

FAST FORWARD

A newsletter from the Association of Taco John's Franchisees

December 2015

FROM THE PRESIDENT

by Bryon Itterman

Over the past several months, we've continued to measure strong sales growth at levels above industry trends. Hopefully, good sales are providing profit increases for you.

Throughout the summer and early fall of 2015, the ATJF board has been engaged in a number of important activities. I would like to update you on current key initiatives.

In July, the ATJF board of directors met with the TJI senior management team to hear updates from each Taco John's department. This provided the opportunity for franchisee feedback and discussions, including:

- o **Supply Chain** – Discussed how availability of product for LTO's will be assured going forward. We also requested that when the beverage contract comes up for negotiation, franchisees be involved in the process.
- o **Marketing** – The integration of national digital with local digital was discussed, as well as the current production procedures for graphic materials. There was also a discussion on how to invest additional marketing dollars.
- o **Taco Meat Standard** – TJI announced its plan for precooked taco meat being the standard for all restaurants in 2016. The ATJF board of directors provided a position statement via

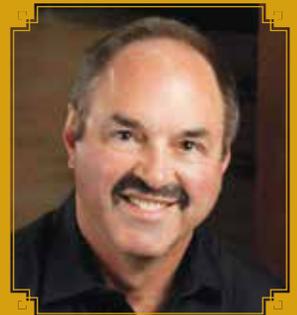
email to ATJF members in late October.

- o **Development** – It was announced that multi-store deals were made in the Indianapolis, IN, market—including a popular gas and convenience store chain along the interstate. To promote more new restaurant development, we recommended an established franchisee committee work with TJI to improve the Taco John's business model.

ATJF Strategic Planning – In early September, the directors met in Minneapolis for two days to discuss Taco John's direction for the coming years. We left the meetings with identified priorities to guide our efforts going forward. They are summarized within the following statement:

To enhance the value of ATJF membership; while identifying new and additional sources of revenue; further strengthening the ATJF's position with TJI; and contributing to improving the Taco John's economic business model in order to reduce the initial investment, improve the ROI and encourage new restaurant growth.

I am pleased to report that the work and negotiation for the new Franchise Agreement and Amendment is now behind us. As previously reported, the ATJF board and its task force (along with the



Our Mission

"TO PROVIDE OUR MEMBERSHIP AN ENVIRONMENT FOR INCREASING LONG-TERM PROFITABILITY IN SUPPORT OF IMPROVED BUSINESS VALUE AND BRAND EQUITY."

Continued on page 2

Association Directory

ADVERTISING PRODUCTION COMMITTEE

Rick Kammerer, Chairman	<i>brewed4me@aol.com</i>	641-420-2230
Jeff Bremer, Vice Chairman	<i>jbremere@quikserve.com</i>	402-884-2799
Jim Atkinson	<i>jdatkinson@charter.net</i>	507-451-2023
Doug Heidebrink	<i>tacos@premieronline.net</i>	712-545-4008
Brian Fuder	<i>tacojohn@prtel.com</i>	218-998-1993
Lance Peterson	<i>lancep@midco.net</i>	507-238-2322
Alex Habeeb	<i>alexanderhabeeb@yahoo.com</i>	815-939-1313
Ted Miller	<i>tedkmiller@gmail.com</i>	605-728-6616
Dale Gossett	<i>gossettdc@msn.com</i>	701-226-2567
Eric McBroom	<i>emcbroom22@yahoo.com</i>	763-390-7092

These franchisees serve on various boards and strive to represent your interests. Call them with your questions, comments, and concerns. They want to hear from you.

