Chain Restaurant Merger & Acquisition Census

2010 Summary Report

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2010 Census Overview

The Census captured 89 announced transactions, a 33% increase from 2009. Three chains announced initial public offerings. Chains in trouble attracted buyers much more often than last year. Refranchised unit sales were a major component of the Census this year. Equity funds continued to favor the industry with activities in 35% of all transactions. Buyers increased their desire to diversify, accounting for a quarter of all transactions.

The Chain Restaurant Merger and Acquisition Census reports change of ownership activity for chain restaurants in the United States. In order to be counted in the Census, a meaningful change of ownership must have been announced. The Census does not include routine trades of restaurant securities on a formal exchange, but does include initial public offerings, subsequent stock offerings, significant investments and, of course, traditional mergers and acquisitions.

Restaurant chains qualify for the Census if either the acquirer or the target is headquartered in the United States and has at least four separate foodservice establishments of the same or different concept. Qualifying candidates include quick service, fast casual, full service and cafeteria/buffet firms.

Type of Buyer

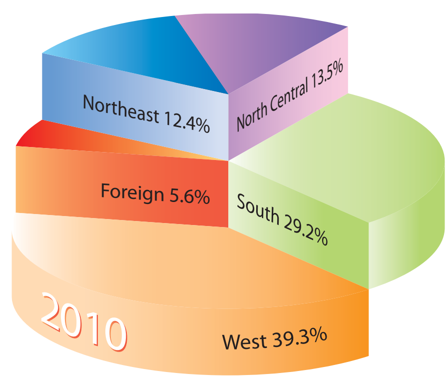
Equity funds investing in restaurant chains represented nearly 35% of all the transactions recorded this year. Thirty-one equity fund deals were announced, a 63% increase from last year's reported transactions. Reflecting several refranchising strategies, franchisees responded favorably to acquisition opportunities within their own system and avoided diversifying into other systems. Operators buying new concepts absorbed troubled chains and diversified their holdings back to the 2008 level, an 83% increase from last year.

Type of Buyer	# of Transactions	
Equity Fund	31	19
Franchisee acquiring units of their concept	24	18
Operator acquiring new concept	22	12
Franchisor acquiring franchisee of their concept	5	4
Owner acquiring more ownership	3	4
Public stock offering	3	1
Other	1	1
Franchisee acquiring franchisee of another concept	0	5
Management buyout	0	3
2010 Transactions / 2009 Transactions	89	67

Geographical Region of Target Company

The West region recorded the largest activity for the year. This region represented active franchise unit sales for franchisors located in the West, reversing the trend for the Southern region which has historically posted the largest number of transactions. Acquisitions of foreign companies involved domestic franchisors acquiring operations in India, Brazil, Japan, UK and Singapore.

Region of Target	2010	%	2009	%
West	35	39.3	18	26.9
South	26	29.2	34	50.7
North Central	12	13.5	5	7.5
Northeast	11	12.4	7	10.4
Foreign	5	5.6	3	4.5
Totals	**89**	**100.0**	**67**	**100.0**



Segment	2010	%	2009	%
Burger	20	22.5	10	14.9
Midscale	20	22.5	8	11.9
Ethnic	15	16.9	12	17.9
Pizza	8	9.0	5	7.5
Juice Bar	7	7.9	3	4.5
Sandwich	3	3.4	2	3.0
Chicken	3	3.4	3	4.5
Diversified	3	3.4	1	1.5
Family/Coffee Shop	2	2.2	9	13.4
Steak House	2	2.2	5	7.5
Seafood	2	2.2	4	6.0
Contract Feeder	2	2.2	3	4.5
Bakery	1	1.1	1	1.5
Fine Dining	1	1.1	0	0
Cafeteria	0	0.0	1	1.5
Totals	**89**	**100.0**	**67**	**100.0**

Industry Segment

QSR and Fast Casual chains led this year's activity with 60%, slightly better than last year. Several refranchising programs including Jamba Juice, Jack in the Box and Applebee's contributed to the increase in their respective segment numbers.

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The Census lists those transactions which have been announced during the Census year. Some of the transactions may not have been completed.

