ANTHONY’S COAL FIRED PIZZA

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Abstract

Anthony’s Coal Fire Pizza describes the start-up and expansion of a high-end pizza restaurant concept in the fast casual segment of the highly competitive restaurant industry in South Florida. The case follows the challenges of growth as the concept expands to multiple locations. Low start-up costs, a limited menu, streamlined operations, and ambiance contribute to the success. The case focuses on the trials and tribulations of a start-up: niche marketing of a concept, and after having expanded to four locations, the challenge of getting to the next level. The recommended level of instruction is third and fourth year undergraduate business majors. Qualified case users can request detailed teaching notes from the authors.

KEY WORDS: Entrepreneurship, innovation, restaurant industry dynamics, market segmentation, niche marketing, service business, financial analysis, growth strategies

INTRODUCTION

Anthony Bruno was working the room during a busy lunch rush at Anthony’s Coal Fired Pizza (ACFP) in Pompano Beach, Florida, which opened in September, 2006. Acknowledging the regulars, sometimes with a handshake, sometimes a hug, and other times with just a friendly nod of the head, Anthony intuitively knew just how much recognition and contact each guest was comfortable with. He carefully checked the food quality and plate presentations before the servers picked up from the staging area. He noted that the music selection had the right energy and mix of classic songs. The air conditioning was comfortable, the servers were attentive and friendly, and everything sparkled. Over many years running a highly successful restaurant, Anthony learned that this was a business of detail and execution, and nothing escaped his eye.

Anthony took a seat on a bar stool where he could see the entire floor while he sipped a cup of coffee. He was proud of the progress of the Anthony’s Coal Fired Pizza concept. Four stores had been opened, customers were raving about the food, people would routinely endure long waits to get in, and the financial results were impressive.

Still, he could not relax. As the activity swirled around him, he wondered: Could the concept maintain its successful formula as it continued to grow? Which growth strategy made the most sense? How fast should the concept grow? What financing options were best? What would have to be done to develop the infrastructure the company needed to get to the next level?

Anthony Bruno

Born in Long Island, New York, in a traditional Italian family, Anthony grew up in Brooklyn surrounded by relatives, baseball, and the restaurant business. His father worked in clubs and restaurants all his life and had the gift of an extraordinary palate. *He could tell if you changed one ingredient in a meatball
recipe," Anthony recalled. His mother, an excellent cook, was Anthony's inspiration to produce and serve quality food. She taught him to use the best ingredients because she said that "people who know food appreciate quality and will pay for it".

**Anthony's Runway 84**

As a young man, Anthony worked in his cousin's restaurant in Brooklyn. One day, the Bruno family decided to move to Florida. In the early 1980's, Anthony opened Anthony's Runway 84, a full-service Italian restaurant and lounge with a broad menu of classic favorites near the Ft. Lauderdale airport. Runway 84 became one of the icons of the South Florida restaurant scene attracting a loyal following of regular patrons, celebrities, and out-of-town customers. After nearly three decades, and despite the explosive addition of many new and trendy restaurants in the Ft. Lauderdale area, people were still waiting at the bar for a seat in Runway 84.

**Anthony's Coal Fired Pizza**

Anthony always wanted to open a pizza joint where you could get a pizza that tasted just like the ones he used to eat back in Brooklyn. After finding the site for the first ACFP in July 2002, a few minutes from Runway 84, Anthony decided to start the new venture as soon as possible. From his years in the restaurant business, Anthony knew the success of the business depended on making the least possible errors. He compared the industry to sports. An athlete could be loved by the fans because of his good performance in one game, and then hated by the same fans because of a mistake in a following game.

Anthony visited the famous Grimaldi's pizzeria in New York City, and loved the simplicity of the concept. The ACFP menu remains simple and focused on the unique coal-fired pizza pies (Exhibit 1). Most recipes were developed in-house by Michelangelo (Anthony's initial operating partner), and Anthony's mother and grandmother.

**INDUSTRY OVERVIEW**

The National Restaurant Association (NRA) projected annual sales for the restaurant industry in 2007 to be $537 billion, up from $511 billion in 2006 (Exhibit 2). It estimated that the restaurant industry in the U.S is comprised of over 935,000 locations and currently employs 12.8 million people, making it the country's largest employer outside of the government.

**PIZZA SEGMENT/MARKET CHARACTERISTICS**

The pizza segment of the restaurant industry represented approximately $32 billion ($449,867 average per location) as of December 31, 2005. The number of pizzerias in the U.S. dropped 0.7% from 69,844 in July 2005 to 69,389 in 2006. The majority of pizzerias (64.81%) were independently owned. The balance was shared by chains such as Pizza Hut, Domino's Pizza, Papa John's (see Exhibits 3 & 4).

