

FAST FORWARD

A newsletter from the Association of Taco John's Franchisees

June 2013

Fast Forward

2013 NATIONAL CONVENTION REVIEW

The beautiful and historic Renaissance Vinoy Resort was the setting for the March 2013 Taco John's National Convention.

This year's theme – "Spotlight on the Future" – was supported by the introduction of new leadership at TJI with attendees welcoming new President & CEO Jeff Linville.

Jeff has more than 28 years of experience in the restaurant industry. He most recently served as senior vice president for Arby's Restaurant Group. Jeff shared with convention attendees his excitement about joining the Taco John's team, and that he's looking forward to our future growth, innovation, and rejuvenation of our brand.

It's so exciting each year to see the new additions to the "Diamond" categories, recognizing outstanding achievement in sales volume for the year. Thirteen new restaurants were added to the Diamond Circle that recognizes sales of more than \$1 million, and 15 restaurants were added to the upper Diamond categories recognizing sales up to \$2 million-plus. In total, 2012 produced 88 restaurants with Diamond credentials!

However, there is one location that stood above all the rest. The Founder's Cup winner and sole member of the Platinum Club (sales of more than \$3 million) is Williston, ND.

Congratulations to franchise owner Mike Sartwell, Rick Sartwell, and the entire Williston team!

Jeff Brands, President of Taco John's of Iowa Inc., received the prestigious Leadership Award for 2012. Jeff and his organization were heralded for their strong community involvement and pursuit of excellence in the Des Moines, IA, market area. Jeff is a past president of the Association, a current board member, and serves on the Technology Task Force and Franchise Agreement Task Force.

In addition to the introduction of Jeff Linville during the first business session, attendees were treated to an outstanding presentation by keynote speaker Scott McKain, who discussed "Creating Distinction." The second business session featured guest speaker Troy Hazard, who shared insights into how to "Future-Proof Your Business."

During the annual ATJF membership meeting, Ross Manson of EideBailly's Fargo, ND, office presented a comprehensive seminar on the Affordable Care Act a/k/a "ObamaCare" and its effect on franchise owners. The reality of this new healthcare law will have major impacts into 2014 and beyond. Copies of the seminar slides are available through the ATJF office.

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Our Mission

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

2013 LIMITED-SERVICE OUTLOOK

The limited-service eating place segment is expected to post \$225.4 billion in sales this year, up 4.6 percent from \$215.4 billion in 2012. In inflation-adjusted terms, limited-service sales are expected to increase 1.5 percent in 2013, down from a 2.2 percent real gain in 2012.

Within the segment, quick-service restaurant sales are expected to total \$188.1 billion, up 4.9 percent from 2012. Snack and nonalcoholic beverage bars are projected to register \$29.1 billion in sales, up 4.3 percent. Cafeterias, grill buffets, and buffets are expected to post 8.3 billion in sales, up 0.1 percent.

CHIEF CONCERNS

Although business conditions are expected to remain generally positive, operators in the limited-service segment said complying with health care reform would be their top challenge this year. That includes 31 percent of quick-service and 18 percent of fast-casual operators.

They also identified food costs as a continuing difficulty. In fact, 28 percent of fast-casual and 26 percent of quick-service operators said it would be their number one challenge this year.

Nineteen percent of fast-casual and 11 percent of quick-service operators cited the economy as their leading concern.

Despite these anticipated problems, many expect business to improve this year. However, that sentiment isn't universal: 54 percent of fast-casual operators expect their sales to be higher in 2013, while just 6 percent expect a sales decline. In comparison, 36 percent of quick-service operators expect their business to improve this year, and 10 percent anticipate lower sales.

FACTS AT A GLANCE

- **\$660.5 billion:** Restaurant industry sales projected for 2013.
- **980,000:** Number of restaurant locations in the United States.
- **4%:** Restaurant industry sales share of the U.S. gross domestic product.
- **\$1.8 billion:** Restaurant industry sales on a typical day in 2013.
- **13.1 million:** Number of restaurant industry employees.
- **47%:** Restaurant industry share of the food dollar.
- **93%:** Percentage of eating and drinking places with fewer than 50 employees. (Source: National Restaurant Association April 2013)

2013 NATIONAL CONVENTION REVIEW *Continued from page 1*

The annual vendor exhibit show was a big hit. Attendees were able to see, firsthand, the newest steam table and enjoy the taste of the new line-up of Santa Fe menu items. Attendees had the opportunity to interact with Taco John's suppliers to learn what's new and get questions answered directly. The annual show is always a huge hit among attendees and exhibitors!

