



**National
Franchise
Sales**

REFRANCHISING

REFRANCHISING: the process of franchising company owned units

SUCCESSFUL REFRANCHISING PROJECTS



Jerry Thissen
President / Principal



Michael Ingram
Vice President / Principal



Alan F. Gallup
Principal



Carter Asefi
Agent
Pleasant Hill, CA



Jack Benoff
Agent
Philadelphia, PA



Barry Burke
Agent
Dallas, TX



Emily Burns
Agent
St. Petersburg, FL



Michael Deegan
Agent
Asheville, NC



Jeff Jones
Agent
San Diego, CA



John Lukac
Jr. Partner
Newport Beach, CA



Tony Ortega
Agent
Newport Beach, CA



Joseph J. Thissen
Agent
St. Paul, MN



Helen Trent
Agent
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Paul Wilmoth
Agent
Roseville, CA



Denise Bell
Transaction Manager



Diana Colmenar
Admin Assistant



Sylvia Ford
Transaction Coordinator



Kara Espera
Admin Assistant



Connie Jones
Admin Assistant



Paula Parrish
Marketing Coordinator

Offices Nationwide

ASHEVILLE, NC	DALLAS, TX	NEWPORT BEACH, CA
PHILADELPHIA, PA	PLEASANT HILLS, CA	ROSEVILLE, CA
SAN DIEGO, CA	ST. PETERSBURG, FL	ST. PAUL, MN

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SPECIALIZING IN THE RESALE OF FRANCHISE BUSINESSES SINCE 1978





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*Franchisees placed by National Franchise Sales
have historically outperformed previous
management in both gross sales and profitability.*

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REFRANCHISING: the process of franchising company owned units

“We consider National Franchise Sales an essential brand partner.

They handle routine and special needs transactions with skill and professionalism. They invest the time to know our system, our franchisees and our processes, finding buyers and designing transactions which have the greatest possibility of succeeding in an optimal time. I don't hesitate calling on them for advice and assistance nationwide.”

Tim Flemming
Senior Vice President
Denny's Inc.

Numerous Franchise companies have discovered the benefits of Refranchising including:

- A new source of revenue
- Reduced overhead
- Increased access to capital for facility and equipment upgrades
- Improved same-store performance

The professionals at National Franchise Sales (NFS) have developed successful Refranchising Programs for regional and national franchise companies. Through these programs, companies have raised millions in capital and have experienced improved sales performance. This is accomplished in part by the introduction of new capital to the business by the franchisee... capital that can be used for marketing, training, new equipment, and/or other facility upgrades. In doing so, the entire brand image is enhanced, often resulting in improved sales averages for the franchises' units as well as the remaining company locations.

NFS works closely with Franchisors to strategically plan and analyze what assets should be marketed. NFS assists Franchisors in setting goals to determine what assets or markets should be sold.

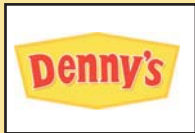
A Refranching Program with National Franchise Sales can bring great rewards to a franchise company without the headache or overhead of an in-house divestiture team. Studies have proven that the financial needs of building and maintaining, followed by a reduction of staffing as the project winds down, is considerably more costly than engaging NFS for the project.

NFS has the proven ability to accurately appraise the value of franchise units; attract, screen and interview qualified candidates; arrange adequate financing; adhere to the intricacies of state and federal franchise regulations; ensure that the proper information has been provided to all clients; obtain franchisor approval; and avail its services to the new franchisee and the franchisor throughout the transaction to assure the successful consummation of the sale.



National Franchise Sales

SUCCESSFUL REFRANCHISING PROJECTS



National Franchise Sales maintains a large database of pre-screened, qualified candidates through its large network of agents and offices, with an ever expanding candidate list that has steadily grown over 30+ years.

National Franchise Sales has built a strong reputation in the franchise industry for obtaining the highest available price, while introducing the best possible candidates to the franchisor. Franchisees placed by National Franchise Sales have historically outperformed previous management in both gross sales and profitability.