**Price Discounting/Competitive Strategies**

Promotions and price discounts are common in the pizza business. Approximately 85% of all sales in the pizza segment involve a coupon or deal promotion. Chains and independents compete against each other for customers and market share by promoting their products through discounting and bundling (Exhibit 5). According to Pizza Power, "For years, not only have independents had to deal with deep discounting, but the 'big players' have fought for customers with low-priced $5 pizzas and coupons." In addition, pizza chains advertise heavily in radio, television, print media, and the internet (Exhibit 6), and aggressively penetrate the market (Exhibit 7). Independents have limited resources to match the aggressive strategies.

**Menu Variety**

In order to appeal to a wide range of customers, independent pizzerias compete by offering menu variety (the typical menu includes 60 to 80 menu items) with entrées that range from Veal Parmesan to pasta dishes and pizzas (Exhibit 8). Pizza chains, on the other hand, are very standardized and aim for value driven consumers seeking product consistency and convenient delivery services. Pizza chains attempt to expand their menus with new items. Domino's Pizza's menu includes Chicken Kickers,
American Cheeseburger Pizzas and the Amazin, Green salads. Papa John’s added Buffalo chicken wings and strips, Spinach Alfredo and Spicy Meatball Pizzas. Pizza Hut now features Fit ’n Delicious, Buffalo Chicken and Pepperoni Trio Pizzas.

Pizza Delivery & Take Out
In the 12 months ending in November 2005, sales from delivery and take out accounted for almost three quarters ($25.1 billion) of the total U.S sales. Quick Service Restaurants (QSR) pizza category sales with delivery being the highest growth segment. According to recent studies, delivered meals were most likely to include pizza (Exhibits 9 & 10). In fact, some pizza giants such as Domino’s and Papa John’s were exclusively devoted to take-out and delivery. Many independent pizzerias had only a couple of tables to serve dine-in patrons. Pizza Hut tested a new chicken wing concept called Wing Street which only offered delivery or take-out and was usually incorporated or attached to their existing pizza restaurants.

FAST-CASUAL SEGMENT
An emerging segment of the restaurant industry, with estimated sales of $11 billion, the Fast-Casual segment’s growth rate of approximately 20% represents nearly 2% of the total industry sales. Leading chains include Panera Bread, Chipotle, Boston Market and Pei Wei (Exhibit 11). Fast-Casual restaurants tend to feature a more focused menu than casual theme restaurants (like Chili’s, Applebee’s, and Olive Garden). Fast-Casual concepts offer fresh, more innovative, healthier and higher quality items than those offered by QSRs (e.g. Burger King, McDonald’s, Pizza Hut, and Wendy’s). The average guest check at Fast-Casual restaurants is around $10.

“GOURMET” PIZZA
California Pizza Kitchen (CPK), a California based company established in 1985 by attorneys Rick Rosenfield and Larry Flax, revolutionized the traditional concept of pizza. They brought flavors from around the world, all served on a pizza baked in a hearth oven. Pioneer and leader of the emergent up-scale pizza segment, CPK has expanded its menu to include original creations of pastas, salads, sandwiches (including their signature lettuce wraps), soups, appetizers and desserts (see Exhibit 12). In 2006, The company operated more than 180 restaurants in 27 states and 5 foreign countries. Other specialty pizza concepts such as RedBrick Pizza, Sauce Pizza & Wine, Go Roma Italian Kitchen and others have emerged throughout the United States (Exhibit 13).

ANTHONY’S COAL FIRED PIZZA
Concept
Anthony’s Coal Fired Pizza is a specialty pizza concept positioned at the upper end of the emerging Fast-Casual restaurant segment. It features a coal fired oven and a master pizza maker. The signature product is a crisp thin-crust pizza using made in-house dough with fresh, high-quality toppings that combine to deliver superior flavor and authentic style. The focal point of the restaurant is the coal-fired oven. The key success factor is the knowledge of the master pizza maker who skillfully works the oven and tends to each pie to produce a truly unique pizza product.

Menu
The concept features a simple menu with a limited number of items (Exhibit 1). This enhances the staff’s ability to execute the product on a consistent basis. The signature pizza product and cooking process present a clear image to the customer about what the restaurant is known for.

Operations
ACFP store operations are considered to be streamlined when compared to other restaurant concepts generating equivalent sales volume. The major elements of the equipment package are the coal fired oven, a dough mixer and walk-in cooler. Maintenance and operating complexities are limited since there are no freezers, fryers, grills, steamers, or kettles. Store-level staff consists of two managing
partners and approximately 14 crewmembers per shift. Inventory, storage, and handling activities are modest in keeping with the simplicity of the menu. From the customer's perspective, the service system is comfortable and familiar. Hostesses greet customers, staff are responsible for table service and cash-out. The cashier handles take-out sales. Aside from central bookkeeping, there currently is no corporate support staff. The equity partners are performing real estate, marketing, finance, and other support functions. The stores operate six days per week (closed Tuesday) between the hours of 11:30 a.m. and 10 p.m., Sunday from 12:30 p.m. to 10 p.m.