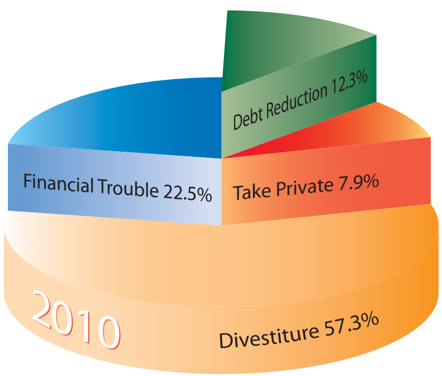
The goal of the Census is to provide restaurant executives with comparative industry information to assist in making major strategic growth decisions. In addition to buyer, seller and target names and locations, the Census obtains the following information:

- The category of buyer (franchisor acquiring franchisee, foreign company, operator buying unrelated concept, public shareholders, present owner acquiring more stock, etc.)
- Asset acquired (capital stock, assets, expansion rights, etc.)
- Reason the seller was selling the target (financial difficulty, divestiture, cash for expansion, pay down debt, etc.)
- Principal reason the buyer acquired the target (investment, conversion, new concept, etc.)
- Geographical region of target companies
- Industry segment (burger, chicken, pizza, family, cafeteria, etc.)

Because the vast majority of the transactions are private and confidential, purchase price information is normally unavailable. While this information is useful, some buyers and sellers do not allow publication of this information in the Census.

Information is compared with prior years to assist in identifying trends. The following information summarizes and compares the key statistics of the Census for 2010 and 2009.

Reason	2010	%	2009	%
Divestiture	51	57.3	46	68.6
Financial trouble	20	22.5	8	11.9
Debt reduction	11	12.3	3	4.5
Take private	7	7.9	4	6.0
Expansion of concept	0	0.0	4	6.0
Management succession	0	0.0	2	3.0
Totals	**89**	**100.0**	**67**	**100.0**

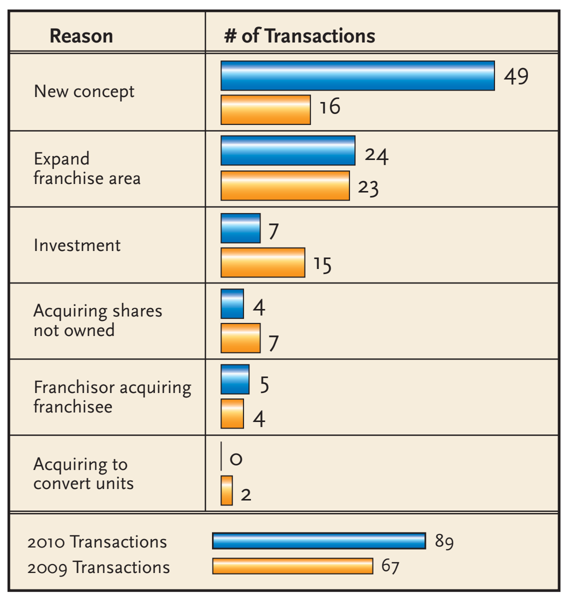


Reason for the Sale

More than twice as many financially troubled chains found new owners than last year representing about 23% of all recorded transactions. As in all prior years, most sellers indicated that their primary reason for selling was that the chain no longer fit their goals or objectives. Several transactions involving equity funds indicated that the new funding will be used to pay down existing debt.

Reason for the Purchase

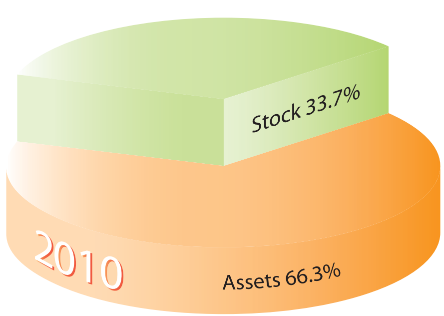
Acquisitions of new concepts by existing restaurant chains and new franchisees increased by over 200% this year, following a 58% decline in 2009. Many of these transactions were the result of refranchising programs to new franchisees. Investors buying minority positions declined as equity funds and individual investors proceeded cautiously in providing investment capital to the industry. Franchise acquisitions by existing franchisees continued to be a popular growth strategy.



Type of Deal

The large number of asset purchases continued the trend from the last several years where buyers favor purchasing assets for tax and liability reasons. In almost all cases involving franchisee purchases and in all cases involving bankruptcy sales, the transactions were asset purchases.

Type	2010	%	2009	%
Assets	59	66.3	46	68.7
Stock	30	33.7	21	31.3
Totals	**89**	**100.0**	**67**	**100.0**



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J.H. CHAPMAN GROUP, L.L.C.

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