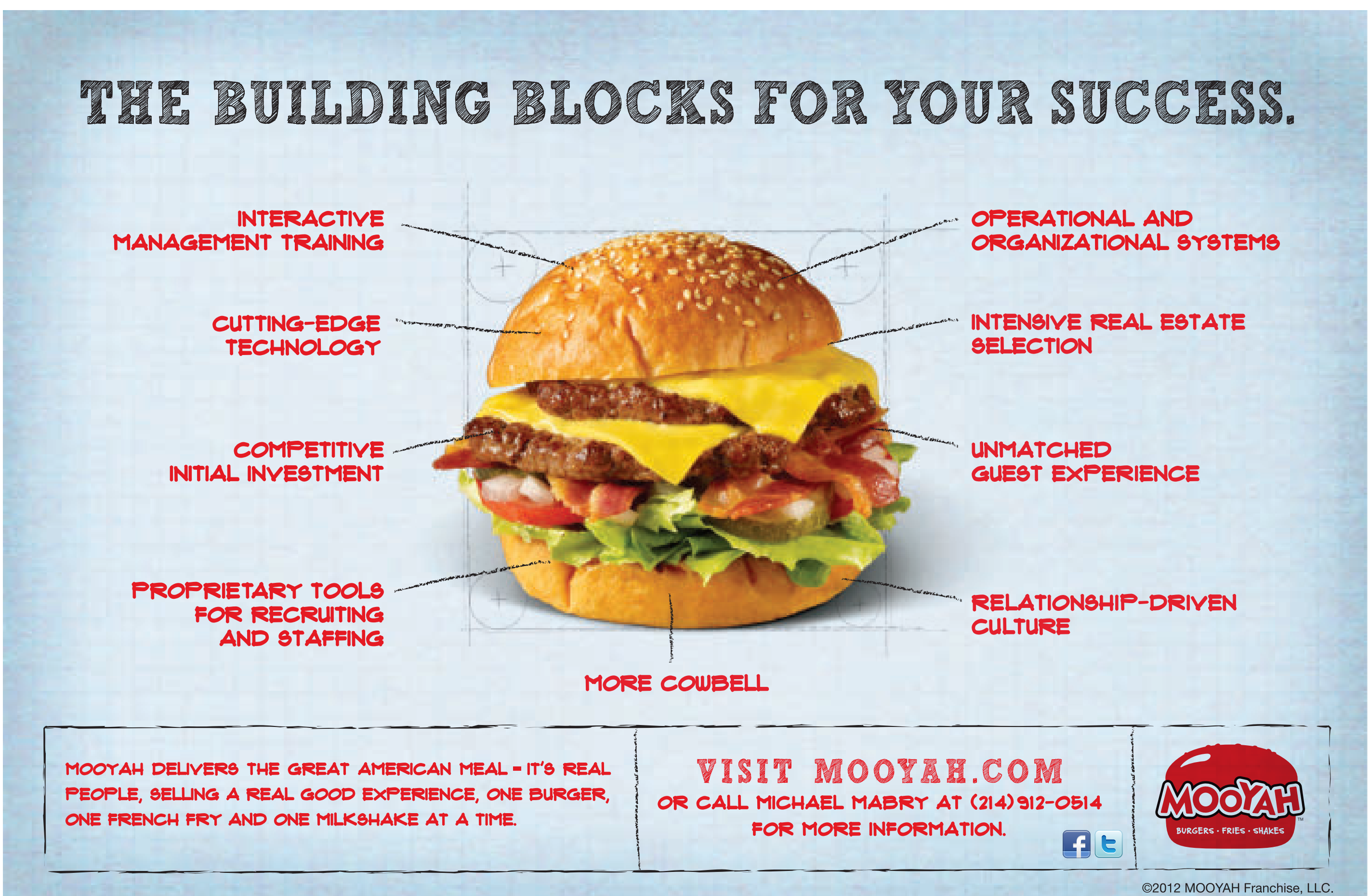
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PERSONAL

Key accomplishments: 1) We deliver food to our Costa Vida restaurants each day from the central kitchen. I set up the restaurants and kitchen to bring back the food that was left over and slated for waste from the night before. Each week I have the kitchen make 300 pounds of seven-layer burrito. We change the flavor each week. We then deliver and feed about 500 less fortunate folks at our Salt Lake City Rescue Missions. On the street, "Costa Vida Thursdays" is the word! 2) Wonderful profitability increases for a 26-year-old company. Like scooping up money with a butterfly net! 3) Building the first central kitchen for Costa Vida Mexican Grills and having successes in costs and consistency.

Biggest mistake: Hand wrote my resignation on a paper napkin at a table with my new supervisor when I was young. If I had taken a more mature avenue, I may have had a faster career path to upper leadership.

Smartest mistake: I thought that P&L labor percentages were awkward to predict at Subway, so I invented a SPAH (Sales Per Artist Hour) to have all units on the same playing field. At first, I thought, "Oh no!" It turned out to be a significant way to maximize labor.

How do you spend a typical day? Setting the Operational Vision! What is the right thing to do now, forward, and 2 years forward?

Work week: Depends on goals. Opening new units, coaching management teams, P&L reviews, planning, motivating new leaders and recognizing their strengths to allow them to improve our company better than I could. Focus daily on relationships and company vision.

Favorite fun activities: Date night, kids' sports and living their successes, surfing, snowboarding, personal journal update writing, and you won't believe this (my wife will concur) I love cleaning house.

Exercise/workout: Weights! My knees are shot from surfing all day as a kid and high school and college basketball. Lifting weights is magic for my body and attitude.

Favorite tech toys: A good PC. A great smartphone is right up there too.

What are you reading? I am a heavy magazine reader: *QSR, Salt Lake, Surfer, Snowboarder, Restaurant News, iD* (Ideas & Discoveries), theology. I love the Internet for fast reads and topics. I started *50 Shades of Grey,* but I just got bored! Please do not tell my mom!

Do you have a favorite quote/advice? "Reach higher."

Best advice you ever got: When it came to restaurants, Vern O. Curtis from the 1980s who led Denny's and its subsidiaries as the CEO: "Location, Location, Location, for restaurant success!"

Formative influences/events: I believe family members, your spouse, educating events, and spiritual experiences drive how we influence ourselves and others. These have all been helpful throughout my life experiences.

How do you balance life and work? I feel balance is everything. Family time, healthy outlook, work duties, husband honey-do lists, spiritual experiences, helping our community. There is probably more, but balance is key to loving your life.

tions," is fitting for a guy who grew up surfing every day in Southern California and whose parents owned a consumer marketing company that rated restaurant quality and service.

Bruce joined Abundant Brands in 2008 after serving as director of operations at ARG Restaurant group, which operated Arby's restaurants in California and Texas. He's been in the foodservice business a long time, starting out by tossing pizzas at a beachside restaurant at age 16. His restaurant experience also includes stints with Paradise Bakery & Cafe, Souper Salad, and Souplantation & Sweet Tomatoes.

His recipe for success includes his belief in strong operational systems, checklists for all facets of a restaurant, and hiring and training the right people. "My main thing is our people," says Bruce. "We hire great people with the same vibration I have, that our company has, and our culture has. We have low attrition, and that is a good win for us in all our restaurants."

For Bruce, a father of five, finding time to work hard and play hard is everything. An avid reader who counts snowboarding, date night with his wife, watching his kids' sports, and cleaning house among his hobbies, also admits to one "toy:" a Big Dog K-9 custom chopper complete with flames on the tank and tail.

"For me, balance is real easy because it just keeps you vibrant, healthy, and awake," he says. Who knows what his next late night of channel surfing might bring? MUF

BOTTOM LINE

Annual revenue: Our yearly growth in sales is up in 2009–2012.

2013 goals: Finalize transitions of all Bajio Mexican Grills to our new Costa Vida Grills, and we plan to expand our Subway units and acquire more for our ownership.

Growth meter: How do you measure your growth? Profitability, other results, our culture being lived, having good relationships with team members and franchisees, and life balance.

Vision meter: Where do you want to be in 5 years? 10 years? Operating more units. More responsibility and making managers better people is always my goal.

How has the most recent economic cycle affected you, your employees, your customers? With Subway, the $5 Footlong has been a success story for us. Employees wish their pay would increase substantially more. However, during these economic times, we all must hunker down and deliver. The guest is always looking for the best deals in town. However, people will pay for a super meal, even during these times.

Are you experiencing economic growth/recovery in your market? We are steady in Utah. Our company is growing slowly. We opened two restaurants in August, one Subway and one Costa Vida. We are excited for our growth in our market.

What did you change or do differently in this economy that you plan to continue doing? We really trained our GMs how to read a P&L in

continued on page 40


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BOTTOM LINE

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every category—not just food and labor costs, but all non-controllable costs. Knowledge for GMs is profit growth for companies.

How do you forecast for your business in this economy? We will stay ahead of competitors. The economy is always up and down. I feel we always need to do better: be innovating, listen to managers, keep fresh ideas, and download with executive team to make ideas grand.

Where do you find capital for expansion? Investors, our current bank relations, our own profits.

Is capital getting easier to access? Why/why not? Tough question. It ebbs and flows; just depends on many facets.

Have you used private equity, local banks, national banks, other institutions? Why/why not? We never shy away from opportunity. If money needs to be raised, we find a way.

What kind of exit strategy do you have in place? We have not talked about an exit strategy. We like our business.

What are you doing to take care of your employees? I always have a New Year goal-setting seminar, and mid-year we do awards. Bonus potential is available, and we have an open-door policy if a team player needs help. I feel that one-on-ones with an executive team member is always a large bonus for crew and us alike. Always take time with employees in the business atmosphere. I think they watch us closely.

How are you handling rising employee costs (payroll, healthcare, etc.)? Best we can. Hurdles always come. Certainly we can overcome obstacles that arise.

How do you reward/recognize top-performing employees? We have many items to reward on. Results are measurable. We have Mindshare (guest feedback program at Costa Vida) and Evaluators who measure operations and every aspect (Costa Vida and Subway). Rewarding is made simple with these tools. We always have holiday parties and monthly manager meetings. Sometimes in management meetings if something really cool came up that month we let all the managers know and single out that manager for great performance and a job well done. If the manager had a great idea, and we as a group run with it, recognizing them is very important.

MANAGEMENT

Business philosophy: When company leaders ask can we do this? And your experience says I know how, speak up and say: We can!

Are you in the franchising, real estate, or customer service business? Why? I believe we are in all three. We approve sites with our franchisees. We send out evaluators each month to keep the Subway brand "top shelf," and when we are doing the values that your company holds high, guest service is paramount!

As an operator, what are the two most important things you rely on from your franchisor? 1) A good relationship. 2) Savvy business ideas in P&L management, marketing, unit improvement, and leadership styles.

What gets you out of bed in the morning? Good night's sleep or my mind is so busy with solutions. I need to get them on paper and see if they can work.

What's your passion in business? Getting others to mentor and lead others to better results!

Management method or style: Proactive. Planning, preparing, executing plan, and follow-up on results. There is always risk with new innovations, but being proactive minimizes the fallout. However, sometimes we must go back to the drawing board no matter what.

Greatest challenge: Thinking I am right.

How close are you to operations? Very close. In our home office there is not a cash register. No money being made there!

Have you changed your marketing strategy in response to the economy? How? We have given this a lot of thought. Radio? Stay on television with people choosing Internet TV and no ads, and DVRs to fast forward through ads? Many things to decide. With everyone holding a cell phone, text messaging to folks who sign up for text deals is really successful for us. They are our love group, and it shows when we run texting deals. But changing views on marketing is a monthly decision.

How is social media affecting your business operations? We are on Facebook and others. I believe social marketing was really big in 2009–2010. We have really seen some slumps in the social media arena. Perhaps the Facebook IPO is drowning our Facebook love. Our Costa Vida and Roxberry brands seem to get laughs on YouTube with Dr. Roxberry videos (I am the star—take a peek!). We play these during our Utah Blaze arena football games (we own the Blaze also). We get a lot of comments from those spots on cable TV, even though they are really for social media.

Personality: Sharp-witted and happy.

How do others describe you? Tall and energetic!

How do you hire and fire? In hiring and terminations, I feel the culture of our company has a vibration of good and human progression. When people are being interviewed you want to feel they vibrate at the same level as you and your company. When employees are doing something other than great performance, they vibrate themselves out. They really fire themselves.

How do you train and retain? Our attrition is really low. Making good hires and giving them the tools to grow, and giving franchisees the tools to succeed in their upcoming unit really sharpens them and makes them want to win.

How do you deal with problem employees? I still believe all employees have talent. If I cannot get them to decide with leading questions, or guide them with experienced coaching, or even use fellow associates to help, they will usually decide. That vibration idea. If not, sometimes you will have to upgrade to a more qualified person.

RECONNECT: Guillermo Perales

BY KERRY PIPES

Perpetual Grow-Motion

Guillermo Perales thinks bigger in Texas… and Florida

After visiting with Guillermo Perales five years ago, perhaps the most pointed question to ask him today is, "What have you *not* been up to?"

When last we spoke with the country's largest Latino restaurant franchisee, he was holding steady at around 140 units across five brands. Today, following two recent mega-deals with Arby's and Burger King, he's flirting with 400 units, making him the fourth largest franchisee in the country. Perales has more than doubled the size of his company by adding both new units and new brands (Del Taco, CiCi's Pizza, T-Mobile, and Arby's) to his holdings, which still include Popeyes, Burger King, and Golden Corral.

"We're in growth mode, yes," he says, in typical understatement. "With Arby's pushing to refranchise many of its locations, it was a good move for us." This year alone, his "growth mode" has included adding 51 Arby's and purchasing 19 Burger Kings out of bankruptcy in the Dallas area, and adding 96 Burger Kings in central Florida. (Both brands have recently rolled out refranchising initiatives.) And talk about domination: although he already has 72 Burger Kings in the Dallas area, his goal is to own all 96.

Born and raised in Mexico, Perales showed signs of excelling early on. As a university student, he graduated with highest honors before departing for corporate life in the U.S. His first job, with Mexican company Gruma Corp. in the 1980s, provided the experience he needed and was a stepping-stone to starting his own business. One thing he learned during those years: "It's better to be a part of a bigger system. It takes away some of the risk when you have a recognizable name, and it makes financing easier to get."