Ambiance
ACFP's theme is New York classic with a contemporary spin. Décor features pictures of Frank Sinatra, the New York Yankees, modern sports legends like Dan Marino and cultural icons of the music and entertainment world. The furniture and finishes project a clean, fresh look. There is an attractive, inviting bar where customers can wait, dine, or drink. The coal-fired oven reinforces appetite appeal with exhibition cooking and symbolizes the bridge between the classic and contemporary atmosphere.

Incentive Program
The Company strongly believes that the success of the concept is driven by the skill and dedication of the two managing partners at each location. One is responsible for kitchen operations while the other is dedicated to dining room services. They are motivated with significant levels of bonus compensation. Through a combination of base salary and profit sharing bonus, the managing partners have the potential to realize total compensation significantly higher than the industry average for comparable restaurant operations (Exhibit 14).

Sales Mix
The approximate sales mix is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Eat-in Sales*</th>
<th>65%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Dinner-43%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lunch-22%</td>
</tr>
<tr>
<td>Take-out Sales*</td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dinner-16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lunch-7%</td>
</tr>
<tr>
<td>Alcohol Sales</td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wine-7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Beer-5%</td>
</tr>
<tr>
<td></td>
<td>(*includes soft drinks)</td>
<td></td>
</tr>
<tr>
<td>Total Sales</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Expansion Potential
Certain key elements of expansion criteria indicate favorable unit growth potential for the concept. These include real estate, investment, operations and consumer considerations. The business generates significant volume and profit from 2,500-3,000 sq. feet of in-line or free standing space. The equipment package and build-out requirements are attractive relative to industry norms. The limited menu helps simplify execution and standardize operations. The unique, premium product provides a differentiated choice that appeals to a segment of the market that is willing to pay a bit more for quality.
STORE DEVELOPMENT AND GROWTH

ACFP’s locations have been selected using the local knowledge the management team acquired through conducting business in the area over many years. The key location selection criteria included 1) name recognition of Anthony’s Runway 84 restaurant, 2) upscale household income and 3) concentration of Italian and Jewish ethnic groups from the Northeast region of the United States. Their informal feedback revealed the desire for the kind of pizza they knew from their former neighborhoods. Target markets were prioritized, but finding the real estate exactly when and where it was needed proved to be very challenging. Therefore, the sequence of store openings was somewhat a moving target depending on real state availability and cost.

First Store
The first ACFP was opened in east Ft. Lauderdale a few minutes away from Runway 84 in an existing small strip shopping center. At the beginning, sales were low and much of the business came from loyal patrons of Runway 84. After six months, the business started to pick up and ACFP became a very popular restaurant exceeding the original seating and parking capacities.

Second Store
Opening the second store was a key decision. There was a question about how much of the first store’s success was due to the proximity of the loyal customer base of Runway 84. There was also the issue of whether to open far away from the original store in a market where there was no name recognition. This would give the company an early read on the power of the concept. The alternative was to open in a location where the second store would benefit from Anthony’s reputation. The decision was made to open in a location on the west side of the county where there was new suburban development. The location in Weston had great potential due to the strong disposable income, high demand for restaurants, and strong drawing power of other tenants in the shopping center. The second store was an instant success and became the motivation to look for future sites.

Third Store
Unable to find suitable real estate in primary target markets in Broward County, the company decided to take advantage of a location in a strip mall south of Ft. Lauderdale in the city of Aventura. Although the property met the criterion of being in an upscale area, the site was considered to be a “B” location because it did not have good visibility from the main road or strong anchor tenants. In addition, the site was located in a seasonal residential area (winter) and was surrounded mostly by high rise condominiums with inconvenient parking and traffic flow not favorable for the take-out component of the business. However, despite a slow start, the third store was profitable and experienced significant growth. It appeared to have the potential to match or even surpass other stores sales levels during the high tourist season (November through March).

Fourth Store
The fourth location opened in Pompano Beach, north of Ft. Lauderdale, in a high traffic site with strong visibility from the main road. It was strategically spaced far enough from the first store to minimize cannibalization. Although the site itself was not located directly in an upscale area, the location attracted residents from nearby upscale markets. This store was the first stand-alone building and was successfully converted to the ACFP theme from a closed Pizza Hut restaurant. The store exceeded target sales levels in its first week without any grand opening support and continued at a strong pace.

Short Term Expansion Plans
As of this writing, there are several real estate opportunities at different stages of negotiation that have the potential to double the present size of the company. This would put great pressure on the operation given current infrastructure limitations. However, new store growth for ACFP continues to be promising.
**Long Term Expansion**

To date, the current expansion system has worked well because the store openings have been sequential, with six to nine months of recovery time between openings. This allows the staff to be properly trained to deliver a consistent execution of the concept.

The company has been approached multiple times with more aggressive expansion propositions like franchising the concept or developing it in the Mid-Atlantic region under a license agreement with a private investor group. The partners have also been asked by enthusiastic customers to open locations in markets 100 miles away such as Naples, Florida and the Florida Keys. Closer high-density markets like Miami could also have potential as well as unique challenges. The most important being a population base dominated by strong ethnic groups and the lack of brand awareness.

