2016 Issue 1

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THE MAGAZINE OF THE NATIONAL FRANCHISEE ASSOCIATION, INC.
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The Business of Buying & Selling

page 38



Considerations for Valuing a Restaurant Franchise

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Building the Value Proposition of Your Franchise

page 70

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2016 Issue 1
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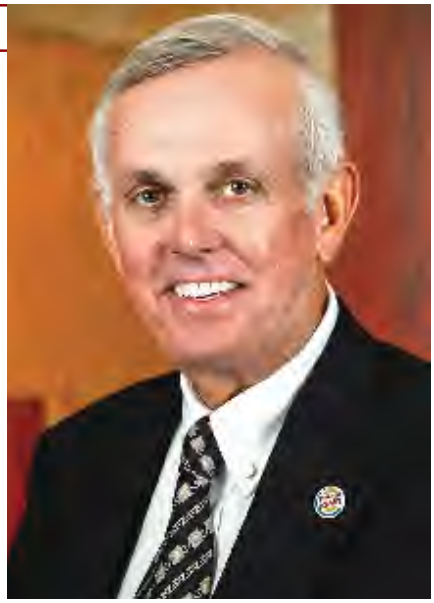
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It's Our Time to Take a Stand

by STEVE **LEWIS**



Does anyone else feel the same as I do in thinking that the political process in this country is extremely broken?

Let's take a brief moment to examine the last 10 months of our esteemed political process. On the Democratic side, there were five candidates that entered the race for the Democratic nomination. In what seemed to be about 45 seconds, the field was down to two, an avowed socialist and a candidate under investigation by the FBI.

Now, how do they pick the candidate on the Democratic side of the aisle? First they go out to "the people" during the primary process to see what the will of the people might be. But, just in case the "establishment" doesn't like the outcome, they have nearly 600 super delegates that they can just arbitrarily give to the candidate they deem fit for the office – and that designation has already happened on this side. Unfortunately for Bernie, he doesn't seem to get the message.

On the Republican side of the aisle there were 17 candidates running for the nomination. Many of them had good qualities and probably could have stepped into the position as well … but 17? Really? Was there not an easier way to narrow the field? Apparently not. And now, there is some reconsideration and back-peddling on early pledges signed by all Republican candidates promising that no matter who won the primaries, they would all support the winner. So hard to believe that politicians would not honor a promise made … exhausting.

So, what is this disastrous process getting us? Seventeen individuals working overtime, having their staff dig up dirt on one another, in an effort to derail like-minded individuals, so one rising star in the Republican Party can carry the banner all the way to the White House. Eventually, someone will carry the banner, but it will be a banner that is going to be battered and shredded in a major way. To the point where, even if a Republican wins the election, their effectiveness may be greatly limited … a very sad state of affairs.

As I said in my early statement, the process seriously seems to be broken. So, what are our options? While the options may seem limited at this point in time, we do have a couple that remain: They are to continue giving to the BURGER KING® Franchisee PAC and attending the upcoming NFA/BKC Summit in D.C.

Giving to the PAC, as most of you know, allows us to give contributions to the individual decision-makers – the legislators – in Washington, D.C., without worrying about the highest office. It's the day-to-day decision makers that we want to know us and remember who we are. And handing out checks and supporting those who support us is extremely important. So, if you haven't maxed out your PAC giving for the year ($5,000), I encourage you to do so … this is a very important election.

Finally, the Summit! Please don't forget to attend the NFA/BKC Summit in Washington, D.C., June 8-10, and if you want to come in early or stay late for other events, please visit www.cvent.com/d/ffqlbr/6X for more details. Folks, even more than giving donations to campaigns, doing our own campaigning on the Hill is unbelievably effective. Being able to sit down across the table from those making decisions for the most powerful country in the world is indescribable. The stories of our lives, how we got started, the struggles, the successes, what it is like to write a paycheck for employees, the stress of knowing you are individually providing for their families and so on – only we can tell our stories, and it's us who they want to hear from.

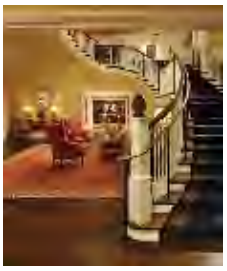
The Summit is the second week in June. Please, set aside a few days; that's all we are asking. A few days to go to D.C. and join other franchisees as we try our best to influence how our futures might unfold. Let's stop looking at everyone and everything else and focus on what's best for us and our businesses. We hold the key to our own future direction, don't let others define it for us … it never works.

I'll see you in D.C. ■

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It's Time to Send Our Message!!

by ANDREW **MYERS**



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Home of the WHOPPER and the World's Largest Navajo Code Talkers Exhibit

The Navajo Code Talkers are now known as America's secret weapon in defeating the Japanese in World War II. However, what is not commonly known is that hidden inside the Kayenta, Arizona, BURGER KING® is the world's largest exhibit on this famed counterintelligence program. Richard Mike, co-owner of the Kayenta BURGER KING and three other BK® Arizona-area restaurants, is the son of revered Navajo Code Talker King P. Mike.

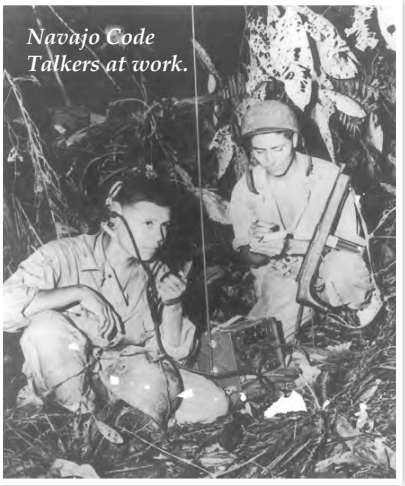
The Navajo Code Talkers were part of a program used by the U.S. Marines to code messages over radio and walkie-talkies during the war and became one of the most potent weapons used by America in the Pacific campaign. Before the creation of this program, the U.S. military faced a recurring problem in which every code they developed was broken by Japanese cryptographers. The Navajo Code Talkers were so successful at translating, transmitting and interpreting combat messages that eventually 450 of them were used in every major operation involving the Marines in the Pacific Ocean theater from Guadalcanal to Okinawa. During the invasion of Iwo Jima, six Navajo Code Talkers were operating continuously and sent more than 800 messages, all transmitted without error.



Code Talkers with Sen. John McCain (R-AZ), Jan. 13, 2001.

It wasn't until 1968, during a reunion of the 4th Marine Division, that information about the Navajo Code Talkers became public and their deeds were "declassified." Reunion organizers decided to march the Navajo Code Talkers from their 4th Division membership down the streets of Chicago as part of their reunion activities. Before this event, neither the vast majority of the Navajo people nor American civilians knew anything about the contributions of the Code Talkers.

The very first Navajo recruits realized they had to craft a code from their native tongue for a government that had forbidden them to speak their own language while they were in boarding school. These first Navajo Code Talker recruits are referred to as the "first 29," or just "the 29," as they developed the code by taking words from the Navajo language representing the implements of war. For example, the names of different birds stood for different kinds of planes. Different fish stood for different kinds of boats. The initial code consisted of 211 vocabulary words, which was later expanded to over 400. None of the code was written down and it had to be memorized so no copy could fall into the hands of the Japanese.



Navajo Code Talkers at work.

King P. Mike graduated from Phoenix Indian School in 1938 and was probably the only Navajo Catholic Alter Boy in existence in the entire United States. This would play a significant part in his life as most of the Navajo Code Talkers were raised in Navajo religion, which believed that there was no life after death except for some bad spirits that might leave a curse on some of their personal possessions. Generally, the Navajo Code Talkers wouldn't take any war trophies lest they be cursed. King P. Mike believed that man had a soul and the righteous would go to heaven so he collected trophies and sent them home without any fear of bad spirits or ghosts associated with any Japanese trophies.

He carried these trophies in three large steamer trunks that he hauled every time he moved. King P. Mike was assigned to the First Provisional Brigade in Guam, and the Marines were pretty well wiped out after they conquered Guam. All the Marine stragglers from various platoons, brigades and companies were all assigned to a new Marine Division – the 6th Marine Division.

After Guam, King P. Mike was reassigned to the 22nd Regiment before the invasion of Okinawa. He was then part of Okinawa's Sugar Loaf Hill battle, also referred to as The Battle for Sugar Loaf Hill. More Marines lost their lives in the assault of Sugar Loaf Hill than in any battle in the history of the Marine Corps. The Japanese had taken the hill 10 times and 2,662 Marines from the 22nd Regiment had lost their lives. King P. Mike directed naval gunfire from the bottom of the hill as well as giving the Navy flyers the bombing coordinates to aim for. Presently, Sugar Loaf Hill is encased in cement, as there



Navajo Code Talkers take a break during one of their training sessions.



Thousands of Navajo males went to register for the draft after news of the bombing of Pearl Harbor. Many of them brought their own weapons, but unfortunately, most of them could not speak English.

are still unexploded ordnance and incendiaries inside the hill. The 6th Marine Division suffered the highest casualty rate of all the Divisions on Okinawa with a total number of killed or wounded reaching 9,121 men. The 4th Regiment lost 2,965, either dead or wounded; 2,836 was the total of the 22nd Regiment; and the 29th, who lost an excessive number of men when they fought for Sugar Loaf, totaled 2,701 wounded or dead.

King P. Mike donated his war memorabilia to franchisees Richard Mike and Nina Heflin. Mike and Heflin opened their first BURGER KING restaurant in 1988, and King P. Mike gave his memorabilia to the Kayenta location the following year. After spending a year researching and identifying the foreign objects — such as Japanese flags, certificates of deposit, hand grenades, post cards, letters, battery boxes and objects labeled in Japanese — the items were installed and exhibited in the restaurant.

"The Navajo Code Talker display definitely increased traffic to our restaurant. Many tourists, as well as some of our local people, have come specifically to see the exhibit because of the photographs of their relatives when they were 40 to 50 years younger. We were the only Navajo Code Talker exhibit back in 1990. Presently, however, a number of Navajo Code Talker exhibits have popped up because of their popularity. The Navajo Nation Museum as well as the Monument Valley Tribal Park each have a Navajo Code Talker exhibit. Also the Tuba City Tribal Hotel has a Navajo Code Talkers exhibit. All of these exhibits are an attraction to the tourist, and each new exhibit brings more information and new photographs to the table, adding more information and knowledge about the Navajo Code Talkers," said Richard Mike.

The exhibit is even listed as the first and most highly rated suggestion of "things to do" in Kayenta on tripadvisor.com. A level six contributor, The GreatDane46, described the combination of the museum and the restaurant as, "… a very good way to get your family to a museum! The BURGER KING itself is nice and clean. The staff is friendly and helpful and the food is great." It is no wonder why guests travel from far and wide to enjoy this historical presentation alongside a WHOPPER® sandwich. ■





IFA Names Guillermo Perales 2015 Entrepreneur of the Year

Guillermo Perales, president and CEO of Sun Holdings, Inc., was named the 2015 International Franchise Association (IFA) Entrepreneur of the Year. According to the IFA, the Entrepreneur of the Year Award is given annually to a visionary who is willing to take risks and who possesses the management skills necessary to create a successful franchising business enterprise. The formal presentation of this award occurred during the Association's 56th Annual Convention, Feb. 20-23, in San Antonio, Texas.

Perales, a native of Mexico, traveled to the U.S. in order to pursue a career as a businessman and entrepreneur. He graduated with high honors from the Monterrey Institute of Technology and Higher Education and received his master's degree in business administration from Texas A&M University. Immediately after graduating, Perales launched his franchise career by founding Sun Holdings, Inc. and opening his first Golden Corral location in 1997. Perales is now the eighth largest restaurant franchisee and the largest Hispanic franchisee in the United States. His portfolio boasts BURGER KING®, Popeyes Louisiana Kitchen®, Krispy Kreme®, Arby's®, Golden Corral®, Cici's Pizza® and T-Mobile®. He now owns more than 620 businesses in the United States and has created over 14,000 jobs.



Guillermo Perales, president and CEO of Sun Holdings, Inc., was awarded the title of the 2015 International Franchise Association (IFA) Entrepreneur of the Year.

Perales reports that 2015 was a great year for Sun Holdings, as they were very active in the system. "We have done seven acquisitions of BK® stores in Texas this year and opened eight new stores. We have done 56 remodels in Orlando with five scheduled for this year and over 70 in Texas in the last few years. We still have plans to do 50 or so remodels in Texas in the next few years with the acquisitions we did in 2015. We also implemented a more aggressive bonus plan focusing on excellence in operations and OPI." He continued, "I am also honored and proud to represent the Hispanic franchisees, and we, as a group, have been able to successfully increase the number of stores in Hispanic hands. We are also trying to bring in new Hispanic leads for suppliers and franchisees. I am happy with the way sales are progressing as a system, and hopefully we can add another $100 million in sales in 2016."

This is by no means the first honorable recognition Sun Holdings or Perales has received. The company, under Perales' leadership, boasts a long portfolio of awards, honors and recognitions, including being identified as the Top 10 fastest-growing company in the Dallas/Fort Worth area by Southern Methodist University's Cox School of Business, ranking in the top 20 of the Hispanic Business 500 and being identified as one of the top 10 largest franchisees by the "Restaurant Finance Monitor."

Perales was featured on four occasions in "Latino Leaders" Magazine's annual "101 List" as one of the most influential Latinos in the United States. He has been recognized on three separate occasions with the Entrepreneur of the Year Award for outstanding leadership, as well as honored with the International Business Achievement Award by the Regional Dallas Chamber's International Business Council. Perales was also nominated to the position of President of the International Hispanic Franchisee Association (IHFA). As the IHFA president he represents the Hispanic BURGER KING franchisees on the BKC Inclusion Advisory Council and has a seat on the NFA board of directors.

Outside of this robust history of accolades and obvious tenacity to push Sun Holdings forward, Perales is also a big proponent of philanthropic endeavors. He is actively involved in a number of community groups and regularly donates to various causes such as providing scholarships to thousands of veteran meal donations. He believes that a business cannot thrive without taking an active hand in cultivating strong communities. This belief appears to have served Perales well as he, and Sun Holdings, continue to thrive while helping the surrounding communities prosper alongside them.

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Cave Enterprises Shops with Cops and Brings the Community Together

Cave Enterprises' BK® restaurants in and around Kingsford, Michigan, hosted a fundraiser along with more than 20 law enforcement officers for the annual Shop with a Cop event, Dec. 12 and Dec. 15, 2015. During this event, officers donated their time to take 35 children from Florence County and the Iron Mountain/Kingsford area out to eat, enjoy some holiday shopping and to get to know the officers in the community. Although this event provides gifts for those in need, the most beneficial result of this effort is that the officers get the opportunity to spend time with the children in a positive environment. The Kingsford Police Department reached out to Cave Enterprises to set up the initial event six years ago and have since continued to host the event together every year.

"We take every opportunity to get involved in any local community event and try to partner with local schools and other organizations to help raise money and awareness through our fundraising initiatives," said Adam Velarde, Cave Enterprises franchisee.

The event is put together through local schools where the children are nominated by their teachers to participate. Each officer is paired with one child, and every child receives $150 to spend while shopping. However, the $150 is not all for them, as the children must first buy a gift for the Giving Tree charity, a donation program for underprivileged youth. They then buy for their individual family members and may finally buy a present for themselves with what is left over.

The officers hope it teaches the children how to shop while considering whose priority is first and how to budget accordingly. The groups first met at the Kingsford restaurant and enjoyed lunch courtesy of Cave Enterprises. Santa and Mrs. Claus were even able to make a special appearance at the event. The children were then personally escorted by the officers in their patrol cars to a store across the street where they enjoyed shopping for others while building relationships together.

Better yet, the children and community can look forward to more events courtesy of Cave Enterprises. The company's restaurants host several benefit nights for local charities and family fun nights with arts and crafts, free of cost, for the neighborhood families each month.

"We are driven as a team to continually grow with our communities and give back. General managers Karen Antill and Carol Hagerty feel honored to be long-standing members of the Shop with a Cop program and will continue to do so for many more years to follow," said Candis Mata, district manager. "Cave, as a company, takes a lot of pride in getting involved with the community; with all their support and focus, we are looking forward to doing many more great things in the future." ■



Mr. and Mrs. Claus made an appearance at the Shop with a Cop event, much to the delight of the children.



More than 20 officers participated in the Shop with a Cop event, beginning with a community meal at two of Cave Enterprises' Kingsford-area restaurants.



OCEDON Hosts Successful Holiday Event and Food Drive



Santa visits with Bob Mueller, OCEDON'S office manager.



Mr. and Mrs. Claus spend time with the youngest attendee at OCEDON's Edgewater BURGER KING holiday event.



Santa listened to the wish lists of many during his visit at store #12921.

The Edgewater, Colorado, BURGER KING® owned by OCEDON, celebrated the holidays by giving back this year. To commemorate this selfless holiday spirit, the restaurant hosted a holiday party and food drive, Dec.19, 2015. Mr. and Mrs. Claus even appeared at the event.

A Christmas tree complete with red garland and bows welcomed guests into the restaurant for the party. Santa sat and talked with young and old about their Christmas wish lists, while coloring contests were held throughout the event for the children's enjoyment. Several winners were selected and their artwork remained on display for several weeks in the restaurant.

Guests were asked to bring canned food and dry goods to the party for donations. To ensure a good turnout, the event was promoted through fliers, bag stuffers and the "Edgewater Echo's" local calendar of events section. The promotion appeared to have worked well as the people of Edgewater collectively contributed more than five cases of canned goods during the three-hour event to donate to local food pantries. Judging by the guests' positive reactions to this endeavor, the Edgewater location is anticipating that Santa will visit again next year.

"OCEDON is very pleased with this first holiday event at our Edgewater location. Food drives are always needed in virtually every community. This necessity is more so felt by those in need around the holidays, when they may not have much else. Through community outreach efforts, such as this one, we hope to not only become closer with our BK® guests, but to also become closer to the entire community in which we are proud to do business in," said franchisee Elena Donahue.

Local Spotlight on BK Employee Jamie Guzman

Tri-City Foods Inc. employee Jamie Guzman was interviewed for the "Chicago Tribune" while working a Saturday shift at BK®, Dec. 26, 2015. Guzman was selected randomly for the interview for the Shout Out segment, a weekly feature that highlights individuals from the Chicago area as a means to introduce its readers to fellow community members.

"It is not every day that one of our own is featured in an interview, sporting the BK uniform, for the "Chicago Tribune." Our employees are the face of our company and Tri-City Foods is proud of the way Jamie Guzman represented us and BURGER KING® as a brand," said Tri-City Foods Inc. franchisee Shoukat Dhanani.



BK employee Jamie Guzman was selected for an interview for the "Chicago Tribune."

Guzman is a Melrose Park resident and a West Leyden High School senior. She currently works at the BURGER KING located in Franklin Park as part of a co-op program with her high school in an effort to graduate early. The ambitious senior began working at the restaurant in October 2015 and currently works in the kitchen. She is aiming to attend Triton College for two years before transferring to Northern Illinois University to become a registered nurse.

During her interview, Guzman gave some advice for anyone in the foodservice industry, "You have to be steady and know what you're doing. Be prepared, because sometimes people order the craziest things!"

Putting Christmas Proudly on Display

BURGER KING® brought Christmas cheer to the town of Cornelia, Georgia, this year. The Christian roots of the Christmas holiday have become the source of controversy in America over the years. In today's age, being politically correct, or all inclusive, often marks the difference between an organization's ability to sink or swim. However, sometimes taking a bold move to represent a beloved religious holiday can bring hope and refreshment to a society so focused on being inclusive that it sometimes ends up excluding some beliefs altogether.

