

CRITTENDEN'S  
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On The Menu

**Flynt Hustles Up  
Restaurant Chain**

1®I One can only imagine what the decor will be, but it's sure to raise some eyebrows as **Hustler Magazine's Larry Flynt** launches a chain of casual-themed restaurants, aptly named **Hustler Bar & Grille**. The obvious choice for its first location ...Las Vegas. Flynt is looking at the Strip while **Brad Saltzman**, president of Hustler Bar & Grille, is seeking hoteliers and developers with possible locations. **Gerald Bernard Hospitality** has a licensing agreement to run the operation.

The female wait staff, **Hustler Hunnies**, will wear tight midriff-bearing T-shirts and short-shorts, but Flynt expects it to be a class operation an upscale version of **Hooters**. Hustler centerfolds will even make appearances to sign autographs. Word has it the decor will feature memorabilia from Hustler and Larry Flynt, and include cherry wood, French limestone floors, hand-painted fabrics, and contemporary lighting. The 100-plus item menu will feature wood-fired pizzas, steaks, fish, rotisserie chicken, ribs, and salads.

## Private Equity Likes Sizzle in Restaurants

With all the money chasing investments and the strong performance by restaurants over the last several years, private equity firms are hot on restaurant chains as a place to put their money. **Castle Harlan, Palladium Equity Partners, Bruckmann, Rosser, Sherrill & Co., Leonard Green & Partners, Trimaran Capital Partners** and **Sun Capital Partners** have all recently made major investments in the industry. Not only is the buying pace reaching its peak, but many also believe investment firms are paying about 50% more than valuation. Through September, 32% of the 67 private transactions have involved equity firms. That's more than double last year's total. And look for more deals to close out the year and to ring in the next.

While four out of five new restaurants fail, chains, once established, are pretty resilient. They have a stable cash flow and working capital is very low since product can be bought on credit. While restaurant chains are a good move for investment firms, which are recognizing restaurants' stability, chains are also benefited by getting money to back growth plans and upgrades. And many chains are finding private investment a lot easier than going public and meeting the demands of the SEC.

**David Pittaway**, senior managing director at New York private-equity investment firm Castle Harlan, believes the trend is picking up because it has become more acceptable to invest in restaurants. Castle Harlan has been investing in restaurants for years. In September, it completed its purchase of **The Restaurant Company (TRC)**, the operator and franchisor of 483 **Perkins Restaurant & Bakeries**. **Castle Harlan IV, L.P.**, a \$1.2B investment fund, bought the chain for approximately \$245M. TRC had total revenues over the past 12 months of about \$348M and adjusted EBITDA of about \$37.3M.

*Continued on Next Page*

## Greek Eateries Profit From Diners' Expanding Tastes

Three Greek restaurant chains are taking advantage of consumers' yearning for healthier food and bolder tastes by making expansion moves into new markets and exploring franchising. **Taverna Opa, Daphne's Greek Cafe** and **Mr. Greek** all believe now is the time to pursue their various growth strategies and profit from diners looking for exotic ways to tantalize their taste buds. Some anticipate that after Italian, Mexican and Asian concepts have cemented themselves in America's consciousness, Greek concepts are the next logical step.

Taverna Opa's President **Peter Tsialiamanis** started his full-service restaurant in Hollywood, Fla., in 1998 and soon had people lining up. He now has three company-owned locations open with another on the way, as well as several franchises about to open in major metro markets. Tsialiamanis, a native of Konitsa, Greece, prefers major metro areas for franchising, because he believes customers in urban areas are more open to trying new cuisines. Entertainment is a big part of the concept with traditional belly dancers encouraging diners to drink and dance. Franchises are being built in Las Vegas and Orlando. Other possibilities are California, Chicago and New York.