**FINANCIALS**

ACFP is built on a business model that targets a $2 million annual sales volume and cash flow from operations of 20% of sales (Exhibit 17). Based on an investment of $550,000-$600,000 for building renovations, equipment and pre-opening expenses, target cash on cash return (ratio between the EBITDA and initial investment) is in excess of 60%. Restaurant industry benchmarks typically consider cash on cash returns of 30% to be highly attractive.

**MARKETING**

**ACFP’s Formula**

Company management believes that the best marketing is a 90 minute wait time. Typical forms of advertising and promotion like TV and print, coupons and discounting have not been used. Instead, it has relied primarily on word of mouth, relationship marketing and community support through charity events.

**Buzz Marketing**

With the opening of the third restaurant, the company utilized a buzz marketing approach to continue the momentum of the concept. Some of the initial tactics included using popular radio show sports personalities who were enthusiastic customers of the restaurant to talk up the concept. The company engaged in limited public relations activities with the local business community. Some of the radio sport shows featured former football star Dan Marino who informally talked about ACFP and recommended to the host a few house specialties, such as the Eggplant Marino Pizza (Exhibit 1).

**Brand Development**

As the company considered its growth options, the implications for its current marketing strategy were significant. If the company chose to grow rapidly with an accelerated pace of new store openings, the concept would face the challenge of quickly developing brand awareness, creating a more consistent retail identity, and designing effective new market entry strategies. Several local advertising agencies provided proposals to address these issues. As the management team discussed the range of ideas there was some concern about the change of philosophy and the investment involved.

**EXPANSION CAPITAL**

The company was able to fund its expansion through bank loans, operating cash flow and capital contributions from the partners. While banks typically did not like to lend to restaurants (because of the high failure rate), the company was able to secure increases in its credit line due to the track record of the business and the reputation of several of the partners. However, if the chain was to expand more aggressively, the company would need to determine the optimal way to raise funds. In doing the latter, the partners identified three growth strategies and their respective strengths and weaknesses.

1) **Outside Investors**- Anthony’s Coal Fire Pizza attracted the attention of several wealthy individuals who were interested in investing in the company. The partners resisted this option for several reasons. The nature of the restaurant business is such that most people believe they are experts on the subject matter because they eat out a lot and are experienced
customers. With seven partners actively involved in the company, the team was concerned that decision making would get bogged down if the company took on additional investors.

2) **Private Equity Groups**—There has been a growing trend for private equity funds to invest in the restaurant industry. These companies are attracted by the uncomplicated nature of the financial statements and the stable cash flows of established brands in the restaurant business. The primary investment motivation of private equity groups is not focused on the share of current profits they can make from the company’s operations. They are motivated by the substantial gain they can realize if the concept successfully grows and increases in value. Private equity funds typically have a three to five year exit strategy involving a sale, IPO, or re-capitalization of the business. These are highly professional, sophisticated investors who encourage a structured approach to the business, would demand representation on the board, and would push towards growing the company faster. The company would also have to grant equity in exchange for the money invested. This would dilute the partners’ original level of equity.

3) **Franchising**—Many restaurant concepts grow by franchising. The primary advantages are the use of franchisee’s capital, management, and local knowledge to facilitate expansion. The franchisor typically collects an ongoing royalty of 4-6% of sales and an up-front franchise fee to offset start-up costs. Successful franchise concepts typically feature strong brands, well documented operating systems and an extensive support structure to help the franchisee succeed. The franchisee must conform to strict operating standards established by the franchisor.

Many local restaurant operators have approached Anthony over the last 2 years expressing interest in franchising the concept. The ACFP would need to significantly upgrade its infrastructure and change its business model in order for this to be a viable option.

**THE FUTURE**

If you were Anthony, how would you address the following issues: Can the concept maintain its successful formula as it continues to grow? Which growth strategy made the most sense? How fast should the concept grow? What financing options were best? What would have to be done to develop the infrastructure the company needed to get to the next level? What steps should be taken to structure and strengthen the business? Evaluate the following options to grow the company: a) Continue on the present path b) Use private equity c) Franchise.
EXHIBIT 1
ACFP CURRENT MENU

Anthony's
Coal Fired Pizza

OUR PIZZA IS “WELL DONE”
Anthony's traditional pie consists of the finest mozzarella, Italian plum
Tomatoes, Romano cheese, basil and olive oil.