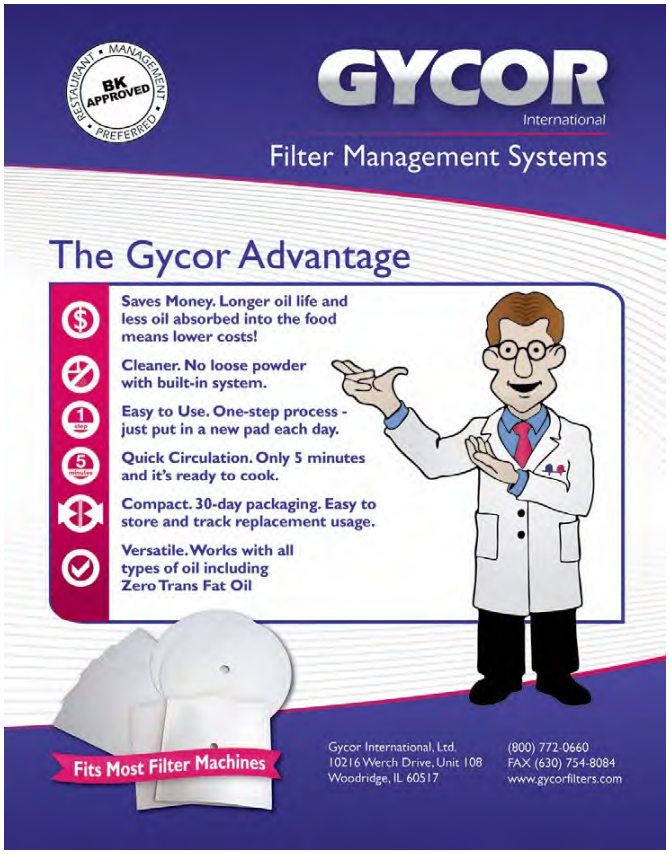


North GA Foods celebrates Christmas with painted windows that garner respect and appreciation from the community of Cornelia, Georgia.

North GA Foods, Inc.'s Cornelia location was a success story of such representation. Rather than plastering the more innocuous "Happy Holidays" slogan on its restaurants, the company's owners decided to embrace their Christian beliefs in hopes that others would appreciate the display. The company paints the windows of several of its BK® locations with distinctly Christmas-themed images and has tried to do so every year since opening their first restaurant.

"The windows in our first BURGER KING® in Cornelia have been painted with scenes that included camels, shepherds, wise men, angels, the Bethlehem star and the Nativity scene since opening in 1985. Similar paintings are now in several of our BK restaurants every year. Different artists have been used throughout the years; however, we have been fortunate enough to find two very talented artists, Tom Ingraham and his daughter, Christy Bowen, who have painted various scenes for about 10 years," said franchisee David Irvin. "Also, there is a painting wishing everyone Merry Christmas and a Christmas tree with ornaments saying Peace, Joy, Hope and Love. Christmas is the time of year we celebrate the birth of Jesus. My brother, Johnny, and I hope people viewing the paintings will receive as much joy from them as we did when having them painted."

Irvin's wish to bring joy has been accomplished, as the story of the Christmas-filled windows and the Christmas message was spread throughout local news outlets and many applauded the move across various social media platforms. ■





Republic Foods Partners with Job Creators Network for E2E Program

Republic Foods, Inc. has partnered with Job Creators Network (JCN) to pilot its newest initiative called the "Employer to Employee" Education Program, or E2E. The E2E program aims to leverage employees' support for free enterprise through basic public policy education. The program accomplishes this goal by providing employers across America with tools, materials and the guidance they need to educate their employees about the impact of government policies on their jobs, pay, benefits, tax deductions and the impact on their families.

The E2E program and Job Creators Network are nonpartisan efforts that will not endorse candidates, political parties or partisan organizations. The objective of the E2E program is simply to promote a better-informed public by providing information to employers that may then be legally disseminated to employees. The philosophy of this initiative lies in creating a well-informed public to be the best defense against bad public policy.

"We conduct employee surveys twice a year, and one of our significant findings is that we weren't doing a good job of communicating throughout all levels of the organization. We were not doing a good job communicating our goals and objectives as an organization, and we looked at this [program] as a great way to connect and provide education for employees and make an emotional connection," recounted Eric Oppenheim, executive vice president of Republic Foods, Inc. "It's on public policy issues that impact our business the most, and we don't feel that in the mainstream world public policy is really shared with employees. That is why we decided to test this program and share the many different components to it."

The E2E message was created through focus groups and a national online survey of registered voters to develop minimum wage messaging and solutions for the business community, the findings of which were



L-R: Bill Mitchell, Republic Foods' director of operations, iPad mini winners Patrina McWilliams and Kayla White, and Eric Oppenheim.

presented at a meeting in Washington, D.C., Oct. 1. The program is an internal communications tool that uses various media, such as paycheck stuffers, workroom posters, email publications, an educational website and a mobile app. To encourage employee participation, employees who downloaded the app and signed up for the newsletter were entered to win prizes. Prizes included Amazon gift cards and an iPad mini for both employees and the store manager of whichever employee won. The research and pilot program included a video brochure that was also sent to all restaurant managers in concert with email newsletters to managers and franchisees.

The website component of the E2E program, informationstation.org, is an online warehouse of practical information regarding policy and legislative endeavors. The website provides information in an easy-to-understand manner to effectively educate employees and provide them with policy knowledge to best make decisions for themselves and their families. This information ranges from taxes and interest to interpreting the implications of legislative issues and the effects they could have on employers, and hence, on employees. To ensure the information is easy to understand for most people, all information on the website is also available in Spanish. In addition to this component, every month, the program sends out education cards with a new message. These education cards are also accompanied by e-newsletters that contain a digital file of the education cards and distribution instructions.

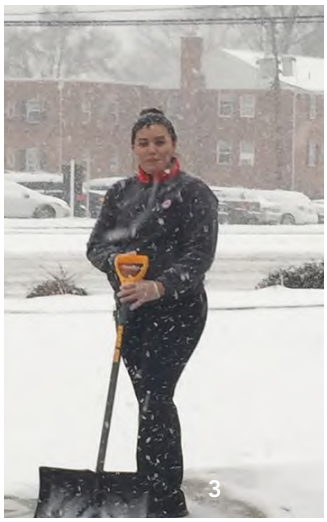
Republic Foods implemented the pilot in October 2015 for what was originally intended as a three-month program. However, after its launch, Oppenheim said they felt it best to extend the pilot to a six-month time frame. "We were having trouble measuring the success of the program, and felt we needed more time to measure its results and build commitment from our field personnel. We had full commitment from mid executive and middle management, but it takes time to build commitment all the way down to field staff. We found this in our pilot group: Getting feedback and effecting change takes time, and so it is something we have to communicate, monitor, ask for continuously and build over time. But we are committed to it, and we certainly don't want it to be the flavor of the month. The information is there; it is something that is not political and not policy-based but is fact-based. We are privileged to have been selected to pilot it, and the more people we can educate on public policy and job pay, we feel very proud about that," concluded Oppenheim.

The E2E program third-quarter 2015 results showed that the program provided unprecedented access in its history to business operations and completed interviews with franchisees to identify commonalities in their employee communications. JCN calculates that the E2E program will be used by 10 franchisees, more than 160 locations and nearly 4,000 employees for the pilot in the fourth quarter. Currently, the employers on track to implement E2E include: The Home Depot; Georgia Aquarium; Stanley, Black and Decker; QEP; BURGER KING and Academica.

East Coast Snowed in by Winter Storm Jonas


1


2


3

1 Team members had to shovel the doors and walkways before being able to access the restaurant. 2 On Sunday morning, entrances to the restaurants, like this one on Waugh Chapel Road in Gambrills, Maryland, were blocked by snow piles from the plowing of the main roads. 3 Otelia Venture, assistant manager of the Adelphi, Maryland, location, was on-hand to help shovel the mountainous snow.

January's epic Winter Storm Jonas left behind a huge, snowy mess, with more than 28 inches falling in a 48-hour period. Here is a recount of the event from Bill Mitchell, director of operations for the Washington, D.C.-area franchise Republic Foods:

Due to the very dangerous conditions, Republic Foods had to close its stores down Friday, Jan. 22, at 6 p.m. and remain closed through Saturday. On Sunday morning, the stores were buried in snow!

The back roads hadn't been plowed and the entrances to the restaurants were blocked with snow piles from plowing of the main roads. High winds Saturday evening blew snow drifts in front of the main entrances.

The team spent Sunday morning digging out and got nine of our 18 stores open Sunday — within 24 hours of the end of one of the worst snowstorms in history! On Monday morning, less than 36 hours from the end of the storm, all 18 stores were open. The team rose to the challenge and beat competition getting open.

It will take some time to recover from the financial impact of the storm. Luckily, the team was on a great sales roll before the storm, which will help soften the blow. Republic Foods had 18.9 percent sales increases and 21.7 percent increases in Customer Count for the month of January going into the storm. Despite being closed from Friday night through Sunday morning in half the stores and Monday morning in the other half, Republic Foods was still positive in sales for January by 3.9 percent with positive Customer Counts of 4.5 percent. This is a testament to the strong team of Republic Foods, Inc. ■

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What to Expect with the GARDEN GRILL Exterior Remodel



Two of South Coast Enterprises' Jacksonville, Florida, restaurants were recently remodeled to the GARDEN GRILL design.

If you are due to remodel any of your BURGER KING® locations and have yet to begin, the time to start planning is now. South Coast Enterprises recently remodeled two of their Jacksonville, Florida-area restaurants to the GARDEN GRILL design and offered some advice for those preparing to implement the remodel for their own locations. President of South Coast Enterprises Vance Rossell advises, "I would suggest, if you have to do it, the earlier you start the better. Because, when you get into the fall, you're dealing with holidays, you're dealing with weather and you're racing against the clock. You don't want to do that. Get out in front of this and complete it before the holidays."

This race against the clock is especially tight as new designs feature new products, which often involve unforeseen issues. The GARDEN GRILL exterior remodel took two weeks longer for South Coast Enterprises than the 20/20 design because of ordering issues. Rossell used two different contractors for the remodels and reports that both projects incurred the same problem of running out of a particular material three-fourths of the way through the job. After assessing this dilemma, it was found that this shortage was due to the fact that the siding is also used on the backside of the two towers, whereas in the past, stucco was traditionally applied.

The material, Nichiha fiber cement, is a new product used specifically for the GARDEN GRILL remodel for the tan vertical siding on the buildings. "Part of the issue with this install [of Nichiha] is that there are a lot of components that go into it: corner pieces, clips, filler, corner plates — it is a lot more cumbersome, especially as a lot of contractors don't have experience with it. My general contractor said they ran out because they ordered directly from the manufacturer, and the manufacturer did not pick up from the drawings that they needed to use the siding on the backside as well," continued Rossell. "Our architectural plan is reviewed by corporate. Perhaps their plans weren't clear, but he also discerned that the remodel itself is really no different from the remodels we have done all along." There is the option to use the Nichiha fiber cement or a faux stone for the siding of the buildings.

Aside from the siding material issue, the most common issues for the GARDEN GRILL exterior remodel were associated with landscaping and drive-thru lane compliance. Jay Twilley, senior manager of Mid-Atlantic construction, found some common issues seen across the country for the remodels he believes were caused by an unclear language in design specifications. "I would advise having a preconstruction meeting with your architect and selected general contractor to walk through the entire job to ensure all bases are covered. That is critical," urged Rossell.

The construction industry is becoming increasingly busy, and as a result, costs and schedules are becoming more volatile. If you are preparing to remodel any of your BK® locations, choose a contractor as soon as possible and talk with other franchisees in your area about referrals. Lastly, be sure to clearly communicate to your general contractor and manufacturer that the siding will also be used on the backs of the towers to avoid material issues down the road. With these tips in mind, you will experience fewer surprises during the process, which translates to your guests enjoying a freshly remodeled restaurant sooner.

TOMS King Prepares First Pre-Fabricated Drive-Thru-Only BK

Although drive-thru-only BURGER KING® restaurants are in existence, as of now, they are not common. However, given the changing consumer demand and site landscape, they are a viable option when considering expansion, especially when focusing on the commuter population and lower operating costs. Through a modernized process, these drive-thru-only restaurants are now available in newly designed, pre-fabricated models. The first of its kind is currently being mapped out by TOMS King Services LLC and will be officially unveiled in spring 2016.

"This is the first in the system. It is a pre-mapped, pre-fabricated modular construction. It is built off-site and transported. However, it is not uncommon to QSR retailers," said Matt Carpenter, TOMS King franchisee.

Two details drove TOMS King's decision to build the drive-thru-only model: site characteristics and trade area characteristics. "The parcel of land was too small for a traditional restaurant but it is an important enough trade area that we wanted a presence on this land," detailed Carpenter. "The trade area characteristic is that it is at the intersection of a U.S. highway and a very busy county road. There is a tremendous amount of car traffic at this location, and we believed we could get commuters coming in and out of the city, which we consider a drive-in rather than a dine-in situation. We are predominantly attracting the commuter customer."

Preparation of the site will take approximately 45 days, during which the off-site construction company will ready the structure and assemble it onsite once the buildout is complete. TOMS King is currently waiting to begin construction at their Cary, Illinois, location until the harsh northern winter weather subsides. The restaurant is scheduled to officially open in May and will feature two drive-thru lanes.

This particular BK drive-thru is also a new prototype in itself and will feature a fresh aesthetic. "As with other drive-thru-only locations, this new prototype is a much smaller building compared to traditional BK restaurants, with no public restroom or dining rooms. For that reason, it requires less staff [to operate] and we certainly anticipate lower labor costs," concluded Carpenter. ■

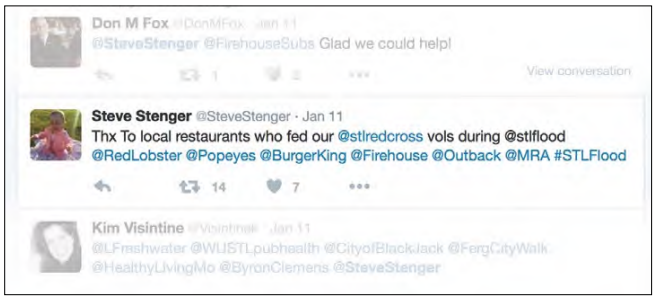
BURGER KING Helps Those in Need Find Shelter from the Storms

The New Year brought torrential flooding that wreaked havoc across Missouri in the first week of 2016. This series of storms was the worst flooding the state had seen in 20 years. The damage was further intensified due to the St. Louis, Mississippi, Missouri and Meramec rivers all overflowing into the surrounding areas, leaving a large stretch of counties in a state of emergency. One of the areas that was severely affected by the storm was the county of St. Louis, where many were stranded or left displaced for several days. However, despite the grim circumstances, a silver lining was seen in this time of need, courtesy of BURGER KING®. The St. Louis-area BK®, owned by Drury Restaurants, fed approximately 60 volunteers who were working to assist victims and families impacted by the flooding.

"I received a call from a contact through the National Restaurant Association inquiring if we would be willing to assist in feeding the Red Cross volunteers that were working the cases for the families impacted by the flooding. Being a past chair of the Red Cross, and knowing the outstanding work that these men and women do during times of crisis like this, it was an easy decision. I drove up in the snow, made the delivery of food and took a few moments to personally thank them for their volunteering and commitment to help the local residents of the surrounding communities impacted," said franchisee Joel Neikirk. "The work of the Red Cross goes unseen many times and continues for weeks after any natural disaster occurs. Our community was blessed and fortunate to have so many volunteers come from all over the country to help."



Drury Restaurants' employees offered to help feed the Red Cross volunteers on a Saturday night, including franchisee Joel Neikirk (far right).



St. Louis County Executive Steve Stenger publicly thanked BK on Twitter for providing relief to those affected by the severe flooding in St. Louis earlier this year.

A number of BK team members were also directly impacted by the flooding and were evacuated from their homes for several days. Drury Restaurants helped find many of these team members shelter in one of the hotels the franchise operates in the area. However, this diligence to the county and its staff did not go unnoticed — the Red Cross, Emergency Operations and local elected officials were equally appreciative of Drury Restaurants' efforts. The company was even publicly thanked via Twitter for its outreach by the county executive of St. Louis County, Steve Stenger. ■



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Dr Pepper Snapple Group	Diamond	Kelton Graham	kelton.graham@dpsg.com	561-236-8123
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Veterans of Foreign Wars Foundation	Assoc. Mbr.	Richard Freiburghouse	rfreiburghouse@vfw.org	816-968-1124





Wayne Thompson

Everyone who encountered Wayne Thompson, a long-time BURGER KING® operator and franchisee of Fieldstone Restaurants Corporation, admired his compassionate nature. He leaves behind not only a legacy of achievement, but also one of compassion and inspiration. His perseverance and passion for BK® as a brand and franchise was a driving force that led him to become a member of every key decision-making committee within the BK system over his long career. As one of the key members who created RSI, he took immense pride in building the organization into what it is today.

Thompson was a man whose career motto and work ethic reflected the "work hard, play hard" mentality. In more recent years, he worked much harder than he played, but remained steadfast in his resolution to work for goals he believed in and cared a great deal for. "Wayne simply loved BURGER KING. He was passionate about finding ways to make the BURGER KING brand better and worked tirelessly for our association and RSI to make that vision a reality," reflected Dennis Erickson, president of Mid-America Franchisee Association.

However, his goodwill and care for his fellow man was another defining quality that made him a cherished friend and fellow franchisee to many. "We will all remember Wayne as a fun, loving and charismatic man. His love of family — not to mention his passion for BURGER KING and RSI — will forever be embedded in our hearts. He will be missed by each and every one of us," said NFA Chairman Steve Lewis.

From the beginning, he was an entrepreneur in every sense of the word. His ambitious nature led him to open his first BK restaurant at the age of 23, eventually moving on to build 12 more locations and establish Fieldstone Restaurants Corporation. Despite how work-oriented he was, Thompson was also a social and vivacious individual who enjoyed spending time with friends so much that he expanded his business by building and co-owning the local Philly's Bar and Grill with his close friends. He was united in marriage to Pamela Jernell, and the couple had two children, Christine and Ryan. He later remarried in June 2015 to Lisa Meaney. Thompson was an avid golfer, reader and speaker who loved spending his spare moments walking the white sand beaches of Florida with Lisa.

Later in life, Thompson found a new calling in sharing his life experiences with others. Even before he was diagnosed with grade IV glioblastoma, an incurable brain cancer, he gave public speeches and had personal conversations that were encouraging and inspiring to countless people. He became a man of true faith and inspiration who continuously tried to bring about a positive change wherever it was needed. "Wayne was a terrific person who cared about people and would always reach out to help whenever he saw the need. He will be greatly missed," said Jim Reddin, a fellow franchisee and friend.



Wayne Thompson was a beloved father, husband, franchisee and founding RSI member who will be missed by all.

"My father was the most ambitious person I have ever known," said Ryan Thompson, Wayne's son and operator of Fieldstone Restaurants Corp. "He sought out challenges in business and in life. When he set goals, he always achieved them only to then raise the bar higher. He was a member of Alcoholics Anonymous and spoke both publicly and in private one-on-one meetings, inspiring many who were in tough places in their lives. He inspired countless people with his words of inspiration and wisdom. He found a new calling later in life: to live selflessly and help as many people as he could. He stayed strong and was an inspiration until the day he died." ■

calendar

Regional Events

April 20
New England Franchisee Association
Waltham, Mass.

May 18
Mountain Franchisee Association
Denver, Colo.

June 15
New England Franchisee Association
Waltham, Mass.

June 15
Southwest Franchisee Association
Phoenix, Ariz.

National Events

June 7-8
NFA Board/Committee Meetings
Arlington, Va.

June 8-10
NFA/BKC Summit
Arlington, Va.

June 10
NFA GRC Meeting
Arlington, Va.

Nov. 1-4
Global BK® Convention
Orlando, Fla.



New South Coalition Wraps up Winter in Charleston

The New South Coalition (NSC) held its winter meeting in Charleston, South Carolina, Jan. 24-26, at the Wyndham Mills House. More than 45 franchisees attended, along with roughly 75 vendor partners. The meeting kicked off Sunday afternoon with supplier introductions, followed by an update from NFA CEO Andy Myers on Elevanta (formerly National Association Management Group) and its array of programs that support the NFA.

Afterward, attendees were treated to a presentation from franchisee Mike DeRosa on the Veterans of Foreign Wars' Unmet Needs program — a popular charity within the BURGER KING® brand. "The NSC continues to increase their participation with the Unmet Needs program and will continue to focus on how we can better serve the families of our veterans," said Eric Oppenheim, regional president. "The meetings were robust and packed with valuable information involving the protection and preservation of our business."

Additional highlights from the agenda included a Restaurant Council update from committee chairman Joel Neikirk and a presentation from NFA Chairman Steve Lewis, who provided a report on the state of the NFA, the progress made with the BKC leadership team and the key initiatives the officer group and board will address in the next few months. Additionally, Steve Pattison from RSI provided an economic update, a review of the Product Line Variance tool and an analysis of the factors contributing to lower food cost.



Pete Cotter, GRC chairman, and Eric Oppenheim, NSC president, addressed attendees at the New South Coalition meeting in Charleston, South Carolina.