NATIONAL FRANCHISE SALES' EXPERIENCE

National Franchise Sales has come to be known as an industry leader in Franchise business brokerage by successfully assisting Franchisees, Franchisors, and small chain owners in the sale of their businesses since 1978. The NFS staff of franchise industry professionals specializes in the acquisition and sale of operating businesses throughout the United States, having successfully sold businesses for franchisees, franchisors, lenders, and chain owners.

Previous Refranchising clients include the Franchisors: Denny's, Baja Fresh, Coco's, El Pollo Loco, La Salsa, Sizzler, Carrow's and several smaller regional brands. National Franchise Sales has also managed the divestitures of several large franchisees of other brands such as Burger King and Taco Bell.

All of this has been accomplished through NFS's specialized knowledge of the marketplace, franchisor requirements, and lender expectations. National Franchise Sales maintains a working relationship with numerous financial institutions that understand and lend to new and existing franchisees.

The experience of the professionals at National Franchise Sales makes NFS uniquely qualified to assist in the evaluation, development, and execution of a Refranchising Program.



OBJECTIVE

- Provide a comprehensive Valuation on the current fair market value for the network of Franchisor owned restaurants
- Provide recommendations for the strategic implementation of the sale of the units
- Complete the sale of the selected units



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National Franchise Sales Refranchising Project exceeded our goals and timelines, allowing us to transfer more than 30 of our company operated restaurants as fast we could complete the approval and training process.

Ray Perry
Past President
El Pollo Loco



VALUATION CRITERIA

Important financial decisions depend on accurate, reliable valuations. Knowing the market value of the subject business is a critical factor in franchise resales and financial restructuring. Over the last 30 years, National Franchise Sales has developed a comprehensive valuation methodology that is used in accessing and preparing businesses for sale.

The methodology we use has broad application to various facets of financial planning, including lending institutions, estate planning, dispute resolution and bankruptcy. We create an opportunity for strategic buyers and affiliated parties to understand asset values in a variety of applications.

There are numerous factors affecting the value of franchised businesses. NFS accurately assesses the value of franchised operating assets by examining these factors, including the following, to ensure a true market valuation:

- EBITDA
- Adjusted cash flow of the business
- Unit level sales trend
- Brand esteem
- Location and geography
- Regional economic factor
- Local trade area conditions
- Terms & Conditions of the real property lease
- Strength of the franchisor
- Condition of the facility
- Potential competitive intrusion
- Availability of financing
- Real Estate
- Terms & Conditions of the Franchise License
- Employment conditions
- Facility upgrades requirements
- Strategic vs. Institutional Buyers
- Other relevant market factors



National Franchise Sales

I have had the opportunity to work with NFS on numerous occasions when we represented the same client as well as when we were on opposite sides of the transaction. In each instance, they were prepared, knowledgeable, respectful and always motivated by, and focused on, the best interests of their client. NFS is the only franchise broker I ever refer to my selling and buying franchise clients.

Barry Kurtz
Attorney
Cert Specialist, Franchise
& Distribution Law

An accurate valuation requires considerable insight into current market trends, as well as a thorough understanding of the subject brand in order to provide appropriate adjustments. Adjustments are often necessary to operating statements in order to provide a normalized perspective to the income potential of the subject business.

In the case of a Franchisor where the dissemination of the adjustments are limited by law to Item 19 of the UFOC, the adjustments may be utilized in the valuation so long as the information remains confidential and is not shared with prospective buyers. In this case, in order for buyers to be informed of the brand norms for operating costs, they must utilize the existing franchise community, lenders, and vendors, not directly involved in the resale process.

The Valuations prepared by NFS will represent current and true market values. NFS is an experienced franchise business broker that has marketed and sold hundreds of franchised restaurants. Accurate valuations held at “arms length” are an integral part of success in this business.

NFS will provide a list of facts, assumptions, adjustments, and key points utilized in the final Valuation.



SCOPE OF VALUATION

This valuation will:

- Assess a Valuation for each Individual unit to **single store buyers**;
- Assess a Valuation for geographical Clusters of units to **multi-unit buyers**;
- Consider and recommend on the sale of **Development Agreements**;
- Recognize the sale implications of the Franchisor’s **geographical, overhead, and HR** elements; and
- Recommend a strategy for “**Marketplace Management**” considerations (Supply and Demand)



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National Franchise Sales' professionalism and superior service make them a pleasure to do business with. I recommend NFS without hesitation.

