



NEWSLETTER

Volume 6 - December 2020

PRESIDENT'S LETTER

Dear Fellow Franchisees,

What a year 2020 has been! Reflecting on the year, I am so grateful to see everything that we have accomplished. From sales dropping to historic lows at the onset of the Pandemic - I am proud to say that not only were we able to recover, but we also surpassed the prior years numbers! All of this was done while properly using face masks, sanitizing thoroughly and social distancing. This was only possible thanks to our franchise community's dedication and loyalty to the brand.



The Board and I have never been more united and fierce in our fight to recover and rebuild our brand. We have come a long way. We took initiative and charge, and (after countless hours of calls and Zoom meetings with CKE) we were able to turn what used to be a very contentious relationship into a real partnership where our voice is heard.

verse circumstances, we kept the momentum alive and we still made it possible to connect and solidify relationships through this year's Virtual Conference. Even though we were not able to meet in person, our virtual platform created an impactful event that extended well beyond the computer screen.

We received an outburst of positive feedback and I am confident that some of the practices we put into place this year will have long lasting effects on our conferences for years to come.

During the virtual conference we announced the newly elected Board. After many years of serving, Dan Gjurge-

ich and Jennifer Dowling have decided to transition off the board this year. We would like to thank them for their hard work and invaluable contributions to the entire franchise community. We also welcome Dana McClure and Lauren Karcher as the new board members, and we are confident that their talents and experience will be an asset to our board.

Despite the restrictions and ad-

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A Letter From The President

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I would like to add that we had our new board's 1st planning meeting during the first week of December. While we feel that the current mission statement - "to unify franchisees and lead our Brand to enhanced financial viability by living our Carl's Jr. culture and utilizing the resources and talents of our franchise community while leveraging our strength to demand best-in-class vision and support from our franchisor" - is still relevant and holds true, we established the following as our 2021 priorities:

1. North Star - the pillar of the company that will drive and transform our brand.
2. IT/Delivery - technology will assist and help our business to get to a higher level.
3. Communication - effective, consistent and transparent communication between the board and CKE, as well as with the entire franchise community. It is fundamental to our organization.
4. Marketing Campaign - vital to stay true to our distinctive branding: enhanced food photos and our signature burger drop.
5. Product Innovation - critical to find our identity through product innovation, which needs to be tied in with execution.
6. Product Optimization - we need to deliver operational consistency and accuracy of our products.

During the meeting, we established our committees, their members, and their ways of communication.

We also took this opportunity to meet with the CKE Management Team. First, with product tasting, followed by marketing and POS update. We are happy to report that CKE has a good premium product line up with focus on burgers. As a reminder, the end of life for StarPOS is June 30, 2021. Final communication on the POS incentive programs was sent out by CTO Phil Crawford on 12/15 offering two incentive options. The first incentive is related directly to the purchasing and financing of the new POS hardware and meeting the POS standardization deadline. The second

incentive is related directly to our strategic digital technology roadmap with the future launch of digital ordering (website ordering, app ordering, loyalty, customer data platform, etc.) which will plan to launch shortly after the POS standardization deadline. On the remodel front, CKE's early learnings are that a market-based approach is a better approach to follow. Conclusively, CKE is compiling an updated manual that will be distributed after the 1st of the year. We have asked CKE to give us an update on the Gift Card Program; FY21 objective was to optimize the program by continuing its expansion and enhancing our online gift card promotions during Spring and Holiday. Carl's Jr. Gift Cards have expanded into new retail partners like Michael's, Office Depot, Amazon and others. FY21 thru P7 gift card funds reconciliation was presented. We have learned that the interest gained is put against the cost to run the program and that the CKE legal team is working on setting up a new entity outside California, as California doesn't allow the capture of breakage. Once this is accomplished, CKE will provide us with updates twice a year. During the Ops update, we learned that color coding will be removed from the OAs, and there will be no re-audits - an action plan will be developed for those units that have failed. OA scoring will get a clean break from last year, and service time will not be added to OAs.

With that being said, I believe we have had a great year - however, our fight is not over. We are on track to have even a better 2021, but there is still much more that needs to be done. Our commitment remains to be relentless in our quest to position SFA and its stakeholders for unstoppable success. As this year draws to a close, I am looking forward to next year's opportunities and pivoting any challenges into wins for all of us.

Wishing you a wonderful Holiday Season and a Happy New Year filled with success, laughter and joy!

