

Hedge fund may take control of hobbled Quiznos

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[The Denver Post](#)

A hedge fund that holds debt in Denver-based Quiznos would take control of the struggling restaurant chain under a deal set to go before creditors before year's end, a source familiar with the deal said.

Avenue Capital Group, a New York fund owned by billionaire [Marc Lasry](#), will convert its debt and a cash investment into 70 percent ownership of Quiznos if creditors approve the agreement, the source said. If they don't, Quiznos' owners will take the privately owned company into Chapter 11 bankruptcy protection.

The deal was reported Wednesday by The Wall Street Journal. The source who spoke to The Denver Post confirmed the details in that report and said the agreement will be announced Friday.

Quiznos is owned by Consumer Capital Partners, a Denver investment firm led by Quiznos founder Rick Schaden and his father, Richard, and CCMP Capital Advisors, a private-equity firm spun off from JPMorgan Chase.

The once-high-flying sandwich chain has been struggling in recent years under a heavy debt load, falling sales and intensifying competition from Subway and others. Sales fell 23 percent from 2008 to 2010, and the number of stores has plummeted from about 5,000 to possibly fewer than 3,000, according to restaurant consulting firm Technomic Inc.

The Journal reported earlier this year that the company notified creditors that it was in technical default on its loan terms, often a precursor to bankruptcy.

Observers said creditors may view the deal with Avenue Capital as preferable to bankruptcy, where they may get less.

"It is probably better and more efficient to have an agreement now rather than going into Chapter 11, which is very expensive," said John Gordon, principal at Pacific Management Consulting Group in San Diego, who has advised Quiznos franchisees in their disputes with the company.

Even with the financing deal, Quiznos has a tough road ahead, said Gordon and [David Kincheloe](#), president of Golden-based National Restaurant Consultants.

"They really need to do something to reinvigorate the brand," Kincheloe said. "There are a tremendous number of competitors out there that didn't exist when they started."

Representatives of Quiznos and Avenue Capital declined Wednesday to comment on the deal.

The plan would reduce Quiznos' debt load of \$875 million by at least \$281 million, the source familiar with the deal said. Creditors would be required to forgive debts and accept other changes to loan terms.

Consumer Capital Partners, also an investor in the Smashburger restaurant chain, and CCMP Capital Advisors, with investments in Cabela's Inc. and [AMC Entertainment Inc.](#), may not get any return on their investments.

Creditors have until about the end of January to accept or reject the offer.

Avenue Capital manages assets estimated at \$11.6 billion. Last January, it was ranked by Bloomberg as the 13th-largest U.S. hedge fund. [Chelsea Clinton](#) worked there for several years.

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