Throughout the events and in addition to the business agenda, there was great food and drink and a lot of fun and social interaction with the kick-off welcome reception, cocktail parties, awards banquet, baseball game, and golf tournament. The activities concluded with the farewell casino party and raffle drawings.

WHERE ARE WE GOING IN 2014?

Research is underway, and it is our plan to announce the location and dates for the 2014 Taco John's National Convention by early summer 2013.

2013 NATIONAL CONVENTION SURVEY RESULTS

Attendees were asked to rate convention events through an online survey. This feedback will be very helpful in planning further events.

(5 = Excellent; 4 = Very Good;
3 = Adequate; 2 = Fair; 1 = Poor)

GENERAL SESSIONS

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YOU'RE COVERED WITH THE ATJF INSURANCE PROGRAM

Probably the most common question that we as an agent are asked when working with a Taco John's franchisee is "How much coverage do I need?" When it comes to liability coverage, your franchise agreement requires that you carry \$1,000,000 limits for any one occurrence, with an additional \$5,000,000 umbrella policy for one location or \$10,000,000 for multiple locations. Because the limits on the Allied policy are on a per-location basis, franchisees are able to purchase the \$5,000,000 limit and still meet the franchise requirements. This makes the umbrella pricing with the Association Program very competitive.

When it comes to property coverage, it is extremely important that you be insured to value. This means that you want to be insuring your property for its full replacement cost. Don't base the limits that you carry on the amount of coverage the bank says you need to have—or what you believe the market value of your restaurant is. Instead, consider what it would cost to replace your building and everything inside in the event of a total loss. The policies written through the Association Insurance Program are on a replacement cost basis, but only up to the limit shown on the declarations page. For buildings that you own, the following should be included in the building limit: the cost to build the structure itself, all attached equipment (i.e. steam tables, walk-in coolers, seating packages, etc.), and signage that is attached to the building. Basically anything that you can't pick up and carry out of the building should be considered building. For a guideline, Allied recommends a minimum of \$350 per square foot. Because construction costs do vary in different parts of the country, we do ask that everyone review their limits for adequacy.

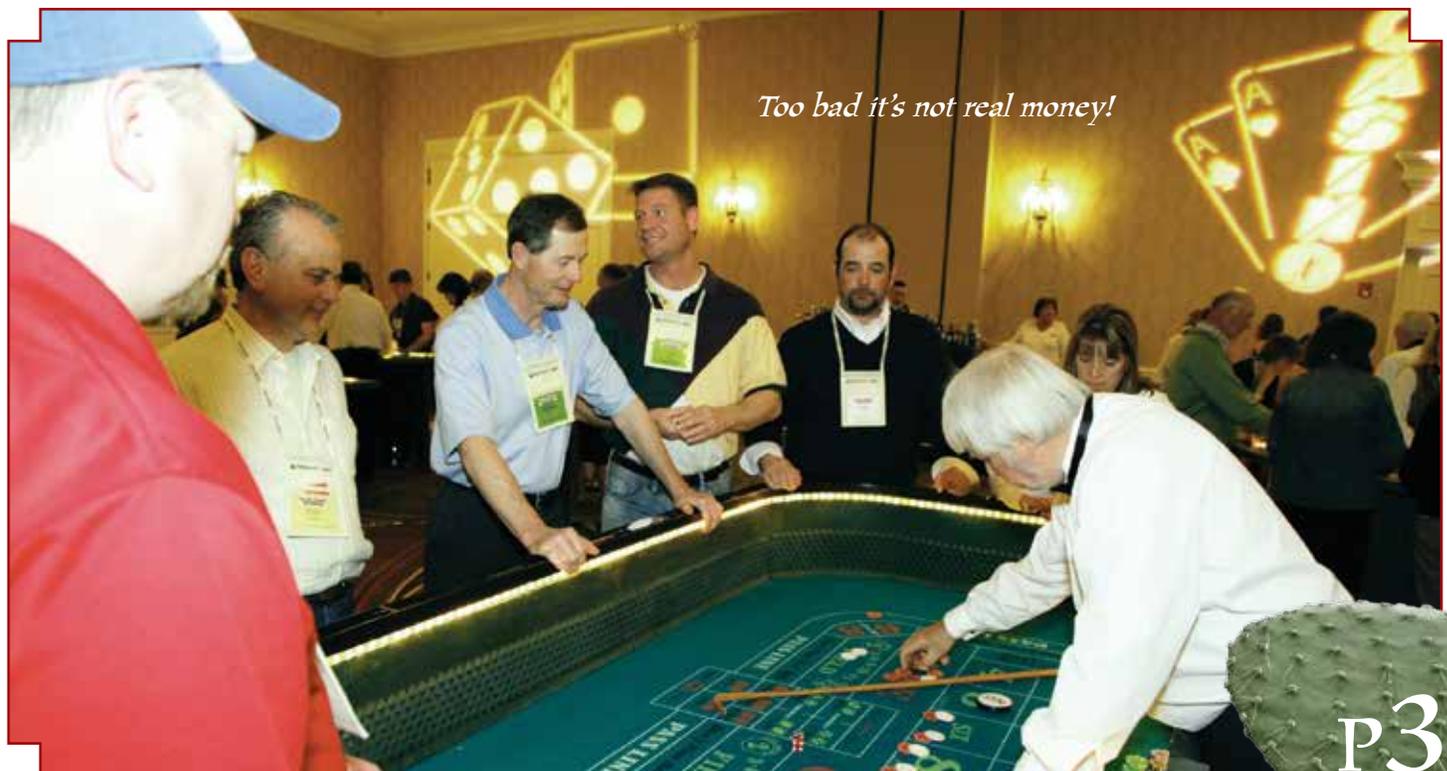
For leased properties, the lease normally will require that you insure all the betterment and improvements. This falls under business personal property rather than building coverage. Also under your business personal property limit are all your small wares, decor, inventory, and personal property. Allied's loss control department is available to do surveys of your property as well. In addition to their working up replacement cost estimates, they will do an inspection of your operations and make recommendations for improved safety if need be.



