loan on terms that are even close to the 4.75% interest rate per annum the current loan provides. That's because Steak n Shake's sales were down 45% for the first six months of 2020, while franchise royalties and fees were down 30.6% compared to 2019. In April, Moody's downgraded Steak n Shake's credit and cited the company's sales as being below "normal operating levels" than the typical QSR with a drive-thru.

The deal that **Travel Centers of America** made last year to immediately convert 20 of its highway **Iron Skillet** and Country Pride restaurants to **IHOP** is on hold for one year due to the Covid pandemic. Travel Centers was planning to spend $1.1 million per store in conversion costs, while IHOP, a unit of **Dine Global Brands**, was to have advanced $10 million as part of a conversion financing package.

Main Street Capital, a Houston-based business SBIC, has taken a licking in the restaurant business. It advanced $11.3 million to **Barfly Ventures (Hopcat)** in 2015, which filed for bankruptcy on June 3. It advanced $15.9 million to **California Pizza Kitchen** in 2016, which filed for bankruptcy on July 30. Fortunately, the $12.5 million it advanced to **Bojangles** looks secure. One out of three is not going to cut it.

Paul Westra of **Capital One** has been tracking restaurant closures and told the Monitor that tracking the closure rate is important, yet most difficult to track. Using credit card data, Westra tracked units that have had zero credit-card swipes this year, versus those having activity last year. Based on this analysis, and assuming that restaurant reopenings have stabilized, Westra sees almost twice as many closures in independent full-service and QSR, than in chain full-service and QSR. In 2021, Westra predicts a combination of aggregate demand reduction offset by supply reduction as stores permanently close. Still, his outlook for 2021 is a 10% reduction in same store sales.

Former **Jersey Mike's** COO and **NRD Capital** Partner **John Teza**, is the new president and chief development officer of **Hand and Stone Franchise Corp**. Hand & Stone is a portfolio company of PE fund **Levine Leichtman Capital Partners**.

Nicole West, **Chipotle's** VP of Digital Strategy, told an audience at the Monitor's **Food on Demand Conference** last week that the brand will eventually have 60% of their store footprint with "Chipotlanes," Chipotle's nickname for digital pick up windows. West said stores with pick-up windows generate 30% more digital orders than stores without them. Plus, the sales Chipotle is generating from these pick-up windows are those with the highest margins.

Service charges a sign of the times? A lawsuit over a 52-cent wellness surcharge brought against a Minneapolis multi-concept restaurant operator last November was just dismissed by a judge. A social media influencer sued **Blue Plate Restaurants**, a casual-dining restaurant operator, for tacking on a 3% surcharge claiming it was not fully disclosed before he ordered. The additional fee was printed on both the menu and the bill, but was not on the daily specials' menu. The judge ruled the fee was not hidden and the restaurant had properly disclosed the additional charges. Co-owner David Burley told the Monitor other guests have questioned the charge, but no one else has complained. "We're not the first; it's pretty widely done. It's become the new normal," Burley said.

Starbird, the chicken chain founded by **Aaron Novoshen** and **The Culinary Edge**, has found it's stride during Covid, and is now seeking equity to the tune of $3 million. Novoshen told the Monitor comparable sales are up more than 50% and store-level EBITDA has surpassed 20%. Located in the San Francisco Bay area, there are currently three traditional, street-side restaurants, one urban cloud kitchen, one in the San Francisco 49er's Levi's stadium and one at the San Francisco International airport. Starbird is a mix between fast-casual and fast food, a segment Novoshen calls "super-premium fast food." The funds from the equity offering will be used to open four-to-five additional locations. Investor and former CEO of Zoe's Kitchen and Baja Fresh, **Greg Dollarhyde**, is the lead investor in Starbird.

Square 1 Restaurants CEO **Bill Spae** told the Monitor his company has sold their 41 **Dairy Queen** restaurants to Los-Angeles-based multi-concept operator **The Elite Restaurant Group**. Square 1's owner was **Eagle Merchant Partners**, a PE fund that late last fall sold **Chicken Salad Chick** to the private-equity firm **Brentwood Associates**. **Susan Miller** and **Sean Mirzabegian** from **Morgan Kingston Advisors** brokered the Square 1/Elite transaction. Square 1 was beating comps during the time of the sale, said Miller, "and that drummed up a lot of investor interest" as well as having a sophisticated management team that could provide the financials quickly so they could get the transaction turned around in a couple of weeks. Plus, there were a lot of stakeholders in the deal, she said, so working proactively with the franchisor to provide transparency was key to a quick closing. Elite has been known for buying distressed brands and trying to turn them around. It previously acquired Daphne's and Slaters 50/50. Square 1 was formerly known as Vasari, Dairy Queen's second largest franchisee with 70 DQ restaurants in Texas, New Mexico and Oklahoma. The decline in the oil business in 2017 caused Vasari to file bankruptcy. The company shed underperforming locations, and now, with increased drive-thru usage and the sale of family-pack meals, sales are running ahead of a year ago.

The **Garden Fresh** Chapter 7 bankruptcy resulted in the disposal of 97 locations. Equipment asset manager, **TAGeX Brands,** liquidated 66 of the Souplantation and Sweet Tomatoes locations on their successful auction platform. Neal Sherman, CEO of TAGeX, told the Monitor independent restaurant owners were big buyers of the Garden Fresh assets. He said successful owners are using the Covid disruption as an opportunity to replace older equipment with pieces that are more modern and better-conditioned rather than purchasing more expensive new items.