He set his sights on the Dallas market and has never looked back. He identified some key sites and by 1997 had opened his first Golden Corral in Dallas. An SBA loan helped him meet the financial criteria and

NAME: Guillermo Perales

TITLE: President and CEO

COMPANY: Sun Holdings, LLC

NO. OF UNITS: 398: Burger King (172), Popeyes (73), Arby's (52), CiCi's Pizza (49), Golden Corral (33), T-Mobile (12), and Del Taco (7).

AGE: 50

FAMILY: Wife, Adriana, and three children, 14, 12, and 8.

YEARS IN CURRENT POSITION: 15

YEARS IN FRANCHISING: 15

RECONNECT: Guillermo Perales

PERSONAL

Key accomplishments: We have helped get more Latinos into franchising, both as franchisees and suppliers. I feel I have been a leader and a role model in this community. I'm glad that my business has been able to provide so many jobs for people—more than 10,000. I'm still proud to be the largest Hispanic multi-unit franchise operator in the country.

Biggest mistake: Buying into the Denny's franchise without any financial disclosure.

Smartest mistake: When we first bought Popeyes, the price seemed high at the time. But it's been a good brand for us and has helped us establish markets in Texas and Florida.

How do you spend a typical day? I try to begin every day now jogging. It starts me out with the right frame of mind. Then it's on to phone calls and emails. Then a lot of internal meetings to evaluate opportunities and expansion. Our people know what they're doing and I respect that.

Work week: Even though I am now 50, I still maintain busy work weeks. I'm still putting in 70- to 80-hour weeks. I want to be available for whatever might come up. I travel a couple of times most weeks to association meetings, conferences, my stores, or other meetings. I'm part of our weekly manager's meeting and I'm reviewing financials.

Favorite activity: I try to spend time with my family whenever I can, especially now that the kids are older. We like to go to Colorado, skiing together, and I like to play tennis.

Favorite stuff/tech toys: It's been a BlackBerry for a long time but I see a new iPhone in the future.

Do you have a favorite quote or advice you give? Persistency.

Best advice you ever got: Persistency.

How do you balance life and work? It's tough. I try to find a balance with exercise, work, travel, and family time. You just try to keep an even balance there.

Exercise: I always strive to make it to the gym three times each week. Sometimes it happens, sometimes it doesn't. I still play tennis when I can. But I've really gotten into jogging and yoga and try to do it every morning before I start the day.

What do you do for fun? When I do get away from my business I like to travel and spend time with my family. We just returned from a two-week cruise in Europe.

Books/magazines recently read/recommended: Mostly trade and business magazines. I read 20 to 30 different publications regularly, like *Multi-Unit Franchisee, QSR, Franchise Times, Restaurant News.* It's one of the best time investments I can make and helps me stay up to date on the industry and trends.

MANAGEMENT

Business philosophy: Organic growth through a lot of new construction and searching for purchases. Since day one we have focused on growth, building, and buying. We've also consciously been trying to stay strong in our Texas and Florida markets (Dallas, Houston, Orlando, and Tampa).

Would you say you are in the franchising, real estate, or customer service business? Why? We're in franchising but we definitely do all three.

What gets you out of bed in the morning? The thought of discovering the next great move for our business.

Management method or style: We are a large company, so I have learned that I must delegate responsibilities to people I trust. We have brand directors for each of our different brands. We have a controller, CFO, four attorneys, a leasing director, and marketing manager. I delegate to them and trust them to take care of things. I rely on my brand directors and their expertise to keep those brands operating effectively. If there's a problem, I will step in.

How close are you to operations? I'm close, but at 400 units I rely on insight from my brand managers. But I do see the numbers every week and visit my stores. Believe me, I keep an eye on cash flow.

Greatest challenge: The larger we've gotten, the more exposure we have had to legal trouble. That's one of the reasons we now have four attorneys on staff to help us make sure we are doing everything by the book. On the corporate level, it's difficult to find good people that will stick with you. At the unit level, the problem of employee retention remains. We're always dealing with turnover in this business.

Personality: I expect a lot of myself and those around me. When something needs to be done, I expect it to be done efficiently and effectively.

How do others describe you? Demanding but fair.

How do you hire and fire? At this stage I don't do any hiring or firing at the unit level. But I expect my managers to be on top of things there. I'm keeping my finger on our benchmarks and financials, and when a store is not performing we are not afraid to make a change.

Find good people? This is really an ongoing problem. We're using the Internet a lot more these days. We promote from within when the fit is right. We also have used headhunters, newspaper ads, and referrals. Finding good people is a challenge, and it is expensive to train new people.

Train them? Training is essential. We spend millions on training. Each of our brands has its own training requirements and they're all different. We have training managers and we use training stores.

Retain them? We try to compensate fairly and we offer financial incentives. We have a pretty healthy bonus structure in place. We offer a lot of training and growth opportunities—English classes, if necessary—so people can get ahead, get higher-paying jobs, and later step into management.


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get things off the ground. There's been no letting off the gas since.

Throughout his years in franchising, rapid growth has been a critical part of Perales's strategy. "With one you can fail easily, but with several you can support the network," he says. Recently, his brand of rapid growth has been remarkable by any standard: nearly 170 units acquired in just the past few months.

Perales has previously ventured out of his core markets of Dallas, Orlando, Houston, and Tampa but says that's not his style. "We can be more effective with the operation when it's all centralized, and I like to keep it all close," he says. He points to the economies of scale this strategy creates in areas such as management, marketing, HR, and training.

As busy as he is building his empire, it's not all business for Perales, who continues to be a big community player. He co-founded the Latin America/DFW Fund to raise money for Latino-based programs and initiatives, and he has supported programs that encourage Latino students to stay in school. And with nearly 400 franchise locations, he provides job opportunities in the communities where he does business. Today those jobs number more than 10,000.

"Finding the right people, training, and retaining them is always challenging," he says. "And different concepts have different training demands, policies, and procedures."

Next up for Perales is dozens—and dozens—of remodels. There is a "new" Burger King look, and his organization has already remodeled four of its Dallas locations and three in Florida. He says about 80 more Burger King remodels are ahead and then he'll turn his attention to revamping some of his Popeyes units. As if all the remodeling weren't enough, he's currently building two new Popeyes in Oklahoma City, one in South Texas, and three Burger Kings in Dallas. His newest deal with Arby's calls for him to build 15 more locations over the next five years.

Far from done building his organization and helping the communities he serves, Perales continues to have an open mind toward the future. "When you have a proven track record as a franchisee," he says, "franchisors come looking for you."

Whether it's a conversion, a new build, a refranchise, or a remodel, Perales has the dedication, experience, and resources to make it happen. And at almost 400 units and growing, he is one dominant dominator. MUF

BOTTOM LINE

Annual revenue: Over $400 million annually.

2013 goals: We will build around 15 new units next year. We will also continue to do many remodels, probably 30 Burger King, 15 Popeyes, 4 Golden Corral, and 5 Arby's remodels in 2013.

Growth meter: How do you measure your growth? This year was huge for us with the Burger King and Arby's deals. We set development schedules. We like to develop our sites and own the property, that's one way. But we also buy existing franchises from others. So we measure our success based on our development schedules.

Vision meter: Where do you want to be in 5 years? 10 years? More growth, of course. I would like to add more brands and locations that become available in our main markets of Texas and Florida. That's where we want to dominate. I'm open to looking at new or established brands; whatever the smart decision is for us. The goal is to grow organically. We're always looking for potential new sites and ways to build out faster. I'd like to double our size again in 5 years.

How has the most recent economic cycle affected you, your employees, your customers? I think it affected those in the fast casual segment more than it did those in QSR. For us, our brand diversity allows us to weather different financial storms. It seems like when one of our brands struggles we have another to pick up the slack.

Are you experiencing economic growth/recovery in your market? In Dallas, my perception was that the recession hit later and the recovery started sooner than most other metropolitan areas. We're now seeing double-digit growth at our stores in Dallas.

What did you change or do differently in this economy that you plan to continue doing? Minding our expenses. We kept growing but we stayed focused on fundamentals and bottom-line numbers.

How do you forecast for your business in this economy? Through benchmarking and year-over-year comparisons.

Where do you find capital for expansion? We used to rely mainly on banks, but when the economy went down we had to get more creative.

Is capital getting easier to access? Why/why not? It seems to be opening up again. But the requirements are much more stringent. Banking is becoming more of a relationship and more local. For example, we began working with BBVA Compass a few years ago with less than $1 million, but after getting to know each other the lending relationship expanded to close to $30 million. They have been very supportive and helpful and even invited me recently to their national board of directors.

Have you used private equity, local banks, national banks, other institutions? Why/why not? We had mostly used banks and our own capital in the past. But, for example, when the economy was rough we brought in an equity planner to help us sustain growth with our CiCi's brand. There are other solutions out there.

What kind of exit strategy do you have in place? Not ready for that yet.

What are you doing to take care of your employees? We provide English classes and are working on a scholarship program.

How are you handling rising employee costs (payroll, healthcare, etc.)? The new health insurance will be a challenge. Hopefully, if Republicans return to power it will go away. Otherwise, we will have to raise prices to comply.

How do you reward/recognize top-performing employees? Recognizing performance and providing a healthy bonus/incentive plan.

BY KERRY PIPES

Holding Court

Catching up with Las Vegas food court king Frank Bonanno

When we heard Frank Bonanno had been named 2012 Vetrepreneur of the Year by the National Veteran-Owned Business Association, we had to catch up with him to find out what else he's been up to since we last profiled him in this magazine 2 years ago (3rd quarter 2010).

Bonanno, now 70, says he was honored to receive the annual award, which recognizes the finest role models in the veteran-owned business arena. And though he admits to "slowing down a little," Bonanno says he has no plans to exit the business quite yet.

How could he? His business has grown to include 47 franchised locations employing more than 700 in the Las Vegas area. That qualifies him as a "dominator" by any standard. His brands include Nathan's Famous restaurants, Häagen-Dazs, Johnny Rockets, and four Bonanno's New York Pizzeria restaurants, just to name a few.

NAME: Frank Bonanno

TITLE: President

COMPANY: Fifth Avenue Restaurant Group

NO. OF UNITS: **Franchised:** 13 Nathan's Famous, 9 Häagen-Dazs, 5 Johnny Rockets. **Proprietary:** 4 New York Pretzel, 4 Bonanno's New York Pizzeria, 2 Rosie's Pizzeria, 2 Original Chicken Tender, 2 L.A. Subs & Salads, and 1 each of NYP Pizzeria, San Gennaro Grill, Trattoria Reggiano, Asian Fresh, Pan Asian Express, Bella Panini.

AGE: 70

FAMILY: Wife, Betty; children Robb, Maria, Gigi, and Joey; daughter-in-law Allison; granddaughter Isabella.

YEARS IN FRANCHISING: 29

YEARS IN CURRENT POSITION: 29

RECONNECT: Frank Bonanno

PERSONAL

Key accomplishments: Served as officer in U.S. Army; founder of Fifth Avenue Restaurant Group, which has become the largest quick-serve restaurant company in the Las Vegas hotel/casino market.

Biggest mistake: Too many to list.

Smartest mistake: Focusing our business on the Las Vegas hotel/casino market.

How do you spend a typical day? I don't have a typical day, I spend my time between office, restaurants, and business meetings.

Work week: Five to seven days, depending on workload; typically 60 to 70 hours.

Favorite fun activities: Vacationing with my family.

Exercise/workout: 3 to 5 days per week, mostly aerobics.

Favorite tech toys: Computer, iPhone.

What are you reading? Trade magazines, *Time,* and any John Grisham novel.

Do you have a favorite quote/advice? Be the best that you can be.

Best advice you ever got: Don't think you are smarter than everyone else.

Formative influences/events: Having the responsibility to raise a family.

How do you balance life and work? I work long hours, but manage to take numerous family vacations when the children's schedule allows.

The New Jersey native says his love of food and cooking trace back to growing up in an Italian-American family. On his route to his present-day success, Bonanno earned a degree from a culinary institute and worked in restaurants before joining the Army during the Vietnam era. After serving for three years, he was honorably discharged and rejoined civilian life in California in 1970, where he went to work for ARA Services (now Aramark).

He made his way back to New Jersey, and by 1974 had teamed up with two like-minded associates to form a business that contracted food delivery services with area schools. The team prepared food, delivered it, and handled all the back-end management. "We were working 90 hours a week, but we enjoyed what we were doing," he says of those early days.

Perhaps his biggest break came in 1976, when the partners formed Fairfield Foods, Inc. and began opening cookie shops in malls across the country. "That company did very well, and we eventually built it up to a chain of 75 locations. We never did franchise it—in fact, I've never been a franchisor—though there was a lot of interest. We chose to keep the stores company-owned, and we sold it in 1984 to Mrs. Fields," he says.

Meanwhile, the busy trio had also opened their first Häagen-Dazs franchise in 1983 "just for fun," he says. "We'd researched Häagen-Dazs and found it to be the best product out there." In 1989, he bought his first Nathan's Famous franchise.

Bonanno, who had been building his business primarily in the Northeast and

MANAGEMENT

Business philosophy: Take care of our employee family and they will take care of our customers.

Are you in the franchising, real estate, or customer service business? Why? Customer service business. Without our customers there is no business.

As an operator, what are the two most important things you rely on from your franchisor? Brand recognition, and maintain a high level of quality throughout the franchise system.

What gets you out of bed in the morning? The excitement of growing our business.

What's your passion in business? To provide the highest level of customer service and serve the highest-quality products.

Management method or style: Empower employees to take care of customers without needing to ask superiors.

Greatest challenge: Convincing 100 percent of our employee family of the importance of our company culture as it relates to our guests and our food products.

How close are you to operations? Each of our restaurants is managed by a managing partner (general manager) who reports to an area VP or district manager who then reports to our executive VP who then reports to me.

Have you changed your marketing strategy in response to the economy? How? No, we rely on hotel/casino traffic and the major Las Vegas hotels have adjusted room rates, which helped maintain steady traffic.

How is social media affecting your business operations? Not greatly affected.

Personality: Depends on others' opinions.

How do others describe you? I hope that others feel I am easy to get along with.

How do you hire and fire? We hire based on past performance, how long an individual held past positions, and if we can determine if the individual has a passion for excellent customer service and high quality. We fire with difficulty; everyone deserves a second chance. We insist on a drug-free environment. All of our potential employees must pass a drug test and police background check. They also are required to attend a food handler's class as well as attend our corporate safety program.