Jim Myers, who leads North American franchising at Burger King Corporation, was on hand to provide a business update, share strategies to improve franchisee profitability and review the brand's goals and objectives for expanding development of new restaurants. Myers also delivered an introduction of Lawrence Brown, the new divisional vice president.

As always, NFA Government Relations Committee (GRC) Chairman Pete Cotter provided a substantive GRC report, urging franchisees to increase their contributions to the BURGER KING Franchisee PAC as well attend the NFA/BKC Summit in Arlington, Virginia, this June.

The vendor hall was filled to capacity and the interaction between vendors and franchisees was strong throughout the meeting. One highpoint was the NSC's annual dinner at Magnolias restaurant, a favorite spot in Charleston where franchisees, vendor partners and guests enjoyed exclusive access to the entire restaurant.

"The New South Coalition strives to provide information from many industry experts, as well as discussions of the significant issues impacting our business," said Oppenheim. "Our meetings continue to be a great opportunity to interact with our colleagues and peers, with everyone coming away having learned something valuable to take back to their business. Franchisees from all other associations are always welcome. We hope to see you all at Amelia Island this summer." ■

Florida Caribbean Looks Back on 2015 during Final Meeting of the Year

The Florida Caribbean Franchisee Association (FCFA) hosted its regional year-end meeting, Dec. 3-4, 2015, at the Miami Airport Marriott. This no-frills meeting focused on news updates and business practices for the duration of its brief agenda. The meeting celebrated accomplishments made during 2015, while providing an opportunity to meet some new members and say goodbye to others. Not all time was focused on business, however, as attendees were also able to relax and enjoy a delicious dinner together at Ruth's Chris Steak House and after-dinner cocktails at the Miami Airport Marriott.

Nearly 40 franchisees and more than 20 vendors attended the meeting, including noteworthy guest appearances. One these appearances was from Scott Garvis and Christine Pallesen, from Dale Carnegie Training of South Florida, who provided an engaging 45-minute discussion on the leadership and training classes offered by the company.

The meeting gave attendees a chance to wish Shawn Thompson, BKC southeast division vice president, goodbye as he leaves the BURGER KING side of corporate to take the position of vice president of U.S. operations for Tim Horton's. Members also welcomed a new name to the BURGER KING family, Lawrence Brown, who is taking Thompson's position. Franchisee Alvaro Cabrera then shared a new technology by Dencor Technologies that aims to save money on equipment maintenance and electrical costs by monitoring the voltage of kitchen and rooftop appliances in order to catch issues prior to machine malfunction.

"The FCFA has engaged all of it franchisee members with robust meetings that give everyone takeaways to improve their businesses through sharing best practices amongst the attendees. These best practices, when put into play, will improve bottom-line profits. These meetings allow each attendee to gain more and give more knowledge to other franchisees, allowing everyone to leave with vital information to improve their businesses," said FCFA regional president Glenn Levins. ■

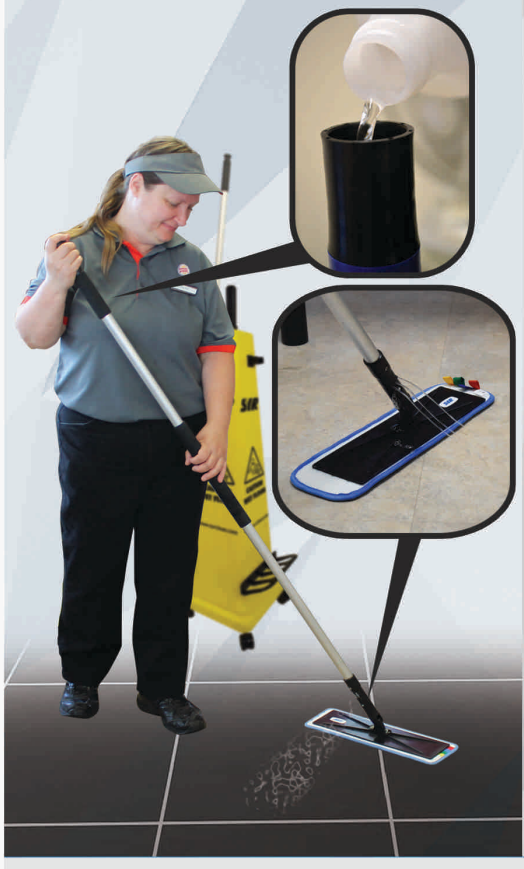
SYR COST SAVING PRODUCTS

CLEANING INNOVATION

RAPID LOBBY MOP

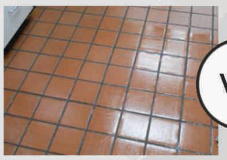
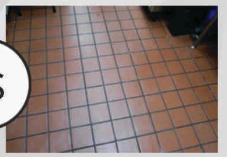
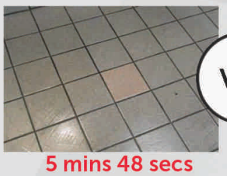
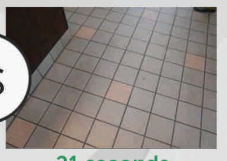
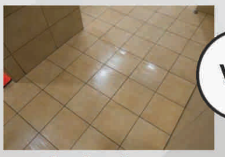
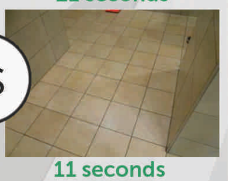
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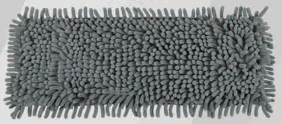
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The GWFA Fall Meeting Hits a Home Run

The Great Western Franchisee Association (GWFA) held its fall meeting at the Grand Sierra Resort and Casino in Reno, Nevada, Nov. 15-17, 2015. The meeting began Sunday evening with the characteristic GWFA kick-off, which included a vendor hall reception and a Texas Hold'em tournament. A "Split the Pot" PAC fundraiser was also initiated at the beginning of the meeting, giving all GWFA members a chance to participate and increase the region's contributions to the BURGER KING® Franchisee PAC.

On Monday, sessions of GWFA favorite, "What are you Doing About…," addressed important topics such as hourly wages for managers, PCI compliance, 1098 filings and more. After the daylong



L-R: Gary and Jennifer Geiger, and Andre Dawson showoff some of the sports memorabilia Dawson donated to the GWFA's PAC fundraiser.

Mid-South Gulf/South Central Add Value with Change

The Mid-South Gulf and South Central Franchisee Associations hosted a joint-regional association meeting Jan. 18-19 at the Holiday Inn in Atlanta, Georgia. The format of this meeting was altered from the traditional franchisee-only structure to include Above Restaurant Leaders (ARLs) and Directors of Operations (DOs). Mid-South Gulf Regional President Joel Neikirk designed the change in hopes of bringing more value to the meetings for franchisees and their top-tier staff.

"The decision to set up this association meeting to include DOs and ARLs was made since those individuals have limited opportunities for networking and development in the current BURGER KING® model. The system periodically holds restaurant manager meetings but rarely holds meetings tailored toward content that would impact DOs and ARLs," said Neikirk.

For most of the meeting the franchisees, ARLs and DOs were together, but the groups split apart Tuesday afternoon to allow for franchisee-only discussion and updates. Together, the franchisees, DOs and ARLs heard updates and presentations by many NFA members, including NFA President Steve Lewis, NFA Marketing Council Chair Dan Fitzpatrick and Restaurant Council Chair Joel Neikirk. Representatives from BKC, including Richard Blake, Eric Goldhersz and Corey Ladusky, provided crucial industry and brand updates. George Hoffman from RSI and Mike Schwartz from SICOM also presented at the meeting.

During the breakout sessions, franchisees listened to presentations by M.J. Lee on equipment, a presentation by Ricardo Azevedo on Fishbowl Manufacturing Software pricing and a sample Dale Carnegie Leadership workshop. During this time, ARLs and DOs attended a meeting with BKC representatives to review the new Steritech inspection system, human resources and training and CRT changes.

Each day wrapped up with group dining experiences at some of Atlanta's premier eateries. The first night included dinner and drinks at Kevin Rathbun Steak, and the second night's dinner was held at the Sun Dial restaurant, which boasts a stunning 360-degree view of Atlanta from the 71st floor of the Westin Peachtree Plaza.

BURGER KING received substantially more feedback than usual from the ARLs and DOs who have daily hands-on experience with the REVs, DT timers, training and much more. Neikirk said he received numerous emails from DOs and ARLs who were in attendance on the insights they received from the two-day session and the networking they were able to do while there with their peers. He believes the new meeting model worked well but will likely be implemented every other association meeting, as the speakers and content were directed a little more toward the DO and ARL level versus the franchisee level. However, Neikirk did conclude that, "Setting up an environment where franchisees can spend one-on-one time with their DOs and ARLs is very helpful."

meeting came to an end, members decompressed at the National Automobile Museum, also referred to as The Harrah Collection. The impressive collection boasted more 200 cars ranging from pre-1900 to modern makes.

The following day included a special guest appearance by Andre Dawson. Dawson, a former American professional baseball player with a 21-year career and National Baseball Association Hall of Fame inductee, is also a friend of GWFA president Gary Geiger. As this is the last year of Geiger's presidency, Dawson decided to attend the meeting to support his friend. He shared stories, talked about his history and signed some sports memorabilia that was entered into the "Split the Pot" PAC fundraiser for prizes. This portion of the meeting was heavily attended by franchisees and vendors alike and was accompanied by a barrage of questions and applause for Dawson.

"This year's GWFA fall meeting was not only informative, it was also lively and entertaining."

– GWFA PRESIDENT GARY GEIGER

Other speakers at the meeting included RSI's vice president of purchasing, Tony Menninger; Uri Kenig, BKC west coast division vice president; and Javier Gonzalez, senior legislative director for the California Restaurant Association. Gonzalez spoke to the group and took questions regarding the impact of the latest and upcoming changes in the restaurant industry, including the legislative issues facing small businesses, such as minimum wage. The "Split the Pot" fundraiser also came to an end Tuesday with franchisee Mike Whitehurst winning half of the $2,000 pot, with the remaining $1,000 donated to the PAC.

"I am excited to announce that Steve Keith and Mark Escamilla were elected to serve on the NFA board of directors," said GWFA president Gary Geiger. "This year's GWFA fall meeting was not only informative, it was also lively and entertaining. We are grateful that Andre Dawson was able to join the GWFA this year to talk about all that is baseball and answer the myriad questions thrown his way. We also enjoyed our time spent building on existing relationships and learning about the current status of our industry." ■



NFA REGIONAL PRESIDENTS



Gary Moore
Great West Franchisee Association

Mike LaCombe
Canadian Franchisee Association

Shoukat Dhanani
Large Franchisee Group

Amir Allison
Mountain Franchisee Association

Jackie Ford
Minority Franchisee Association



Guillermo Perales
International Hispanic Franchisee Association



Dale Ma
Southern California Franchisee Association



Shelley Krispin
Southwest Franchisee Association



Mike Callahan
South Central Franchisee Association





Dennis Erickson
Mid-America Franchisee Association



Kevin Egnatuk
Great Lakes Franchisee Association



Gavin O'Neill
Tri-States Franchisee Association



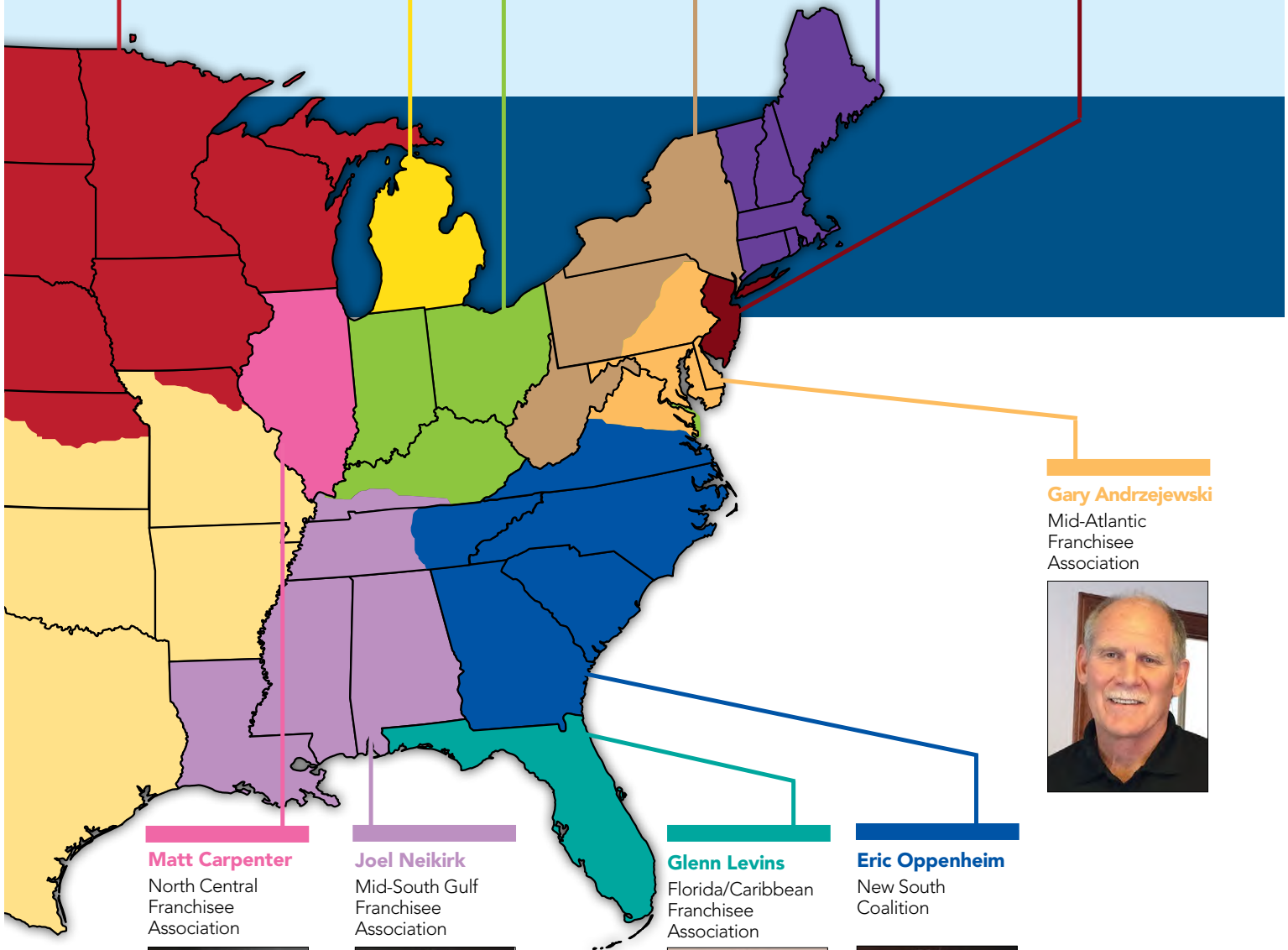
Matt Herridge
Pittsburgh/New York Franchisee Association



Laurie Palmer
New England Franchisee Association



David Sutz
Metro-New York Franchisee Association



Gary Andrzejewski
Mid-Atlantic Franchisee Association

Matt Carpenter
North Central Franchisee Association



Joel Neikirk
Mid-South Gulf Franchisee Association



Glenn Levins
Florida/Caribbean Franchisee Association



Eric Oppenheim
New South Coalition





MEET THE NEWEST MEMBERS OF YOUR NFA BOARD OF DIRECTORS

The NFA would like to welcome the newest members of its board of directors. Mark Escamilla was selected to represent the Great Western Franchisee Association (GWFA), along with current board member Steve Keith; Jackie Ford was recently elected as the president of the Minority Franchisee Association; and Brent Northrop serves as vice president of the New South Coalition. Please read on to get to know them each a little better.



Mark R. Escamilla

Managing Owner/Chief Operating Officer

Company: FOR Northwest, LLC
Number of Units: 36
Year entered system: 1982

How did you become a BURGER KING® franchisee? I spent 15 years in BKC operations, started as assistant manager at BK® #2495 in Alameda, California. I held various positions in North America, including district manager/area manager. I was also brand development manager in Riyadh, Saudi Arabia, and a training manager in Asia, based out of Seoul, South Korea.

What attracted you to the brand? I was intrigued by the growth of fast food hamburger restaurants in California as an alternative to full-service dining. What closed the deal was the training program BURGER KING outlined in comparison to other restaurant brands.

What motivated you to become involved with the NFA at this level? The confidence shown by the GWFA board and membership that I would truly represent them on issues important to our businesses.

What do you see as your role as a board member? By having had the opportunity to work with west coast board members, such as Skip Palmer, Len Rohde and Wally Krone, I hope I have gained their ability to convey the voice of our members on issues important to our brand in a professional manner.

What would you most like to see accomplished during your term? Sustained profitable growth of our great brand for the benefit of all franchisees.



Jacqueline Ford

President

Company: Great Food Services, Inc.
Number of Units: 5
Year entered system: 1994

How did you become a BURGER KING® franchisee? I was a food service management major in college, and from that time on, I knew I wanted to be a franchisee. After researching several brands, my husband and I keyed in on BURGER KING.

What attracted you to the brand? I fell in love with BURGER KING with the first bite of a WHOPPER® sandwich on Macon Road in Columbus, Georgia. BURGER KING began pulling at my heartstrings at that time. When an opportunity presented itself to us, we went for it. The brand's national reach and quality product made it very attractive.

What motivated you to become involved with the NFA at this level? I was elected as president of the Minority Franchise Association, which holds a position on the NFA board. The Minority Franchise

Association is a 44-year-old organization that advocates on behalf of diversity throughout the entire system.

What do you see as your role as a board member? My role is no different from any other board member's: to ensure that franchisees are healthy. I would like to continue to support and assist all franchisees.

What would you most like to see accomplished during your term? I would like to see a smooth transition for those wanting to exit the system and continued support of those dedicated to expanding the reach of the brand. As our businesses continue to evolve, I would also like to see more services added to cope with the ever-changing governmental regulations and ubiquitous technological advances.



Brent A. Northrop

Operations Director

Company: EDN INC
Number of Units: 6
Year entered system: 1999

How did you become a BURGER KING franchisee? Having grown up in the brand, I thought it was a great opportunity. So, after finishing college and spending a few years working in insurance claims, I joined the family business in 1999.

What motivated you to become involved with the NFA at this level? I was interested in seeing the bigger picture within the brand and broadening my knowledge of the system. Being a part of the NFA board is a great way to accomplish that.

What do you see as your role as a board member? Helping support my fellow franchisees, as well as sharing ideas and information between my coalition members, the board and BKC to help further the growth of our brand.

What would you most like to see accomplished during your term? I want to continue to see sales and profitability growth for the entire system. I also want to sustain a healthy relationship with BKC while still keeping them informed of our issues and ideas. ■

NFA National Franchisee Association
An Association of BURGER KING® Franchisees

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Spotlight on the 114th Congress:

Rep. Phil Roe (R-TN-01)

Q What can be done to counteract the amount of legislation and regulations that are impeding the potential success of small-business owners?

A Small businesses are the backbone of the American economy and I'm always impressed by the tenacity and work ethic of the entrepreneurs around the country. Unfortunately, under the Obama administration, small businesses have faced uncertainty in everything from the regulatory climate to their health care benefits over the last seven years.

The House Education and Workforce Subcommittee on Health, Employment, Labor and Pensions (HELP), which I chair, has held hearing after hearing to shine a spotlight on the harm the president's policies are causing to our job creators, and based on what we've learned, I'm working to provide regulatory relief and bring certainty to business owners. I've been working to rein in the activist National Labor Relations Board (NLRB) and stop harmful proposals like the joint employer decision, the ambush elections rule, or the effort to replace secret ballot union elections with "card check," to name a few.

I've also worked to repeal the president's health care law and pass legislation, like the REINS Act, which would require the administration to submit any regulation with an economic impact of $100 million or more to Congress for an up or down vote. One of my biggest frustrations is the fact you have bureaucrats in Washington who have never run a business in their life writing rules that are nearly impossible to follow. I hope our next president, whoever it may be, starts rolling back some of the Obama administration's out-of-control regulations on day one.



From my experience, I believe most small-business owners want to do right by their employees, but the federal government is making it harder, not easier, for small businesses to help their employees and grow.

Q What do you see as the current biggest threats to small-business owners?