*Continued on Next Page*

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Bruckmann, Rosser, Sherrill & Co.: 126 E. 56th St., 29th Floor, New York, NY 10022. Bruce Bruckmann, Managing Director, (212) 521-3700, fax (212)-521-3799. [www.brs.com](http://www.brs.com)

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Grand Wayne Convention Center: 120 W. Jefferson Blvd., Ft. Wayne, IN 46802. Bob Lister, Executive Director, (260) 426-4100, fax (260) 420-9080.

Happy Joe's Cafez: 2705 Happy Joe Drive, Bettendorf, IA 52722. Larry Whitty, President, (563) 332-8811, fax (563) 332-5822. [www.happyjoes.com](http://www.happyjoes.com)

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## Sexual Harassment Suits Can Take Big Bite Out of Bottomline

Sexual harassment is a hot-button issue currently facing the restaurant industry. The hospitality industry is one of the biggest targets when it comes to litigation for sexual harassment, and restaurants lead the way thanks in a large part to the more than nine million workers in the industry. Also, restaurants generally are a social workplace, densely populated with young females and an outgoing wait staff, so the industry is fertile ground for sexual harassment. **Valentino Restaurant Group, Boston Market, McDonald's and Burger King** have all been hit in recent years with federal lawsuits by the **Equal Employment Opportunity Commission (EEOC)**. Many have or will result in big settlements that take a big chunk out of the companies' bottomline. States like California and Connecticut are forcing employers to train their management in harassment prevention, and the rest of the country is expected to follow suit.

Employers are liable if the sexual harassment is committed by a supervisor against an employee, or if the employer did not take reasonable steps to prevent it. A restaurant caught in the middle of a sexual harassment case can find itself shelling out millions of dollars for damages and legal fees. In 2004, about \$37M was paid out in settlements for resolutions of the federal cases. About 30% of the discrimination cases filed with EEOC are sexual harassment based, only race discrimination is higher. This is just a small piece of the pie though, since private litigation cases aren't included in the EEOC's numbers.

**Valentino Las Vegas**, owned by Valentino Restaurant Group, which also owns **Giorgio Caffè & Ristorante at Mandalay Bay** in Las Vegas and **Valentino Santa Monica**, just settled a case where the restaurant was accused of subjecting hostesses and waitresses to sexual harassment. The women, most of whom were in their early 20s, accused restaurant supervisors of repeatedly groping and propositioning them, and making sexual comments from 2001 to 2003. The Italian restaurant, located in the **Venetian Hotel and Casino**, will pay \$600K to five female employees and other possible victims. The restaurant will establish anti-discrimination training and will be monitored by the EEOC for three years. Boston Market recently agreed to pay \$150K to settle a charge at its Ronkonkoma, N.Y. store. The lawsuit claimed that a learning disabled employee was harassed by a male co-worker who made lewd comments and gestures and touched her inappropriately from 1999 to 2001. The co-worker later pleaded guilty to criminal charges. The lawsuit also alleged that co-workers and a supervisor taunted her because of her disability. A Burger King franchise also settled a sexual harassment lawsuit for \$400K after the manager was charged with repeated groping, vulgar sexual comments and demands for sex from seven female employees, six of whom were high school students.

Pending cases include two separate McDonald's franchises that were charged in February by the EEOC with sexual harassment. The first suit was filed against **Pand Enterprises, Inc.**, by a class of young men at a McDonald's in Albuquerque. The second suit was filed against **GLC, Inc.**, by a class of young women at its McDonald's in Cordes Junction, Ariz. The New Mexico case claims that the young men were subjected to same-sex harassment by a male supervisor, including unwanted touching, requests for sex and sexual remarks. The females in the Arizona case are accusing a male assistant manager of unwanted touching, and alleged that despite numerous complaints to management, no corrective action was taken.

**Nick Toghia** of the **Opus Group**, which provides sexual harassment training for companies, believes training will help employers become more aware of all the nuances of the law and help keep them out of litigation. Employers can still raise a viable defense to dismiss sexual harassment claims if they can show that they took reasonable care trying to prevent it and sought to correct any harassment brought to their attention, and if the complainant failed to take advantage of opportunities the employer provided to prevent the alleged harassment.