Soul Daddy: A $3 Million Failure

by Coeli Carr Jul 05 2011

No one at NBC nor anyone involved with "America's Next Great Restaurant" has wanted to talk about how much money went into opening (and then abruptly closing) three outposts of Soul Daddy. But a paragraph in an SEC filing by Chipotle helps to answer that question.

Failure to L(a)unch

In early May the four culinary professional judge-investors from NBC's America’s Next Great Restaurant bet their own money on the winning contestant's “Soul Daddy” concept. Less than two months later, all three restaurants they opened are shuttered. What went wrong?

Soul Daddy Serves Up the Competition

With a dash of baked chicken, a hint of fresh veggies, and a whole lot of respect, Jamawn Woods proved he had the right recipe to win the title of *America’s Next Great Restaurant* with his take on healthy comfort food

SEC papers tell the story of Soul Daddy's failure.
Image: yfrog.com

We know that the three Soul Daddy restaurants—the top prize on NBC's *America's Next Great Restaurant* food-reality show—have shut down. The question that remains, like an aftertaste following a meal that didn't quite sit right, is about the financials.

No one at NBC nor any of the four judge-investors nor anyone else tied to the now-canceled show wanted to reveal. On Friday, in a story about the sudden failure of the restaurants, I spoke with an expert who ballparked the cost to open and operate restaurants in three cities at about $2 million. Turns out that estimate was 50 percent too small.

In a filing with the Securities and Exchange Commission, Chipotle Corp.—the "fast casual" chain of Mexican fare that was founded by Steve Ells, one of the four judge-investors—detailed its connection with ANGR Holdings, the company set up to operate the show winner's restaurants.

The SEC proxy statement said Chipotle had invested $2.3 million in the holding company. It also said Ells personally contributed another $220,000 to the effort an amount Chipotle intended to reimburse Ells. Here's the key section in the proxy statement:

Agreements with ANGR Holdings, LLC: We have agreed to be the prize sponsor for the network television program "America's Next Great Restaurant." In that capacity we have made agreed to make cash contributions totaling $2.3 million to ANGR Holdings, LLC, the entity that will operate the restaurants to be awarded as a prize on the program, in exchange for an equity interest in the entity. We have also agreed to provide a variety of corporate and administrative services to the entity in connection with its operations. Our founder, Chairman and Co-Chief Executive Officer, Steve Ells, serves as a judge on the America's Next Great Restaurant program, and as part of the terms of his involvement with the program is a co-investor in ANGR Holdings. We intend to purchase Mr. Ells's interest in ANGR Holdings from Mr. Ells during 2011 for $220 thousand, the amount of the cash contribution originally made by Mr. Ells.

A source close to the the show said the judges' never revealed the level of their investments to the contestants, but this person said everyone was led to believe the four judges-investors—besides Ells, they were chef-entrepreneurs Bobby Flay, Lorena Garcia and Curtis Stone—had each contributed the same amount. So if Ells' $220,000 is multiplied by four, that means quartet collectively ponied up $880K to launch the trio of Soul Daddy restaurants in New York, Los Angeles and the Mall of America in Minnesota. Chipotle's contribution upped that amount to slightly over $3 mil.

These numbers generate more questions. If, as many experts in the industry agree that a minimum of $2 mil could have kept three Soul Daddy's operating for about six months—and ANGR Holdings had about $3 mil at its disposal—then undercapitalization may not have been an underlying problem.

So if money wasn't an issue in keeping the enterprise afloat, then what factors led to the closings? So far, none of the principals are talking.