Amir Siddiqi

A Letter From The Board

I want to thank the Board for appointing me to serve this year. As Franchisees we all know what a great job the current and past Board members have done in ensuring our concerns and needs are always top of mind with CKE. They have all always been dedicated and tireless in their mission to be the Check and Balance with CKE Management. I promise to always do my best to try and live up to the legacy of all the past Board Members and to aid the current members in any way that I can.

Most of you know my history, but for the ones that don't, I have been with Carl's Jr. since my Senior year in High School back in 1979. It was originally just a job while going to college, but I was fortunate to work for great Leaders and soon circumstances nudged me into a career at Carl's Jr., and I have never looked back. I was originally on the CKE side of the business and was a DM for quite a while when I was nudged again to the Franchise side in 1991. I was fortunate to partner with Bernard and Joan Karcher. I have seen many changes over the past 40+ years and hope that experience will aid me in representing you and make a difference on your behalf.



Dana McClure
BKI

Hi SFA! I am incredibly grateful for the opportunity to serve you this coming year. I'm so excited to work with this passionate group of franchisees to continue to move this great brand forward. I am so thankful for the huge impact the SFA has made on the business over the years, and I look forward to supporting this team.

I grew up eating mainly chicken stars, and receiving nicknames like "Spicy Chicken". Many of my greatest memories are in a Carl's Jr. kitchen. I love this brand deeply and everyone who is a part of it. I am committed to representing every market and franchisee, and I can't wait to take on 2021 together!



Lauren Karcher
JCK

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SEPTEMBER 19-23, 2021



A Letter From CKE

Dear Franchisees,

We wanted to take the opportunity and use the CKE section of our newsletter to introduce the new CKE Chief Financial Officer - Lance Tucker

We asked him a few questions:

A short bio and your history with Carl's Jr.:

Originally from KY; 20 years with Papa John's in Louisville, including 8 as Chief Financial Officer (2011-2018); 2+ years as Jack in the Box in San Diego as CFO (March '18 - September 2020) prior to joining CKE in September 2020; been with CKE 8 weeks.

Fondest memory of the Carl's Jr. brand:

Fairly limited, ate in first Carl's in August 2020 given that I'd always lived in Southeast (and my time in San Diego I ate at Jack since I worked there!) - but with that said, fondest memory was that meal in August when I had it for the first time and realized the burgers are FANTASTIC! I knew then that I'd made a great choice to move brands.

What is your go-to item of choice when you go to Carl's Jr.?

The Big Carl, with Western Bacon Cheeseburger a close 2nd.

What are you doing when you're not thinking about Carl's Jr. and the business?

Playing golf, traveling with my wife (kids are out of the house...), and watching football and basketball, I'm a big fan of the University of Kentucky Wildcats.

Is there anyone special that you would like to acknowledge?

Wouldn't be here without the support of my wife Jill and my 3 kids (Katie, Ben and Andrea); also grateful to Ned for giving me the opportunity to be here.

What is the business message that you'd like to share with the franchise community?

I'll strive to be a great business partner and look at the business through the lens of franchisee economics as I help drive the business from the CKE side. And, I look forward to meeting as many franchisees as possible once the pandemic restrictions allow it.



Lance Tucker
Chief Financial Officer,
CKE

IT

Taxes collected by delivery companies reminder.

- Currently in some states the DSPs are collecting and paying to the State market facilitators taxes. It is important to know this information so that the stores don't double pay the sales tax.

What is CKE's position with PAR 7700 terminals, which can't be upgraded to Windows 10?

- PAR 7700 terminals cannot run Windows 7 and they need to be changed out. They can't be upgraded because of their chip set issue and in addition to this, from Microsoft stand point, Windows 7's end of life is October 2021.

What fees does the tech fee cover?

- This is a fluid discussion as we continue to build out the digital stack. Typically tech fees can include a CMS fee, CVP fee for data management, loyalty fee, support fee, web fee etc.

What type of support can the franchisees expect post Crunch Time launch?

- Currently CKE is in deep discussions with Crunch Time and looking into readjusting a model that was previously put out there. There needs to be support for different methodologies either from CKE or providers (Lucas or POS Tech). CKE is in the process of setting up a responsibility matrix of what can be done from a local stand point vs. the enterprise side. CKE is building an entire on-boarding process for franchisees that are doing a back office and POS conversion that also includes post go-live contact info.

What happens if the deadline for the transition timeline is not met?