ASSOCIATION BOARD OF DIRECTORS

Bryon Itterman President	<i>itterman@pentexmanagement.com</i>	605-229-2005
Jeff Brands 1st VP & Supply Chain Liaison	<i>jbrands@tj-cb.com</i>	605-367-0848
Walt Cressman VP, Secretary & Insurance Liaison	<i>waltcres10@aol.com</i>	612-804-9200
Rick Kammerer VP, Treasurer & Marketing Liaison	<i>brewed4me@aol.com</i>	641-420-2230
Scott Dominiack VP & Operations Liaison	<i>scottdom@usa.net</i>	605-692-6900
Mike Sartwell VP & Development Liaison	<i>mikesartwell@gmail.com</i>	701-838-3996
Gary Wofford, Executive Dir.	<i>garywofford@atjf.net</i>	877-455-4749

To learn more about Association membership or committee or Board participation, contact any member of the Board of Directors or the Association office by phone at 877-455-4749 or by email to ATJFranchisees@comcast.net.

FAST FORWARD – NOVEMBER 2015

Continued from the previous page

Association's legal counsel) worked closely with TJI to influence the language on certain key areas to be friendlier to franchisees. As a result, the financial impact to the final language can be measured as being beneficial to franchisees going forward. More details of this financial impact will be shared during the April 2016 membership meeting at convention.

ATJF Member Survey – I want to thank those members who completed the recent member survey. We pay attention to the responses and they will prove beneficial to the board in establishing the proper priorities for our actions going into next year. In keeping with our mission to create an environment for long-term profitability, we

want to be sure we are representing the desires of our membership. The survey responses will be

helpful in keeping us focused on what is most important.

Timelines and action steps along with the survey results will be shared with the membership during the April 2016 annual membership meeting held in conjunction with the National Franchisee Convention in Hilton Head Island, SC.

Speaking of the National Convention, we are excited to host the 2016 event at the Hilton Head Marriott Resort & Spa. This is our annual opportunity to get together and spend quality time with one another. Please mark your calendars for April 11-14, 2016.

Thank you for your support of the Association. If you have questions, comments, or suggestions, please do not hesitate to contact us. We want to hear from you.

In closing, I would like to wish you a safe, healthy, and enjoyable holiday season!



2016 MARKETING CALENDAR AND CAMPAIGN UNVEILED

By Rick Kammerer, VP, Treasurer & Marketing Liaison

The Taco John's Advertising Production Committee (APC) held its most recent meeting Sept. 9-10. The 2016 Marketing Calendar was presented as well as a new campaign starting in 2016. TJI projects a 1% transaction and 3.5% sales growth for 2016.

The 2016 calendar will be highlighted by five LTOs. There will be three strike promotions, a breakfast focus, and the old standby, Nachos Navidad®.

2016 CALENDAR

- 12/28-1/17: Meat and Potato Burrito strike for \$2.49
- 1/18-3/20: Fish Tacos
- 3/21-5/22: Street Tacos featuring shrimp
- 5/23-7/24: Walking Tacos with possible new build
- 7/25-9/25: Quesadilla Tacos
- 9/26-11/27: Chicken Sopapilla Taco
- 11/28-1/1: Nachos Navidad with Apple Grande

The other two strike promotions will be Cinco de Mayo (5/1-5) and Six-Pack and a Pound® (11/4-27). Work is also underway for a Breakfast Spotlight from 9/5-10/2. Beverage promotions are also planned to include Boyer's Coffee, Lipton® Iced Tea, and some variation of summer drinks.

"I AM TACO" CAMPAIGN

It was decided that it is time to move away from our spokesperson, Corey Landis. Corey served the position well with

some great commercials and nice sales increases, but all relationships must come to an end. Lawrence & Schiller presented the Committee with two concepts for a new campaign, and "I AM TACO" won out. You will begin seeing this new campaign with the 2016 Fish Tacos.

New breakfast and value spots are being produced for both TV and radio. There will be multiple versions for each value day, which will allow co-ops to rotate spots and not get tired of the same spot.

The Taco John's Marketing Department is making the following recommendations for 2016 media spending:

- 85% of the budget would be spent on the LTOs, and 15% would be spent on the strike and value promotions.
- For each promotion, TJI is recommending 70% traditional media and 30% digital or alternative media.

INCREASED DIGITAL BUDGET

With the additional media dollars Taco John's will receive due to the Amendment to the Franchise Agreement, they plan to increase their digital spending. In 2015, \$350,000 was spent on paid placement and \$75,000 was spent on digital engagement. In 2016, they are budgeting \$1 million on placement and \$500,000 on engagement.