How do you train and retain? All of our new hires must go through a formal training program for their intended position.

How do you deal with problem employees? Our policy is to document all issues so that there is no misunderstanding.


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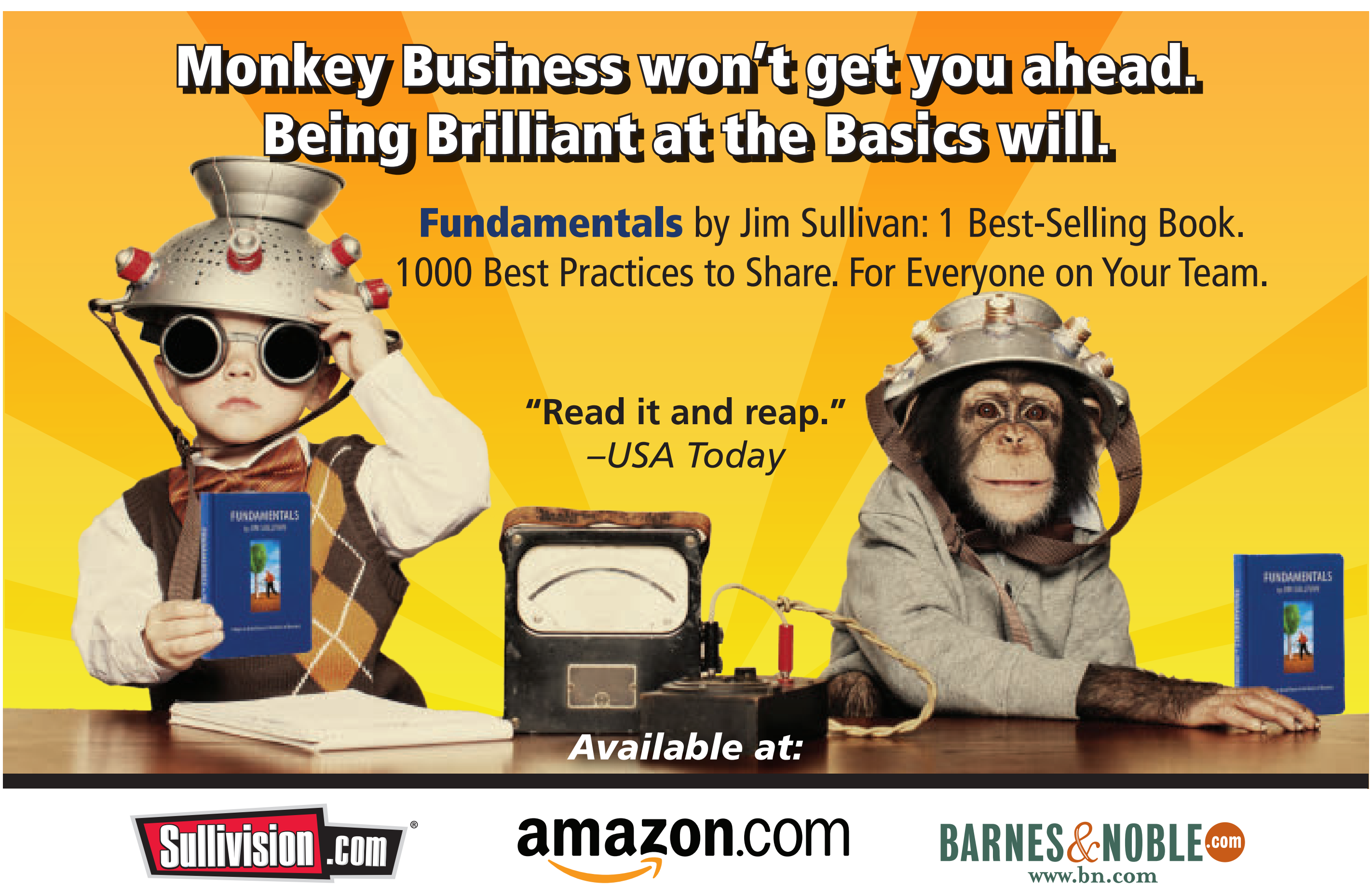
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Florida (where he was living), also had been traveling to Las Vegas for vacations and the potential opportunities there were evident. His inaugural foray into Vegas was a restaurant in the food court of the then-new MGM Grand in 1993. "Once in the hotel, we found we were doing three times the volume we'd projected for these units. We weren't used to those kinds of numbers," he says.

So naturally if one unit worked this way, they thought, why not two, three, or more? In 1998, they opened their first original concept, Rosie's Pizzeria, in two small casinos. The next year they opened another new restaurant, San Gennaro Grill, as well as another Häagen-Dazs in The Venetian. Next came New York Pretzel, and the hits just kept on coming.

Following the 9/11 tragedy, his one remaining partner retired. Bonanno bought out his share of the company and moved to Las Vegas to manage his growing company full-time. He added Johnny Rockets to his portfolio in 2007, then opened his first full-service restaurant, Trattoria Reggiano, in The Venetian. By 2009, he was developing and managing entire food courts at large hotel/casinos. Part of his secret was his formula of mixing franchised brands with his original concepts.

Since we last spoke with Bonanno in 2010, his Fifth Avenue Restaurant Group has taken on a new partner of sorts—his wife, Betty. Their children are now older and more independent, which has freed up Betty to be a "goodwill ambassador" for the company. "Betty is active in a number of Las Vegas-based charity organizations, including serving on the board of the Las Vegas Animal Foundation, and also works closely with the Las Vegas chapter of JDRF (Juvenile Diabetes Research Foundation)," he says. "Las Vegas is a very charitable city, and the hotel and casino industry is an important part of charitable giving there, which makes her involvement a major asset to our business relationships."

Their eldest son, Robb, 36, is expanding his role within the company. "Now, in addition to managing a team of six executives who oversee the day-to-day restaurant operations, he is also heavily involved in real estate selection as well as planning, design, and construction of new restaurants," says Bonanno.

Busy? That's an understatement. Since 2010, Fifth Avenue Restaurant Group has developed and currently operates food courts at the Flamingo and Palace Station; has remodeled the food courts at the MGM Grand and Luxor; and is developing a new food court at Bally's and remodeling the food court at Mandalay Bay (both expected to open in the first half of 2013).

They've also launched a new proprietary concept called Original Chicken Tender with a location at the Luxor and one at the Monte Carlo. And two more new concepts are on the way: a pizza-by-the-slice concept and a full-service Italian restaurant, streetside on the Las Vegas strip directly adjacent to CityCenter, a mixed use 10,000-room complex featuring the Aria Resort & Casino, Vdara Hotel & Spa, Mandarin Oriental Hotel, Veer Towers, and the 500,000-s.f. Crystals shopping, dining, and entertainment center. He says it's a great location, and also adjacent to Planet Hollywood and the Cosmopolitan.

Hard to believe with all of this going on, but Bonanno says he may begin to slow down a bit and work fewer days and hours. However, he also recognizes that he has a business to take care of and pass on to his children—and he obviously still loves working, growing, and building his organization. MUF

BOTTOM LINE

Annual revenue: Not disclosed.

2013 goals: 20 percent growth in number of operating units.

Growth meter: How do you measure your growth? Volume.

Vision meter: Where do you want to be in 5 years? 10 years? We would be satisfied with a 10 percent growth in volume each year.

How has the most recent economic cycle affected you, your employees, your customers? The effect has been minimal. Hotel/casino guests are able to get great deals on hotel rooms compared with 2004, 2005, 2006, and 2007. These guests are also looking for deals on restaurants as well, and our quick-serve restaurants offer the most reasonably priced food offerings in the hotels.

Are you experiencing economic growth/recovery in your market? Our particular niche has remained steady.

What did you change or do differently in this economy that you plan to continue doing? Nothing.

How do you forecast for your business in this economy? We forecast level traffic patterns.

Where do you find capital for expansion? Private equity and local bank financing.

Is capital getting easier to access? Why/why not? Yes. Our balance sheet is improving each year.

Have you used private equity, local banks, national banks, other institutions? Why/why not? Private equity and local banks; great returns for private investors and the local banks understand our business model.

What kind of exit strategy do you have in place? To some time in the future (I hope not too soon) pass the company on to my children.

What are you doing to take care of your employees? We offer company-sponsored medical plans, a liberal vacation policy, and bonus based on profits for all members of our management team. All employees enjoy a 5-day work week with two consecutive days off. Hourly team members also have the option to purchase health insurance through a company-offered program. Hourly employees' starting compensation is 50 percent higher than minimum wage.

How are you handling rising employee costs (payroll, healthcare, etc.)? We face the same issues as the industry.

How do you reward/recognize top-performing employees? Whenever possible we promote from within.


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MSA	FRANCHISED UNITS
LOS ANGELES, CA	16,539
CHICAGO, IL	8,558
ATLANTA, GA	6,877
WASHINGTON, DC-MD-VA-WV	6,749
BOSTON, MA-NH	5,694
HOUSTON, TX	5,257
DALLAS, TX	4,960
PHILADELPHIA, PA-NJ	4,957
PHOENIX-MESA, AZ	4,885
NEW YORK, NY	4,796
DETROIT, MI	4,508
MINNEAPOLIS-SAINT PAUL, MN-WI	4,498
SEATTLE-BELLEVUE-EVERETT, WA	3,532
SAN DIEGO, CA	3,436
TAMPA-SAINT PETERSBURG-CLEARWATER, FL	3,432
SAN FRANCISCO-OAKLAND-SAN JOSE, CA	3,314
ST LOUIS, MO-IL	3,269
DENVER, CO	3,151
WASHINGTON-BALTIMORE, DC-MD-VA-WV	2,998
CHARLOTTE-GASTONIA-ROCK HILL, NC-SC	2,805
PORTLAND-SALEM, OR-WA	2,777
ORLANDO, FL	2,766
OAKLAND, CA	2,712
SACRAMENTO, CA	2,599
LAS VEGAS, NV-AZ	2,556
KANSAS CITY, MO-KS	2,540
INDIANAPOLIS, IN	2,447
NASSAU-SUFFOLK, NY	2,441
DALLAS-FORT WORTH, TX	2,428
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS, VA-NC	2,372
PITTSBURGH, PA	2,368
RALEIGH-DURHAM-CHAPEL HILL, NC	2,316
SAN ANTONIO, TX	2,251
CLEVELAND-AKRON, OH	2,241
NASHVILLE, TN	2,211
AUSTIN-SAN MARCOS, TX	2,178
COLUMBUS, OH	2,154
MILWAUKEE-RACINE, WI	2,113
CINCINNATI, OH-KY-IN	2,064
NEWARK, NJ	1,864
FORT LAUDERDALE, FL	1,807
JACKSONVILLE, FL	1,807
MIAMI, FL	1,766
HARTFORD, CT	1,758
RICHMOND-PETERSBURG, VA	1,737
SALT LAKE CITY-OGDEN, UT	1,691
GREENSBORO-WINSTON-SALEM-HIGH POINT, NC	1,552
OKLAHOMA CITY, OK	1,541
GREENVILLE-SPARTANBURG-ANDERSON, SC	1,494
LOUISVILLE, KY-IN	1,487

LARGEST FRANCHISEES BY STATE

STATE	LARGEST FRANCHISEE	UNITS
ALABAMA	NPC INTERNATIONAL INC	102
ALASKA	SUBWAY DEVELOPMENT OF ALASKA	24
ARIZONA	UNION DISTRIBUTING COMPANY OF TUCSON	70
ARKANSAS	SIRRAH INC	83
CALIFORNIA	HARMAN MANAGEMENT CORP	259
COLORADO	HARMAN MANAGEMENT CORP	114
CONNECTICUT	TED CREW	32
DELAWARE	WENDOVER INC	15
DISTRICT OF COLUMBIA	CAPITOL C RESTAURANTS LLC	13
FLORIDA	NPC INTERNATIONAL INC	132
GEORGIA	NPC INTERNATIONAL INC	83
HAWAII	JJC HAWAII LLC	31
IDAHO	JACKSON FOOD STORES INC	60
ILLINOIS	HEARTLAND FOOD CORP	141
INDIANA	BR ASSOCIATES INC / SIDAL INC	141
IOWA	NPC INTERNATIONAL INC	59
KANSAS	ROTTINGHAUS LLC	165
KENTUCKY	JAMES MICHAEL JONES	53
LOUISIANA	STRATEGIC RESTAURANTS ACQUISITION COMPANY LLC	130
MAINE	CAPITAL PIZZA HUTS	26
MARYLAND	DAVCO RESTAURANTS INC	108
MASSACHUSETTS	HK ENTERPRISES	51
MICHIGAN	DAVID J STANTON & ASSOCIATES INC	62
MICHIGAN	SUNDANCE INC	62
MINNESOTA	BORDER FOODS INC	155
MISSISSIPPI	NPC INTERNATIONAL INC; WEST QUALITY FOOD SERVICE INC	70
MISSOURI	ROTTINGHAUS LLC	83
MONTANA	KENT COLVIN	24
NEBRASKA	JOSEPH ARAGON	37
NEVADA	CRAWFORD OIL INC	82
NEW HAMPSHIRE	CONSTANTINE SCRIVANOS	33
NEW JERSEY	HMS HOST	57
NEW MEXICO	PALO ALTO INC	81
NEW YORK	CARROLS RESTAURANT GROUP	117
NORTH CAROLINA	WILCOHESS LLC	191
NORTH DAKOTA	NPC INTERNATIONAL INC	14
NORTH DAKOTA	FARMERS UNION OIL CO	14
NORTH DAKOTA	CARISCH INC	14

continued on page 52

continued from page 50

LARGEST FRANCHISEES BY STATE, *continued*

STATE/TERR.	LARGEST FRANCHISEE	UNITS
OHIO	HALLRICH INC	82
OKLAHOMA	WING FINANCIAL SERVICES LLC	112
OREGON	PETROCARD SYSTEMS INC	36
PENNSYLVANIA	MORGANS FOODS INC	61
RHODE ISLAND	JAN CO INC	30
SOUTH CAROLINA	JEM RESTAURANT GROUP INC	37
SOUTH DAKOTA	WALSH/WALSH	22
TENNESSEE	TRI STAR ENERGY LLC	122
TEXAS	SUN HOLDINGS LLC	273
UTAH	SIZZLING CAESARS LLC	45
VERMONT	PETER NAPOLI	14
VIRGINIA	BODDIE-NOELL ENTERPRISES INC	183
WASHINGTON	HEARTLAND AUTOMOTIVE SVC INC	101
WEST VIRGINIA	LITTLE GENERAL STORE INC	41
WISCONSIN	WISCONSIN HOSPITALITY GROUP LLC	118
WYOMING	KENT COLVIN	17

Uncommon Dominators

Multi-unit franchising continues its march as a dominating force in this country's business sector. Multi-unit and multi-brand operators are savvy, sophisticated, and know how to take control. They expand territories, adding units and adding brands. They build from the ground up, they acquire existing units, and they continually remodel all of them. They grow any and every way. They understand it's all about unit economics… one customer and one unit at a time.