- If the franchisees have the opportunity to start the process now, they should start early. CKE will work with the franchisees on a case-by-case scenario and make sure we have a viable plan.

Marketing

What are the plans for the percentage of money for digital/social media expenditures for next year?

- While last year we talked about a 15% threshold for digital, this year the percentage by market is not a blanket percent; CKE will rather come with a recommendation based on the media mix for each market individually. As CKE is rebuilding the work with RPA after the shift from the previous agency, they are working on what will be the ongoing performance matrix and measurable ROI on the digital expenditure.

How often will the media mix modeling measurement happen and be shared with the franchise community?

- The deep dive media mix modelling occurs twice a year and the marketing team is looking on an ongoing basis at the post mortem by window.

Can we expect the 6-week window to go away? If not, can you explain why?

- Marketing is always looking for a strategic calendar being built to optimize the products, whether they are core products or LTOs. We had roughly 9 windows in 2020 and in 2021 we will have the same planned number of windows. The team is also looking into carrying messaging window to window to gain efficiency in the overall merchandising production.

When marketing calendars are being presented with the recommended digital percentage by market, how much control will franchisees have for each market?

- CKE wants to bring forth and have the best possible discussion around it, and as we have done in the past, we are hoping for really good dialogues, not necessarily about a plus or minus of a percent, but rather making sure that the overall plan is delivering upon the goals that were set.

Operations

Menu simplification and generally ops simplification are still a concern. Is there a timeline for the progress in the menu simplification area and is there a possibility that the menu will change by region?

- CKE understands the criticality of moving fast on this; currently there is a creative adaptation based on the analysis of what we are selling and how we are selling it, and the removal of 17 SKU breakfast items and 15 lunch/dinner is going into test now. The hope is to have the menu optimization test results and point of view on it early next year and have a discussion on how it can be rolled out more broadly.

Are the corporate restaurants opening the dining rooms?

- All of the Hardee's dining rooms are open to follow their competitive landscape, and most of the Carl's Jr. remained closed. Lobbies are open for delivery and pick up. 1/3 of the system between Hardee's and Carl's Jr. have dining rooms open. CKE is leaving it up to the franchisees' market specific decision if their dining rooms should remain closed or open.

Are there any deadline extensions for the Prince Castle holding cabinets?

- CKE is aware of an issue with the vendor and working with them to see if it can be remedied. If the issue isn't resolved, an extension will be put in place. Currently the target is to get them all before the launch of new and improved Angus, which is slated for next year in April. CKE will send out a communication to the franchise community.

Development

With Western Mills going out of business, are we finding other suppliers to handle and manufacture the décor for furniture remodels?

- CKE already has a vendor established - Teker Design, sourced out of Mexico. In addition, there are 3 alternative vendors: CMI -TN, FCC Commercial Furniture -OR, JBI -CA.

Will the documents that are currently on USGN (plans, photos, etc.) all be transferred over to Site Folio automatically?

- Yes, CKE made the investment to preserve and buy all the data from USGN and migrated it to Site Folio.

Will there be any further communication from CKE related to the new development incentive presented?

- Yes, there is a full formal announcement that will be issued asap.

In light of the vast CapEx investments that franchisees are facing in the very near future (POS, Prince Castle), is there a probable ROI for the remodel program that CKE can deliver to the franchise community before they are asked to embark the program?

- CKE put the brakes on the remodel proof of concept they started pre-Covid, and now the remodel efforts are geared more towards the exterior, guest experience, engagement and impact. CKE will share the results with the franchise community before rolling out the remodel program.

Q&A RECAP

Supply Chain

Wasserstrom is back ordered on many products consistently. Can we make sure they are aware of upcoming promotions and have enough products on hand since they are not being auto-shipped?

- Wasserstrom has contractual KPIs and they shouldn't run out of products. CKE has a team in place and will re-issue a communication with the contacts that can help with these situations. Wasserstrom is being looped in the LTO marketing plans and CKE will ensure that Wasserstrom is getting the proper heads up.

Currently 15% of the restaurants are on one-time delivery. There is an issue with situations when the stores are shorted items and they have to wait for a week until they get it.

- In these situations John Dunion's group should be contacted and they will help.

What can be done for the freeway restaurants that have the biggest weeks during Holidays and one-time delivery is not feasible during these weeks?

- The Delivery Committee needs to define which stores cannot take one-time delivery and carve them out of the program.

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