Todd Peterson
V.P. Franchise Sales
Togo's



ASSUMPTIONS

- The Historical Data provided by the Franchisor is accurate and complete
- The sale of the units will occur at a controlled deliberate pace
- There will be no change in financial or experiential requirements of franchisees
- No remodels are required at the time of sale, or remodel requirements are clear
- All equipment will be in working condition
- Franchisor will actively support franchisee's effort to obtain purchase money financing
- A minimum of 10 years lease term will be issued
- The expense for the new franchise agreement will be allocated towards the cost of a standard Franchise Agreement and will be included in the sale
- The sales trend does not shift unexpectedly
- The sale of Development Agreements will be an added value (at an additional cost) to select store or cluster sales



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RECOMMENDATIONS

- **Create a Loss Locations Action Plan**
- **Assess potential for Marketing and Operations Improvement in Loss Locations**
- **Franchise those Loss Locations that can be made marketable by the reduction of sublease up to the amount of Royalty**
- **Actively pursue lease terminations or out-of-brand subleasing for Loss Locations not categorized above**
- **Engage the sale of select units and clusters of units**, within the constraints of Marketplace management, while recognizing the relative importance of the brands geographical, overhead, Development Agreements, and HR elements

“National Franchise Sales has acted as a valued partner in the refranchising, and new store sales, of 1-800-RADIATOR units. I have complete confidence in their abilities to match the right combination of appropriately qualified buyers with company stores offered for sale”

Michael Rippey
President
1-800-Radiator



**National
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THE NFS REFRANCHISING TEAM



Jerry Thissen
President, Founder & Partner
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Thissen holds a BS in Accounting from the University of Minnesota and is regarded as an industry leader in the highly specialized field of franchise resale's. For over 30 years Thissen and his staff of industry professionals have assisted Franchisors with their in Refranchising programs.



Alan F. Gallup
Partner
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An industry veteran since 1971, Gallup served as senior management with several Franchisors before joining National Franchise Sales in 1994. He has effectively developed and led the refranchising efforts for several national and regional brands. Gallup is a member of the International Business Brokers Association, and a Past President of the Saddleback College Foundation Board of Governors.



Michael Ingram
Vice President & Partner
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Ingram obtained his B.S. in Business at San Diego State University and was a successful multi-unit franchisee of several brands, prior to joining National Franchise Sales in 1997. Michael's experience in refranchising has helped several Franchisors free up capital, generate cash flow, reduce overhead, and turn under-performing units into successful franchised units.



Michael Deegan
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Prior to joining National Franchise Sales in 2006, for nearly 30 years Deegan has been in the franchise foodservice industry with brands such as McDonalds and Popeye's, and most recently serving as Vice President of Franchising for Burger King where was responsible for reselling over 700 restaurants to new or existing franchisees, including private equity buyers.



John Lukac
Jr. Partner
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A graduate of Johns Hopkins University with a B.A, Lukac joined National Franchise Sales in 2001. Lukac has been successfully involved with hundreds of franchisor and franchisee re-sales and has become an expert in financial analysis and valuation.



Helen Trent
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Trent began her franchise career in 1972 and went on to hold Franchise executive level positions with numerous national and regional brands where she was responsible for the creation and implementation of Refranchising and Franchise Development programs. Trent has been with National Franchise Sales since 2004.



Paul Wilmoth
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Wilmoth holds a BS from Southern Methodist University and joined NFS in 1993, after an extensive experience with multiple Franchise companies, where he led the development and refranchising programs. He is a past member of the Board of Directors of the Intl. Franchise Association and was also a Commissioner to the California State Senate Committee of Insurance, Claims and Corporations.

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REFRANCHISING

INDUSTRY: Restaurant **SEGMENT:** Family Dining

BACKGROUND

Denny's is America's leading family dining chain with approximately 1,500 company and franchised restaurants in the United States, Canada, Costa Rica, Guam, Mexico, New Zealand and Puerto Rico.

PROJECT SUMMARY

In the late 90s, Denny's suffered from oppressive debt and a low common stock value. The debt was largely left over from the leveraged buyout in the early 90s. In 1999, SR Management sought ways to raise capital, downsize overhead, and improve the company's overall profitability. Refranchising was identified as a means to accomplish these objectives.