These movers and shakers also are pillars in their communities. They pour themselves, their employees, and part of their profits back into their communities to bring about positive change and provide opportunities for the people they serve. They create jobs by the hundreds and by the thousands through hiring employees and doing business with local suppliers. They wield power and know how to use it for the greater good.

But no franchise dominator gets to the top without years of sweat equity (and sweat). And even after they've "arrived," they continue to work long, hard hours, driven by their passion for their brands, their people, their products, their customers, and their communities. Hats off to this year's dominators! MUF

LARGEST FRANCHISEES BY REGION

REGION	UNITS
EAST (DC, DE, MD, NJ, NY, PA, WV)	
ADF COMPANIES	159
HMS HOST	145
TARGET CORP	134
CARROLS GROUP	131
DAVCO RESTAURANTS INC	111
MIDWEST (IL, IN, MI, MN, OH, WI)	
HEARTLAND FOOD CORP	262
TARGET CORP	202
BR ASSOCIATES INC / SIDAL INC	164
BORDER FOODS INC	159
APPLE AMERICAN GROUP LLC	131
MOUNTAIN WEST (CO, ID, MT, UT, WY)	
HARMAN MANAGEMENT CORP	139
NPC INTERNATIONAL INC	87
PALO ALTO INC	74
SIZZLING CAESARS LLC	65
CONVENIENCE RETAILERS LLC	63

REGION	UNITS
NEW ENGLAND (CT, ME, MA, NH, RI, VT)	
CONSTANTINE SCRIVANOS	85
CARLOS ANDRADE	66
APPLE AMERICAN GROUP LLC	65
PEPPER DINING INC	65
HK ENTERPRISES	65
PLAINS (IA, KS, MO, NE, ND, OK, SD)	
ROTTINGHAUS LLC	308
NPC INTERNATIONAL INC	232
UNITED STATES BEEF CORP	214
WING FINANCIAL SERVICES LLC	114
HEARTLAND AUTOMOTIVE SVC INC	88
SOUTH (AL, AR, FL, GA, KY, IA, MS, NC, SC, TN, TX, VA)	
NPC INTERNATIONAL INC	736
SUN HOLDINGS INC	398
TARGET CORP	349
BODDIE-NOELL ENTERPRISES INC	346
WILCOHESS LLC	270

REGION	UNITS
SOUTHWEST (AZ, NV, NM)	
B & B CONSULTANTS INC	118
CRAWFORD OIL INC	82
PALO ALTO INC	81
UNION DISTRIBUTING COMPANY OF TUCSON	70
LAS CAL CORP	65
WEST (AK, CA, HI, OR, WA)	
HARMAN MANAGEMENT CORP	327
TARGET CORP	242
SOUTHERN CALIFORNIA PIZZA	222
CONVENIENCE RETAILERS LLC	161
HEARTLAND AUTOMOTIVE SVC INC	149

Source: FRANdata


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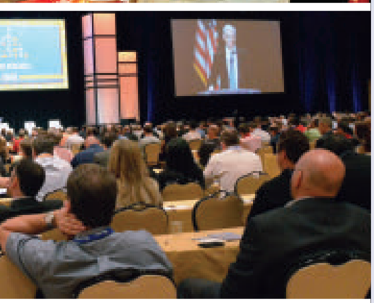

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"THAT Brand's PERFECT!"

ADDING NEW BRANDS TAKES CAREFUL CONSIDERATION

So many brands, so little time… and often, so little capital. Choosing a franchise brand to add to your portfolio is a major decision involving dozens of factors.

We asked three multi-brand operators, each with a different focus, how they evaluate a potential new brand. One loves restaurants, another service brands, and another likes nontraditional locations and creating her own concepts. We also asked Ellen Hui, a former multi-brand franchisee and banker, for her thoughts.

Aziz Hashim, who was an engineer before deciding he liked restaurants and franchising better, has a detailed, systematic process for evaluating potential new brands. With 50 units (23 Domino's, 13 Popeyes, and 14 Rally's), first and foremost he's looking for brands in the restaurant sector. Three of his top considerations are:

1) Quality of food. "If I don't think the food is of sufficient quality, I would not think about serving that food," he says.

2) Management team. "Who's running the brand? Who's in charge at the franchisor level? What's their background, experience, and how comfortable are we at the direction they've set for the brand?" To find this out, he says it's imperative to speak with other franchisees about their experience with those leaders and the direction the company has set. "In the years ahead, how will they make it competitive, differentiate it?"

3) Unit economics. Can you make money operating these restaurants, and does new unit development make sense? "It's not difficult to get the unit economics information, if you know how," he says. Hashim says there are a number of resources available.

First is the FDD and the information the franchisor provides in Item 19. "I prefer brands with more information than less," he says. "If you look carefully, there is some rich data about the operating metrics." He also speaks with franchisees who already operate that brand. "In our experience, they have been more likely to share than not," says Hashim.

Lenders can also provide useful perspective, within legal constraints. "We speak to our lenders, who may have exposure to that brand through other clients, because lenders get P&L information from their borrowers. That would be confidential, but we want to make sure our expectations regarding our pro forma would be in line with what other clients are delivering to the lender." For example, he says, "What are you seeing? You have 20 other clients. Are our numbers in range?" Lenders will not share information about their other clients, but they can say something to the effect of, "You're in the ballpark," he says.

Room to grow is another item on his checklist. "For us, one of the aspects for expansion with a new brand is its growth potential. We look for a development opportunity that is robust and can keep us busy for many years post-acquisition, so we can have something to strive toward," says Hashim.

"What kind of territory or new market potential are they giving us? How many new units, and is the development schedule reasonable? Can we achieve it? The franchising world is littered with undeveloped agreements," he says. "You can agree to build 30 stores, but it's not realistic in many cases. You need a proper development schedule and territory."

Geography is not a big factor for him. "We'll go wherever there's a market that makes sense and where we have growth opportunities. We're not geographically limited," says Hashim, who has units in his home city of Atlanta, as well as in Florida, Arizona, and California. However, he is quick to add, not every brand works in every market. "Sometimes brands are not as portable as the franchisor or franchisee may think." Factors inhibiting local acceptance of a new brand include differences in local palates, poor real estate choices, and insufficient marketing. "It's not that they're not good and have a good product, but sometimes they don't translate."

"I'M NOT AS WILLING TO TAKE THAT RISK OF BEING THE FIRST PERSON IN THE MARKET."

— AZIZ HASHIM

Aziz Hashim

When considering a deal to bring a brand into a new market, there is no certainty about how the brand will be accepted. "You're the guinea pig and have to establish the brand there," he says. More often than not, he cautions, not enough marketing was done to create brand awareness in the new market. "You have to be very careful to make sure that's covered."

Timing is another factor. "Sometimes you can expand prematurely," he says. While he's eager to expand, he doesn't want to be a pioneer in a new market, despite its potential upside. "I like to go into markets where there is some presence and it's doing really well and build out from there. There's less risk." For him to consider a new brand, at least two or three years of history in a market is important. "It provides you with some sales numbers, how well it's done, and initial acceptance of the brand." For example, in Atlanta, he looks for half a dozen units, where the build-out is nowhere near fulfilled, with enough room to give him expansion possibilities.

Being the first to introduce a brand to a market has its upsides, as well as its risks. "There's no question about it. If you're the early developer you get the best real estate for that brand—and the benefits," he says. But he's not looking for that today. "I'm not as willing to take that risk of being the first person in the market."

For Hashim, the **size of the franchisor** also matters. "I prefer on the larger side because of the marketing clout and the resources the brand can bring to bear. I have nothing against emerging brands, but there's not enough scale." And definitely no to brands smaller than his own company. In those cases, he says, "I have more resources at my disposal than the brand does to put against development. It doesn't make sense for us to be bigger than our franchisor."

Diversification is extremely important for Hashim. "That's the whole point of being multi-branded: to hedge, and make sure you have that diversification," he says. "We're very careful that we're operating at different price points, day parts, and geographies."

Much has been said and written about the efficiencies resulting from the economies of scale possible when franchisee organizations expand. Hashim says it's not all it's cracked up to be. "Adding new brands adds complexity to the operation. People should understand that," he says. "Now you're dealing with two brands, each with its own requirements. In order to be thinking multi-brand [instead of just expanding the brand you have], you have to have a solid business reason for doing that."

No two brands are alike. "It's very difficult to take operations people and expect them to run two different operations, so you have to create a new operations team. Other factors arguing against significant savings in infrastructure include brand requirements, meetings, and training issues.

"It adds complexity to the operation. Only afterward do they realize they've got so much more additional work to do now," he says—and not just at the restaurant level, but also compliance-wise. And then there's the additional burden of communication. Every brand, he says, sends barrages of email, and all expect him (rightfully) to keep up to date with new promotions, trainings, requirements, etc. "We manage that because we've invested in infrastructure, with separate teams completely dedicated to each brand. My Popeyes people are not running my Domino's."

Nevertheless, there are savings to be had. "In the back office you have a little bit more synergy, but it's still not that simple." Each of his brands has a different closing date for rolling up sales and for pay periods, for example. "You have to manage that," he says. "Every brand has different reporting requirements, so even in the back office it adds complexity, so your back office people have to be really sharp," he says. A strong, efficient infrastructure is the only way to keep up, but that has a price, he says. "It's not as synergistic as you may think, which is why I mention the business case. Now you need a better person in your office to manage the complexity." That usually means paying them more, as well as more costly software and accounting systems.

"I would ask people *not* to build in cost savings with multiple brands," he says, calling rosy predictions of large-scale efficiencies "phantom." His G&A, he says, has been essentially the same as he adds and sheds brands.

"I think the synergy argument is not a good enough reason to go into multi-branding," he says. However, it does have one huge benefit. "I like the diversification angle. It helped me in the recession with different price points, and not all geographies went in and out at the same time."

Finally, he says, "I see some people go into multi-branding who had a lot more runway with the brand they had, so instead of expanding with that brand they decided to add another." Before exploring *which* brands to add to your organization, says Aziz, it's crucial to ask yourself *why* you are considering multi-branding.

Unconventional—not for everyone

Gina Puente is not your traditional franchisee. Not only does she operate in nontraditional locations (airports and hospitals), she is an innovator with a passion for creating her own brands. In 1995, she opened La Bodega Winery, an original concept and the first winery in an airport, and is now expanding that idea by adding chef-inspired food.

Puente has about 20 units today, both franchised and original concepts. They include Blimpie/Cereality/NRgize Lifestyle Cafe, UFood Grill, Urban Taco, and airport-specific brands such as Main Street News, Wall Street News, Travelex Currency Service, and LBW Charters. She also operates her original concepts, La Bodega Winery and La Buena Vida Vineyards.

"The easier road is to build a portfolio of the same brand. I decided not to go that route. That's what gets me up every day," she says. "My business model is very unconventional. Most will go after the same tried-and-tested concept to achieve economies of scale. We try to do that, but my favorite thing to do is to create a brand." For Puente it's the freedom to create a concept and choose her own elements on the operational side. When you work with a franchisor, she says, you're more limited, in everything from the POS system to suppliers to uniforms.

"THE EASIER ROAD IS TO BUILD A PORTFOLIO OF THE SAME BRAND. I DECIDED NOT TO GO THAT ROUTE."

— GINA PUENTE

Gina Puente

A good franchisor, she says, is more amenable to an operator's needs and is willing to adjust to meet unique circumstances. At Parkland Memorial Hospital in Dallas, she managed to convince two different franchisors to go with the same POS system. "A brand might be a great brand, but I like to have the ability for flexibility and innovation."

Puente said she recently walked away from a deal with a "fantastic world brand retailer" because of the franchisor's inability to adapt to meet the unique requirements of operating at DFW airport. "After months of excitement, I had to walk away at the 11th hour," she says. "I've never wanted any franchisor to have any problems with the integrity of their brand. But there's behind-the-scenes stuff that has to happen in nontraditional locations where they have to tweak some of their programs."

Puente, who says she is "blessed with great franchisors" who listen and are open-minded, still prefers to start her own concepts. "I have a lot of passion for that. I love the research, the food, and I love to shop." She looks for brands that will "resonate with customers," airport travelers on the go who have a limited amount of dwell time and an increasing number of options as airports continue their transition into malls. For restaurants, differentiation comes in many forms, an important one being regionality.

Her newest concept, Sky Canyon Wine Bar, is a good example of both innovation and operational efficiencies as she upgrades her La Bodega Winery units by adding regional cuisine. "La Bodega's been fantastic, but we needed higher offerings on food," she says. "Not only are you creating, but taking what's been a La Bodega space for years and incorporating a new concept into it," she says. "It will still have a wonderful wine menu with tastes and bottles."

In fact, she already has two different Sky Canyon versions. Both are being done in collaboration with Dallas chef Stephan Pyles, known for his modern Texas cuisine. One is set to open at DFW by year-end, with the second opening next spring at Love Field, with a full bar and three day-part meals, combining "fast casual with a fine dining element," she says.