Large 16”......... $13.50  Small 12”......... $10.50

Toppings: Italian Sausage, Mushrooms, Calamata, Olives, Prosciutto,
Long Hot Finger Peppers, Anchovies, Onions, Pepperoni, Sweet Peppers

Large 1 item................ $2.50  Small 1 item............. $1.50
2 items............... $4.00  2 items............... $3.00
3 items............... $5.50  3 items............... $4.50
4 items............... $6.50  4 items............... $5.50
5 items or more..... $7.50  5 items or more..... $6.50

Fresh Mozzarella
Sliced Tomato & Basil
(No Sauce)
Large $18.50  Small $15.50

White Pizza
Ricotta, Mozzarella & Romano Cheese
Large $18.50  Small $15.00

Calzone
Mozzarella & Ricotta
Large $17.00  Small $14.00

Specialty Pies
- Meatball & Ricotta Cheese
- Paddy Cheese Steak
- Broccoli Rabe & Sausage
- Eggplant Parmese
- Fettuccine (Pepper & Egg)

Small $15.50  Large $18.50

Side Order of Broccoli Rabe and Sausage.................................................. $8.50
Anthony’s Italian Salad (Enough for Two)..................................................... $7.50
add Gorgonzola ......................................................................................... $2.00

Coal Oven Roasted Chicken Wings
Served with grilled onions & focaccia bread.
Small (10 pieces) .... $7.95  Large (20 pieces) .... $12.95

Our Coal Oven Focaccia Sandwiches
Italian Tuna Salad
Lemon, Olive Oil, Tomato & Arugula
$6.95

Coal Oven Roast Beef
Romaine Lettuce & Tomato
$6.95

Dessert:
New York Style Cheesecake .... $4.50
EXHIBIT 2
RESTAURANT SALES SINCE 1970 FOOD AND DRINK SALES IN BILLIONS OF CURRENT DOLLARS

Source: National Restaurant Association


Pizza Power 2006. (n.d.).
EXHIBIT 3
U.S PIZZA MAJOR COMPETITORS

<table>
<thead>
<tr>
<th></th>
<th>2005 ALL STORE</th>
<th>TOP 25 CHAINS</th>
<th>INDEP. ALL STORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Store</td>
<td>$449,867</td>
<td>$682,746</td>
<td>$323,411</td>
</tr>
<tr>
<td>2004 ALL STORE</td>
<td>$442,492</td>
<td>$629,344</td>
<td>$338,745</td>
</tr>
</tbody>
</table>

NATIONAL AVERAGE YEARLY SALES OF U.S PIZZA STORES

U.S Pizza Sales in 2005
$31,214,460.060

- Independents and Others: 49.47%
- Pizza Hut: 17.06%
- Domino’s Pizza: 10.62%
- Papa John's: 5.82%
- Little Caesars: 2.50%
- All other top 25: 14.53%

Independents own 64.81% of the pizzerias and control 49.47% of sales.

U.S Pizza Stores
69,386. As of July 2006

- Independents and Others: 64.81%
- Pizza Hut: 10.90%
- Domino’s Pizza: 7.34%
- Papa John's: 10.48%
- Little Caesars: 3.75%
- All other top 25: 2.72%

The top 25 chains own 35.19% of pizzerias and control 50.53% of sales.

EXHIBIT 4
NATIONAL PIZZA CHAINS PER UNIT REVENUES AND YEARS ESTABLISHED

<table>
<thead>
<tr>
<th>Chain</th>
<th>Per/Unit Earnings 2005</th>
<th>Number of Stores</th>
<th>Year Established/First Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Piper Pizza</td>
<td>$1,190,153</td>
<td>135+</td>
<td>1973</td>
</tr>
<tr>
<td>Chuck E. Cheese's Pizza</td>
<td>$1,088,262</td>
<td>498</td>
<td>1989</td>
</tr>
<tr>
<td>Donatos Pizzeria</td>
<td>$950,000</td>
<td>182</td>
<td>1963</td>
</tr>
<tr>
<td>Cici's Pizza</td>
<td>$840,398</td>
<td>682</td>
<td>1985</td>
</tr>
<tr>
<td>Round Table Pizza</td>
<td>$800,821</td>
<td>500+</td>
<td>1959</td>
</tr>
<tr>
<td>Papa Gino's Pizza</td>
<td>$792,699</td>
<td>170</td>
<td>1969</td>
</tr>
<tr>
<td>Mazzio's Pizza</td>
<td>$780,462</td>
<td>238</td>
<td>1979</td>
</tr>
<tr>
<td>Imo's Pizza</td>
<td>$771,277</td>
<td>97</td>
<td>1967</td>
</tr>
<tr>
<td>Pizza Hut</td>
<td>$701,467</td>
<td>7566*</td>
<td>1958</td>
</tr>
<tr>
<td>Papa John's Pizza</td>
<td>$668,568</td>
<td>2978</td>
<td>1985</td>
</tr>
<tr>
<td>Mr. Gatti's Pizza</td>
<td>$666,667</td>
<td>150</td>
<td>1964</td>
</tr>
<tr>
<td>Jet's Pizza</td>
<td>$659,691</td>
<td>130</td>
<td>1978</td>
</tr>
<tr>
<td>Domino’s Pizza</td>
<td>$633,622</td>
<td>7500</td>
<td>1960</td>
</tr>
<tr>
<td>Sbarro</td>
<td>$587,662</td>
<td>1000+</td>
<td>1967</td>
</tr>
<tr>
<td>Fox's Pizza Den</td>
<td>$524,590</td>
<td>265</td>
<td>1971</td>
</tr>
<tr>
<td>Hungry Howie’s Pizza &amp; Subs</td>
<td>$514,113</td>
<td>525+</td>
<td>1973</td>
</tr>
<tr>
<td>East of Chicago Pizza</td>
<td>$474,697</td>
<td>140</td>
<td>1990</td>
</tr>
<tr>
<td>Papa Murphy’s Take N’ Bake Pizza</td>
<td>$458,805</td>
<td>880</td>
<td>1981</td>
</tr>
<tr>
<td>Pizza Inn</td>
<td>$445,728</td>
<td>391</td>
<td>1958</td>
</tr>
<tr>
<td>Little Caesars</td>
<td>$437,613</td>
<td>N/A</td>
<td>1959</td>
</tr>
<tr>
<td>Villa Enterprises</td>
<td>$384,058</td>
<td>300+</td>
<td>1964</td>
</tr>
<tr>
<td>Pizzas of Eight</td>
<td>$337,931</td>
<td>220</td>
<td>1986</td>
</tr>
<tr>
<td>Pizza Pro</td>
<td>$215,686</td>
<td>540+</td>
<td>1985</td>
</tr>
</tbody>
</table>