A I believe big government interfering with the way small businesses are managed is a huge threat to small-business owners. The federal government shouldn't be in the business of influencing union elections, mandating what kind of benefits a business provides to their employees or dictating how much a business owner pays their employees. From my experience, I believe most small-business owners want to do right by their employees, but the federal government is making it harder, not easier, for small businesses to help their employees and grow.

Q How has your role as chair of the Subcommittee on Health, Employment, Labor and Pensions committee influenced your opinions on the current threats to small business?

A Serving as chairman of the HELP subcommittee has given me the opportunity to hear firsthand how regulations and legislation impact people and businesses. It has also sharpened my awareness of the threats that this administration's labor agenda poses to workers and employers everywhere. Whether it's card check, ambush elections, microunions, or disrupting legal advice employers receive, there's been no stop to the onslaught this administration is providing. At the end of the day, the actions of Congress and the administration have a real impact on people, and most of those people are just trying to provide a good life for their families and make ends meet. They're not concerned about whether an R or D is behind your name, they just want policies that work, and serving as chairman has provided me with that important perspective. ■

Braddy Hosts Lunch for Republican Legislators

A number of congressional members visited franchisee Ed Braddy of Winlee Foods at one of his Baltimore, Maryland, restaurants, Thursday, Jan. 14. The congressional troupe included Rep. Luke Messer (R-IN-06), Rep. Andy Harris (R-MD-01), Rep. Rick Allen (R-GA-12), Rep. Virginia Foxx (R-NC-05), Rep. Tim Walberg (R-MI-07), Rep. Buddy Carter (R-GA-01), Rep. Phil Roe, M.D., (R-TN-01) and Maryland House of Delegates member Kathy Szeliga.

Roe and Braddy met in September 2015 when Braddy testified on the Joint-Employer Standard at a congressional hearing led by Chairman Roe to the U.S. House Committee on Education and Workforce's Subcommittee on Health, Employment, Labor and Pensions. After the hearing concluded, Roe realized that a January meeting of the Republican members of Congress was to be held in downtown Baltimore, very near Braddy's restaurant. The chairman's chief of staff, Matt Myers, and the Education and Workforce Committee assistant, John Martin, contacted Braddy and Misty Chally, NFA vice president of legislative affairs, to coordinate a lunch on behalf of Roe.

The day of the conference, the congressional entourage came to Braddy's restaurant for a tour and casual lunch. The group took the time to speak with several customers and even went into the kitchen and took photos with the staff. "What really impressed me was that they were all so nice to me, my customers and my crew. My crew is still beaming about it," said Braddy. Once rounds were made, the assembly gathered in the dining room and enjoyed a leisurely lunch and conversation. "It was casual. We didn't get into the issues really. They wanted to talk to me about how the store was doing, how I was doing, sales and the neighborhood. I let them know that we were coming up to the Hill and would be stopping by to meet with all of them."

Roe agreed that the experience was positive for all involved, saying, "Mr. Braddy's story resonated with me and the members of our subcommittee who heard his testimony last year, and my colleagues and I were glad to visit this real-life example of the American dream. Stories like Mr. Braddy's transcend politics, and it's important for members of Congress to meet and hear from the small-business owners we should be fighting to protect. I thank Mr. Braddy and his entire team for their hospitality, and I hope we can visit again soon."

During their lunch, Foxx invited Braddy and his wife, Lesia, to attend the conference at the Baltimore Marriott Waterfront that evening. The Braddys readily agreed and enjoyed dining with Foxx, Roe and Kline while listening to two keynote speakers discuss the ethics of representation. Braddy even met Speaker of the House Paul Ryan during the dinner. ■



L-R top row: Harris, Braddy, Allen, Roe, franchisee Eric Oppenheim and Szeliga. Bottom row: Messer, Lesia Braddy, Walberg and Carter.



NFA GRC Data used on the Senate Floor

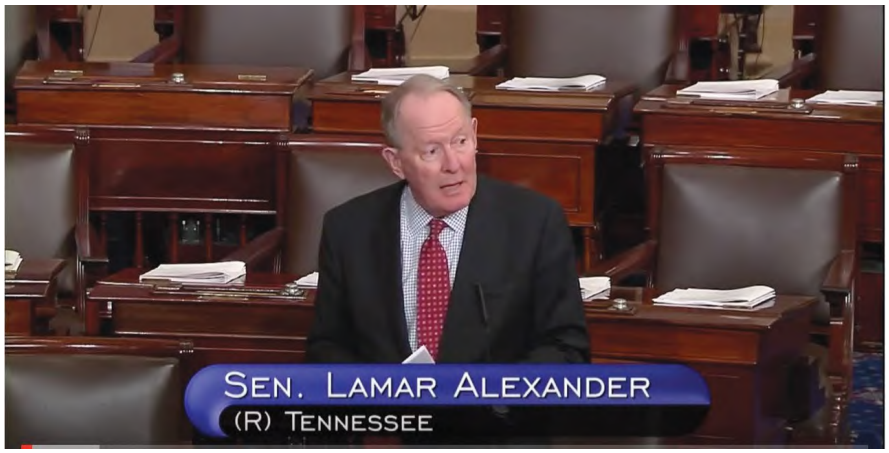
On Tuesday, Dec. 1, using specific information and data provided by your NFA Government Relations Committee (GRC), Sen. Lamar Alexander (R-TN) presented a speech on the Senate floor regarding the impact of the Affordable Care Act (ACA). As chairman of the Health, Education, Labor and Pensions Committee (HELP), Alexander urged the president and congressional Democrats to work with Republicans on proposals to take health care "step-by-step in a different direction — one that emphasizes more freedom, more choices and lower costs." This speech was presented to the Senate at the beginning of the debate on repealing the ACA.

Alexander discussed what Republicans warned would happen if ACA became law and outlined what this "historic mistake" of a law looks like for millions of Americans today. In an excerpt from his speech, he stated, "Republicans said … Medicaid would destroy state budgets, that premiums and taxes would go up and that jobs would be lost. This has all, unfortunately, come true."

"Republicans said… Medicaid would destroy state budgets, that premiums and taxes would go up and that jobs would be lost. This has all, unfortunately, come true."

– REP. LAMAR ALEXANDER

To support his argument, Alexander obtained data via Peter L. Oppenheim, the brother of franchisee Eric Oppenheim,



who is the education policy director and counsel for the Senate HELP Committee.

Eric Oppenheim received a call from a member of the HELP Committee asking for examples and facts on how health care reform has affected his business since its implementation in 2011. "My brother has worked with the senator for five years or so. He has given the GRC an intro to the office through our relationship, and he has been able to set up meetings with the Health and Labor Departments. We met with the senator and staff many times, and one thing we have always provided is facts, figures and real stories of what we can describe to the senator. We are able to give statistics that are real and humanize an issue," he said.

This particular request for information had a hurried turnaround. "I called the GRC, explained the situation, received the information and was able to send the write-up to the senator's office by 11 p.m. that night. He referenced our brand and our franchise the next day on the floor of the Senate. My contact in his office who handles health care issues is Mary Sumpter Lapinski. Our GRC has developed a relationship over the past few years and she reaches out to us frequently on behalf of the senator for personal stories and data from small business in regard to the impact of the health care law," said Oppenheim.

Alexander's speech outlined the true impact of the law and attempted to dispel any myths that the ACA is a positive initiative for America. He then went on to offer some Republican proposals to amend the ACA's issues. Some of the proposals offered included:

- Allowing individuals to buy a health plan that meets their needs in any state.
- Reducing junk lawsuits against doctors that only increase costs.
- Expanding Health Savings Accounts and other mechanisms that allow individuals to control how they spend their health care dollars.
- Returning power to the states to regulate their markets and lower costs.
- Allowing small businesses to assist employees in purchasing insurance and look at other ways to support employers offering health care benefits to their employees.
- Lowering barriers at the Food and Drug Administration so that innovative drugs and devices can get to patients faster.

- Putting the private sector in charge of health information technology to deliver better data and greater transparency.

- Ensuring that Americans with pre-existing conditions have access to affordable coverage through high-risk pools or other insurance incentives.

Before presenting these proposals, the senator provided a series of facts and testaments to support the argument for ACA amendments. A central argument against "Obamacare" — that it has and will continue to cost jobs — was backed up using data provided by the GRC. However, per the GRC and Oppenheim's request, the senator did not explicitly cite the company name or brand name for protection purposes.

"We are going to continue as a committee to advocate on behalf of all franchisees, and we would like for more franchisees to get involved with the PAC and the GRC."

– ERIC OPPENHEIM

"That is an example of the critical connections and relationships that the GRC has established through our hard work on the Hill. We are going to continue as a committee to advocate on behalf of all franchisees, and we would like for more franchisees to get involved with the PAC and the GRC," urged Oppenheim. "Seeing the results of our hard work can take time. But as a congressional member said to me on the Hill regarding our efforts, 'they may not be immediate … it may not be apparent … but you do make a difference.' That is the perspective of our committee, and is why we continue going up on the Hill and educating members on the issues that impact our business and employees." ■

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BURGER KING
FRANCHISEE PAC UPDATE

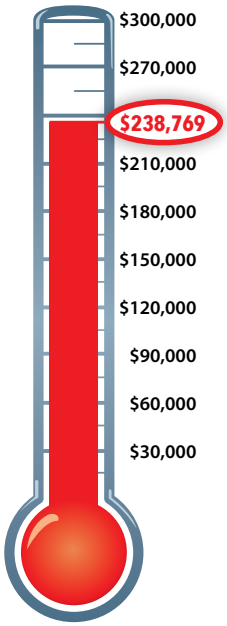
In 2015, the BURGER KING® Franchisee PAC raised $186,098 toward electing and supporting pro-business legislators. The generosity of everyone who contributed throughout the year is greatly appreciated. Thank you to the following donors:

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BURGER KING® FRANCHISEE POLITICAL ACTION COMMITTEE

For the 2015-2016 election cycle, your NFA Government Relations Committee (GRC), has set a goal of raising $300,000. Here is a recap of where each region currently stands in the fundraising efforts as of March 11, 2016.

Florida/Caribbean Franchisee Association	$4,760
Great Lakes Franchisee Association	$5,300
Great West Franchisee Association	$23,536
Metro-New York Franchisee Association	$8,800
Mid-America Franchisee Association	$34,377
Mid-Atlantic Franchisee Association	$24,250
Mid-South Gulf Franchisee Association	$39,690
Mountain Franchisee Association	$11,791
New South Coalition	$41,600
New England Franchisee Association	$8,255
North Central Franchisee Association	$2,050
Pittsburgh/New York Franchisee Association	$1,600
Southern California Franchisee Association	$2,870
Southwest Franchisee Association	$14,452
South Central Franchisee Association	$2,585
Tri-States Franchisee Association	$11,475
Other Contributions	$1,378



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Mitch Laird Elected to Head Citizens Clean Elections Commission

NFA Chairman Emeritus Mitch Laird was recently elected to serve as chairman of the Arizona Citizens Clean Elections Commission. Laird was appointed to a five-year term as commissioner by Arizona Gov. Jan Brewer in 2012.

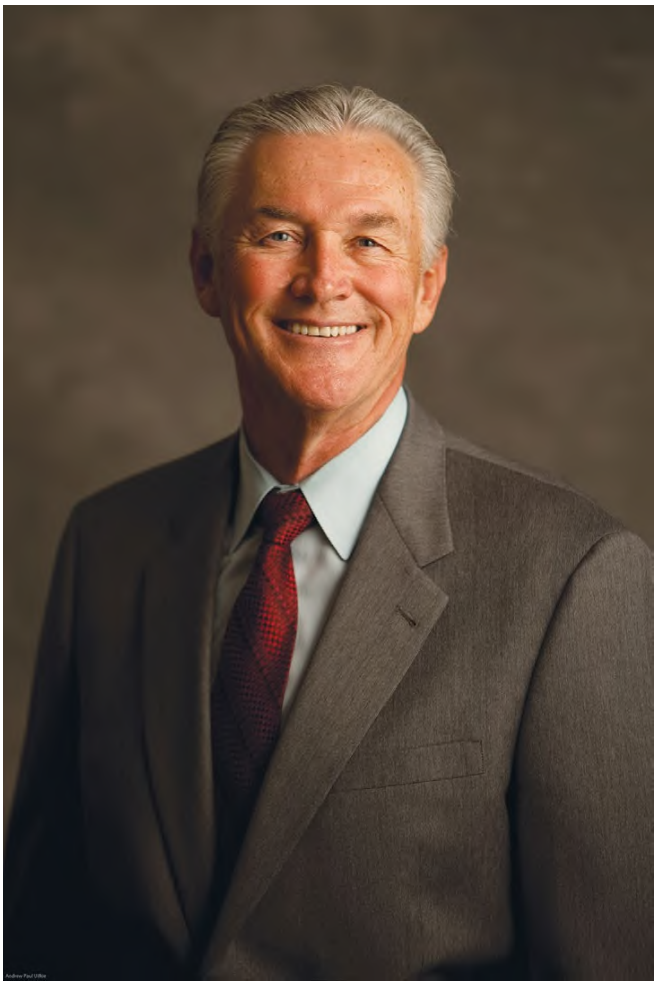
The Citizens Clean Elections Act was passed by the people of Arizona in 1998 to promote participation in the political process and to help ensure the state's politics are free from corruption. The Commission was established to administer the act fairly, faithfully and fully.

The Citizens Clean Elections Act was passed by the people of Arizona in 1998 to promote participation in the political process and to help ensure the state's politics are free from corruption. The Commission was established to administer the act fairly, faithfully and fully.

The Commission is an independent body made up of individuals that meet once a month in a public hearing format. Commissioners are appointed alternatively by the governor and the highest ranking official of the opposite party. Commissioners must not have served in, or run for, public office for five years, nor have been an officer of a political party. No more than two members of the commission may be from any one party or county.

"The Commission has four significant responsibilities with respect to Arizona elections. The Commission receives and adjudicates complaints regarding the violation of Arizona election laws. The commissioners act as administrative law judges and hear evidence and legal arguments regarding alleged violations of Arizona election laws," said Laird.

He continued, "The Commission has substantial enforcement powers regarding Arizona election laws, including issuing fines, removing a candidate from the ballot and even removing an elected official from office. The Commission also has a legislative function and passes rules and regulations to support and administer the Arizona Clean Elections Act. The Commission also provides voter education programs and materials on every statewide candidate and issue, and provides public funding for candidates that do not take large donations. The idea behind public campaign funding is to reduce the influence of special interest groups on elections in Arizona."



While Laird recently sold his company and 31 restaurants to his son, Michael, he continues to have numerous responsibilities. In addition to being a lawyer and Chairman Emeritus of the NFA, Laird's portfolio of voluntary positions is impressive. He serves on the board of directors of the Arizona Chamber of Commerce and is past president of the Grand Canyon University (GCU) Alumni Association. He taught business law at GCU for 13 years and served for over 30 years as the university's general counsel. He also served as general counsel to the Arizona Republican Party. Furthermore, he currently serves as the CEO of Canyon Institute, a not-for-profit organization that promotes education and other charitable endeavors. ■

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"With the upcoming 2016 election, we have an opportunity to impact our businesses in a positive way. Members of Congress need to see you face-to-face as they listen to YOUR business story. Without hearing your story, they do not understand your day-to-day struggles and how laws and regulations are detrimental to your bottom line. The NFA/BKC Summit is an ideal time and venue for the BURGER KING® franchisee community to stand together and be heard."

– **PETE COTTER**, NFA GOVERNMENT RELATIONS COMMITTEE CHAIRMAN



69%

of small-business owners say taxes are too high



$11,724

cost of regulations per employee for businesses with less than 50 employees



Obamacare puts an undue burden on small-business owners

70% cite health care costs as a top concern

63% say employers shouldn't be required to offer health insurance to all full-time employees **and** pay 60% of the premium.



3,297

federal regulations are in the pipeline.

Almost 10 new regulations are finalized every day.
Hundreds will impact small businesses directly.



Source: Opinions of Small Employers, NFIB Research Foundation

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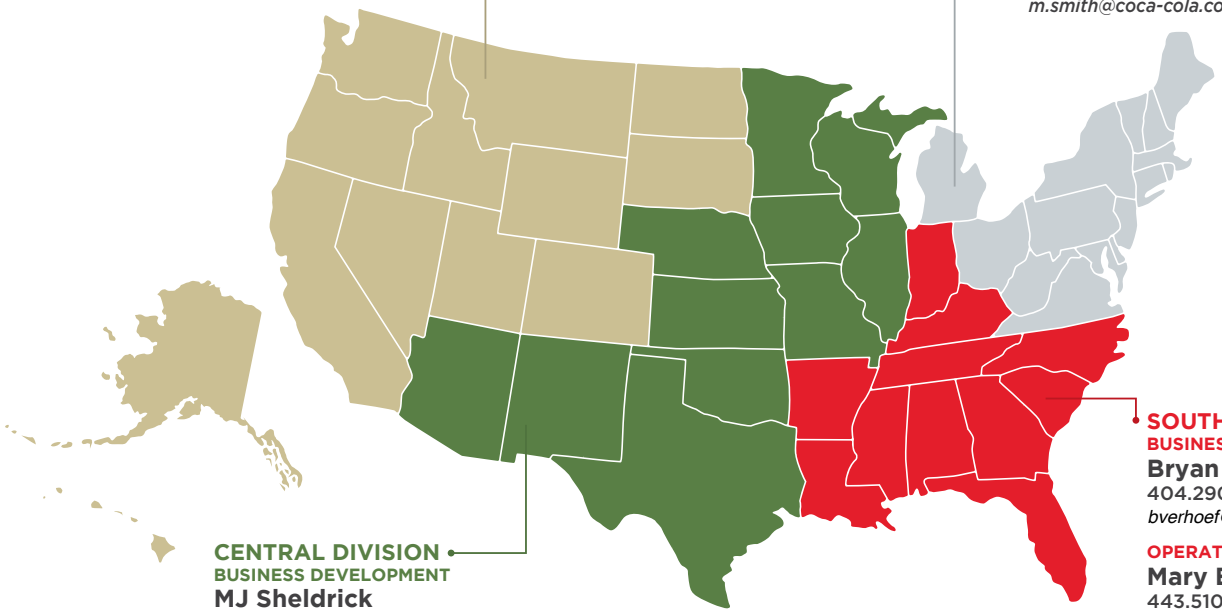
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The Business of Buying & Selling



by KELLY **BINGHAM**

Following a burst of business activity beginning in 2013 and peaking in 2014, BizBuySell.com reported a slight downturn in annual business transactions in 2015 Q4, showing a 3.6 percent decrease from a record high in 2014.

The small decrease suggests a more balanced and stable environment is taking root, possibly a reflection that the flurry of business owners seeking to sell their companies during the recession have now exited the market. BizBuySell.com's report measures small-business sales and is considered a national indicator for the health of the U.S. economy.

"Overall, the business-for-sale market remains strong. Business financial indicators are strengthening and owners are receiving stronger valuations, leveling out what has been a strong buyer's market in recent years," said Bob House, group general manager of BizBuySell.com and BizQuest.com, in a release accompanying the 2015 annual and Q4 reports.

Further, the National Small Business Association found that "75 percent of small-business owners are confident in the future of their own businesses, up from 71 percent six months ago and the highest this indicator has been in four years," according to its 2015 Year-End Economic Report. The report also highlighted that access to capital has improved: The number of small firms able to garner financing today is at its eight-year high of 73 percent.

Rod and Patti Martin, who have been BK® franchisees for 40 years, watched the value of their BK business go up and down several times throughout the years.

"We sold 30 BK restaurants in 1997 when the value was high

and got them back in 2003 when it was very low," Rod Martin said. "The enterprise value of BK restaurants has risen again in the last couple of years, and that is one of the reasons we have seen a lot of franchisees selling their restaurants."

Multi-Unit Ownership Trend Continues

Historically, franchises were an obvious next step for someone hoping to own their own business. But, as competition in all franchise sectors – particularly in fast food – has stiffened, franchisors have learned that multi-unit operators pose far less risk than just anyone who can afford a franchise fee.

Multi-unit operators tend to have access to more financial resources, often bring more extensive industry experience and achieve economies of scale. After all, logic dictates that running 100 stores would be more efficient than just one.

Today, multi-unit owners control 76 percent of franchised restaurants, and multi-unit franchisees currently own 53 percent of the 450,000 franchise units in the U.S., according to industry research firm FranData. Further, some franchisors only sell to multi-unit operators or "area developers" at this point, according to Forbes.

