

# Daily NewsFax

Vol. 13, No. 1

Published by Lebhar-Friedman® Inc.

Monday, January 2, 2006

## JUST IN

BEAVERTON, Ore. — **SHARI'S MANAGEMENT CORP.** here, whose nearly 100 family restaurants make it the Pacific Northwest's family dining leader, was acquired Thursday for \$80 million by a consortium including big-name restaurant investors, led by foodservice newcomer **CIRCLE PEAK CAPITAL LLC**, thedeal.com reported. In addition to Shari's executives, the buyers reportedly included CapitalSource Finance LLC; Carlyle Mezzanine Partners LP, an affiliate of Carlyle Group; Falcon Investment Advisors LLC; Magnetar Capital LLC; Sankaty Advisors LLC, a unit of Bain Capital LLC; and Wells Fargo Foothill, a unit of the Foothill Group Inc. The sellers were **FAIRMONT CAPITAL INC.** of Yorba Linda, Calif., and **WINDJAMMER CAPITAL INVESTORS LLC** of Newport Beach, Calif.; they reportedly bought Shari's in 1999 for about \$60 million. New York-based Circle Peak's managing partner, **ADAM SMITH**, was quoted as saying Shari's generates \$150 million in sales.

DUBLIN, Ohio — **WENDY'S INTERNATIONAL** publicly parried accusations of shareholder disregard last week, countering one investor's claims of being blown off by management with assertions he'd actually tried to strong-arm Wendy's executives into addressing his demands for asset spinoffs and cost cutting. Wendy's released a letter sent Dec. 22 by chief executive **JACK SCHUSSLER** to **NELSON PELTZ**, whose **TRIAN FUND MANAGEMENT** hedge fund had asserted in a securities filing that it was rebuffed when it asked to confer with Schussler. Trian, controlled by Peltz and two other senior executives of Arby's parent Triarc Cos., said it was told Wendy's CEO was "too busy managing the brand to meet with us." In fact, Schussler said in his letter to Peltz, "you presented us with an ultimatum to meet with me within 48 hours or you would immediately file a 13-D" — a document that indicates an investor has purchased at least 5 percent of a public concern, which can affect share prices. Trian and its member funds filed a 13-D with securities regulators on Dec. 13 disclosing their effort to buy up to 9.9 percent of Wendy's but not to seek control of the company. In his letter Schussler said Peltz had refused to reveal Trian's intentions when the meeting was sought. A day earlier, Wendy's announced it had accelerated its stock repurchase program with the buy-back of 3.75 million shares for \$207 million. The No. 3 burger chain and parent of Tim Hortons and Baja Fresh Mexican Grill trumpeted the buy-back as proof of its commitment to maximize shareholder value.

LOUISVILLE, Ky. — **TEXAS ROADHOUSE INC.**, operator or franchisor here of 200 casual restaurants, said it had completed the acquisition of 11 franchised units in three states. Prices and sellers were not disclosed, but the company said the deals, forecast to add 2 cents to per-share earnings for the year, will result in a noncash, pretax charge of \$800,000 for the first quarter of 2006.

## JUST IN (cont'd.)

WICHITA, Kan. — **FOX & HOUND RESTAURANT GROUP** has spurned a buyout by two hedge funds to sign a merger pact with the private equity firm **LEVINE LEICHTMAN CAPITAL PARTNERS**, a former Quiznos owner. Under the deal, Levine would commence a tender offer for Fox & Hound outstanding shares at \$15.50 each by Jan. 6. Fox & Hound, operator here of 84 pub-style namesake and Bailey's restaurants, agreed last fall to be acquired for \$14 a share by Levine. That triggered a shareholder lawsuit alleging the bid was insufficient and drew a competing offer from a holding of Newcastle Partners LP and Steel Partners II LP, which recently sweetened the offer to \$15.50 a share, an amount Levine then matched. Fox & Hound, which pledged not to solicit alternative offers, already had agreed to pay Levine \$5 million if a different offer were pursued.

SCOTTSDALE, Ariz. — **CREATIVE EATERIES CORP.**, a franchisor here of several small chains, has scuttled plans to buy a stake in certain restaurant holdings of **FRANCHISE CAPITAL CORP.**, which owns 9 percent of Creative. FCC said that a deal to transfer ownership of the Kokopelli, Comstock Jake's, Cousin Vinnie's and Kirby Foo's chains was rescinded because of "several disputed issues," including "certain representations made or relied upon." However, Creative agreed to fund expansion of Kokopelli and Comstock Jake's through April in exchange for 50 percent of FCC's profits from the chains for the next five years.

## FINANCIAL BRIEFS

HOUSTON — **LUBY'S INC.**, the 131-unit cafeteria chain, posted a \$2.2 million first-quarter net profit, versus a \$1 million loss a year ago. Same-store sales rose 6.9 percent, as did revenues, to \$73.3 million.

SCOTTSDALE, Ariz. — **KONA GRILL**, operator of 9 American grill and sushi bars, forecast lower revenues and a steeper loss for 2006 and said five outlets would open later in the year than planned. Kona expects a per-share 2006 loss of 44 cents to 53 cents on revenues of \$49 million to \$51 million, vs. the previous 26-35 cents on \$53 million-\$55 million. Kona, which went public in August, said it still expects a 2005 per-share loss of 13 cents-23 cents on \$9.6 million-\$10.6 million in revenues.

## STOCKWATCH (shares over \$1)

Top Gainers	Pct. change	Fri. close	Biggest Decliners	Pct. change	Fri. close
Grill Concepts	6.67	\$3.20	Good Times Rests.	-3.81	\$5.05
Ark Restaurants	4.82	28.29	Peet's Coffee & Tea	-2.85	30.35
Granite City Food & Brew.	3.80	4.74	BJ's Restaurants	-1.85	22.86
Friendly Ice Cream	3.33	8.60	Starbucks	-1.64	30.01
Diedrich Coffee	2.58	4.85	P.F. Chang's China Bistro	-1.55	49.63
<b>NRN Stock Index</b>	-0.67	1,024.55			
<b>Dow Jones Index</b>	-0.62	10,717.50			