*In America by the end of 2005
**EXHIBIT 5**
THE COMPETITIVE ARENA

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Original Prices†</th>
<th>Special Promotions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domino’s Pizza</td>
<td>$15.03</td>
<td>Large Brooklyn Style pizza for $9.99 Or three medium pies for $5 each</td>
</tr>
<tr>
<td>Papa John’s</td>
<td>$13.99</td>
<td>Sausage Sensation Pizza, 6 toppings $11.99</td>
</tr>
<tr>
<td>Papa Gino’s</td>
<td>$10.78</td>
<td>Buy 1 large pizza get $3 off the second. New Rustic pizza.</td>
</tr>
<tr>
<td>Pizza Hut</td>
<td>$13.49</td>
<td>Two medium two-topping pies for $6.99 each</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Or large &quot;Cheesy Bites&quot; pizza with 28 cheese-filled, bite-size pieces for $11.99</td>
</tr>
<tr>
<td>Independent Pizzeria Sample</td>
<td>$9.79</td>
<td>Large 3-topping Pizza and Fried Mozzarella $13.99 (Regular price $17.78)</td>
</tr>
<tr>
<td>(Bari Pizza, North Miami)</td>
<td></td>
<td>Extra Large Cheese Pizza and 10 chicken Wings $12.99 (regular price $15.89)</td>
</tr>
</tbody>
</table>

† Prices are based on a 1 topping 14” pie (large), unless otherwise specified

**EXHIBIT 6**
MEDIA EXPENDITURES OF DOMINO’S PIZZA, PIZZA HUT, AND PAPA JOHN’S, 2004
(IN MILLIONS)

- **Domino’s**, $141 (33%)
- **Pizza Hut**, $202 (45%)
- **Papa John’s**, $78 (19%)

EXHIBIT 7
MEDIAN PER CAPITA PENETRATION: THE AVERAGE NUMBER OF PEOPLE PER RESTAURANT IN A DESIGNATED MARKET AREA (DMA) FOR SELECTED PIZZA CHAINS (2005)

EXHIBIT 8
SAMPLE MENU FROM AN INDEPENDENT PIZZERIA

BARI PIZZA
And Fine Italian Foods
DELIVERY * TAKE-OUT * CATERING
305-945-6309
17168 West Dixie Hwy.
North Miami Beach

DELIVERY
With $8.00 Minimum
Tax Not Included

LUNCH SPECIALS $3.49-5.49
FREE Slice of Chocolate Cake
With Any Entree Purchase Of $0.99 Or More

LARGEST 3-Topping Pizza
And Fried Mozzarella
$13.99 + TAX

EXTRA LARGE Cheese Pizza
and 10 Chicken Wings
$12.99 + TAX

2 MEDIUM Cheese Pizzas
and 2-Liter
$12.99 + TAX

Calzones
Cheese
Buca di Beppo $7.99 ea. $19.99
Buca di Beppo $7.99 ea. $19.99
Buca di Beppo $7.99 ea. $19.99
Buca di Beppo $7.99 ea. $19.99
Buca di Beppo $7.99 ea. $19.99

ENTREES

Appetizers
Antipasto $5.19, 8.19 Fried Mozzarella $4.79
Fresh Mozzarella Crescents $2.19 Chicken Wings (10) $2.79
Garden Salad $3.99 Fried Calamari $5.79
Spinach Salad $4.99 7.99 1 Ounce Rolls $1.99
Broccoli Salad $4.78 Spinach / Broccoli /
Mushroom Salad 4.78 Mushroom Salad $4.99
French Fried $2.99

Risotto Primavera Soup $3.49 Pasta & Fagioli Soup $3.49
Served with our Homemade Garlic Rolls