As for that POS issue, she's sent out an RFP to POS companies specifying iPads. With the lack of space in airports, traditional POS systems are being outmoded, she says, and tablets take less space (no


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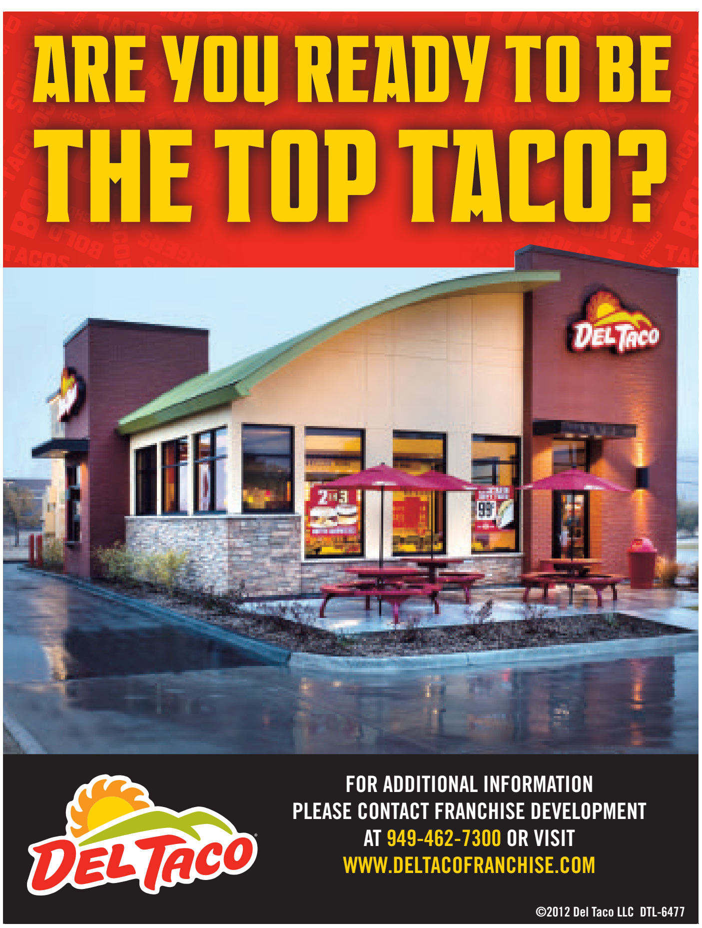
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10 TIPS FOR SIZING UP A NEW BRAND

Ellen Hui, formerly a multi-brand franchisee in the San Francisco Bay area, has turned her sights to helping franchisors and franchisees improve their operational efficiencies. And with her background in banking, she's also astute on the financial side. Here are her 10 tips on how to evaluate a new brand.

1) I start with the FDD and read it thoroughly. How detailed is the Item 19?

2) I visit locations when possible of the brand I am buying. When I visit, I always walk and observe everything. What are the customers buying? How clean is the store? Is it properly stocked? How well are the employees trained? Then I become a customer and buy something, or a few things, and ask for help from the employees for suggestions. I look for smiles. Are they genuine? My visit is important if it's a franchise store, and if it's a corporate location I give my experience more weight in my decision.

3) I call (and more often than not will meet with) operators in the area I am considering, as well as operators in other parts of the country. Nothing can replace the face-to-face time with an operator. It can be expensive, but if you're serious about your investment it's better to be a few dollars lighter here than in a partnership you might regret. Many of the operators are willing to give you high-level details of their financial performance. It's a great opportunity to compare how they are doing versus the financials in Item 19.

4) I attend a discovery day to meet the department heads, possibly the CEO or COO, and there usually are other potential franchisees there. What a great opportunity to get their insights and find out what potential franchisees think.

5) How is their new franchisee training program? Does the company have advisory boards for marketing? Operations? Supply chain?

6) Marketing fund. How much is it? How is it used? Does any percentage of it come back to the operator for local area marketing? If not, then it's more money an operator has to spend for coupons or flyers on top of the ad fund. How much of the ad fund is for national advertising? How do they spend it (TV, cable, radio, print)?

7) Something we should always plan on: the exit. For whatever reason, if you can't run your franchise any longer (sickness, death, other unforeseen circumstances) and need to sell, what is the personal royalty guarantee? Three years? Five years? The life of the franchise agreement?

8) Early termination. You open your location and things don't work out, e.g., bad location, big changes in traffic patterns, the major employer in town goes dark, bad economy. Is there a payout to the franchisor? How much is it?

9) Really give the brand a good hard look. How many in the CEO position in the past X years? Is the brand privately or publicly owned? Bankruptcies (it works both ways)? How will the brand stay competitive and relevant in the coming years?

10) In reviewing financial statements, every number is important. I find the COGS, fully loaded labor, and real estate cost can be the deal breaker!

register). Also, she adds, many travelers are wary about handing off their credit card. Cashing out at the table not only solves that problem, it saves time for busy travelers.

A brand's executive team and staff are also a big factor for her. She looks for "people I can tell are enthused about their brands, where I'm not going to be stuck with the same menu or product offerings. For me, the franchisor should do that, bring new products to their franchisees."

Members only!

Army veteran Randy Merrill is looking for a few good brands—as long as they're in his wheelhouse: sports, health, and wellness. "I want something I can wrap myself around and I'm comfortable with," says Merrill, a former athlete who was involved in fitness chains in Los Angeles before returning to Atlanta, where he got into tanning salons. He also wants his brands to be membership-based.

"My career's been in membership-driven businesses," says Merrill, who operates 17 Solar Dimensions tanning salons (not a franchise) where he is a partner, two Massage Heights units with another set to open in January, and one Cartridge World store. He's signed on to develop at least 15 Massage Heights salons in the coming years.

In general terms, says Merrill, he's looking for "a segmented service industry that can be brought down to a value proposition for the masses. America will be 70 percent services at some point." And, as a 51-year-old, he says, "What are the things I'm interested and need?"

With these criteria in mind, he's looking to add other brands. "I get opportunities all the time," says Merrill, adding that he has "nothing under lock right now." When considering a new concept, Merrill says he looks at it in both the short and long term, considers its staying power, and wants to be ahead of the curve in any sector he chooses.

Yogurt, for example, has "no legs underneath it," says Merrill, who previously operated a Planet Smoothie. Also, with its relatively low cost of entry, he says, "Everybody thinks they can open a yogurt shop, and they do." That's one reason he prefers a brand with a high entry-level cost, which provides a barrier

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An Interview with Dina Dwyer

Chairwoman and CEO, The Dwyer Group®

Paul Moore: "This is Dina Dwyer with The Dwyer Group, a very gracious lady that we met tonight. She hired "W" for their Annual Reunion. Dina, did you enjoy having "W"?

Dina: 'He was amazing. It was just so much fun for me to look out into the audience of about fifteen hundred people, to see the look on their faces as he walked onto the stage, to "Hail to the Chief." It was like a look of awe, and then they were grabbing their camera and taking pictures. It was just amazing. I expected the best, and he gave us the best."

Paul: "Do you think anybody believed it was him?"

Dina: "Yes, I'll bet a good ninety percent, again just looking at their faces, I'd bet a good ninety percent believed it for at least the first three or four minutes."

Paul: "What kind of an impact do you think he had as he milled around with folks?"

Dina: "You know it's amazing, I think he made people feel very special. There's something about being around someone who looks and acts like a President giving you one on one personal attention, and I think he made a positive difference in a lot of lives today. They're still talking about it. And then the laughter, I think it's so positive for people to laugh and he had them just laughing and really enjoying themselves."

Paul: "Now you've met the real President, right?"

Dina: Yes I have I've met president George W. Bush.

Paul: "Wow, so this was special for you to have him here today?"

Dina: "It was just terrific, and they're a lot alike; really nice guys, funny, but down to earth."

Paul: "Would you recommend people hiring him for their event?"

Dina: "I would highly recommend hiring John Morgan for any event that you have. He will accommodate you no matter what it is. Whether it's a banquet, because he also performed at our banquet, or an opening session, a business meeting, a church meeting, he can fit any agenda that fits with his standards."

Paul: "Thank you Dina."

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to entry, and he's at a stage now where he can afford it.

He also has considered whether to buy a franchise or create one, but "I'm not mature enough financially to take the risk at this point," he says. However, he has his sights set on building a larger organization over the next 5 to 10 years. "I feel like the next three years are going to be explosive, then through year five should be really powerful growth," as he builds out his Massage Heights salons to 15 or 20, along with a similar number of units with a new brand he's not ready to name until the deal is finalized.

If all goes as planned, he says he could sell his organization for a significant amount of money. But at that point, he expects it will become more about building an organization, helping young people build their dreams, and serving people than about selling out and retiring. "I don't know what that looks like, but I look forward to being in that position, past that financial tipping point," he says. "Then it's about having a big cash flow and what you can do with that."

"I FEEL LIKE THE NEXT THREE YEARS ARE GOING TO BE EXPLOSIVE."

—RANDY MERRILL

Randy Merrill

As he speculates on a future involving philanthropy, he cites fellow Atlantean Charlie Loudermilk, founder of Aaron's, as a model to strive toward. Loudermilk, who retired in September, has donated nearly $20 million to local charities and causes. "We all hope we can evolve to that point to change the world not only through our organization, but also through our financial contributions," says Merrill. What better reason to consider adding new brands? MUF


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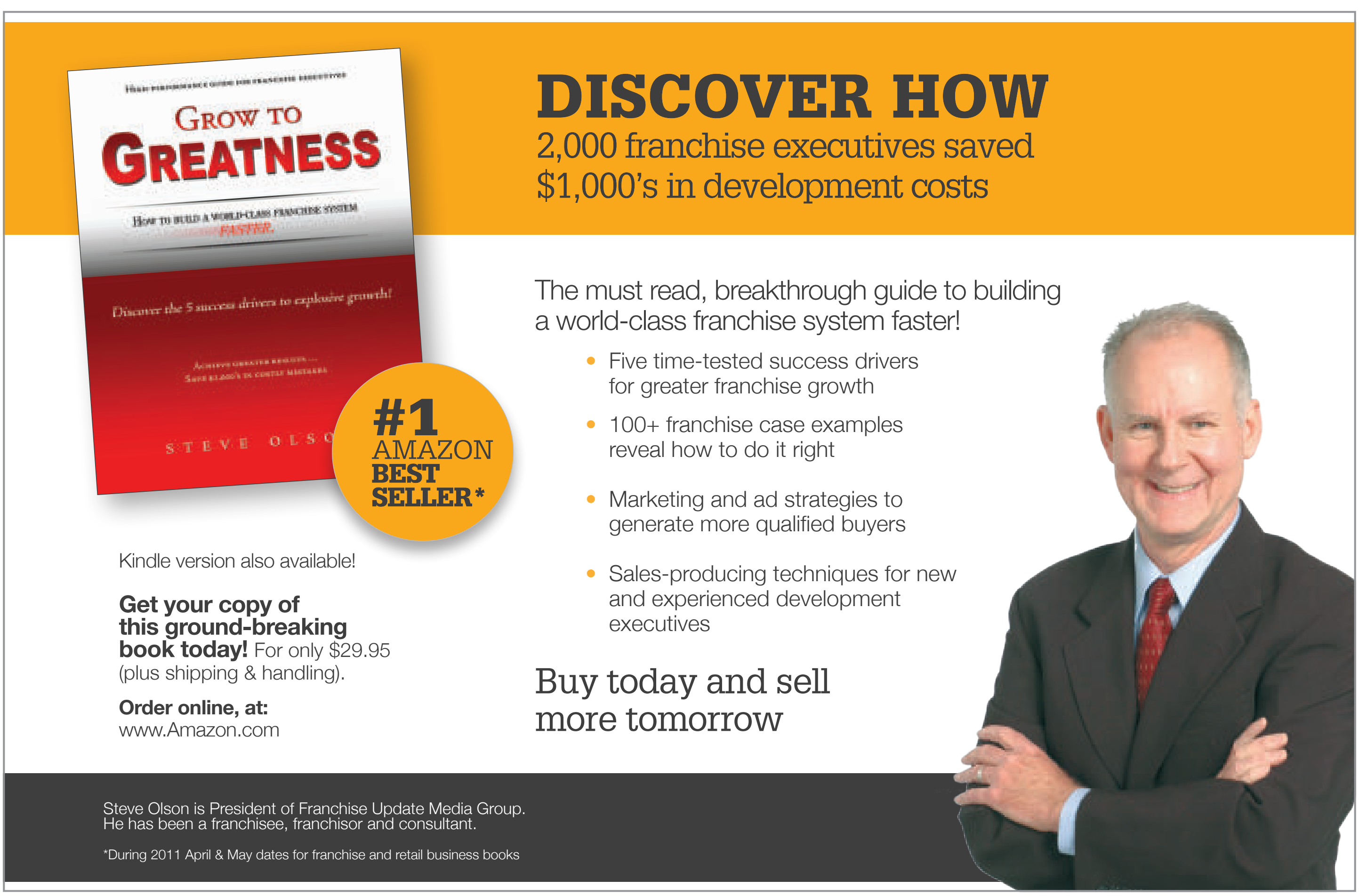
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Steve Olson is President of Franchise Update Media Group.
He has been a franchisee, franchisor and consultant.
*During 2011 April & May dates for franchise and retail business books

BY DEBBIE SELINSKY

COLLABORATIVE Tension

INDEPENDENT FRANCHISEE ASSOCIATIONS ARE IN FOR THE LONG HAUL

It's like most relationships. Sometimes things seem stable and positive between franchisees and franchisors. Other times, during ownership, leadership, system, or product changes, things can get downright contentious.

Even when things are going well between franchisees and franchisors, a certain amount of underlying tension is inevitable, since relationships can—and do—change quickly, says Patrick Kaufmann, professor of marketing and chair of the School of Management Marketing Department at Boston University.

Kaufmann, who has been studying franchising for 25 years, is also a board member of the Dunkin' Donuts Independent Franchise Owners. Working with Cornell University's Ben Lawrence, he conducted a study on franchisee associations that was published last year in the *Journal of Retailing*.

"The thrust of the study was how franchisee associations deal with the fluctuation of relationships with franchisors. What became clear is that it's common fiction that says franchisees turn over a lot and the franchisor just continues on," says Kaufmann. "That's completely wrong. The fact is that franchisors and franchisor management teams turn over all the time. This means that franchisees, a group that is often multi-generational, have to deal with different owner or management groups on a frequent basis."

"It's common fiction that says franchisees turn over a lot and the franchisor just continues on," says Kaufmann. "That's completely wrong."


Pat Kaufmann

And those ownership or management changes can have unpredictable results. "Relations may change from being highly problematic and contentious to very good working relationships or go the other way entirely. If you're a franchise association member, when things are contentious you don't want to do things that lose sight of the fact that you need to work with these folks," he says. "On the other hand, when things are calm, you don't want to forget that tomorrow may bring change and become too complacent. So there's this constant tension of balancing both kinds of relationships because you know they're not permanent."