Dave Harper, president of HR Restaurants, LC, believes this is a new paradigm. "A good, well-run company creates more opportunity for all involved," he said. "It creates opportunities for more lending. It builds opportunity for employees looking for advancement. Smaller groups have a hard time competing."

Harper speaks from experience, as he began as a franchisee with BURGER KING® in 2001 with 14 restaurants. Today, Meridian Restaurants owns more than 80 locations in Utah, Montana, Wyoming, North Dakota, Minnesota and Arizona.

While small-business lending can be frustrating, Harper found that the more his business grew, securing financing became easier (although never easy).

"Even though a couple million dollars sounds like a lot of money to most people, many banks don't want to bother with deals of that size," he said. "Bigger groups may have it easier when it comes time to find a financial partner. But you can also become too big and appear as too great a risk. We've found success in identifying a couple of financial partners that we worked hard to develop a good relationship with."

Harper's career in franchising and restaurants began much earlier, though. Harper worked his way up to general manager with Ivar's Seafood Bar based in Seattle. He then spent 16 years with Godfather's Pizza. Now, as president of his own multi-unit operation with BK restaurants across five states, he recognizes the growth potential for others in his restaurants.

"There's a general manager with a store we recently acquired who we promoted to district manager," Harper said. "He'd been with BK for 35 years and didn't necessarily see any additional doors opening, but now he's got a brighter future with more opportunity."

Considerations if You're Buying Restaurants

The first order of business when buying a restaurant is determining why it's being sold. Many times, owners retire, want a change of pace or have some other lifestyle reason for selling their business. In these cases, owners are very upfront with their reasoning. However, these reasons may also be given for owners who are selling because their restaurant(s) is not performing well, and it's up to you to determine the true facts.

Ray Meeks, along with partners Alex Sloane and Matt Perelman, operates 85 restaurants in six states. They plan additional acquisitions in 2016 and beyond, but availability and timing are concerns as they evaluate their next expansion opportunity.

In terms of acquisitions, Meeks says it is imperative to always complete the needed due diligence. "Get to know the strengths of the current team members, both at the individual restaurant(s) and leadership levels. Research the trade area(s) and gauge potential expansion opportunities. Estimate what administrative (office/supervisory) teams will be needed for the present and future," he said.

When purchasing struggling restaurants, it's particularly important to evaluate if the issues can be fixed with good ownership or if there are other issues at play beyond your control as an owner. This is not to say that purchasing poor-performing locations is always a bad idea. But due diligence allows buyers to determine if good ownership can rectify operational deficiencies and turn the store into a good investment.

Meeks also suggested that buyers look at what additional opportunities will be available for growth, determine what financial requirements will be needed, both for present and future opportunities, and assess the potential costs of remodels and new builds.

Harper agreed, and even though his company is open to additional acquisitions in 2016, HR Restaurants will focus on remodeling and building new stores this year. If the restaurant is

Continued on page 40



Continued from page 39

outdated, it will take more work to remodel and get the location up to corporate standards. Evaluating the physical location and potential necessary improvements includes evaluating the kitchen equipment, landscaping, condition of the parking lots, building roof, lot drainage and plumbing, and electric wiring.

Above all else, Harper emphasized flexibility, because "every deal is different."

Considerations if You're Selling Restaurants

"The eventual sale of your franchise should be something you consider and plan for, even early on in your operations," states Vasilis Georgiou, entrepreneur and Huffington Post writer, "because the eventual sale will account for a large piece of your overall return on investment."

Valuation is the cornerstone of any sale and arguably the place where you stand to make the most money from your business. However, it's important to approach valuation with little emotion and lots of facts. The market will determine the value of your business regardless of what anyone tells you or even what you think personally about your business.

Buyers will end up dictating a lot of the value of your business based on what they see both in visiting the restaurant(s) and from seeing the financial picture. From a buyer's perspective, sustainability and continuity are important considerations when deciding whether to buy someone else's business.

"Sellers should bear in mind that when prospects are considering an investment in a franchise or business, they are typically evaluating the demand for its products or services, industry trends, complexity of the model and people requirements, among other things," Georgiou writes. "They also typically have a preconceived notion of how much they want to pay for it. That is why prudent sellers need to also investigate and have a good idea of the type of multiples that the enterprise can be valued at based on market demand."

If you've decided to sell restaurants, Meeks suggests establishing a relationship of respect with the purchaser with open communication about a variety of things.

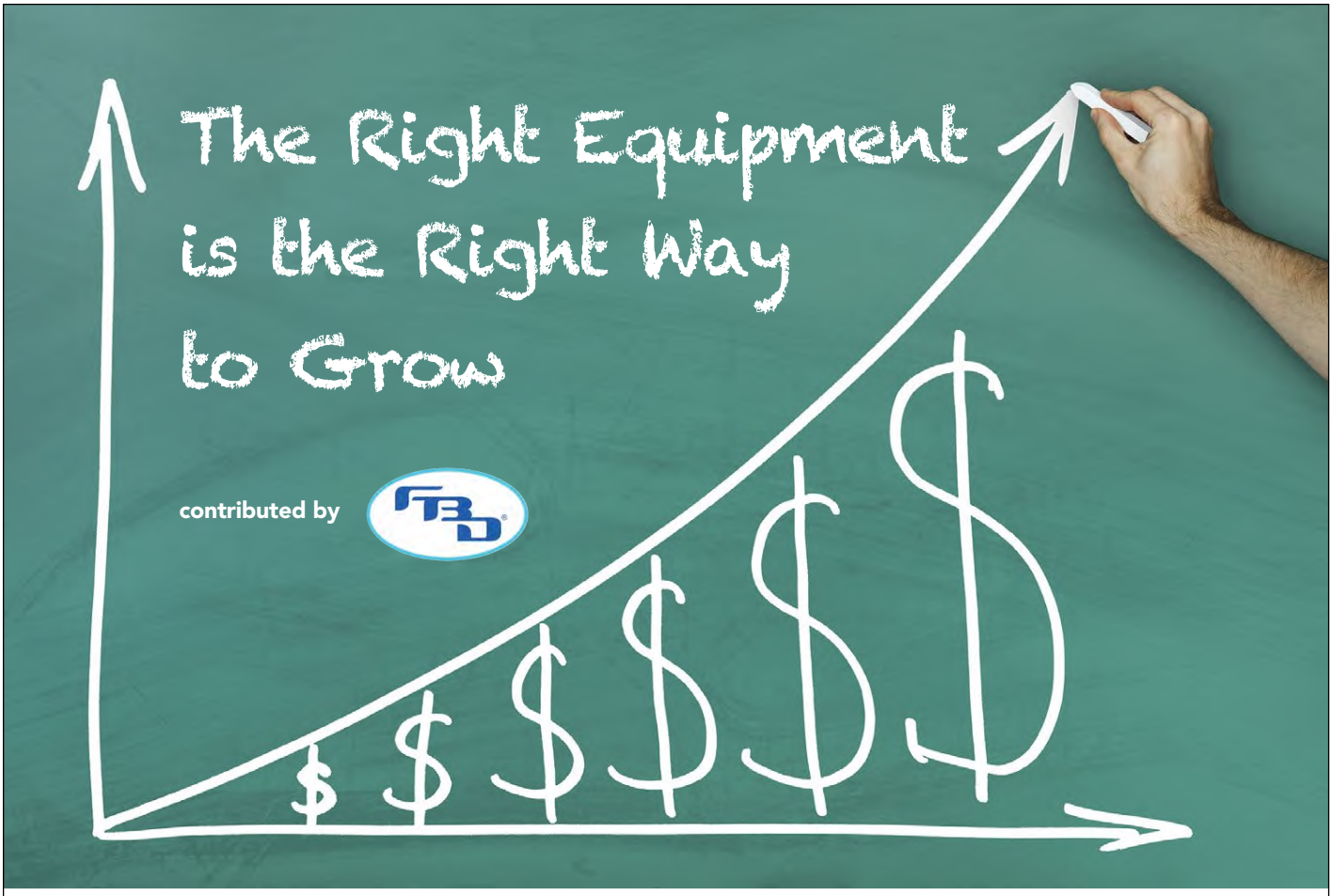
"Make sure they understand what you have built in the community, the institutions, schools and causes that you have supported, and discuss how they will treat your employees in terms of pay and benefits," Meeks said.

Above all else, make sure they have the financial ability to finance the transaction, Meeks recommends.

Whether you're buying or selling restaurants, the process requires the same patience, diligence and effort that is required to grow a business over time. For sellers, planning ahead and being prepared can help increase valuations and ensure you get the most out of the sale of your restaurant(s). For buyers, being prepared in advance and gathering all the necessary information to make a logical decision will allow you to move quickly once you've decided to make the purchase.

KELLY BINGHAM *is a contributing author.*





In order to achieve new levels of growth and success, a restaurant operator must have high-quality equipment that meets consumers' needs and optimizes profit. Many operators own Frozen Carbonated Beverage (FCB) machines that are quickly approaching 18 years old and are unknowingly losing potential revenue. That is why FBD is dedicated to providing the highest quality FCB machines that offer the most innovative and trusted technology in the industry.

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On average, $950 or more a year is spent in maintenance costs for aged equipment.

The importance of having up-to-date equipment is pertinent to the restaurant business. In order to successfully meet the needs of consumers, restaurant operators must have reliable and fully operational machinery. Restaurant operators will always have access to FBD's Customer Service and Tech Support Teams, ensuring constant optimal profit from FBD equipment.

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TIM GARRETT *is the director of strategic accounts for FBD.*



Preparation is Key When $eeking Financing



by SHARON **SOLTERO**

Just like franchisees face an increasingly competitive environment with new quick-service restaurants entering the marketplace seemingly every day, lenders today are facing many of the same issues. With an improving economy, new lenders are entering the space as financial institutions seek ways to put the excess capital sitting on their books to work for them. When that is coupled with a rising rate environment, along with the various capital needs of the franchisees, it can make the lending process more complicated than it should be.

Franchisees need to do two things. First, be prepared. Second, decide what is important.

On the first point, regardless of which lender ultimately makes the loan, franchisees will need to provide information. Even if your lending need is six months away, history doesn't change and there are certain documents that you already have in your possession that you will likely need, such as copies of your franchise agreements, company organization documents, real estate leases, past years' financials and tax returns, etc.

It might make sense to create a file that includes an extra copy of all of this historical information so you can quickly provide that information to your lender. That way you don't have to rack your brain to remember if it's in the storeroom file cabinet in store No. 5432 or 1647. When you are in the midst of working with contractors and permitting, it is one less stress to add to your process. It also appears to the lender that you run a tight ship.

In terms of the second point, each franchisee may value a lender's attributes differently. For example, some may want the lending process to go as quickly as possible and are willing to pay a higher rate to avoid spending more time on the process.

Franchisees with this mindset need to make sure they fully understand all of the requirements and restrictions. What if there is no ability to pay off that note early, even with a high prepayment penalty? Believe me when I say that every lender out

Franchisees need to do two things: First, be prepared. Second, decide what is important.

there wants to move each loan application from start to finish as quickly as possible. By doing so, the lender is freed up to do more business.

On the flipside, franchisees who want to pay the lowest rate possible, may end up wasting weeks trying to educate the lender on how to review the financial performance of their business. Or they find out at the last minute that the loan structure needs to change, making the loan much less favorable than originally proposed. Experience really does matter in the debt structure and underwriting processes.

As a result of the financial crisis, the regulations on banks and lenders increased substantially. Lenders face more oversight and must make sure they have appropriate appraisals and documentation, and conduct periodic reviews of their borrowers' financial condition. Expect that to continue as the economy improves. What that means for the franchisee is the need for cooperation. If your lender asks for information or quarterly reporting, provide it. The less time and money they spend on keeping their existing files up to date, the easier the process is the next time you go back to them with a capital need. You are essentially shoring up the reliability of your long-term capital supply.

Another key to long-term borrowing success is fostering a positive relationship with your lender. Is it important to you that your lender returns your calls in a timely manner? Are they upfront and honest with you about what they can or cannot do? Do they let you know up front if and where your weaknesses are as it relates to your ability to borrow so you are not surprised if your underwriting process might be challenging? Do they look to structure your financing in a way that takes into account not only this upcoming project, but also your capital needs for the next few years? If you answered yes to any or all of these questions, make sure the lender you select knows your expectations.

Finally, things change rapidly in the franchise restaurant business. Does your lender make it easy for you to adapt? For example, do they set up a line of credit for you for development that allows you to quickly jump on securing a fantastic real estate site that just came on the market?

Let's face it: There are so many lenders out there these days. Franchisees have a multitude of choices. Regardless of your choice, it behooves you to be prepared and know what you want to ensure you get what you need, when you need it. ■

SHARON SOLTERO *is first vice president, franchisor relations and marketing, at Pacific Premier Franchise Capital.*







CONSIDERATIONS FOR VALUING A RESTAURANT FRANCHISE



by STEVEN **ROCKWELL**

Many restaurant operators have attracted an investment partner to infuse capital into their business and fund growth or to simply extract some value out of their business. Due to the strong financial markets recently, franchisees have taken advantage of these opportunities when they present themselves. Historically, the primary buyers of franchised restaurants have been the franchisor or other franchisees within the same system, and the only way to extract partial value from the business was through debt or monetizing owned real estate. Over the last 10 years or so, new potential buyers have emerged for franchisees — private equity investors. Several contributing factors include increasing recognition of the positive cash flow characteristics of an established restaurant company, large amounts of money available to private equity firms to invest, and dwindling viable investment alternatives in traditional retailing as a result of the Internet.

A franchisee's motivation to sell typically falls into two categories: (1) to take advantage of the value created in building out a territory; or (2) having no viable succession plan for the business. Once a decision to sell or partner with an investor has been made, there are several steps the franchisee should take to maximize the value of their transaction. These include clearly identifying unusual expenses that will not be incurred by the next owner and having financial statements audited, or at least reviewed, by a reputable accounting firm. Identifying unusual expenses will support higher cash flow and a higher valuation for the business, and audited or reviewed financial statements will increase the credibility of the numbers

Continued on page 46



What Matters To You?

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Valuations

Continued from page 44

and raise the buyer's confidence that he is buying what is presented by the seller. On the flip side, a seller should be realistic about any deferred maintenance or other costs a buyer will incur as these will reduce the ultimate value received through the investment.

Determining the value of a restaurant-operating company that owns a particular brand is a combination of art and science. The science is applying a multiple to cash flow. The art is determining the right multiple based on a variety of factors, including overall market position of the brand, unit level returns, portability of the brand to additional markets and same-store sales growth. For a franchise of an established brand, such as BURGER KING®, much of the art is eliminated and science takes over based on precedent transactions. The art has clearly been applied by numerous investors as evidenced by the multiples paid for franchisees of a variety of brands recently.

Currently, for example, Taco Bell is a brand in high demand by investors and they are willing to pay upward of eight times cash flow for a well-operated franchise. Contributing to that relatively high multiple are strong unit-level economics (high sales/investment ratio and quick investment payback) of a typical Taco Bell location, a strong track record of sales growth, and a dominant market position. Other brands with less favorable qualities are valued at lower multiples.

For BURGER KING, the going rate is in the 4-5 times cash flow range. Impacting its lower multiple are the competitive dynamics of the quick-service burger sector and the potential capital expenditures required to remodel existing restaurants. This range is consistent with other quick-service hamburger brands. For example, I am aware of a franchisee of a prominent fast-casual burger brand with above-average sales and the potential to double the number of units in its franchise territory who has reached an agreement to be acquired for 4.5-5 times cash flow.

An issue that can have a meaningful impact on the value received for a franchise business is real estate ownership. The 4-5 multiple is applied to the cash flow of the business, regardless of whether the locations are owned or leased. Cash flow of owned restaurants, though, will be higher because there is no rent. Consequently, there is an implied value for the real estate that is equal to the cash flow multiple times the implied rent. If a franchisee who owns the real estate elects to retain ownership of it, the rent charged to the buyer would need to be subtracted from the cash flow to determine the value of the business being sold.

The value of real estate income is currently very high because interest rates are so low. Depending upon the market and the stability of sales from an individual restaurant, cap rates – the rates by which annual cash flows are divided to determine value – are very low and can be in the 6-8 percent range. For example, Bob Evans Farms recently announced a sale-leaseback for 145 properties. They received $200 million (pretax) in return for paying the buyer's rent of approximately $15.4 million. This equates to about a 7.7 percent cap rate. There is a meaningful arbitrage between a 5 multiple of cash flow and a 6-8 percent cap rate on the real estate that a franchisee can leverage to his/her benefit. This can take the form of either holding out for a higher purchase price or selling the business for less, while retaining the real estate and securing income by leasing it back to the buyer.

Franchisees seeking to sell their business should understand that the value of the franchise is largely determined by other transactions within the same brand. There are still some steps they can take to ensure they receive the highest and fairest value. Those include enumerating nonrecurring expenses, having audited or reviewed financial statements, and developing a strategy for owned real estate that best fits their individual financial objectives.

DETERMINING THE VALUE OF A RESTAURANT OPERATING COMPANY THAT OWNS A PARTICULAR BRAND IS A COMBINATION OF ART AND SCIENCE.

This information should not be regarded as a solicitation or recommendation of any particular security or to engage in a particular trading strategy. This was prepared for informational purposes only and is not believed to be sufficient on which to base an investment decision. ■

STEVEN ROCKWELL *is the managing director of Consumer Investment Banking at BTIG. Commanding a deep understanding of the restaurant industry landscape, he has more than 30 years of experience in the space. As a highly accomplished restaurant investment banker, his diverse resume includes positions in investment banking, equity research, portfolio management and corporate financial management. Learn more at www.btig.com/InvestmentBanking.aspx.*







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MANAGING CHANGE THROUGH THE SALE OR PURCHASE OF RESTAURANTS



by KELLY **BINGHAM**

Greek philosopher Heraclitus said, "There is nothing permanent except change." Why, then, does change seem so hard for most people? According to James O'Toole, author of "Leading Change" and the Daniels Distinguished Professor of Business Ethics at the University of Denver's Daniels College of Business, "People resist change due to the fundamental human objection to having the will of others imposed upon them."

Put more simply, people like predictability and routine in their lives. Anything that disrupts that routine is typically met with at least some resistance, particularly if people perceive the change to be negative.

"We're human and generally resistant to change," said Nate Shannon, SHRM-SCP, SPHR, a senior certified HR professional and 25-year hospitality veteran. "In addition, poor (or lack of) strategy, including proper communication and buy-in, are the biggest roadblocks to managing change."

In the workplace, when a change looms on the horizon, the first fear of many employees is that they might lose their job. People will also be resistant if there is a lack of clear communication about a change. Poor communication may lead to fear of the unknown and feeling like they've lost control. Employees want to know with some degree of certainty what to expect.

Further, a lack of understanding about upcoming change may make some employees wonder if they possess the skills or competencies needed to adapt. (Will my job change? Will I be expected to do more, and do I have the skills to perform the new duties?)

A change in ownership — like what occurs with the purchase or sale of a business — is perhaps the most significant change that could happen in the workplace.

To best manage change of any kind, "you need to have built a solid foundation of trust which has already resulted in a healthy work environment," said Kelly Anderson, co-author of "Flip-N-Burgers: Our Guide to Success in Restaurant Management."

As a leader, it's important to be confident and meet any resistance from employees as a problem to solve and not necessarily

a flaw in character, Anderson added. People resist change for myriad reasons, many of them very justifiable. The question becomes, then, "how can outgoing and incoming owners work with employees to manage the change effectively?"

Managing Change When Selling Restaurants

Anderson emphasizes the most important thing you can do for your staff if you're selling your restaurants is to provide clear communication.

Identify key trusted staff early in the process. Be sure you can trust these individuals to keep the information confidential until the timing is right to tell others.

"Often, prospective buyers will want or need stability and key operators to remain in place after the transfer of ownership," Anderson said. "I've seen cases of poor communication that lead to a negative domino effect that can linger for a long time [following a sale]."

It's very important to choose the right timing to share news of the sale with your entire staff. Typically, that time is when a buyer is under contract and you are moving toward a closing date.

Anderson strongly suggests coming to an agreement on this timing with your buyer as well, because employees will have many questions once they learn of the sale. Having a thoughtful plan in place with the buyer that includes specific detail helps employees feel less anxiety about the impending change. It can be especially helpful to express confidence in the buyer, as well as educating staff that BURGER KING® has an extensive vetting process for new franchisees.