AMY OLSON-MILLER
PRESIDENT, MCKINNEYOLSON
INSURANCE

These are just the basic insurance coverages that you need to consider. One of the main advantages of the Association program is the comprehensive coverages that are offered exclusively through McKinneyOlson Insurance. We have been writing the insurance program since 1994. We know Taco John's and the exposures you face. Keep in mind that in addition to the property and liability coverage, we are able to write your workers compensation, commercial auto, flood, and employment practices liability insurance.

Please give me or Lori Hilmoe a call at 1-800-431-6714 if you have any questions regarding your current coverage with us or if you would like a quote through the program.



JEFF BRANDS RECEIVES LEADERSHIP AWARD

While most Taco John's awards are presented annually, the Leadership Award stands apart. As award presenter Renee Middleton said at this year's convention, "Tonight we are taking the opportunity to recognize an individual for an award that we don't routinely present until the actions of such a person rise up, commanding the bestowing of the Taco John's Leadership Award." This year, that individual was Taco John's of Iowa president Jeff Brands.

In her introduction, Renee highlighted a number of accomplishments that merited the Leadership Award, including:

- A well-thought-out organizational structure that provides guidance and support to Jeff's restaurant management teams.
- A commitment to developing talent and promoting from within, evidenced by the fact that Jeff's director of operations and multi-unit managers are all products of the Taco John's of Iowa organization.
- Full engagement in the Guest Satisfaction and Mystery Shopper programs and aggressive use of that feedback to provide consistently great operations.
- A high degree of organizational support for various Association initiatives, evidenced by the fact that they are often early adopters.
- Active organizational support of numerous community organizations and causes, such as MDF – Jerry's Kids, the local zoo, scouts, and area libraries.
- Jeff's support of the franchise community through his participation in the Operations Committee, Menu Committee, Technology Task Force, the Franchise Agreement Task Force, and as a past president of your association.
- Jeff's efforts on behalf of the franchise Association to crunch the numbers and present the Profit Review.
- Finally, ongoing growth evidenced by the fact that Taco John's of Iowa has recently opened two new restaurants, relocated another, and will open two more later this year.

TEAM AWARD

Jeff is quick to acknowledge that these accomplishments aren't really attributable to one person, but result from the efforts of a talented team. "I'm a strong believer that you'll get better results as a team than any one of us could produce on our own," Jeff explains. "Five years ago we redesigned our structure to make it more team based. It's taken awhile to bear fruit, but we have a number of people speaking up now and that leads to better decisions. I was blessed to receive the award, but it is an award for the entire organization."

It's not hard, however, to see how Jeff's personality percolates through Taco John's of Iowa and drives his commitment to the Association. "My personal goal is to glorify God and add value to other people," Jeff states. "My focus is on doing



Taco John's of Iowa CFO Maria Walz, director of operations Joey Velez, and president Jeff Brands.

what I can to add value to the people in my organization, and that just carries over into adding value to the brand. That's why I'm involved with the Association. There are a lot of very smart people in the Taco John's organization. When we work together with Taco John's International, we move the entire brand forward."