Risottoccesuolla Soup $3.49 Chicken Roulade Soup $3.49

Pasta
Served with our Homemade Garlic Rolls
SPAGHETTI, Linguini OR Fettuccine served with your choice of
Tomato Sauce $5.99 Garlic Oil $2.99 Meat Sauce $7.99
Marinara Sauce $6.99 Meat Sauce $6.79 Italian Sausage $5.99
with Cheese $1.79

Lazongi $7.99 Manicotti $7.99 Fettucinni Alfredo $9.95
Spaghetti Lasagne $7.99 Shells Served $7.99 w/Brussell Sprouts $10.79
Manicotti $7.99 Shells Served $7.99 w/Brussell Sprouts $10.79
Spinach Lasagne $7.99 Shells Served $7.99 w/Brussell Sprouts $10.79
Homemade 
(1 lbs. Cheese Or Spinach) $7.99 Ziti Broccoli $7.99 w/Brussell Sprouts $10.79
Baked Ziti $7.99 Ziti, Broccoli & w/Brussell Sprouts $10.79
Baked Ziti (Sicilian) $7.99 Chicken $9.79

Saute & Wraps
Meatball Parmigiana Sub $5.29 Steak Sausage Deluxe $7.29
Ham & Cheese or Turkey Sub $5.29 Tuna Sub $5.29
Italian Cold Cut Sub $5.29 Eggplant Parmigiana $5.29
Sarah's Parmigiana Sub $5.29 Chicken Parmigiana Sub $5.29
Sausage, Peppers & Onions $5.29 Yeast Parmigiana Sub $7.99
Grilled Chicken Breast Sub $7.99 Yeast Parmigiana Sub $7.99

Sides & Wraps
Homemade Pomodoro Pasta $5.49 Beef Lasagna $7.49
Homemade Pomodoro Pasta $5.49 Beef Lasagna $7.49
Funghi Pomodoro Pasta $5.49 Beef Lasagna $7.49

SEAFOOD ENTREES

Shrimp Scampi
Sauteed shrimp served in fra diavolo sauce, olive oil and white wine served on a bed of linguini

Shrimp Marinarra
Shrimp sauteed in tomato sauce with garlic and white wine served in a marsala sauce served on a bed of linguini

Shrimp Parmigiana
Shrimp sauteed in homemade marinara sauce with parmesan sauce served over linguini

Shrimp Cutlet Parmigiana
Shrimp cutlet over linguini with marinara sauce served with a side of garlic bread

Calamari Marinara
Calamari sauteed in homemade marinara sauce served with a side of garlic bread

Chili-fried Calamari
Calamari sauteed in chili-fried garlic sauce served with a side of garlic bread

Calamari Satay
Calamari skewers served with a side of garlic bread

Calamari Satay
Calamari skewers served with a side of garlic bread

Mediterranean Seafood Salad
Served with a side of dressing

Shrimp Parmigiana
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**EXHIBIT 9**
SHARE OF QSR DELIVERY OCCASIONS 5 YEAR AVERAGE 2001-2006

Note. From “Making house calls: customers use delivery mostly for pizza, on the weekend and in the evening”. Chain Leader 11, 84 from LexisNexis database.

**EXHIBIT 10**
DELIVERY, CARRY-OUT, AND DINE-IN AS A PERCENTAGE OF TOTAL PIZZA SEGMENT

### EXHIBIT 11
**FIVE LARGEST QUICK CASUAL CHAINS**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Chain</th>
<th>2005 Total U.S. Sales ($000)</th>
<th>% Sales Change vs. 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Panera Bread</td>
<td>$1,596,600</td>
<td>28.6%</td>
</tr>
<tr>
<td>2</td>
<td>Boston Market</td>
<td>$695,000</td>
<td>5.3%</td>
</tr>
<tr>
<td>3</td>
<td>Chipotle</td>
<td>$635,577</td>
<td>27.1%</td>
</tr>
<tr>
<td>4</td>
<td>Zaxby’s</td>
<td>$390,000</td>
<td>62.5%</td>
</tr>
</tbody>
</table>
EXHIBIT 12
CALIFORNIA KITCHEN PIZZA SAMPLE MENU NOT INCLUDING PASTAS, SANDWICHES, AND DESSERTS

EXHIBIT 13
OTHER SPECIALTY PIZZA CONCEPTS

EXHIBIT 14
MANAGING PARTNER INCENTIVE PLAN

Objectives

- Provide store manager a bonus compensation opportunity that will maximize sales and deliver target profit percentage
- Motivate store manager to act like a "Managing Partner" – caring for the business like it was their own - maximizing effort, initiative, product quality and customer service

Legal Specifications

- Not an employment contract
- A bonus plan/not an "equity" position
- Can be revised/cancelled at discretion of company
- Managing Partner can be terminated for "Cause" (defined) and/or below standard performance

Compensation Plan

- Zero Investment Required
- Base Salary + Bonus (15% of restaurant net income)
EXHIBIT 15
MANAGEMENT TEAM CONDENSED BIOS

Michelangelo Mozzicato
Born of Italian immigrants who migrated to Venezuela, Mr. Mozzicato has 20 years of restaurant experience in both the production and service side of the business. Mr. Mozzicato traveled to the U.S in the late 1980’s and worked as a cook for three years at an Italian restaurant in Connecticut. After moving to Florida, Michelangelo worked the “back of the house” (kitchen) for a local restaurant and the “front of the house” (dining room) at Anthony’s Runway 84. He is an equity partner, member of the Board of Directors, and Vice President and Chief Operating Officer of Anthony’s Coal Fired Pizza.