"Be sure to let your employees know why you are selling," Anderson said. "We all know that any change can be difficult and reassuring employees that this is the best decision for them and the future of the business can go a long way to easing concerns."

"We all know that any change can be difficult and reassuring employees that this is the best decision for them and the future of the business can go a long way to easing concerns."

– KELLY ANDERSON
co-author of "Flip-N-Burgers: Our Guide to Success in Restaurant Management."

Managing Change When Purchasing Restaurants

When purchasing restaurants, communication is still a significant part of managing through change.

"Communicate early and often with all involved, ensuring everyone knows their roles," Shannon said. "Be aware of potential barriers in order to stay ahead of problems."

It is likely that employees will come along as part of the purchase of an existing restaurant. Once you are under contract and moving toward a closing date, spend some time "interviewing" the staff and getting to know them as individuals.

"In a very fast-moving industry, it's easy to rely solely on experience and steamroll existing employees during change," Shannon said. "While it should be done quickly, first seek to understand how the business got to where it is by actively listening, especially to high performers. When you're ready to initiate change, educate the appropriate employees so they have the appropriate line of sight."

Anderson agreed: "This is a great opportunity for you to get a feel for the culture that you bought, and a great time for the team to get to know you as well. Taking the time to introduce yourself and get to know them — as well as letting them get to know you — goes a long way in converting 'the team' to 'your team.'"

Not only do those in the quick-service restaurant industry know to expect change, but many have learned to accept it with open arms. However, developing or executing a people plan without investing the time to fully understand the existing culture, systems and the "nuts and bolts" of the restaurant you've purchased can be risky.

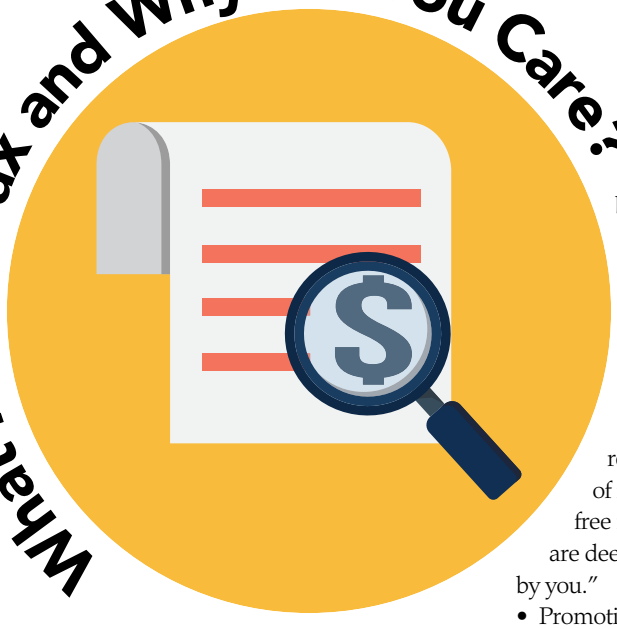
"We get as many changes as we want with LTOs, menu and building designs," Anderson said. "But we only get one opportunity with people, so make it count. Put a lot of thought into with whom and how you communicate, whether that's in person, email, letter or other means."

Regardless of which perspective you're coming from, buying or selling restaurants is a big change for all involved. Using best practices for managing these changes will keep the process as smooth as possible. ■

KELLY BINGHAM *is a contributing author.*



What is Use Tax and Why Do You Care?



When you purchase an item for your business, you probably pay sales tax unless it's something you're reselling to your customers. However, if you purchase online or from a vendor outside of your state, they may or may not charge you sales tax. Woohoo — you just saved money, right? Don't celebrate prematurely! If you are not following Use tax rules, your celebration may come at a high cost later. We are all familiar with "speed traps"— Use tax is what we call a "tax trap!"

When you're not charged sales tax for a taxable item, you are responsible for determining if Use tax is due, normally at the same rate you would have paid sales tax. Use tax has long been considered to apply only to "tangible personal property" and not services. Not so true anymore! The taxable amount would not only include the total cost of the goods purchased, but in many states, it will include postage, shipping, handling and other transportation charges.

Think you won't get caught? Sales tax auditors are trained to find the places where Use tax "hides" and some of these are easy to miss! Here are some examples:

- In many states, canned software is taxable, including online support, maintenance and warranty agreements, software for your register system, and cloud-based computing software.
- Items used or consumed as part of doing business are subject to Sales and Use tax. This includes not only office supplies, but could also include free meals provided to your employees. Free meals would be reported on your Use tax return based on the cost of the food. Many states expect you to remit Use tax on the cost of food given away because free meals to your employees are deemed to be "consumed by you."
- Promotional items can be tricky. In a situation such as "buy one, get one free," sales tax is not assessed for the free item, as both items are simply considered to be purchased at a discount. However, free items without an accompanying purchase are subject to sales tax in many states. For example, a customer has a coupon for a free drink and doesn't purchase anything else — Use tax is due. However, if the customer purchases a food item with that free drink, the purchased item is considered to have been discounted and no additional tax is due. Along the same lines, toys that normally come with a meal are not taxed, but toys purchased separately are subject to sales tax.

In addition to the previous examples of where Use tax can "hide," please keep in mind the following tips when preparing a Use tax return:

Rules and interpretations of sales tax rules differ by state, locality and auditor. We recently assisted a restaurant client in a city where the sales tax rules were more restrictive than the state law on a certain item. The sales tax auditor delineated the difference between individual packets of salad dressing that come with a salad, as compared to sauce packets (such as for chicken nuggets or fries), which some customers use and some do not. The auditor determined that individual sauce packets were not part of the food item because they were given away, based on the customer's preference. Since the customer did not pay extra for optional sauce packets (i.e., they were not being resold), they were taxable to the restaurant.

Keep receipts. In a sales tax audit, you're presumed guilty until you can prove your innocence! Receipts showing sales tax paid are critical — keep all of your receipts! If you purchase items using your credit card, keep the backup documentation for each item.



by LETA **COLLIE, CPA**

Out-of-state vendors. When you purchase from a vendor located out of state, check to see if sales tax was charged at your local rate. If the vendor has a business presence in your state, they are generally required to charge you sales tax at your delivery location. If not, you should self-assess Use tax.

When and how to file. The frequency of your filing requirement depends on your anticipated Use tax due over the course of a year. Monthly and quarterly filing deadlines are common for restaurant businesses. Use tax is sometimes called "Consumer's Use tax" or "Compensating Use tax."

Your state may differ. We said it before, and we'll say it again — look at your state and locality rules on what they consider taxable. There are states without sales taxes (at this writing, they include Alaska, Delaware, Montana, New Hampshire and Oregon). Municipalities and counties may be allowed to assess their own sales tax. That is when rules may vary. Did you know there is sales tax charged in North Pole, Alaska?

The information in this article is intended as a general overview of potential "tax traps" to be aware of. Check your state website and your taxing jurisdiction(s) for more details. ■

LETA COLLIE, *CPA, is the senior manager of the Technical Tax Services department of Mize Houser & Company P.A. — a full-service accounting firm that has provided PayPlus+ Accounting and Payroll Solutions for NFA members since 2003.*

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BKC and EverFi Bring Critical Life Skills and Education to Students

Burger King Corporation (BKC) is proud to be an organization that is deeply embedded in the communities we serve. One of the key components of BKC's community involvement is a digital education initiative that has changed the lives of thousands of students across our footprint. BKC has made a commitment to fund the Burger King Financial Scholars Program, a high school financial literacy program, and, for the first time, 306 – African-American History™, which offers in-depth knowledge on important African Americans and events that helped shape America. These programs provide students with eye-



opening skills in money management and multiculturalism.

This endeavor is made possible through BKC's partnership with EverFi, Inc., a leading education technology company committed to bringing critical life skills to students through engaging digital learning opportunities. More than 12,000 schools across the U.S. and Canada have adopted EverFi's online programs. Through our partnership with EverFi, BURGER KING® franchisees have the opportunity to sponsor the Burger King Financial Scholars Program and 306 in schools in their area. So far, more than 16,500 students across Florida, North Carolina, West Virginia and Ohio have been impacted by these innovative courses in their classrooms at no cost thanks to BKC and BURGER KING franchisee sponsorships.

Every day, the Burger King Financial Scholars Program and 306 – African-American History reach more and more students across the communities we serve — our employees' children, our customers' children and children who otherwise might never have access to quality financial education and digital multicultural studies. It's not only an investment in our future employees and our future customers, but also an investment in the economic well-being of the communities we care about most.

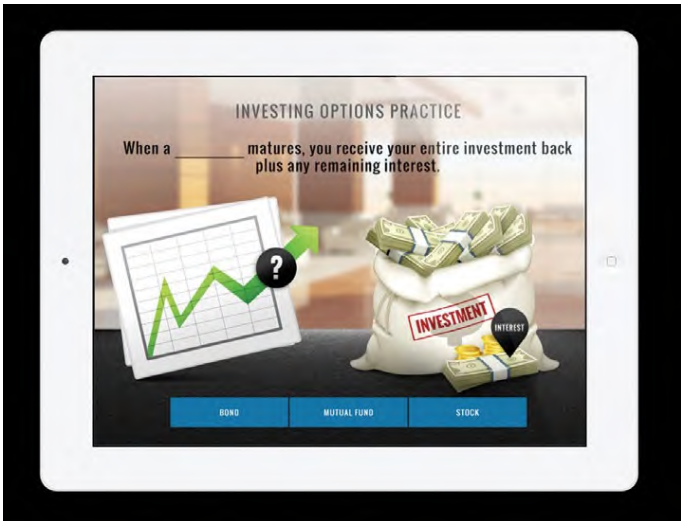
"Things that may have seemed confusing before [taking the program] were explained perfectly," said one Burger King Financial Scholars Program student. "I can safely say that I can now understand all the financial talk my parents do!"



As a BURGER KING franchisee, you have the opportunity to join our commitment to digital education by bringing the Burger King Financial Scholars Program and 306 – African-American History to your community. We are offering these opportunities to help you and your team forge deeper relationships with the communities we serve.

View a demo of the financial literacy program at https://vimeo.com/125510925 and a demo of 306 – African-American History at https://vimeo.com/140801945 or http://everfi.com/k12/306-2/. To find out how you can be a part of this endeavor, please contact Trey Medbery, vice president of EverFi, at trey@everfi.com or 504-330-4328.

For any general questions about BKC's national community or diversity efforts, please contact Natalie Norfus, chief diversity officer, at nnorfus@whopper.com or 305-378-3889. ■



The NFA Welcomes

Farzad Aliabadi of Yekta Fortune

Farzad Aliabadi, franchisee of Yekta Fortune Inc., has a career and family history that is deeply entwined with BURGER KING®. Aliabadi moved to California from Iran 35 years ago and has worked with the brand since 1987.

During college, Farzad first began operating a BK® restaurant owned by his brother, Nasser Aliabadi, in San Francisco. However, Farzad wanted to explore other interests and left the franchise to move into operations in the fine-dining industry. This venture lasted for a couple of years until he decided to come back to the quick-service industry and work in the family business.

In 2006, he was approached with a BURGER KING franchise opportunity in the southern California area. He seized the prospect and became a franchisee in a joint partnership with his brother, in which they were able to take the restaurant from bankruptcy to a positive standing. Aliabadi stayed there for 10 years, and then in May 2015, he was presented with the opportunity to purchase three Sacramento-area BK restaurants of his own.

Aliabadi went after the opportunity and enjoys owning 100 percent of the three additional locations, while still jointly operating the first two with his brother.

Aliabadi is a new member of the NFA; however, he is already very familiar with the association. "I've been going to the NFA meetings for many years since the store's partner, my brother, was the member. Ever since I got my own restaurants, I wanted to become a member on my own," he said. He believes one of the greatest assets of membership is sharing information with other franchise owners.

Outside of his BK endeavors, Aliabadi's main passion and source of joy is spending time with his family. He is married to Ghazaleh and has a 2-year-old daughter, Yekta, after whom he named his franchise. Aliabadi also volunteers at a local Persian community school every Saturday helping children from first through fifth grade learn how to read and write.

Welcome to the NFA, Farzad!

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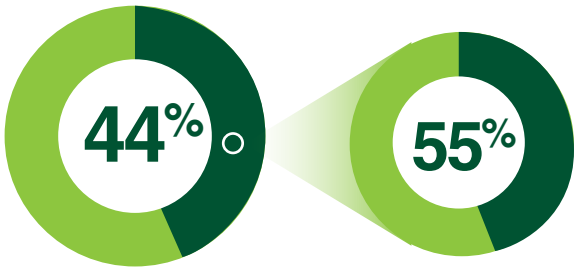
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Capital is Critical for U.S. Small Businesses

Findings from the Lending Club State of Small Business Financing Survey





44% of small-business owners want financing, but can't get the financing they need.

If they could get financing, 55% would hire at least one more person.

If each business who can't get funding could, and each business who wanted to hire an employee hired just **ONE**, together, they would create **3 MILLION** jobs.

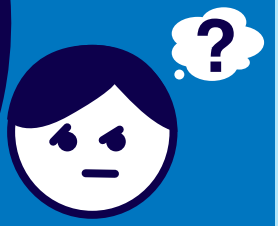
That would cut the U.S. unemployment rate by **ONE THIRD!**

Small businesses need transparent rates.

77%

77% of small-business owners say an **affordable interest rate** is the most important factor when choosing a loan. But almost none are able to correctly identify a loan's interest rate if it's not **transparently** disclosed to them.

We asked...
"If you borrow $100,000 and pay $10,000 interest over one year, what's your interest rate?"



93%

93% believed the interest rate was lower than it actually is!

Hint: **It's 18%, not 10%!**

83%

83% of those business owners who said that the loan was acceptable would have **changed their minds or looked for other options** if they had been shown the actual interest rate.

Sources: The Lending Club State of Small Business Financing Survey was conducted online by Harris Poll on behalf of Lending Club from April 8, 2015 to April 15, 2015, among 505 U.S. small-business owners who reported they are ages 18 or older, have been in business at least one year, and had annual business revenue in 2014 between $50,000 and $10M. Results were weighted where necessary to align them with their actual proportions to the U.S. population of small-business owners.

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RSI Distribution

THE DRIVING FORCE BEHIND THE SUPPLY CHAIN

To Ensure Supply at the Best Cost — that is the mission of the entire team at Restaurant Services, Inc. (RSI). As the exclusive purchasing agent for the BURGER KING® system in the U.S., RSI effectively manages the brand's supply chain and monitors supplier and distributor performance.

RSI's distribution team is critical to the supply chain. Aside from negotiating contracts and managing performance of 29 BURGER KING®-approved distributors across the country, the team also helps manage inventory levels for new products and promotions, and conducts restaurant invoice audits for pricing errors — all to increase our members' restaurant profitability.

In fiscal year 2015 alone they delivered **$6 million** in logistics savings and cost avoidance through effective freight management, mode of transportation (truck/rail/ocean/parcel), minimum order requirements and redistribution, to name a few.

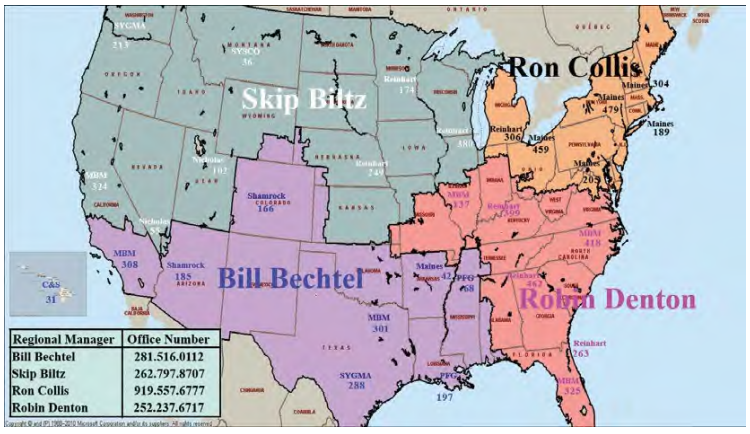
F'15 Distribution & Logistics Accomplishments

- **$100,000 in savings during distribution of new Duke Airbrake using RSI distribution model**
- **$239,000 in savings on distribution costs for several smallwares, e.g., hash-brown salt dispensers**
- **Developed five-year strategic plan, highlighting plan for expiration of 17 Distribution Service Agreements by 2017**
- **Negotiated Distribution Service Agreements for five centers with minimal to no impact on fees**
- **Managed a center move**
- **Grand opening of one center**
- **$6 million in logistics savings and cost avoidance**

Behind the Numbers

At the heart of these accomplishments is RSI's distribution and logistics team, led by vice president Mike Burns and executed, at the field level, by four regional managers (RMs). Each RM is responsible for six to seven distribution centers, ensuring best-in-class distributor performance.

RMs organize year-round Local Distribution Committee (LDC) meetings where they keep attendees — operators and distributors — up-to-date on distributor performance, benchmarking data, cost-savings enhancements and other RSI activities and initiatives. Last year, the RMs organized 79 LDC meetings in addition to attending more than 30 franchisee association meetings, all in their tireless



efforts to maximize distribution services for members.

This small, but fierce, team is RSI's resident experts for all-things supply and distribution to your restaurants. Their expertise and dedication is reflected in their results, and RSI encourages you to reach out to your RM with any questions, to sign up for your next LDC meeting or to simply get to know them.

In the interim, we would like to introduce you to our new Northwest Regional Manager George "Skip" Biltz. Skip phoned in from his office in New Berlin, Wisconsin, for a candid interview with RSI Communications and shared his passion for operations, foodservice and how energized he is about the opportunities ahead.

Here's an edited transcript of that discussion:



Skip Blitz
Northwest Regional Manager, Restaurant Services, Inc.

When did you join RSI?

My first official day was Sept. 14, 2015, and I'll never forget that amazing day. I woke up, jumped on an airplane before 6 a.m. and flew to California for my first Local Distribution Center (LDC) meeting.

Having been in operations and foodservice distribution for more than 30 years, I spent most of my time behind a windshield in an automobile. So that day's five-to-six hour commute to the LDC told me this was going to be different. And it was — being on the other side, thinking like a franchisee and what was best for them was incredible. I'll tell you one thing, I couldn't wait for the second day to begin.

Where is your home base?

I live in New Berlin, Wisconsin, a suburb outside of Milwaukee. I was born in New York and moved to Milwaukee at the age of 8 and have been in or around the area since then.

What drives you?

I'll tell you — and I say this from the bottom of my heart — I was raised by two of the best people. It was my father's example of a strong work ethic and commitment to excellence that drives me every day.

My father was a World War II veteran. He knew the kind of determination needed to build a great country and to turn a horrific experience into a great one. He had an incredible sense of right and wrong, and that's exactly what he taught me: Do what's right and then do more than *just enough*.

I apply his teaching, his enthusiasm and promise to excel in the way I lead my team and how I keep my customers' — our members' — best interests at heart. I never want to let anyone down … I don't want to let my dad down.

In your opinion, what is RSI's biggest asset?

The value we bring to distribution and the BURGER KING® system overall. We offer a wide range of services, information and an incredible level of support. I can pick up the phone and someone at RSI is immediately on the other side.

We are very much the central support for our members and anyone else we interact with. I've just been blown away by how hard and dedicated everyone at RSI is.

How do you like to share ideas with your team and keep them motivated?

Well, at this point, I'm the new guy. I'm drinking from the RSI fountain of knowledge on a daily basis … I have so much to learn. But, aside from my tenure in the industry, I like to bring a sense of joy and happiness. I have a wicked sense of humor and like a vibrant, enthusiastic and positive environment to surround me … the same one RSI embodies.

Is there something people may be surprised to learn about you?

Yes … and I'm not embarrassed about this. Many years ago, I was part of a barbershop quartet, sang lead vocal in a barbershop choir and competed at a national and international level. In fact, I still have a brother that competes and participates — he's been doing it for 40 years now. Sometimes when I'm in my car, I may belt out a song or two.

Tell me about "Skip" — do you prefer George or Skip?

My real name is George; I was named after both my father and grandfather. So, I'm actually a third! When my mother was expecting she didn't know what she was going to have, but if it was a boy, it was going to be John.

However, dad brokered a last-minute deal with mom to name me George. She agreed, but with one condition: They were not calling me junior or the third. My dad had a friend from the war they all used to call "Skip." So from the day I was born, family and friends called me "Skip." It's always been my name.

Besides, the only time my parents called me George was when I was in a lot of trouble!

If you had to choose just one, which is your favorite BURGER KING® menu item?