If you have any questions or input, please contact any APC member. The names and contact information of committee members are listed in this newsletter. 



ATJF INSURANCE PROGRAM UPDATE

We have just completed the renewal process and are pleased to have retained 100% of the accounts written through the Association Insurance Program (AIP). Thank you to all franchisees that are participating in the program.

One of the primary benefits of participating in the AIP is sharing in the dividends earned by the group. The loss experience is collectively pooled and the loss ratio of the entire group is calculated. When the group performs well as a whole, dividends are paid. The AIP can earn a dividend on the business owner's policy and/or the workers compensation policy.

TIMELY REPORTING CAN SAVE COSTS

One element that we have been specifically tracking is reporting of workers' compensation claims. The National Council on Compensation Insurance (NCCI) has conducted a study on claim reporting and has found the following:

1. Claims reported from day 15-21 after the injury are 35% more costly than claims reported during week 2.
2. Claims reported from day 22-28 after the injury are 51% more costly than claims reported during week 2.
3. Claims reported day 15 and after have higher indemnity (lost time from work) than medical costs, have greater attorney involvement, and lower closure rate at 18 months.



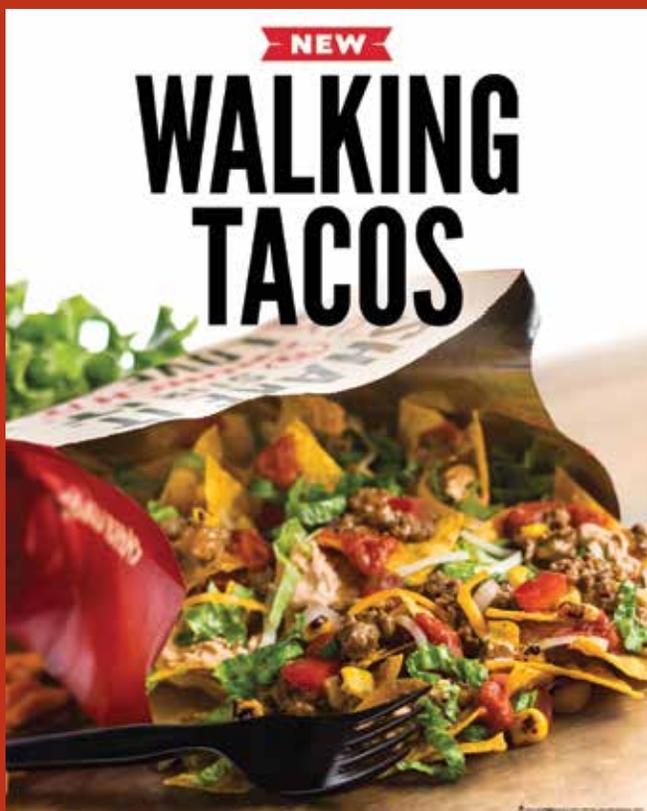
Currently, over 20% of the claims reported in the AIP are being reported more than 15 days after the injury. We feel strongly that we can reduce the work comp loss ratio considerably if we work to get the claims reported in a timely manner. Early intervention by the claims department does help considerably to reduce the costs with many work comp claims.



AMY OLSON-MILLER
PRESIDENT, MCKINNEYOLSON
INSURANCE

Please make sure the store managers understand the importance of timely reporting. If you need first report of injury forms, please contact our office and we will get those sent out to you. We also have training materials available with regard to burns, slip and falls, lifting, and other workplace-type injuries. Please let us know if you would like to receive any of these materials.

The dividend and loss control services are just two of the benefits of the AIP. Keep in mind that participants receive preferred pricing and enhanced coverage as well. We can also write builder's risk coverage, flood coverage, and employment practices liability insurance for all franchisees. Please contact me or Lori Hilmoe at 1-800-431-6714 for any questions about the program or a quote today.