National Franchise Sales (NFS) was contacted by Denny's then CFO, who had known of NFS's successful work with other brands. NFS was engaged to assist Denny's in identifying target groups of stores to sell.

In 2008, Denny's sought to enter a second phase of Refranchising, this time to be combined with Development commitments. This program became known as the Market Growth Initiative Program (MGIP).

PROJECT OBJECTIVES

In the first phase of the program, the objective was:

- To raise capital through the franchising and sale of select company owned stores
- To sell stores to select and approved existing franchisees, or to introduce new quality prospects to Denny's and sell select company owned stores to them
- To improved Denny's overall profitability by reducing overhead with reduced number of company owned stores while maintaining an enhanced royalty stream

In the second phase of the program, the objective was:

- To raise capital through the franchising and sale of select company owned stores
- To identify quality new prospective franchisees also capable and committed to growing the brand
- To sell stores with development commitments under the MGIP

ENGAGEMENT HIGHLIGHTS

In the first phase of the program over 18 months, NFS successfully sold numerous stores to quality new and select existing franchisees involving dozens of transactions and millions of dollars, meeting the objective of the Franchisor.

In the second phase of the program over 24 months, NFS supplemented the Franchisors internal Refranchising MGIP with sales for specific targeted markets to new outstanding franchisees with substantial development commitments and over twenty million in net proceeds to the Franchisor.



REFRANCHISING

INDUSTRY: Restaurant SEGMENT: QSR

BACKGROUND

El Pollo Loco, a Southwestern favorite in the fast food segment now operates and franchises over 400 units in the U.S.

PROJECT SUMMARY

In El Pollo Loco's earlier years, (mid 80's) the brand was struggling to grow and gain market share. With some of its company operated units operating at less than exciting levels, El Pollo Loco constructed a plan under the direction of Jerry Thissen (President of National Franchise Sales) to Refranchise more than 30 of their company operated restaurants.

PROJECT OBJECTIVES

- Reduce the number of lower volume units operated by Franchisor
- Raise Capital
- Improve average unit volume of company operated units
- Secure hands-on operators to focus on improving operations and profitability
- Secure new franchisees looking to grow and build additional El Pollo Loco's

ENGAGEMENT HIGHLIGHTS

- Between \$1,300,000 and \$1,800,000 was increased in pre-tax cash flow and EBITDA in the first year after the project was completed
- Over \$450,000 in cash deposits were received on possible future development of more than 45 new El Pollo Loco's wherein the revenue was recognized as income in future periods
- Almost \$8,000,000 was collected from the sale of the units
- Over \$1,000,000 in net book value of non-performing assets were retired from its books
- Franchisees ultimately helped grow the brand by building new units, revitalizing and improving the lower volume units, and the brand began an impressive growth period that lasted over 20 years



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REFRANCHISING

INDUSTRY: Restaurant **SEGMENT:** Fast Casual

BACKGROUND

Baja Fresh is a Fast Casual Fresh Mex concept founded in the early nineties, with approximately 300 units coast to coast.

PROJECT SUMMARY

Having suffered five years of sales declines, Wendy's sold Baja Fresh in 2007 to a group of investors headed by food service mogul and CEO David Kim. At that time the small national chain was comprised of 150 company and 150 franchised locations.

After implementing a number of measures to improve operating margins, Baja Fresh made a paradigm shift from investor franchisees, to seeking hands-on franchise operators.

To effectuate this cultural shift, and repay acquisition debt, Baja Fresh engaged National Franchise Sales (NFS) to rebrand the majority of its company stores.