Jeff also notes that Association involvement is a two-way street. "I contribute where I can, but I also learn a great deal from others," he says. "I always take away more from our meetings than I give, and I apply those ideas to our organization."

"The Leadership Award is a great honor, and it's humbling," Jeff concludes, "but I'm really not that fond of the spotlight. I would prefer to recognize Joey Velez, our director of operations; Maria Walz, our CFO; Carrie Styles, our project manager; and our restaurant coaches, Justin Cornelius, Tim Bieker, Jake Staples, Jennifer Cronin, and Aaron Wolfe. These are the people who make it happen."



Jeff and Leanne Brands show off the Leadership Award.

Association Directory

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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.

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.



Remembering Greg Chirrick
Taco John's - Billings, MT
July 26, 1969 - April 24, 2013

LOCATION COUNT

TRADITIONAL: 400

MEXPRESS®: 3

TOTAL: 403

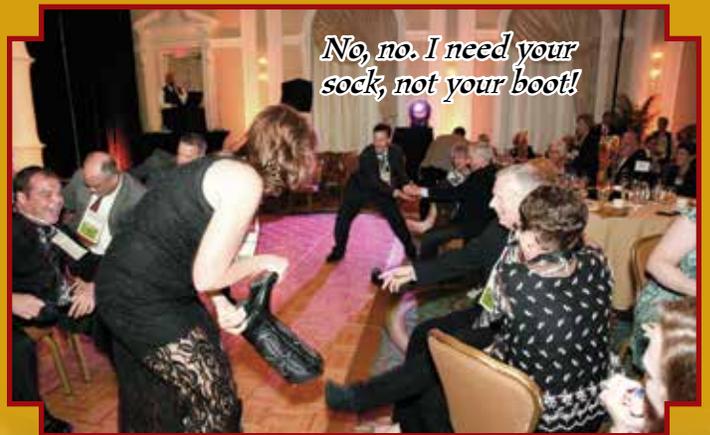
PHOTOS FROM THE 2013 TACO JOHN'S NATIONAL CONVENTION



New to exclusive Diamond Jubilee Club: Bryon Itterman and John Bissell, along with the Gary and Sarah Gimbel family.



*Musical Chairs—
TJ Style.*



*No, no. I need your
sock, not your boot!*

*Taco John's Casino—
Lots of fun for everyone!*



Greg and Patty Tarrant of Marion, IL, enjoying the welcome reception.



Fred Frederes of St. Joseph, MO, Russ Mikolasy of Calavo Foods, and Ken Creasey of Lawrence, KS.



Janet Taylor and Nona Holmes present Founder's Cup to Mike and Rick Sartwell of Williston, ND. Tops in sales!



Jeff Linville presents Jeff Brands, president of Taco John's of Iowa, with the prestigious Leadership Award.



ADVICE SOUGHT IN VISA/MASTERCARD ANTITRUST SUIT SETTLEMENT

On behalf of the membership, the ATJF has sought legal advice related to the July 2012 \$7.2 billion settlement of the Visa/MasterCard class action suit.

The settlement is the culmination of a lawsuit brought in federal court on behalf of roughly seven million merchants in 2005. Merchants said that the companies engaged in price-fixing to charge high fees for processing credit and debit card payments.

Announced in July, the \$7.2 billion settlement is intended to resolve seven years of antitrust litigation between merchants and credit card companies and their banks over so-called "swipe fees" that retailers pay to process credit card transactions.

But in the months since it was filed, a number of major retailers and trade groups have said they would rather have no deal than the one that court-appointed lawyers negotiated on their behalf. In October 2012, 10 of the 19 trade groups (including the National Restaurant Association) and stores that led the litigation against the card companies said they would ask the U.S. District Judge to reject the settlement.

The ATJF has sought legal advice on behalf of Association membership. The following is a summary:

- There is a fairness hearing scheduled for September 2013, and there is uncertainty about what the settlement will look like until after this hearing.
- The settlement may not be approved or may be modified with the September hearing.
- Advice to Association clients is to "hold up" before suggesting their members get involved with any particular recovery companies.
- Many potential beneficiaries of the settlement believe the settlement is not fair, based on the fact Visa and MasterCard will be allowed to continue to overcharge going into the future. They have been overcharging for some period of time, and the settlement will allow them to continue to charge at that rate in the future.

In closing, it is probably going to make sense for most franchisees to accept the settlement, whatever it might be. However, it is not recommended that anyone sign up with a recovery firm in the immediate future. There will be several competing companies that will be able to assist people. Waiting will allow for a fuller picture of which company can do the best job at the most efficient price. 