BURGER KING®, hands down, has the BEST burger out there! I love a good bacon double cheeseburger. Being from Wisconsin, I have to have the cheese. And being from the Midwest, I have to have the bacon!

Making a Change with … Change!

Franchisees Round Up For Education

One way to drum up more scholarship dollars to award through the BURGER KING℠ McLAMORE Foundation's BURGER KING℠ Scholars program is a "round up" campaign.

Two franchisees chose to implement the "Round Up for Scholars" campaign in their restaurants late last year. Erie, Pennsylvania's PEC Management and Orlando's Magic Burgers supported this initiative, raising nearly $20,000, collectively, that they can award this spring. The campaign asks guests at participating restaurants if they'd like to round up their check to the nearest dollar — donating their change to help make Scholars in the local community. Magic Burgers held the campaign in the latter half of the year, raising more than $16,000 that will stay in the Orlando community as scholarships for deserving students.

BURGER KING SCHOLARS
Honoring Jim McLamore

PEC Management launched their second annual "Round Up for Scholars" campaign during the first week of December, leveraging Giving Tuesday and the giving time of year. They raised nearly $3,200 in just a week!

"We've always been huge supporters of the Foundation and what it stands for — it's easy to get excited about it," said Keith Egyed, PEC Management operating partner. "The feedback we get is positive — guests get the connection to it and we operate the entire market of Erie, so the community awareness is there. It just reinforces our beliefs that supporting education is the right move."

Not only did the PEC Management team easily train their employees to execute the sell, but noted that the process is simple — just the push of a button — all for additional scholarships in the local community.

"We raise more scholarship dollars and employees see more scholarships being awarded in their community. They see the tangible benefit," said Karla Mazza, marketing director for PEC Management. "We hope to increase the awareness (of this campaign) in the franchisee community. The training is simple and SICOM just has to turn on the key — it's not difficult to just ask a question!"

For more information on the Round Up campaign and to get started yourself, contact the Foundation's Natalie Giles-Klein at ngiles-klein@whopper.com. ■



An Easy Way to Make a Difference

You sign up only once, but the change you can make is forever. The BURGER KING McLAMORE℠ Foundation offers franchisees the opportunity to sign up their employees for its payroll deduction program. By doing so, BURGER KING® employees across the system can support the brand's charity and its programs — like BURGER KING℠ Scholars and BK℠ Family Fund. Franchisees can work with their payroll departments and the Foundation to activate the program. All employees have to do is sign up with the form found on the Foundation space in the BK® Gateway and turn it in to their franchisee.

Strategic Restaurants has participated since 2012. Since then, they have included the one-page payroll deduction enrollment form in new-hire packets. Managers review what the Foundation does for them — like scholarships and emergency relief grants.

"We include it in the new hire process, but also do reminders twice a year," said Tammy Johns, vice president of human resources and training for Strategic Restaurants. "We talk to employees and make sure they know their own dollars are going to this good cause. We mention that their own colleagues have been helped by the BK Family fund, and talk about their situation, making it a real scenario."

In 2015 alone, Strategic Restaurants employees contributed nearly $10,000 in employee payroll deductions. That's 10 BURGER KING Scholars awards or additional BK families that can be helped in times of need. The Strategic Restaurants family recently suffered the loss of an elderly employee who was hit by a car walking home. The employee's family didn't have the means for an appropriate funeral — the BK Family Fund was able to help.

"I think it's those kinds of things that open our managers' eyes to the fact that we are a giving organization," Johns said. "Personally, I believe in the Foundation. I wish we could reach the masses more, but it's a little tougher with such a big organization. I still think the Fund, and the scholarship program, help many of our employees.

Payroll deduction is an easy way to have franchisee employees engage with the Foundation each month. A simple $1, $3 or $5 deduction out of each paycheck can really add up and make a difference in the lives of many. Take Jovannie Gandarilla from a St. Juste Management restaurant in San Antonio. She donates to the BK Family Fund out of each paycheck and actually needed the Fund in an emergency situation herself.

"I saw the video of the employee whose house burned down, and I was like, 'You know what? That's actually a good cause,'" Gandarilla said. "Just $5 a paycheck, it's nothing — might as well help somebody else." ■

CONTACT ANA GONZALEZ
(agonzalez@whopper.com) from the Foundation team for more information and to help get your employees started on a payroll deduction program.



Examining the 24 BARRIERS to Execution



by JIM **SULLIVAN**

So you've trained all your managers on the Key Performance Initiatives: Same Store Sales, Customer Service, Cost Control, Labor, Throughput, Hiring, Retention, Training, Marketing, Repair and Maintenance. You've collectively set and shared the annual target numbers relative to profitability and sales. You're pretty sure they know what to do and have the tools to get it done. Morale is strong; heck, you even sent them all to that seminar focused on those steps by that guy who wrote that book. They seemed to enjoy it and it sounds like they even got something from it.

But for some reason, they're just not applying what they know. Despite the recent uptick in customer visits, your unit manager's performance and numbers are not keeping pace. Transactions are up, but sales are down. Turnover is high and ticket average low. They don't seem to be using what they've learned. Why not?

Seasoned foodservice trainers will tell you that managers or team members will not perform up to expectations for one of three reasons:

1. they don't know,
2. they can't do, or
3. they don't care.

If they don't know or can't do, those issues can typically be resolved by investing in more training or providing additional resources. (If they fall into the don't care category, my prescription is as down to earth as home plate: give those people a job at the competition.) And I also think there are two additional reasons why people underperform:

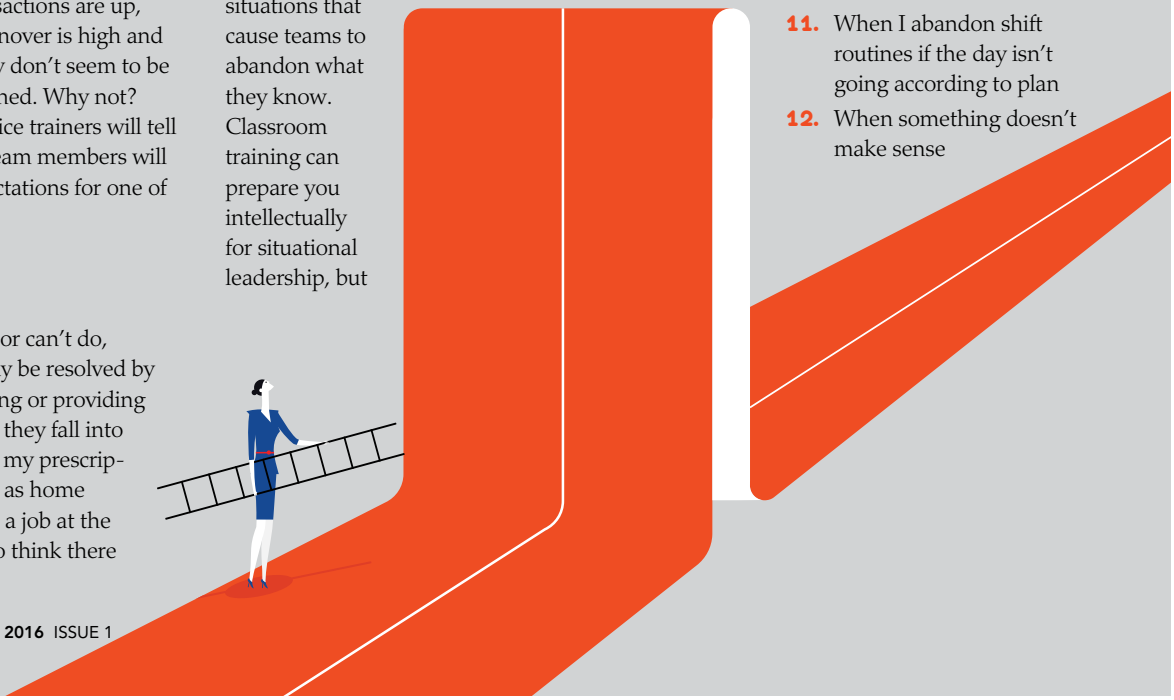
4. no accountability and
5. no consideration of circumstantial obstacles.

In other words, if you don't hold people accountable for their performance, that performance will vary. And if you don't consider (and offset) the specific extenuating circumstances that routinely hamper execution, performance will suffer.

Some executives blame training curriculum or teaching frequency when manager's performance wanes. But that's as misguided as blaming a driver's education instructor if your 16-year-old had a minor car accident on a rainy night. You have to dig deeper and question the situations that cause teams to abandon what they know. Classroom training can prepare you intellectually for situational leadership, but only experience itself will determine if you can — and will — apply what you know during each shift. Challenging, unexpected and stressful shift situations will readily marginalize knowledge and constrict ability.

We polled 115 foodservice unit managers and 58 multiunit managers and asked them this question: "Under what circumstances do managers do the wrong thing even though they know how to do the right thing?" Here are the most common responses based on frequency:

1. When I'm understaffed or under pressure
2. If I'm in a hurry
3. During high-volume periods
4. Poor time management
5. Lack of prioritization
6. Procrastination
7. When it costs me (or us) more money to do the right thing
8. Lack of a daily plan
9. If it requires some new process and I don't trust it
10. When I feel overworked
11. When I abandon shift routines if the day isn't going according to plan
12. When something doesn't make sense



It is an immutable law in business that words are words, explanations are explanations and promises are promises but only performance is reality.

– HAROLD GENEEN

13. When some new procedure, process or rule has only been communicated to one person and it's not been shared
14. When I don't value the training I got
15. If they don't believe in what they're taught/told
16. When I hear different things from different managers or supervisors
17. If it's likely to impact my bonus by driving up costs
18. When I want my supervisor to think I know what I'm doing instead of asking for help
19. When the right thing takes more time, seems more difficult or is less familiar
20. If I'm over in labor, I might take shortcuts in training or try to fudge inventory numbers
21. When I think no one will notice
22. If there's no follow-up, notice or consequences.
23. When the district manager fails to consistently follow up
24. The evening shift (less accountability and no surprise visits from corporate)

This list provides unique insight into common situational leadership hurdles. The responses align into three distinct categories:

1. Focus/time management issues (responses 1-11);
2. Training/communication issues (12-19); or
3. Accountability issues (21-24).

The lessons learned? If you want to help your managers excel at situational leadership, stress the skills related to better time management, focus, communication and accountability. This makes training more effective and productivity spike.

It's been said that experience is the best teacher, but in some ways it's the worst; it gives the test before presenting the lesson (and don't forget that experience only teaches the teachable). Review the list above with your managers and see if these circumstances sound familiar. Ask them the same question we did and see what additional situations they might identify. Have them discuss and share best practices, and learn how to anticipate and control challenging circumstances when they arise.

Take a closer look at when performance drops and you'll gain keener insight into why performance drops. ■

JIM SULLIVAN *is the author of the Amazon best-selling book, "Fundamentals," and a sought-after speaker at leadership conferences worldwide. You can follow him on Twitter @Sullivision and get his training product catalog at Sullivision.com.*



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Since workplace bullying isn't illegal, you've got nothing to worry about, right?

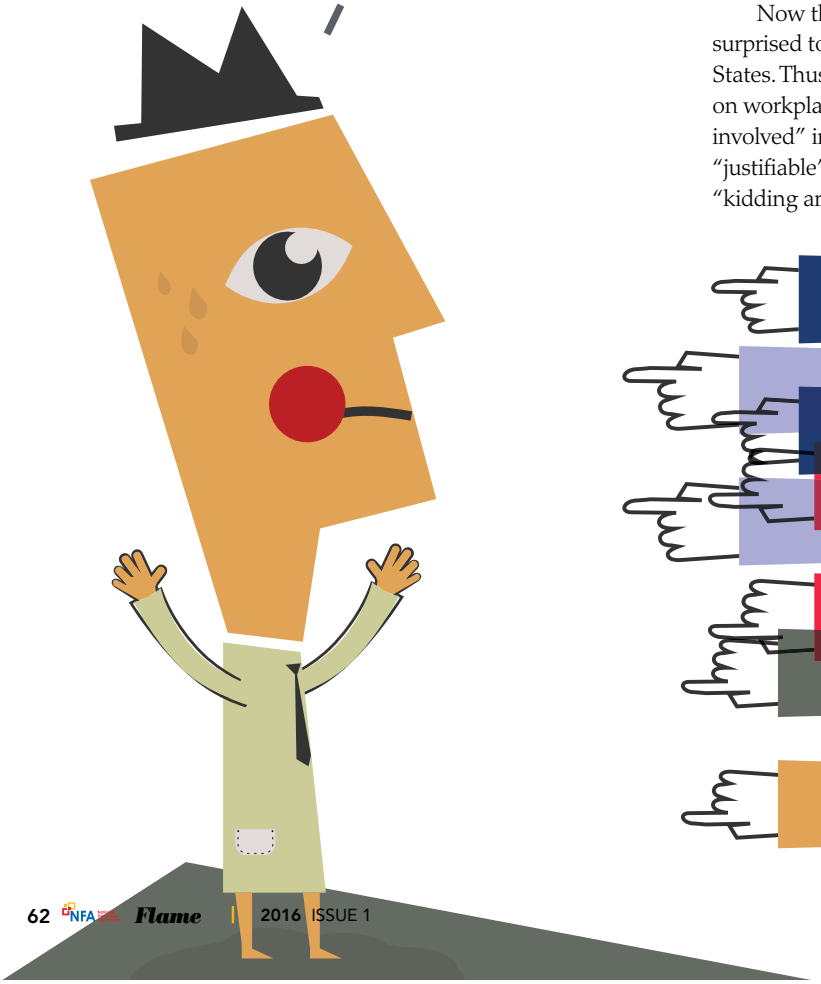


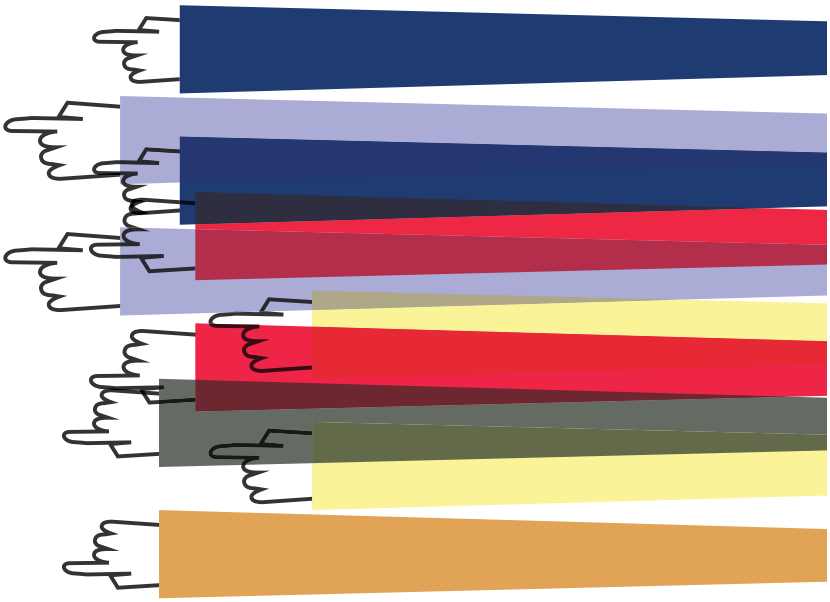
by DOUGLAS H. **DUERR**

There has been a lot of attention on workplace bullying over the years. What is a workplace bully? Workplace bullying refers to repeated, unreasonable actions of individuals (or a group) directed toward an employee (or a group of employees), which are intended to intimidate and create a risk to the health and safety of the targeted employee(s).

Workplace bullying often involves an abuse or misuse of power. Bullying includes behavior that intimidates, degrades, offends or humiliates a worker, often in front of others. Bullying behavior creates feelings of defenselessness in the target and undermines an individual's dignity at work. Although aggression can be part of bullying, bullying is different from aggression. Aggression may involve a single act, but bullying involves repeated attacks against the target, creating an ongoing pattern of behavior. "Tough" or "demanding" bosses can be, but are not necessarily, bullies; it depends upon whether their primary motivation is a good-faith effort to obtain the best performance by setting high expectations. Many bullying situations involve employees bullying their peers, rather than a supervisor bullying an employee.

Now that you know what workplace bullying is, you might be surprised to learn that bullying by itself is not illegal in the United States. Thus, if you discount the negative impact bullying can have on workplace results, you might decide to refrain from "getting involved" in what appears to be merely a personality dispute or "justifiable" conduct by a "good" performer or simply employees "kidding around." Several cases involving payment of six-figure





damage awards, however, are good examples of why you may want to think again.

In both of the cases, the targets of the bullying were considered by their supervisors and co-workers as not being sufficiently "manly." There was no suspicion that the victims were homosexual, only that they were too "feminine." On a daily basis, they were subjected to foul language, derogatory name-calling, criticism regarding manner of dress or mannerisms and mocking. When the victims complained, no action was taken, and the supervisors, who also engaged in the conduct, claimed they were just "playing."

When the claims reached court, the employers were found liable for harassment, which is illegal. To be actionable, harassment must be unwelcome and so severe or pervasive as to alter the conditions of one's employment. The U.S. Supreme Court has stressed that Title VII is not a general workplace civility code and that simple teasing, offhand comments, sporadic use of offensive language and occasional gender-related jokes will not support a Title VII claim. By contrast, discriminatory intimidation, ridicule or other verbal or physical conduct may be sufficiently extreme to do so. Because of the nature of the abuse the victims were subjected to, the fact that they often complained of it and it occurred several times a day for several months, the courts upheld the jury verdicts that the conduct was unwelcome, severe and pervasive. That is, these instances of workplace bullying had morphed into successful claims of unlawful harassment.

While these two cases centered on victims who were not considered sufficiently masculine, it does not take much imagination to be concerned about "teasing" directed at someone because of their religion, national origin or disability. In fact, such banter is unfortunately not uncommon in many workplaces and, because it is characterized as having fun or building camaraderie, it is often not taken seriously by supervisors or bystanders.

So what does this mean for you? Even if bullying is not illegal, harassment is. Thus, you need to be on constant guard to ensure that you have a current policy prohibiting unlawful harassment, that your managers and supervisors are trained on issues of harassment, and that the policy is enforced. Supervisors should be aware that "jokes" denigrating someone on a protected characteristic (e.g., race, national origin, sexual identity, religion, etc.) are not funny and are not part of team building or camaraderie. While this does not mean that an employee has to be written up or fired for a single inappropriate joke or comment (unless it is really severe), it does mean that your managers and supervisors should not engage in that conduct themselves and should remind subordinates when an incident occurs that it is not appropriate. Of course, if the conduct is repeated, then corrective (including perhaps disciplinary) action should be taken.

While workplace bullying is not per se illegal, it has documented adverse impacts on morale and productivity, and can result in expensive claims for illegal harassment. Therefore, take steps to discover and end any bullying in your clubs. ■

DOUGLAS H. DUERR *is a partner at Elarbee Thompson, a national labor and employment law firm with an industry practice area focused on restaurants and franchises. Learn more at www.elarbeethompson.com.*

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Boost Sales and Employee Engagement with TEAM COMPETITION



by KRISTEN **PEREZ**

Engaged employees are your greatest asset as their investment translates to an overall greater ROI, lower attrition and return customers for your business. When an employee is engaged, there is no shortage of positive effects they are capable of producing in a work environment. While there are many means to increase and improve employee engagement, some are better than others. The standard ideas of staff outings or recognition strategies are common suggestions in how-to articles and HR toolkits. But what if there were even better tactics to reach your objectives in employee engagement?

One tool that is extremely effective in accomplishing a laser-focused engagement campaign: Leveraging your employees' competitive spirit. By utilizing internal employee competitions, you are able to engage your staff while simultaneously encouraging sales of a particular product, increasing productivity and promoting teamwork.

So, how can you best harness the competitive spirit amongst your team to build engagement? One of the best tactics to galvanize a successful competition, regardless of location, is to pull ideas from current events and pop culture. Your employees are likely already tuned in and focused on these areas, so by constructing competitions that focus on these topics, creating excitement will be an organic and seamless step.

With the vast number of sporting events and pop culture trends, it may seem challenging to sift through it all and find the best focus for your team competition. But once you've found it, the results speak for themselves.

For example, as March Madness winds down and the baseball season is up to bat – pardon the pun – let's focus on the realm of sports and how it can provide exceptional internal competition opportunities. Several of your fellow NFA members already utilize this tactic and have seen great success with such competitions.

