

2001 CHAIN RESTAURANT MERGER & ACQUISITION CENSUS

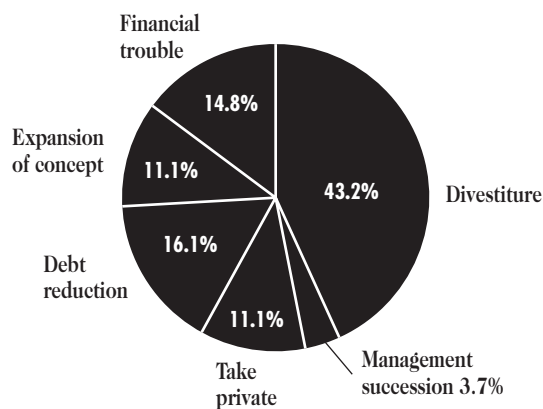
SUMMARY REPORT

PREPARED BY:
DAVID L. EPSTEIN, PRINCIPAL
J.H. CHAPMAN GROUP, L.L.C.

DEPSTEIN@JHCHAPMAN.COM
773.693.4800

REASON FOR THE SALE

Divestitures of chains controlled by individuals or investment groups were much more prevalent than spinoffs by large restaurant chains. Companies in financial trouble had difficulty finding buyers at suitable prices. Public offerings listed a reduction of debt as the major reasons for the sale of their stock. Continuing the trend established two years ago, nine public companies went private, more than twice the number that went public.



	2001	%	2000	%
Divestiture	35	43.2	62	47.0
Debt reduction	13	16.1	8	6.0
Financial trouble	12	14.8	43	32.6
Expansion of concept	9	11.1	12	9.1
Take private	9	11.1	6	4.5
Management succession	3	3.7	0	0.0
Unknown	0	0.0	1	0.8
	<u>81</u>	<u>100.0</u>	<u>132</u>	<u>100.0</u>

INDUSTRY SEGMENT

The ethnic segment led the Census for the first time in many years. Midscale restaurants posted a decline as financing for larger sized units diminished. Many of the companies taken private were quick service concepts, specifically in the sandwich segment. Full service concepts decreased their share of the number of transactions captured; however, over 50% of all transactions were in QSR.

	2001	%	2000	%
Ethnic	10	12.4	17	12.9
Midscale	9	11.1	19	14.4
Contract Feeder	9	11.1	9	6.8
Family/Coffee Shop	8	9.9	23	17.4
Sandwich	8	9.9	4	3.0
Burger	7	8.7	18	13.6
Pizza	6	7.4	11	8.4
Ice Cream	5	6.2	5	3.8
Chicken	4	4.9	6	4.5
Bakery	4	4.9	6	4.5
Fine Dining	2	2.5	0	0.0
Seafood	2	2.5	3	2.3
Cafeteria	1	1.2	3	2.3
Steak House	1	1.2	2	1.5
Dinner House	1	1.2	1	0.8
Juice Bar	1	1.2	0	0.0
Diversified	3	3.7	5	3.8
	<u>81</u>	<u>100.0</u>	<u>132</u>	<u>100.0</u>

REASON FOR THE PURCHASE

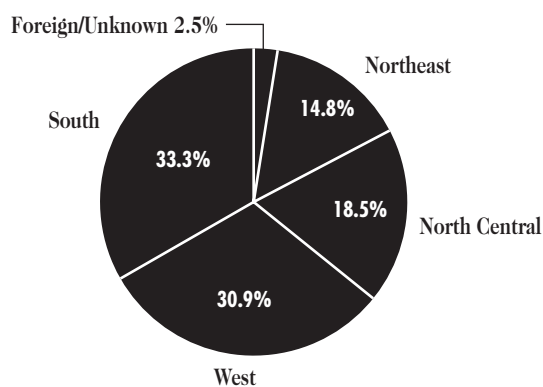
Acquiring a new growth concept remains the most frequent reason given by buyers. In 20% of all private transactions, shareholders chose to buy other shareholders' interest in the same company. Prompted by adequate franchisee financing, many franchisees expanded their territories with their own concept.

Reason	# of Transactions
Investment	23
New concept/diversification	46
Expand franchise area	40
Acquiring shares not owned	16
Franchiser acquiring franchisee	8
Acquiring to convert units	7

2001—81 Transactions
 2000—132 Transactions

GEOGRAPHICAL REGION OF TARGET COMPANY

For the third year in a row, the Southern region lost ground to the Western region. As in prior years, foreign buyers have not been attracted to restaurant chains in the U.S.



Region	2001	%	2000	%
South	27	33.3	48	36.4
West	25	30.9	36	27.3
North Central	15	18.5	23	17.4
Northeast	12	14.8	25	18.9
Foreign/Unknown	2	2.5	0	0.0
	<u>81</u>	<u>100.0</u>	<u>132</u>	<u>100.0</u>

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

9700 HIGGINS ROAD
ROSEMONT, ILLINOIS 60018
773.693.4800 FAX 773.693.6255
WWW.JHCHAPMAN.COM

5956 SHERRY LANE, SUITE 1000
DALLAS, TEXAS 75225
214.365.5271 FAX 214.365.5270

65 AVENUE KLEBER
75116 PARIS, FRANCE
331.44340857 FAX 331.44340858