ELECTION UNDERWAY FOR NEW ATJF BOARD MEMBERS

With the retirement of Rick Kammerer (Mason City, IA) and Jeff Brands (TJ of Iowa) from the Association board at the end of the year, two new board members will be elected to fill the vacated seats.

For the past several years, Rick and Jeff have been key contributors to the Association, and their leadership and experience will be missed. Rick also serves as Chairman of the Ad Production Committee, and Jeff serves on the Purchasing/Distribution and Technology Committees. We all owe our appreciation and a special thank you to Rick and Jeff for their time, dedication, and commitment to their fellow franchise owners.

The candidate nomination process concluded Nov. 16, with election ballots due no later than Dec. 15, 2015. ATJF directors are asked to participate in regularly scheduled monthly teleconference meetings and typically one or two personal meetings (requiring travel) with representatives of Taco John's International each year. Additionally, each director will be assigned a liaison responsibility for a Taco John's department and/or Franchisee Committee for the purpose of communications. ATJF board members also have certain responsibilities for the National Franchisee Convention.

The two new directors will be announced in January 2016 as they begin their initial three-year terms.



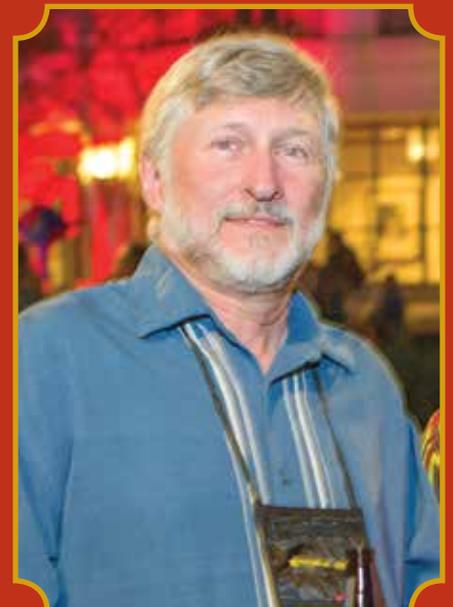
KEVIN VANCE TRIBUTE – (IN MEMORIAM)

Kevin Vance has been a member of the Taco John's family since 1982. During that time, he has worn many hats: franchisee, co-op officer, committee member, association president, mentor, colleague, and friend to many. Kevin was passionate about Taco John's and was a leader in the franchise community. Kevin loved creating and building things. That passion took him from a single restaurant to an organization with multiple restaurants in Wisconsin and Minnesota.

Kevin also freely shared his time and talents with his local community in the Hudson, WI, area through active involvement in many organizations and community projects.

At his core, Kevin was passionate about his family and friends. Many of us reading this tribute have benefited from Kevin's willingness to share his passion, humor, wisdom, and drive with others.

As his friends and colleagues within the Taco John's family, we will continue doing business and living life; but it will be a little less fun because he is not here to share it with us.



ASSOCIATION OF TACO JOHN'S
FRANCHISEES, INC.
13563 Marion Drive
Thornton, CO 80241

2016 NATIONAL CONVENTION ANNOUNCED

By Gary Wofford, Executive Director

The Association Board of Directors is excited to announce the location and dates for the 2016 Taco John's Franchisee Convention and Vendor Show.

HILTON HEAD MARRIOTT RESORT & SPA – HILTON HEAD ISLAND, SC – APRIL 11-14, 2016

Convention attendees will enjoy a premier, world-class oceanfront resort hotel. Hilton Head, SC, offers you an island escape in utter paradise. This outstanding family-friendly retreat also offers a wide array of impressive amenities, including golf, tennis, biking, parasailing, and never-ending views of sandy beaches and the Atlantic Ocean. This is an unbeatable location that allows convenient access to a variety of nearby destinations, including shopping and popular tourist attractions.

Be on the lookout for comprehensive information and a registration package that will be mailed in December. Additional information will be made available on the Association's website – www.atjf.net.

We are selecting speakers and organizing a schedule of events that will be of value and interest to franchise owners and key restaurant management.

So save the dates and begin making plans to join us in April in Hilton Head! 