David Harper, franchisee of HR Restaurants, LC, implemented a sports-focused employee sales competition in his restaurants last year. The competition, the March Madness Cookie Contest, was a company-wide challenge held during the National Collegiate Athletic Association (NCAA) men's basketball season to encourage cookie sales. The contest was composed of two brackets: one for all 54 general managers at the time and one for Above Restaurant Leaders (ARLs).

The individuals who sold the most cookies during the March Madness period earned a $500 prize, and the success of this promotion was staggering, reaching well-beyond expectation. The company's cookie-sale average improved 93 percent versus the prior

month, equating to an additional $50,000 in revenue during the three-week contest, with the winning restaurant increasing their cookie sales by 283 percent!

"It was a fun contest that our managers really enjoyed. We consistently run contests in our company, and this is one that worked very well," enthused Harper.

While your cookie sales may not be your top priority at this time, this tactic may be implemented for a variety of areas in your business. You could also focus on an area outside of sales, like customer service. Employee competition campaigns can target these types of operational areas and drive positive results there, too.

Michigan Multi-King utilizes a diverse range of sports-centric competitions among employees to boost everything from team morale to alleviating operational issues. Director of Operations Kevin Barnes shared that many of the activities implemented by Michigan Multi-King keep staff motivated and engaged while boosting the company's bottom line.

"We find that the more interest we show in [team members], the better our restaurants perform," said Barnes.

Michigan Multi-King encourages a wide variety of competition-based incentives, from staff golf tournaments to weight loss challenges based on the Super Bowl schedule. One of these events includes a competition for the assistant managers with regard to the B2 Guest Track score. All assistant managers who went an entire month without any negative complaint received $100; two consecutive months received $200; and three months received $300.

"We dialed it back after three months and started again at $100," said Barnes. This incentive yielded such fantastic results that Michigan Multi-King decided to apply the same format to another area they wished to improve: speed of service.

"This year we changed the bonus to reflect the BK® emphasis. [We offered] a similar payout, but the goal is 2 minutes, 45 seconds speed of service for the month or less," Barnes said.

Other sports-related topics around which you could build competitions include football playoffs for both college and NFL, NBA basketball playoffs, the Kentucky Derby, the Major League Baseball World Series, the Olympics, NCAA men's basketball March Madness and many more. Other ideas for competitions include award seasons (think the Oscars or the Emmys), reality TV series that may be popular with your team members and any other pop culture trend you may see happening in the news. This is also a great chance to demonstrate your interest in getting to know your staff to find out likes/dislikes that may make for great competitions.

Internal employee competitions can be a wildly successful tool to encourage sales and staff engagement simultaneously. Competitions are not only enjoyable for the staff, but are also successful out-of-the-box tactics that you can implement to boost sales performance or solve operational challenges. ■

KRISTEN PEREZ *is the NFA communications coordinator. She can be reached at kristenp@nfabk.org or 678-797-5160.*





CYBER RISK IN AN ONLINE WORLD



by SYLVIA **MENETRE**

It is quite common today to hear and see reports of data breaches from businesses and organizations you assumed had sophisticated systems, the experts and the technology to safeguard their (and your) online data. The lesson here is even with world-class technology and expertise, your business is still at risk in our increasingly online world.

What many businesses don't realize until it is too late, is the number of risks they need to consider. Even if you are a small- or medium-sized business (SMB), you are at significant risk of being hacked. In fact, your business may even be a more likely target because SMB's system security and capabilities tend to be less extensive than larger businesses. Don't be fooled into thinking your business' data is not attractive to cyber thieves.

In a recent article, Steve Haase, president of INSUREtrust, a cyber-insurance firm, cited a Ponemon Institute 2013 survey that found 55 percent of SMBs had experienced a data breach.

Haase went on to say, "Every business has confidential information on employees, if not customers, that hackers can sell on the black market … SMBs in the retail space have even more post-breach headaches than their non-merchant peers, because retailers are subject not just to fines and penalties of government agencies, but also those of the payment card industry (PCI)."

In response to the cyber threats businesses and other organizations face, the insurance industry has been developing risk management products that deal with these new challenges. In the early days of cyber insurance, which date back to 1997, the policies were strictly written to respond to the third-party liability of a network security breach. As risks became more apparent, the coverage has evolved.

Many policies now include regulatory penalties, PCI penalties, extortion demands and website media liability (including social networking exposure), as well as business expenses for crisis management, including legal, forensics, call centers and notification costs, etc. Coverage can even be expanded to include business interruption and data restoration.

Originally, technology companies were the first to be considered highly vulnerable to these risks due to their online presence and related exposures. The risk quickly expanded to many other types of businesses with large amounts of personally identifiable information (PII), such as hospitals and universities. Now, it seems any company is a target for a breach. If you use email, you may be the target of a "spear phishing" attack and receive a fraudulent email that appears to be from a trusted source. The aim of the attack is to convince you to unwittingly give your data to the bad guys.

Some businesses believe their risk is managed since they have general liability coverage. But, if you have a website, you are exposed because a general liability policy excludes website media under advertising liability. Many professional classes of businesses, such as law firms, have relied on their Errors & Omissions coverage in a belief it will address a network security breach. While there is the potential for some third-party coverage if related to "failure to act as a professional," this type of policy would not respond to all aspects of a security breach and offers no reimbursement of crisis management expenses.

Many businesses believe they are not responsible for a security breach if their data is in a "cloud" environment. In fact, the obligation to notify those with breached PII from a cloud environment lies with the owner of the data. The cloud may also make a breach more of a threat as the information is now part of a vast pool of highly desirable information. If a business has made a decision to transfer their data to an off-site provider, they are still responsible for notifying those affected and covering related expenses. Consider any type of outsourced vendor that has your corporate confidential data and PII, such as payroll service providers or accounting firms, as a risk.

These are issues all organizations are facing, even the most capable and tech-savvy. Still, businesses and particularly managers with responsibility for systems and network security deficiency, feel insuring for these risks means their capability is being called into question. It is now evident no network is totally secure. Managing your business's cyber risk is just like managing property and casualty risk — you don't want a breach to happen and you plan to avoid it, but your business is far better off if you've prepared.

The good news is the costs can be mitigated with a broker partner to help you manage your cyber risk. First, the insurance industry has brought many products and coverage options to the market. In fact, their effort to address the issues has created a buyer's market. The cost of coverage is small in comparison to property and casualty coverage. More importantly, with the proper guidance, the process of anticipating your risk areas helps you in two ways: (1) it identifies where the risks lie. If the risks are identified, you can improve operational management and reduce the risk; (2) with the risks identified, you can structure coverage that mitigates your risk, but doesn't overburden you with unnecessary cost.

Managing your cyber risk is just like managing property and casualty risk — you don't want a breach to happen, you plan to avoid it, but your business is far better off if you've prepared.



Start the process now. Think through your cyber challenges and work with your broker to create a plan to manage your risk in an online world.

SYLVIA MENETRE, *vice president, BB&T Insurance Services, has more than 25 years of experience in agency account management, production, marketing and corporate risk management. She focuses on cyber coverage including network security liability, privacy, website media and related crisis management. Menetre won the Cyber Risk Management Leadership award from INSUREtrust in 2014.*



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WHY CLARITY AND CONVICTION BEAT Charisma



by DAN **COUGHLIN**

Communication is obviously essential to being an effective leader. So what makes for really effective communication? Here are three definitions plucked from Merriam-Webster's dictionary to consider:

- **CHARISMA** – a special magnetic charm or appeal.
- **CLARITY** – the quality of being expressed, remembered and easily understood in a very exact way.
- **CONVICTION** – the feeling of being sure that what you believe or say is true.

Two of these three are essential to being a great communicator, and the one that I leave out might surprise you. Many companies still list charisma as an essential leadership competency. I really disagree with that.

CHARISMA is a personality trait. It is largely inherent in the individual and can be nurtured further over time. Charisma is about how you look and how you carry yourself and how you dress and the tone of your voice and the ability to change the speed and volume of your words. It is not an essential variable of great leadership. Some great leaders had charisma. Some great leaders did not. Some terrible leaders did have charisma. Some terrible leaders did not.

CLARITY is the ability to make a clear and memorable statement that another person can easily repeat and explain to other people.

CONVICTION is to believe in what you're saying so strongly that you actually do what you tell other people to do. Conviction happens when you act with integrity; when you're genuine; when you're real.

Mohandas Gandhi did not have great charisma, but he had incredible conviction. Martin Luther King Jr. had incredible charisma and conviction. They both believed in their core that nonviolent resistance was the key to massive civil rights change, and they were both two of the greatest leaders in the history of the world. Charisma was not the key factor.

People say Steve Jobs had great charisma. I actually think he spoke very clearly with great conviction. Think of a person who had great charisma, but his or her words rang hollow. I was going to throw a few politicians from the past 50 years under the bus, but I've decided not to. You can choose your own examples of ineffective leaders who had charisma, but lacked in clarity and conviction.

Ask People to Explain What You Just Said

If you're wondering whether you're clear, ask someone to repeat what you said and what it means to him or her; then don't blame the other person if he or she can't articulate what you just said. The problem isn't with the other person. The problem is with your statement. It is not clear.

How Buzzwords Kill Clarity

We're going to tackle that mountain. We're all in this together. When things get tough, the tough keep going. When all is said and done, it's better to have a lot more done than said. We will leave our mark on history. We fly like birds in formation. We stick together. One right behind the other. Now, let's go charge into the marketplace with a renewed sense of purpose and determination. Let's take down the enemy and write our name in the history books.

So, exactly what are we trying to do? Who is going to do what and what objective are we trying to meet?

Just talk clearly. Explain what you want the group to accomplish, why it's important and who is going to do specific things to make it a reality.

Metaphors are the Power Tools of Language

A power tool is something you use to get a job done faster than you otherwise could have done it. In communicating, a metaphor can save a ton of time in explaining an idea so that people understand it.

When personal computers were first coming out, Steve Jobs said, "It's a bicycle for your mind." That helped people understand why it was useful to have one. They could relate to a bicycle giving them independence and freedom to do what they wanted when they wanted, and now they understood how a computer could help them.

A metaphor is a word or phrase for one thing that is used to refer to another thing in order to show or suggest that they are similar. When President John F. Kennedy wanted to accelerate the growth of math, technology and engineering in the United States, he simply said, "We'll put a man on the moon by the end of the decade." That did happen, but the much bigger result was the massive growth in electronic technology.

Twenty years later, Jobs described a laptop computer as "something you throw in your backpack." People could visualize that what you would do with it made sense. You would carry it around with you like a paperback book or a snack. It made the laptop computer a part of your normal activities.

Do You Really Believe in What You're Saying?

If you tell your audience that integrity is the key to long-term success and then you cheat on your financial report, you lack conviction. If you tell people you believe in the power of innovation, but you refuse to change anything your company is doing, then you lack in conviction. If you tell people you believe in the power of collaboration, yet you always explain to other people why they're wrong and you're right, then you lack conviction.

If you are going to be convincing to other people over the long term, then you have to have enough conviction in your words to actually do what you are saying. Charisma is a short-term attribute. Charisma can win votes in a political campaign or with corporate board members, but charisma cannot sustain itself. Sustainability requires clarity and conviction.

Insights from "The Grinder"

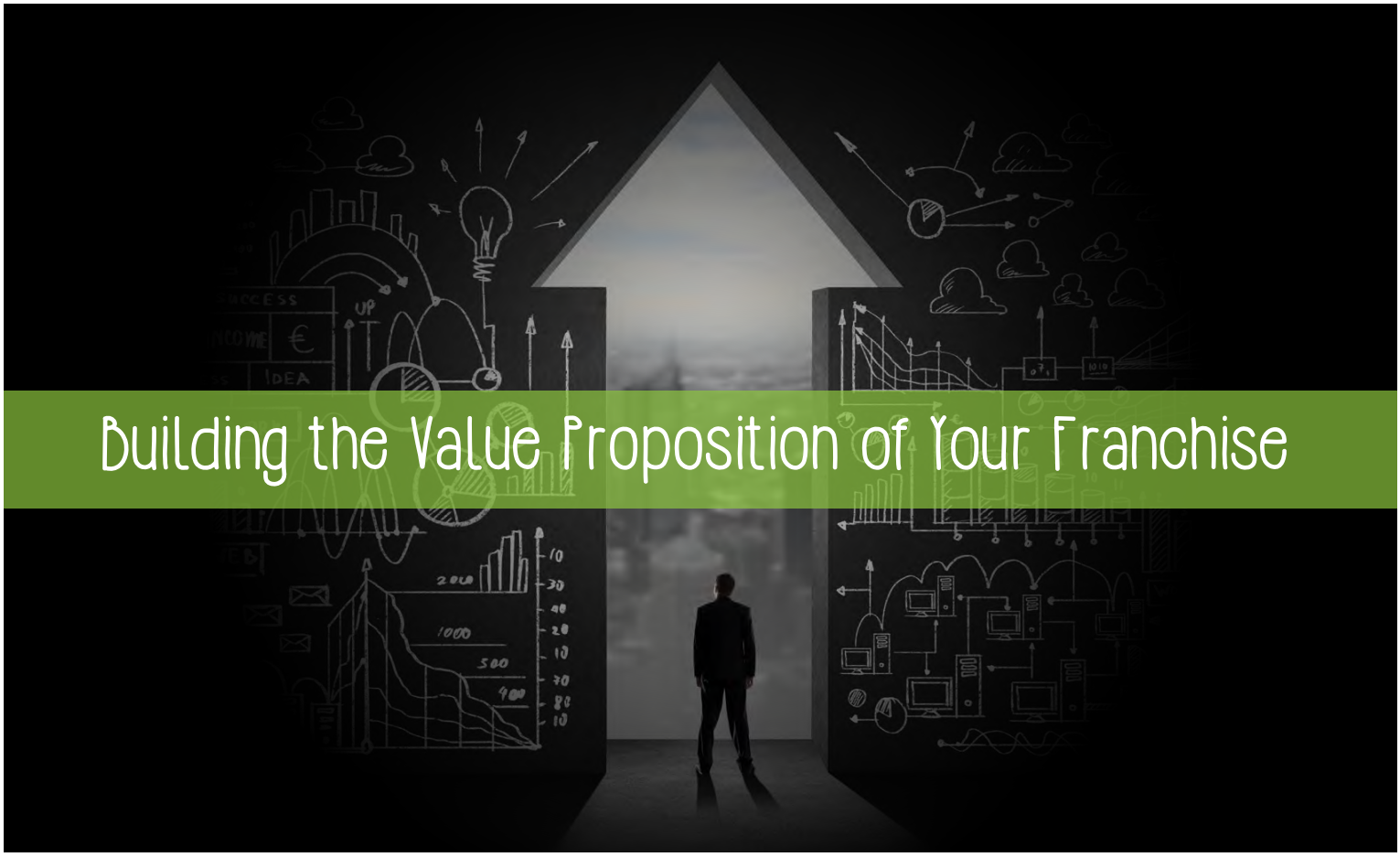
There's a television show called "The Grinder" starring Rob Lowe and Fred Savage. It's funny because it makes a whole parody around the difference between a charismatic person (Lowe) and a person who speaks with clarity and conviction (Savage). Lowe portrays a television actor who plays the part of a lawyer and then joins his brother's law firm and tries to act like a real lawyer. He's charismatic, but doesn't know what he's talking about. He asks questions with a penetrating stare and a dramatic pause, but the questions make no sense. On TV, it's amusing to watch.

Sadly, this can happen in real life too. Some people get a part in business or politics because they have charisma, but they quickly lose effectiveness because they lack in clarity and conviction. After a while people don't know what this person is talking about and/or the person doesn't back up his or her statements with actual behaviors. It's all just charismatic fluff and bluff.

Be clear. Do what you are saying. Back up your words with your own decisions and behaviors. That will make you a vastly more effective leader over the long term than being magnetically charming and appealing. ■

DAN COUGHLIN *believes any person can make a positive difference in an organization of any size. He serves as a management consultant, keynote speaker, seminar leader and executive coach. Visit his free Business Leadership Idea Center at www.thecoughlincompany.com.*





Building the Value Proposition of Your Franchise

Even if you don't plan to sell your business in the near future, now is still the best time to prepare for the possibility of a future sale. Inc.com states that "the number one mistake business owners make is not starting succession planning soon enough."

There are a number of things you can do now to ensure that, when the time does come to sell, your business will be valuable in the eyes of potential buyers – and more importantly, that you can realize the sales price you hope to get.

Know your business inside and out

"The number one advice for anyone who may sell their business is to make sure you know your business really well," said Manny Portuondo, founder of DeepBlue Advisory, LLC, a mergers and acquisitions and management consulting firm in the restaurant industry. "The sale process is lengthy and can be excruciating in terms of getting a deal done. The more the seller knows about the business, and the more he can provide business and financial logic behind the valuation they seek, the higher the likelihood they will get their desired price."

Portuondo emphasizes knowing what assets you have and their condition, information about the underlying leases and being able to tell a story about your financials.

"What are your sales and traffic trends? Are they growing or not growing and why? Is the market or region not a great region for whatever reason?" he said. "Understand your competitive landscape and the macroeconomic dynamics. Be able to project those into the future."

Select an advisory team (if you haven't already)



by KELLY **BINGHAM**

If you don't already have an advisory team in place, the point at which you decide to sell your franchise is the time to establish one.

You will need individuals with specific expertise to advise you on the sale in various capacities, from a financial advisor to an accountant to a business lawyer. These individuals assist you in the complex and time-consuming sales process, allowing you to better continue running your business up until the time the transaction is completed.

Some franchisees choose to employ an additional expert during the sale process who can help identify potential buyers and oversee the entire sales transaction, freeing up your time and that of your key staff to continue managing your business.

Review – and understand – important contractual agreements

Two important clauses in your Franchise Agreement are the "First Right of Refusal" and "Right of Approval" clauses.

In many cases, the franchisor will have the first right of refusal, or the first opportunity to buy back your franchise, at whatever terms you may agree upon with a buyer. That means, essentially, that a buyer could do all the legwork of researching your business to prepare for purchase only to have the deal cancelled because the franchisor chose to exercise this option. Be sure to review your Franchise Agreement to determine if this

clause exists and, if it does, if the franchisor intends to exercise that right.

Likewise, most franchisors have a Right of Approval clause in the Franchise Agreement stating that the franchisor has the right to approve franchisee successors. Any sale that does not adhere to this franchisor's right may nullify your Franchise Agreement, so it is imperative to understand the ins and outs of this clause, if it exists in your agreement.

Maintain a good relationship with the franchisor

In the franchise business, "you are in essence leasing a brand from the franchisor for a period of time, and as such, have a responsibility to manage the brand within the standards that franchisor determines," said Portuondo. "This creates an obligation to collaborate with the franchisor – and having a good relationship is key."

While you, the franchisee, are only half of the relationship with your franchisor, there are several ways you can work to build a positive relationship, such as through regular communication, being active with the corporate office, making consistent on-site visits with corporate and taking advantage of the franchisor's resources for franchisees.

Increase profitability and don't stop managing your business

It goes without saying that one of the most significant factors in building the value of your business is to increase profitability. While you certainly don't want to cut corners, finding effective ways to increase efficiencies or decrease costs will be attractive to potential buyers.

"What I see happen often is the seller is so caught up with selling the business that he forgets to manage the business," Portuondo said.

Until the deal is completed, continue on with business as usual. Don't avoid making investments you'd already considered or hiring key personnel because you may sell the business. Anything you do will only help bolster value going into the transaction, but anything you neglect can enact downward pressure on your business valuation.

Evaluate your employees

It's important to have key employees in place to aid in a smooth transition for the buyer. Further, if you have very few key team members with knowledge of the business – meaning most of that knowledge lies in your own head – buyers will be wary of a purchase.

Establishing and continuously cultivating a high-quality workforce will increase your company's worth. Have a good understanding of the status of your team to assure a buyer that the transition will be as smooth as possible.

Whether you are considering a sale in the short-term, or want to foster a valuable business for a sale farther down the road, following these tips will help ensure you get the most value out of the sale at any point in time. ■

KELLY BINGHAM *is a contributing author.*





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ISSUE	AD ARTWORK DEADLINE	PUBLICATION DATE
2	May 5	June
3	Aug. 5	September
Products & Services Directory	Aug. 24	October
4	Nov. 3	December

Call for Franchisee News

FLAME Issue 2 is due out in June. We want to highlight any news or events associated with our members. If you have ideas for potential stories, please contact communications@nfabk.org or 678-797-5160 by May 5. Our editorial staff can assist in writing the story for you.

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