The fact remains that, in 2012, independent franchisee associations (FAs) are forming at a rapid pace, says Michael Dady, founding partner of Dady & Gardner, whose Minneapolis-based law firm represents 32 different franchisee associations. One reason, he says, is that some franchisors still refuse to recognize independent franchisee associations, preferring instead to deal with franchisees on the franchisor-controlled franchise advisory council (FAC).

COLLABORATIVE Tension

"Some franchisors allow franchisees to elect some of the members of the FAC, while they appoint the others; other franchisors determine the entire makeup of the FAC. Regardless, the word 'advisory' means franchisees on the council have the right to advise, but have no power to effect any changes in the system or to veto the franchisor's decisions."

That's where independent franchisee associations come in. "Franchisee associations are subject to franchisee control and have the legal standing to do some things, including the right to bring lawsuits. FACs have no legal standing," says Dady.

Another reason for the increasing numbers of FACs is that franchisees today "are smarter, have been in business, and know how it works," says Dave Glodowski, former president of the Independent Hardee's Franchisee Association. "Over the last 10 to 15 years, the relationship between franchisees and franchisors has tended to favor the franchisor because of extreme clauses in franchise contracts. Forming an association gives franchisees more power and the ability to talk to franchisors from a position of strength. It's more meaningful, and productive and voices are being heard."

Glodoswski believes much of the reason is independence. "Whoever pays the bills has the power. When you're on a FAC, you go to their meetings and the franchisor picks up the hotel room and pays for meals, and things lean their way a little more. When you're an independent association executive or board member, your franchisee association pays for the hotel rooms and plane tickets and you go in with more credibility and authority," he says.

He says the relationship between Hardee's and its franchisee association is a good one. Michael D'Arezzo, vice president of franchise sales at CKE Restaurants, agrees, saying that both Hardee's and Carl's Jr. have among the "best franchisee associations in the industry in the way they engage with each other and with the company."

"The word 'advisory' means franchisees on the council have the right to advise, but have no power to effect any changes in the system or to veto the franchisor's decisions."

Michael Dady

Kaufmann is a strong supporter of franchisee associations. "It appears to me that things work better when franchisees deal with franchisees, possibly because of credibility and the filtering that goes on, as well as the topics under consideration," he says. "You also have a unified voice saying something isn't working. It's a lot more informative than just a random selection of franchisees complaining. It's to the franchisor's benefit to understand these are issues that may be endemic to the entire system."

Dady also considers franchisee associations the best way to serve franchisees. "Some franchisors say that, as a matter of policy, they communicate directly with their franchisees through their FAC. Unfortunately, that's shortsighted. An unsophisticated franchisee may think something is fine if it's endorsed by the FAC, but franchisors shouldn't be giving legal advice to franchisees because they're coming from a different perspective," he says. "A franchisor cares about maximizing top-line revenues and has a commitment to shareholders to improve their revenues. That's okay if it's not at the expense of franchisees, who don't mind helping build those revenues but are concerned about their own bottom line."

Recognizing and dealing with those different perspectives makes for stronger FACs and FAs, says Dady. "These groups have two different purposes: FACs, if operated in an efficient fashion, are there to give input on important issues that both the franchisee and the franchisor care about, and the franchisor should listen with an attentive ear and be responsive to that input. Associations provide members with independent advice to enhance their business and help them get value for their business when they want to sell."

When it works

Franchisors such as National Car Rental take what Dady describes as an "enlightened approach" to the issue of FAs and FACs. "National Car Rental communicates with both their FAC and the FA. They don't care who they're talking to because they want franchisee input," he says.

Peter Smith of Enterprise Holdings, Inc., which owns the National, Enterprise, and Alamo car rental brands, says the arrangement works because, "We are all about open communication, substance over process. The franchisee association is entirely autonomous and independent, a national body that is governed and controlled by franchisees exclusively. We collaborate a little more with our Policy Advisory Committee in terms of meetings, but if Mike Dady calls and wants to discuss a franchise issue on behalf of his clients, it isn't relevant to me whether it's the Policy Advisory Committee or the franchisee association. It's the same conversation with the same people," he says. "We don't have time for nuances; we're interested in being responsive."

Dairy Queen, says Dady, is another example of a system that communicates and works effectively with both groups. "Dairy Queen recognizes both its FAC, which is national in scope, and the Texas Dairy Queen Operators, a franchisee association that comprises almost 20 percent of DQ's U.S.

system. Leaders of the TDQO show up at FAC meetings and provide input and take information back to their group."

At Jersey Mike's Subs the situation is a little different: it has only a franchisee advisory council. However, according to both franchisee leaders and franchisors, it works for them.

Danny Malamis, president of Team Washington and an area developer and franchisee for Jersey Mike's in metro D.C., was for years CEO of another large franchisee association. Today, he is a member of the Jersey Mike's National Advisory Council. "Things work at Jersey Mike's because of the close relationship between the franchisor and the franchisees. We discuss and have input on things that are important to franchisees, such as unit profitability and economics, prior to the franchisor making decisions."

"Things work at Jersey Mike's because of the close relationship between the franchisor and the franchisees."

Danny Malamis

"Forming an association gives franchisees more power and the ability to talk to franchisors from a position of strength."

Dave Glodowski

Brian Sommers, vice president of franchise development for Jersey Mike's, chalks up the system's positive relationship with its franchisees to "our company culture. It starts with Peter Cancro, our founder and CEO, whose mantra has always been making a difference in people's lives. Unit profitability is very important to us," he says. "No franchise system is perfect. We're not perfect. But if you talk to our franchisees, they'll say our track record is pretty good. Half of all our territories are being awarded to existing franchisees. That's a true barometer of satisfied franchisees."

When push comes to shove

Historically, many franchisee associations were born out of crisis. Gary Robins, a Supercuts multi-unit franchisee and a board member of the Supercuts Franchisee Association, says this isn't the best way. "The right time to form an association is when things are going well. This helps guide level-headed decisions and goals," he says. Robins, also an elected member of the Supercuts Advisory Council, describes his personal philosophy as "peace with the franchisor through strength."

Lou Bonilla, president of the Meineke Dealers Association, uses an old analogy to make that point: "If you're a country, you want to make sure you have the strongest military in the world. You hope you never have to use it, but if you do, you want to make sure you have it."

When things change

The Meineke Dealers Association is currently dealing with a change in franchisor leadership, says Bonilla, also an elected member of the Meineke Franchise Advisory Council. "We've had a very good relationship with the franchisor under Ken Walker's leadership for the past 10 years. He is a gentleman and one of the classiest people with whom I have had the pleasure to work. He didn't always agree and wasn't shy about telling you when he didn't, but one thing I could always count on: he listened. At the end of the day, that was valuable because you can change someone's mind if they're open."

Walker retired in July as CEO of Driven Brands, the parent company of Meineke. Jonathan Fitzpatrick has been named president and CEO. "We don't know yet exactly what that will mean," says Bonilla. "We're still waiting to see how that shakes out and look forward to hearing from him at our conference this fall."

Dave Schaefers, senior vice president of development for Meineke Car Care Centers, agrees that the relationship with the franchisee association has been a good one—something he believes will continue. "That relationship strengthens all the programs for our company, from the POS systems we use to the products we sell and how we do things. At the end of the day, both the franchisor and franchisees want to push unit economics in the right direction and use our collective best practices and how things are designed so we both benefit," he says. Interestingly, Meineke's annual conventions are put on by the franchisor and the franchisees in alternating years.

How FAs can add value

Glodowski says the Coalition of Franchisee Associations (CFA) is setting a great example for franchisee associations searching for ways to add value for their members. "The CFA spoke for franchisees everywhere with the Universal Franchisee Bill of Rights," he says. "They've done a fantastic job and created tons of momentum. Now that this has been accomplished, franchisees want to know what their association can do for them now."

Also important, he says, "A franchisee association has to show that it's speaking for all franchisees, big and small. They have to show they're doing something, moving forward with benefits such as marketing and operational assistance. When you add value to the organization, it will continue to grow."

The Meineke Dealers Association, says Bonilla, has a purchasing cooperative that adds tremendous value for its members. "We have paid out close to $800,000 to constituents based on their purchasing from co-op vendors. If you're a business spending $50,000 with vendor A who is not a co-op vendor, and you can buy the same products at the same price from Vendor B and get a rebate that is sometimes a nice chunk of change, why wouldn't you do it?"

Years ago at Supercuts, the franchisee association (whose members currently comprise 75 percent of the franchisee base) provided value to its members by rallying the fight against the franchisor, says Robins. "But today we have a completely different environment and a good relationship with our franchisor," he says. "It's almost more challenging because it means we have to find new ways to create value for our members, whether it's bringing in additional products or services, negotiating special circumstances or better pricing for them, or experimenting in new directions within our system. We also offer education and conferences with forward-thinking speakers and the sharing of best practices."

"That relationship strengthens all the programs for our company, from the POS systems we use to the products we sell and how we do things."

Dave Schaefers

Another important service the Supercuts FA provides its members is Ethics-Point, an anonymous fraud/safety/discrimination reporting system managed by a third party and paid for by the association, says Robins.

Boston University's Kaufmann considers some of the most important franchisee association work to be lobbying, marketing, and providing an information clearinghouse. "The franchisee associations are almost a library of information for franchisees, doing what, in some ways, franchisors should do a better job of," he says.

How things can work better

When the discussion turns to ways relationships between franchisees and franchisors can be improved, certain words appear repeatedly: communication, transparency, accessibility, and respect.

Robins describes his role in both the Supercuts Franchisee Association and Advisory Council as relationship-based. "You have to invest in relationships with your franchisor partners. You can't always be one-sided. Franchisees will give you a list of 30 things that are wrong,

"The right time to form an association is when things are going well. This helps guide level-headed decisions and goals."

Gary Robins

"If you talk to our franchisees, they'll say our track record is pretty good. Half of all our territories are being awarded to existing franchisees. That's a true barometer of satisfied franchisees."

Brian Sommers

and when you fix 10 of them, they'll fill in with 10 more," he says. "You have to pick your battles by prioritizing what's important, coming up with three or four things that you solve through the relationship—and, when addressing problems, you have to propose a solution."

At Jersey Mike's, Sommers says corporate tries to keep stable relations with franchisees by being open and accessible to its franchisees. "We have a whole team of area directors around the country who are accessible at all times, and that goes for all of us here in New Jersey, too. You want to call a cell phone at midnight? Somebody will pick up. It's about being open and transparent. If there are no secrets, issues have a tendency to work themselves out."

Nigel Travis, CEO of Dunkin' Brands, says his management team is constantly working on its relationship with franchisees. "We consider our franchisees our primary customers and are constantly working to help them improve their profitability," he says. "A big part of maintaining that relationship is with constant communication and collaboration through the Franchisee Advisory Council. Franchisees are elected by their peers to represent them in district, regional, and national advisory groups that connect directly to Dunkin' Brands leadership. Many of our best ideas have come from working side by side with franchisees through the Advisory Council system."

A good example of this collaborative approach is when the franchisor and franchisees "worked together to convert Dunkin' Donuts and Baskin-Robbins U.S. locations onto one POS platform," he says. "From the start, our franchisee leaders provided feedback on our approach, reviewed the components of the program, offered feedback on financing packages, and then several members tested the components in their restaurants before the national rollout. We are now approaching the completion of these projects for both brands, which will help support our franchisees' bottom lines. At Dunkin', this common POS platform also helped us deliver our Dunkin' mobile app, which we released in August, ahead of many of our competitors."

Dady believes that, overall, franchisors and franchisees can best work together by "looking out for the long-term best interests of both. When you do that, good things happen," he says. "Enlightened franchisors recognize that franchisees need to be profitable, and that any success done on the back of the franchisees is short-lived and can mean long-term pain for the franchisor."

Robins agrees. "Your primary concern as an association leader is the franchisees. That's where your loyalty must lie. But both franchisors and franchisees have to rise above their own self-interests and have a broader vision for the good of the system." MUF

"We consider our franchisees our primary customers and are constantly working to help them improve their profitability. A big part of maintaining that relationship is with constant communication and collaboration through the Franchisee Advisory Council."

Nigel Travis

BY GARY GLOVER

Time To Own Up

Who is *really* responsible for network security?

An overwhelming number of franchisees are perplexed about network security ownership and responsibility—especially when it comes time to pay for a data compromise. Many incorrectly assume the franchisor or franchisee-appointed third-party IT company manages all aspects of their security, including adherence to Payment Card Industry (PCI) compliance. Generally speaking, this confusion stems from unclear delegation of security obligations between franchisors and franchisees. This leads franchisees to make assumptions concerning who is ultimately responsible to ensure their PCI compliance is fulfilled, and who is liable in the event of a breach.

• **Who is responsible for your security?** In every arrangement but one, the franchisee is wholly responsible and liable for its security. Franchisor-controlled scenarios are the outliers, and in these situations the franchisor completely regulates and monitors each franchisee payment network from a single corporate location. In this setting, the franchisor typically delivers, sets up, and supports all franchisee systems. In every other situation, the franchisee is responsible. Even if a franchisee outsources its security systems to hotel management or IT companies, the franchisee is 100 percent responsible, especially for the actions of its employees who handle patron credit cards.

• **Franchises on hackers' "most wanted" lists.** Our forensic investigations find that hackers choose to attack franchise-operated hotels, restaurants, and retail locations because many do not understand how to protect their business network. PCI Data Security Standards (DSS) are payment card industry regulations required of any business or franchise that processes, stores, or transmits cardholder data. PCI DSS compliance helps franchisors and franchisees better protect their business from data breaches that may result in debilitating fines, damaging news stories, loss of customers, and revenue deterioration.

• **Security outsourcing: here be dragons.** If a franchisee or a third party manages a POS system, it is wise to assume not all aspects of security are being handled correctly. Many franchisees rely heavily on third parties to complete security requirements, but many IT companies, POS vendors, and hosting providers don't know the extent of PCI compliance. In fact, about 30 percent of data breaches we investigate have been caused by a third party's insecure remote access. In defense of these hired organizations, IT companies offer most services that enable secure systems and compliance to PCI DSS standards. The problem is that many franchisees choose substandard security that doesn't include the security services and products that would help them meet PCI requirements and adequately secure their business.

Top 10 ways franchises are hacked

As a franchisor or franchisee, ask yourself the following 10 questions. You may not know the answer to each, but it's important to identify who is responsible for each. Remember, in nearly all cases, the franchisee is the liable party if a data compromise occurs.