PROJECT OBJECTIVES

The objectives were:

- To assist the company in establishing new internal resale processes
- To raise capital through the franchising and sale of select company owned stores
- To sell stores to new franchisees that had proved food service experience and were known to be hands-on operators

ENGAGEMENT HIGHLIGHTS

Over an 18 month period NFS:

- Developed and installed new internal resale processes for the Franchisor
- Provided financing sources for buyers even in the tough declining capital markets of 2008-2009
- Successfully completed more than two dozen transactions
- Generated net proceeds from the sale of less than half of the company owned units that exceeded the purchase price of the entire company



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REFRANCHISING

INDUSTRY: Restaurant SEGMENT: QSR

FRANCHISOR

Founded in 1964 and still owned by its founder John Galardi, Wiener Schnitzel is a 300 unit fast food hot dog chain headquartered in Southern California

BACKGROUND

While Wiener Schnitzel leases out the operations of nearly 100 of its company owned units under business facility leases, its franchise community holds approximately 200 stores. As such, Wiener Schnitzel has no company managers.

However, from time to time, situations arise whereby the company acquires an operating unit, and seeks to franchise it. Often times, these are in remote geographical areas where no other Wiener Schnitzel franchisees are located.

PROJECT OBJECTIVES

- To raise capital through the franchising and sale of select company owned stores
- To serve as a resource to the Franchisor and minimize the time and overhead demands upon the Franchisor for the refranchising effort
- To sell stores to new franchisees that had proven food service experience

ENGAGEMENT HIGHLIGHTS

- Successfully sold several Wiener Schnitzels in California and Texas on an as needed basis for the Franchisor
- Effectively served as an outsource resource for the company by utilizing its knowledge of the Franchisor, its personnel, and its franchisee criteria



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REFRANCHISING

INDUSTRY: Restaurant **SEGMENT:** Family Dining

FRANCHISOR

Since 1958 Sizzler has been a leader in family dining with over 270 units in the U.S. with many additional Sizzler Restaurants in other countries.

BACKGROUND

In Sizzler's 50 plus years of franchising, they have held a group of company operated units primarily in their core market of California with franchised locations spread across the country and the world.

PROJECT OBJECTIVES

- To raise capital through the franchising and sale of select company owned stores
- Stop operating several lower volume units, allowing hands on franchisees to pay closer attention to detail and improve the food quality, customer service and the unit economics

ENGAGEMENT HIGHLIGHTS

- Successfully sold several Sizzler Restaurants throughout the Southwestern US
- In addition to selling several underperforming units, Buyers also acquired development agreements opening the door to energized new franchisees looking to grow the brand





REFRANCHISING

INDUSTRY: Restaurant SEGMENT: Family Dining

FRANCHISOR

Coco's and Carrow's operates and franchises almost 300 family dining restaurants across the Western U.S. Both Coco's and Carrow's offer up three day parts with a good balance of business spread throughout the day.

BACKGROUND

The management team made a decision to move quickly on their Refranchising project and knew that National Franchise Sales was their best direction. They committed to move quickly, and openly supplied information knowing it would be used on a need to know basis only. This allowed for a quick and seamless transition to the new franchisees

PROJECT OBJECTIVES

- Refranchise 12-15 units with closings required by calendar year end
- Reduce the number of lower volume units operated by Franchisor
- Raise Capital
- Secure hands on operators to focus on improving operations and profitability
- Lock in a royalty stream that, in many cases, was equal to or exceeded existing cash flow

ENGAGEMENT HIGHLIGHTS

- Each restaurant had an Asset Purchase Contract locked in within 30 days of going on the market
- Met deadline to sell all restaurants in approximately a **4 month period**, including lease assignments, financing, Franchisor approval, liquor license transfers, etc.
- All locations required new franchisees to complete remodels, with all complying and upgrading the restaurants within the required timelines
- Raised necessary capital
- Exceeded Franchisor's expectations while working within a tight timeline



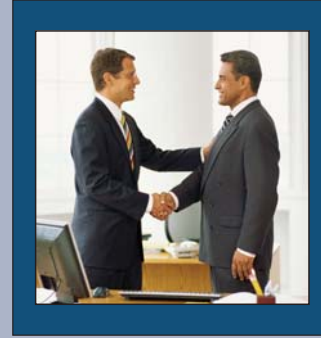
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**Tim Flemming, Senior Vice President
Denny's Inc.**


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National Franchise Sales (NFS), is a business brokerage firm specializing in the resale of franchise businesses and small chains that has come to be known as an industry leader by successfully assisting franchisees, franchisors, trustees, and lenders since 1978.

**National Franchise Sales' Refranchising Services
949-428-0480x102**



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