Deborah Mozzicato
Raised in Myrtle Beach, South Carolina, Ms. Mozzicato has 26 years of experience in the hospitality industry. She has held positions in a variety of restaurants ranging from high-end French to casual theme concepts. She has supervised and managed staff at hotels and restaurants including the Hilton Hotels Corporation and Café Atlantic, in North Carolina, where she spent for seven years as a sommelier and captain waiter. After moving to Florida, Ms. Mozzicato worked first for Anthony at Runway 84, then at Samba Room on Las Olas Blvd., Ft. Lauderdale, later for La Vielle Maison restaurant, Boca Raton, and finally for ACFP. She is an equity partner, member of the Board of Directors, and Vice President of Training of Anthony’s Coal Fired Pizza.

Patrick Marzano
Mr. Marzano graduated from St. John’s University in Queens, New York in 1969 with a Bachelors of Science degree in Accounting. He opened his own accounting firm in 1971, Geller, Marzano & Company CPA’s PC, for which he worked as a certified public accountant and partner for over thirty years. During his career, Mr. Marzano has been involved as a CEO and partner/shareholder in various successful businesses as well as a member of an investment group which owns and operates several real estate investments in Florida. He is an equity partner, and a member of the Board of Directors, and Chief Financial Officer of Anthony’s Coal Fire Pizza.

Samuel G. Weiss
Admitted to practice law in the state of New York since 1974, Mr. Weiss received his BA Degree in 1971, his Juris Doctor in 1974, and his LLM in taxation in 1977, all from New York University. He had been a private practitioner in Port Washington, New York prior to becoming a partner of the firm of Weiss & Federici LLP now located in Rockville Centre, New York. Mr. Weiss is currently an equity partner, member of the Board of Directors, and Vice President, Secretary, and General Counsel of Anthony’s Coal Fired Pizza.

Nicholas A. Castaldo
A native of Brooklyn, New York, Mr. Castaldo graduated summa cum laude from St. John’s University and earned his MBA from Harvard University. His professional experience includes twenty-five years in chain restaurants, banking, health and beauty aides, and retailing. He served for eight years as President of Pollo Tropical, a Miami-based quick casual restaurant chain. During his tenure, he led a successful turnaround of the company in which it doubled in sales and cash flow and ranked as the number one concept in average store sales and profit in its market segment. Prior to joining Pollo Tropical, Mr. Castaldo held executive positions at a number of leading national restaurant chains including Steak and Ale, Bennigan’s, Burger King and Denny’s. He is an equity partner, member of the Board of Directors, and President of Anthony’s Coal Fired Pizza. Mr. Castaldo is a member of the faculty at the H. Wayne Huizenga School of Business and Entrepreneurship at Nova Southeastern University teaching courses in marketing, management, and entrepreneurship.
### EXHIBIT 17
ANTHONY’S COAL FIRED PIZZA SAMPLE INCOME STATEMENT

**Income Statement***
12 Month Period
(In thousands)

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Key Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>1,600</td>
</tr>
<tr>
<td>Beverages (soft drinks, beer and wine)</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>2,000</strong></td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Cost of Good Sold (COGS)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>400</td>
</tr>
<tr>
<td>Beverages</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total COGS</strong></td>
<td><strong>500</strong></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td><strong>1,500</strong></td>
</tr>
</tbody>
</table>

| Labor                         | 600            | (30%)         |

**Operating Expenses**

| Rent                          | 80             |
| Insurance                     | 40             |
| Utilities (including coal and wood) | 50             |
| Supplies                      | 70             |
| Repair and Maintenance        | 20             |
| Other expenses                | 70             |
| Managing Partner Bonus        | 60             |
| **Total Operating Expenses**  | **400**        | (20%)         |

**EBITDA**
(Earnings Before Interest, Taxes, Depreciation, and Amortization)

| Interest                      | 30             |
| Taxes                         | 5              |
| Amortization                  | 5              |
| Depreciation                  | 60             |
| **Total**                     | **100**        |

**Total Expenses**

| 1,600                         | (80%)         |

**Net Income (Loss)**

| 400                           | (20%)         |

*Simplified Financial Statement for Case Study Illustration Only*
ENDNOTES

5. Making house calls: customers use delivery mostly for pizza, on the weekend and in the evening”. Chain Leader 11,84
7. California Pizza Kitchen Website, Company Overview para.1

REFERENCES


Domino’s Pizza: Delivering for Shareholders (March 6, 2006) Bear Sterns, pg. 6