1. What type of firewall do you have? Does it restrict outbound and inbound traffic?
2. Do you require complex alphanumeric passwords? Does each network user have a unique username?
3. Is internal risk assessment performed on a regular basis (anti-virus, internal vulnerability scanning, internal penetration testing, file integrity monitoring, intrusion detection/prevention)?
4. Is external risk assessment performed on a regular basis (vulnerability scanning, penetration testing, wireless rogue detection)?
5. Do you store cardholder data? Is it encrypted?
6. Do you employ third parties that process, handle, transmit, or store cardholder data?
7. Is your payment server segmented from a public environment?
8. Is your current payment application PA-DSS certified?
9. What types of policies and security training do your employees have?
10. What are your systems for updating computer software?

This list is merely a sample of all PCI requirements your franchise is required to comply with. The easiest approach to discover who should manage specific security aspects is to download the PCI Self-Assessment Questionnaire D (SAQ-D) from the PCI SSC website (www.pcisecuritystandards.org/security_standards/documents.php). Then assign each of the 288 self-assessment items to the appropriate party you believe should be responsible for addressing each requirement (IT group, franchisor, hotel management group, yourself). Once the list is complete, verify each assigned responsibility with the suitable party and ensure they fulfill that requirement by formally defining responsibilities in a written document. If you are breached because of third-party negligence, you can use these records to recoup any losses you might sustain.

Get help

Most franchises don't consider how third parties such as booking agencies, POS vendors, and management groups could be exploited by criminals and expose customer data. It's in your best interest to enlist the assistance of an independent organization whose core competency is security, such as a Qualified Security Assessor (QSA), to help you understand who should address individual security requirements. Let them help you ask the right questions to see which PCI requirements have yet to be met at your business. MUF

Gary Glover *is QSA director for SecurityMetrics. To learn more about your security responsibilities as a franchisor, franchisee, third party, or business owner, please call 801-705-5656 or email largeaccounts@securitymetrics.com.*

AdIndex

BY STEVE LEFEVER

Estate Planning—Do It Now!

Putting your affairs in order starts today

Ask yourself this question: If I died today, have I taken the appropriate steps to provide for the smooth and effective transition of my business, and to protect my family? If you talk to bank officers in the trust departments of major commercial banks, they will tell you horror stories of business owners who died without an effective—or current—estate plan and left the business in shambles and the family with loose ends.

No matter what your perspective, estate planning is a vital business function that involves a series of steps. Furthermore, these steps need to be repeated periodically depending on changes in the laws, your family situation, and the evolution of your business.

The estate planning process consists of a series of decisions with the goal of transferring assets to heirs with a minimum of cost. It is a dynamic process with two basic components: 1) accomplish stated desires and objectives, and 2) minimize the costs of transfer. As such, goals and desires should always assume priority over costs.

Consequently, the first responsibility for the owner of a business is to determine what will happen to the company upon their death. There are three primary alternatives: 1) sell or merge, 2) liquidate, or 3) continue the business, through associates, for the benefit of heirs.

Once this decision is made, the business owner faces four primary estate planning considerations in addition to the concerns common to everyone. They are: 1) successor management, 2) liquidity to pay death costs, 3) transfer of assets to spouse/children, and 4) valuation of the business.

Wills

Each of the above considerations plays an integral role in the estate planning process. The central focus of this process is to develop and maintain a complete and current will. As most of you know, a will is a statement of desires.

Many people seem to feel that a will is appropriate only for large estates. This is simply not so. Without a valid will, your estate will be settled according to the laws of the state—and these laws will not likely coincide with your particular desires. Furthermore, a will takes the "guesswork" out of settling estates, and it avoids long-lasting arguments and feuds among family members.

Remember, probating a will is a stressful experience for a family at a time when the members are not at their "strongest" and there's lots of room for misunderstandings. In addition, you never really know your brother until you settle an estate with him!

Tools for estate planning

To address the basic problems of estate planning effectively, business owners have a variety of tools at their disposal. Among these are: 1) gifts, 2) life insurance, 3) trusts, 4) pension and profit-sharing plans, 5) deferred compensation plans, 6) buy/sell agreements, 7) preferred stock recapitalizations, 8) installment payment of death taxes, 9) corporate redemptions, and 10) pre-death sale contracts.

Clearly, the appropriate mix of available alternatives will be unique to each individual's situation. However, an understanding of the basic options is central to achieving the desired results.

Estate planning team

Utilizing the proper group of professionals is also central to creating an effective estate plan. Each of the following professionals has a key role to play, and you should consult them regularly. This group includes 1) estate planning attorney, 2) accountant, 3) banker, and 4) insurance agent. Together—and in accordance with your desires—this group of specialized professionals can work with you to assess the advantages and disadvantages of each particular alternative until you create the unique mix of options that is right for you.

Action steps

The estate planning process is costly and time-consuming. Numerous steps must be taken before the plan is complete. The process includes:

1) Assessment of assets and liabilities
2) Liquidity analysis
3) Assessment of dependent support required
4) Statement of goals and desires
5) Plan for four key concerns:
   - successor management
   - death costs
   - dependent income
   - valuation of business
6) Review existing insurance
7) Evaluate options available
8) Select a plan and draft documents.

Procrastination is the enemy; time is the weapon. Why is it so easy to say "I'll do it later, when I have more time?" Perhaps it's cost; perhaps the complexity of the process. Maybe it's just a refusal to face your own mortality.

Whatever the reasons, the results are the same. Proper estate planning requires that you be fully committed to putting—and keeping—your affairs in order. If you don't do it, it won't get done, and your family will suffer. Do it *now*. MUF

Steve LeFever *is the founder and chairman of Profit Mastery, a Seattle-based eLearning company that has trained more than half a million people on how to measure and manage financial information to consistently increase business profits. Their programs have been taught around the globe and are now available online as an on-demand video program that can be accessed 24/7/365. Learn more about this educational course at www.profitmastery.net. or contact him at 800-488-3520 x14 or lefever@brs-seattle.com.*

BY CAROL M. SCHLEIF

2013: Year of "Crisitunity"

Opportunities abound amidst ongoing change

In an episode of "The Simpsons," Lisa tells her dad that the Chinese use the same word for both "crisis" and "opportunity"—to which Homer replies, "Yes! Crisitunity!" While many Chinese language experts dispute those prime-time linguistics, I think Homer is onto something.

From a macro standpoint, we're in the midst of massive change everywhere. Laws are being rewritten, regimes are being upended, new technologies are displacing the old, and societal norms reworked at a dizzying pace—much like the systemic shocks induced by such events as the invention of the printing press around 1440, or the driving of the Golden Spike in 1869 that connected West to East through the Transcontinental Railroad.

But in those changes as well as those we face today, opportunities abound. Remember that such torrid growth didn't happen seamlessly. It's a story that involved the financing of countless start-ups. A few made it. Most did not. Sources of capital were created and then dried up. New rules were written as profit-seeking investors, speculators, and financiers moved quickly to gain advantage. Then regulators came in afterward to clean up abuses in the boom and bust. Rinse. Cycle. Repeat.

So what's an investor to do at inflection points that are, by nature, murky, unpredictable, and uncomfortable? First, remember that volatility isn't the same thing as risk. Stocks rise and fall, but companies keep selling things—generating cash flow and paying dividends.

Technologies, trends, laws, and politicians come and go while some companies and industries flourish as others fade. In short, no matter how we feel about it, the world marches on… and on… and on. The choice? Sit on the sidelines and watch, or steel your stomach and figure out where the opportunities amidst the "crisis" may lie. Several opportunities come to mind.

• **Emerging markets.** According to the International Monetary Fund, the global GDP contributions of emerging markets (on a purchasing power parity basis) will overtake those of developed countries within the next year or so. Numerous stock index, bond, and currency funds give each of us a way to participate.

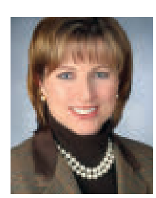
> **Volatility isn't the same thing as risk. Stocks rise and fall, but companies keep selling things—generating cash flow and paying dividends.**

• **Equity bargains.** Low-fee exchange traded funds (ETFs) and notes that mimic everything from broad to very specific stock and fixed-income sectors to currencies and bank loans are among the diamonds in the rough left by those giving up on equities over frustration with Wall Street and a constant string of scandals. So many people have washed their hands of European equities and fixed income that these and other legitimate investments are at once-in-a-lifetime valuations.

• **Innovation-inducing demography.** Our nation's magnanimous immigration policies have helped give the U.S. a younger population on average than any of the other developed countries. A crop of smart, technologically savvy folks could continue to drive innovation—especially as waves of Baby Boomers start to retire and clear the decks—with long-term positive implications for a wide range of small cap domestic stocks, growth, technology, marketing, communications, and health care discovery industries, to name a few.

• **Energy.** All sorts of people and businesses already are profiting from the extraction boom in the Dakotas and other states—whether it's building contractors, tradesmen, or farmers in Wisconsin looking to sell "fracking sand." Substantially reducing the cost of energy and transporting goods has broad implications, as does the work of firms exploring ways to minimize the environmental impacts of these activities.

These are only a few of many opportunities and don't even include what would happen if businesses reported by the *Wall Street Journal* to be sitting on a whopping $1 trillion in cash would come off the sidelines and start spending again. Pretty typical Wall Street stuff, I know, but nearly 30 years in the business have taught me to think broadly, act nimbly, expect the unexpected—and, as Homer Simpson reminds us, to look for Crisitunity!



Carol M. Schleif, *CFA, is a director in asset management at Abbot Downing, a Wells Fargo business that provides products and services through Wells Fargo Bank, N.A. and its affiliates and subsidiaries. She welcomes questions and comments at carol.schleif@abbotdowning.com.*

Customers Count

BY JACK MACKEY

Olympic Opportunity!

Score a perfect 10 in customer service

The Summer Olympics reinforced my respect for world-class athletes of all nationalities.

At a recent gathering of international franchisees, I had a similar sense of admiration, this time for remarkable customer experiences being created around the world by companies outside the U.S. The occasion was the annual convention of Crestcom International. While many franchise organizations today have global reach, Crestcom was founded 25 years ago by Hal Krause with the explicit mission to bring state-of-the-art management training to the world.

Crestcom's video-based management skills workshops are conducted by franchisees in more than 50 countries and 25 languages. Their recent information sharing regarding customer service around the world was full of nuggets I want to share with you.

Above and beyond service

For example, international franchisee Joerg Hasenclever was participating in a management training program at a premium hotel called the Vila Vita Rosenpark in Marburg, Germany.

On checking into his room, Hasenclever noticed an MP3 player with a headset on his pillow. When he put on the headset, he was surprised and delighted to discover that his favorite music was on the player. It turns out that before the training started, the hotel contacted each attendee's family to find out the participant's favorite music.

Also, when Hasenclever checked in, the hotel asked for his car keys on the pretext that they may need to move the car to another parking spot. But at the end of the seminar, his car had been washed and cleaned inside and out. This level of service is so unexpectedly amazing, people will want to talk about it and recommend the hotel to their friends and colleagues.

Joachim Schulz is another international franchisee who shared an example of extraordinary customer service that one of his friends experienced when he picked up his new Lexus RX. As the Lexus sales person was explaining all the wonderful features of the new car, he opened the boot (or trunk, as we say in the U.S.) and there was a small ladder in it. The sales person said he could not help but notice that the customer had an elderly dog that was not strong enough to jump up into the owner's car any more. The Lexus dealer provided a dog ladder to aid the dog getting in the car!

Worldwide competition makes it clear that the United States does not have a lock on excellence.

Another Crestcom franchisee, Gunter Lonnemann, described a remarkable company that remodels kitchens. The company is well-regarded and, as expected, it did a good job installing the new kitchen equipment.

But the family having their kitchen remodeled was very surprised toward the end of the day when two ladies arrived carrying huge baskets of food, dishes, glasses, cutlery, pots, and pans. They explained that they were there to cook dinner for the whole family. Now the family understood why, when ordering the new equipment, the sales person had asked them what kind of foods the family really liked.

After the construction engineers finished their work, the ladies started working and cooked a wonderful meal for the whole family. They served it and cleaned the kitchen, taking all the dirty dishes away with them. As it turns out, the kitchen retailer spoils his clients this way and always sends this professional cooking staff for the initiation of a new kitchen. In other words, the normal operating procedure is deliberately designed to include more than the customer expected!

Finally, in conversations with my international friends, I also learned about AirAsia, headquartered in Kuala Lumpur. AirAsia was named the World's Best Low-Cost Airline for Product and Service Quality at the 2012 World Airline Awards. Voted on by more than 18.8 million airline passengers from 100 different nationalities, this was the third AirAsia win in a row.

AirAsia creates a superior customer experience in a number of ways. Besides low fares and on-time departures, the company operates state-of-the-art aircraft with the latest in-flight entertainment systems, and they have the best web-based travel information system.

When you need to book a flight or ask questions, AirAsia's web-based customer service approach is very user-friendly. You can chat live online with an avatar—her English name is Little Red—and you can talk to her in half a dozen languages. She gives the AskAirAsia web page a personality in the customer's native tongue. This multilingual live chat service exceeds customer expectations of budget airlines because flyers often associate cheap fares with minimal service.

I loved watching the Olympics and cheering for our American athletes. But worldwide competition makes it clear that the United States does not have a lock on excellence. Likewise, there is much to be admired, and learned, from customer-focused companies outside the U.S. If you would like to receive a copy of SMG's White Paper, *Cultural Differences in Customer Satisfaction Ratings*, email me. MUF

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BY MEL KLEIMAN

Magnetic Managers

Retaining your top employees

How do you feel when a valued employee gives notice? Are you shocked? Disappointed? Do you feel like you've been jilted? Do you have the uncomfortable feeling it was somehow your fault? If so, you are probably right.

The #1 reason really good people leave is because they are dissatisfied with their relationship with their immediate supervisor or manager. You may have heard the old saying, "People join companies, but they leave their managers."

While that great employee probably told you the reason was "for more money," a study of more than 19,000 employee exit interviews by the Saratoga Institute found that only 12 percent of employees left their jobs in pursuit of higher-paying positions. On the other side of the equation, nearly 90 percent of employers think the #1 reason workers leave is for higher salaries, but only because that's what they're most often told. (No one with any sense is going to jeopardize their work record and references by saying something like: "I'm fed up to here with your management style and I'm not going to take it any more." "They offered me more money" is a white lie that saves face for both parties.)

At a recent seminar, I asked more than 300 attendees how many of them had a great boss. Just over 25 percent raised their hands. I then asked that group if they would consider leaving that great manager and taking a new job if someone offered them a 5 percent raise. No hands went up. "How about 10 percent?" Still no hands. "15 percent?" About 20 hands went up. At 20 percent, almost all the rest of the hands went up. Bottom line: It takes a lot to pry great people away from what I like to call "Magnetic Managers."

While not everybody can be a great leader, anyone can become a Magnetic Manager by simply incorporating the following six key behaviors into their management practices.

"If you hire the wrong people, all the fancy management techniques in the world won't bail you out."

—Red Auerbach, legendary NBA coach

1. Hire right. Red Auerbach, the legendary NBA coach, said it best: "If you hire the wrong people, all the fancy management techniques in the world won't bail you out." The bad news is most business owners and managers put more thought and care into writing big-ticket purchase orders than they do into hiring new employees. How much research do you do and how much justifying documentation do you write before buying an expensive piece of new equipment? Do you spend half as much time and effort deciding who to hire? It's a choice that will ultimately cost more money, as well as have a more dramatic effect on the bottom line.

2. Communicate, communicate, communicate. Good communication is basic to successful management. In spite of all the literature dealing with the theory and practice of this subject, Peter Drucker, in his foreword to a book on communication, states quite bluntly that poor communication is a direct result of our ignorance. He contends that we do not know what to say, when to say it, how to say it, or whom to say it to. Briefly, your goal is to keep everyone in the loop and on the same page; no hidden agendas or information withheld. The skills you'll need are speaking and listening, reading and writing, and observation (gestures and body language).

3. The Platinum Rule. Manage people the way they prefer to be managed, not the way you prefer to manage them. With the exception of the respect you treat every employee with, a "one size fits all" management style is a recipe for disaster. Some prefer lots of coaching and collaboration; others do their best work independently with minimal feedback. Some employees will want to interact with you on a daily basis; some will prefer to see you only once a week (or less). Some prefer to learn by doing; others would rather study the manual, then give it a try. Productivity increases and employee turnover decreases when you suit your style to theirs.

4. Accountability. The ancient Romans had a tradition that whenever one of their engineers constructed an arch, as the capstone was hoisted into place, the engineer assumed accountability for his work in the most profound way possible: he stood under the arch. Meet this kind of a standard by holding yourself and each of your team members accountable for accomplishing specific goals and tasks. Stand under the arch.

5. Recognition. Inside every person on your team there is a three-year-old standing on the diving board, yelling: "Mom! Dad! Look at me!" Every single one of us needs acknowledgment, appreciation, and validation. Look for things that are going right and give sincere, specific recognition. Recognition can range from simply saying "Good job" to a certificate or gold star to a healthy bonus check.

6. Positive mental attitude. Attitudes are contagious. Would anyone want to catch yours? They would if you put a lid on "The Four C's:" complaining, criticism, comparison, and condemnation. Focus instead on optimism, accomplishments, and opportunities. Shake things up and make work fun through friendly competitions, celebrations, traditions, team t-shirts, joke of the day, a bell to ring when something great happens. Put on your thinking cap. No one leaves the party when they're having fun. MUF

Mel Kleiman *is a speaker, consultant, and author on strategies for hiring and retaining the best hourly employees and their managers. He is one of only 650 speakers worldwide to have earned the Certified Speaking Professional designation and is president of Humetrics, a leading developer of systems and tools for recruiting, selection, and retention. He has written five books, including* The 5 Firsts: A Simple System To Onboard and Engage Top Talent, *and he publishes a regular blog. Find him at 713-771-4401 or at mkleiman@humetrics.com, www.Humetrics.com, and www.KleimanHR.com.*

BY DEAN ZUCCARELLO

The Gift of Organization

A six-step action plan to prepare your business for sale

The decision to sell your successful multi-unit business is now firmly on the horizon. You have come to terms with the lifestyle implications and changes. What, specifically, can you do now to prepare?

First, contemplate which very real vision of the future you would prefer to have:

1) Feeling stressed-out in a room full of cardboard boxes trying to sort through reams of paper to determine what is the "final-final" signed version, to then photocopy and send to your investment banker, while answering questions from your auditors, during a break from your district managers meeting?; or

2) Calmly hitting "Send" on an email to your investment banker, inviting them to your impeccably organized, cloud-based "data-room" that has been created, updated, and groomed over the past four months?

We've seen both scenarios, and many in between. The choice is yours. We can work with them all. However, as most investment bankers, advisors, and buyers will agree, working with an organized, well-prepared seller of a multi-unit business significantly enhances the likelihood of a successful outcome. In addition, it creates value, in that your business is perceived as a well-organized machine that one can confidently acquire and operate.

Correspondingly, one of the most frustrating—and entirely preventable—aspects of the sale of your business is inadequate preparation and organization of key data. This situation is actually detrimental to the value of your business, as buyers lose confidence in the integrity of the data and take pause, wondering what they will discover next.

So are you ready to get organized? You cannot start too early, but you can start too late. Do it. Start now. Here are six steps to get you started:

So are you ready to get organized? You cannot start too early, but you can start too late. Do it. Start now.

1) Organization plan. Inquire with an investment banker/advisor and obtain a detailed informational requirement checklist. A specific, detailed multi-unit business checklist is going to be much different than a general business checklist from the Internet. With a plan of data requirements in hand, you can determine what resources are needed.

2) Resource team. Under the guise of estate planning or a refinance if necessary for confidentiality reasons, assign a resource to each item of data you must gather. Typically you will involve the services of the following:

• Advisor/investment banker. Overall plan and framework, format of data, comparative data, opportunities, custom report, abstract creation, and the like.

• Accountant/CPA. Financial records, historical statements, tax returns, digital presentation of data, and other financial aspects.

• Attorney. Articles of incorporation, permits, franchise agreements, lease agreements, licenses, liquor licenses, vendor contracts, and other legal matters.

• Key management. Background bios on your key leaders, organizational chart, responsibilities, key initiatives, POS systems, image and remodel status, new site expansion opportunities, and the like.

• Franchisor. Remodel requirements, franchise agreement transfer and renewal requirements, pending initiatives, any issues or minor defaults, and any other franchisor matters. (No disagreements on the facts.)

• Governmental entities. Assess needs that require the cooperation of governmental agencies, such as updated business licenses, zoning, easements, environmental issues, and other regulatory requirements.

3) Data format specifications and organized digital storage. Over the past 10 years, evolving technology has resulted in a shift toward the acceptability and requirement of digitizing virtually every document to meet today's buyer expectations. Most buyers today demand unit-level data in Excel or accounting in Great Plains or similar formats, so they can model to their own assumptions without reams of data entry. Your CPA, for example, will appreciate understanding exactly what format is required, along with adequate time to prepare it.

Accordingly, scanned PDF versions of all key documents (final versions, signed and dated, not various incomplete working drafts), neatly organized, has become a base expectation, not a luxury. Additionally, agreement on where the data will be securely stored (cloud-based servers, data room services, hard drives, flash drives) should be a thoughtful consideration. Your investment banker/advisor can work with you to evaluate the most up-to-date best practices and the benefits of each. Depending on the nature of your relationship, you may ultimately choose to use your advisor, attorney, or CPA for organization and safekeeping.

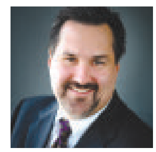
4) Custom data and report requirements, preparation, and creation. Certain data and reports are mandatory and must be created from scratch. These are not used in your daily affairs—for example, a franchise agreement abstract. This is a very specific, highly customized summary of key elements of a series of current franchise agreements, including current dates, historic renewals, expirations, pending renewals, actions required for pending renewals, current parties to the agreement, and current franchisor version of the agreement, to name a few. This is prepared in summary and tabular form. It's a significant amount of work to prepare, requires access to digital data, and must be 100 percent accurate. Add in other examples such as lease abstracts, facilities abstracts, POS system summaries, and you quickly see that access to organized, up-to-date, accurate digital data is paramount.

5) Commitment from your resource team. Each professional needs to understand the necessity of meeting the requirements within a specific, mutually agreed-upon time frame. Flag the areas and items that must be updated regularly (period or monthly P&Ls) or occasionally (store image level, key managers) versus those that generally don't change often (leases, title insurance, environmental reports). Document any issues (environmental issues at a site, for example) from the governments and any third parties.

6) Execute the plan. Create and populate your data room, and assign your team to create a rhythm of updating data and information to your central location. It is important to clearly let your team know the precise specifications and format of your data requests, along with your timing needs. The courtesy of a longer lead time is appreciated by any professional. Documentation is critical, as you may both be right with the data you have, but dealing with different documentation that may not have been updated or was not entered by the person who had the job last. It not only happens, it's fairly common with both government and franchisors.

Summary

- Organized information is your friend, and documentation is your best friend.
- Disorganization is your enemy, and incorrect information presented to a buyer and discovered in diligence is your sworn enemy.
- Give yourself the gift of organization. Give yourself the gift of increased value. Start small, but start—and chip away at the six steps. MUF



Dean Zuccarello, *CEO and founder of The Cypress Group, has more than 30 years of financial and transactional experience in mergers, acquisitions, divestitures, strategic planning, and financing in the restaurant industry. The Cypress Group is a privately owned investment bank and advisory services firm focused exclusively on the multi-unit and franchise business for more than 22 years. Contact him at 303-680-4141 or dzuccarello@cypressgroup.biz.*

BY DARRELL JOHNSON

The New and Improved Normal

New tools boost franchise lending prospects

We're now in phase two of a small-business credit recovery that started in late 2011 and will last a few more years. This phase is defined by the banking community's gradual return to small-business lending, the result of banks beginning to feel earnings pressure they didn't have following the 2008 financial crisis. Investor expectations for banks are gradually changing from capital preservation to earnings—and banks make money by lending.

The early part of phase two starts with banks searching only for lower-risk lending opportunities (e.g., a small business with a good track record and lots of financial strength reflected in a good net worth, decent liquidity, and a relatively high personal FICO score). These candidates, for the most part, have been provided ample credit during this recovery. However, banks haven't changed their conservative risk profiles, and they aren't finding many additional candidates with those attributes.

As banks move further into phase two they will increase their tolerance for risk, but only if they can be convinced the additional risk is modest—not only for their own credit appetite, but also for regulatory oversight reasons. To do so, banks are learning another way to assess small-business risk, and it's becoming the centerpiece of the "new normal" in lending.

The centerpiece is using a franchise brand's performance history to prove its creditworthiness. No other type of small business can do this, which creates a distinct advantage for franchising. I've previously described how unit, system, and franchisor performance combine to give both program and transaction lenders very good information they can use to extend credit. This information, packaged in FRANdata's Bank Credit Reports, is drawing lenders to franchising because the reports allow all types of lenders to understand the risks associated with franchise lending. This improved understanding is beginning to draw lending capital away from independent small businesses and toward franchised small businesses. Built on the solid logic that better information leads to better credit decisions and more credit, this information and more is now available to lenders on the Franchise Registry website—changing how lenders underwrite franchise loans.

In the process of developing these new tools with lender and franchisor input, another powerful idea came into being. Connecting prospective and existing franchisees seeking additional capital from lenders is a slow, inefficient process. Franchisors start with a prospect long before a financing package can be assembled; and lenders want to screen and be introduced to good prospects as early in the process as possible so they can build a relationship. After some brainstorming among franchisors, lenders, and FRANdata, an epiphany of sorts occurred: What if we turned the traditional model of franchisees and franchisors finding lenders to a new normal model of lenders finding franchisees?

Boefly started down that path of addressing the inherent inefficiency by helping franchisees put together financing packages and showing them to lenders through an online website, but that occurs late in the development process. On the Franchise Registry website, if we added franchisors' criteria for screening prospective franchisees, lenders would be able to identify candidates that meet their credit boxes at earlier stages in the franchise development process—which would give lenders and franchisors more confidence that a deal will happen. So we added search tools for lenders to do just that.

Then we took it one step further. Lenders asked if we could show actual credit information for prospective franchisees. Franchisors said they collect basic credit criteria on all prospects to increase the likelihood they will get financing. Franchisors were willing to put that information on the Franchise Registry website—if it is seen *only* by lenders, and if franchisors could control whether and how the lender/prospect connection is made. We worked through the details, and it is now ready for prime time.

Here's how it works. Lenders now have tools available—only to them—that allow them to search franchise brands based on lender credit criteria; not only for things like loan size and industry, but also for criteria such as geographic preference as localized as a ZIP Code. Franchisors are allowed to show both their general screening criteria for prospects and prospect-specific credit information at several points—much earlier in the development process than lenders historically were able to get involved—such as when prospects attend discovery day and at the moment they sign a franchise agreement. Prospect screening criteria include such things as net worth, liquidity, FICO score, and business experience. Franchisors have the option of showing actual prospect names or requiring lenders to direct all inquiries through franchisors to control connections to prospects. These tools also apply to existing franchisees seeking expansion capital.

These tools allow lenders to much more efficiently find prospects more likely to get through underwriting. They also bring the lending process more in line with the timing of the development process so franchisors have more confidence their prospects are financeable earlier in the process. Finally, these tools exist only for the franchise community, which will attract a disproportionate share of additional small-business lending capital. Welcome to the future of franchise lending.

Darrell Johnson *is CEO of FRANdata, an independent research company supplying information and analysis for the franchising sector since 1989. He can be reached at 703-740-4700 or djohnson@frandata.com.*

IS YOUR FRANCHISE SYSTEM CREDITWORTHY?

You may think so, but do lenders?

When a bank considers your mortgage application, it looks at your credit history. **When a lender considers your franchisee's loan, it looks at your Bank Credit Report.**

BCR

BANK CREDIT REPORT

The Bank Credit Report (BCR)

A Bank Credit Report (BCR) addresses lender's questions about the creditworthiness of your franchise system. In the current conservative lending environment, if you don't provide information about your system's performance history, lenders assume the worst.

Your BCR will provide lenders with an objective, 3rd-party evaluation of the performance of your system in comparison to your immediate peers and your industry. The report also **provides you with an opportunity to explain any risk issues that may be present** by allowing you to include appropriate Management Comments if you choose.

In the words of Shelly Sun, CFE, CPA, and CEO of Brightstar Franchising, "with hundreds of loan requests, the ones who make it easier and show they have nothing to hide, get the loans."

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