

Nation's Restaurant News

Pat & Oscar's files for bankruptcy

September 27, 2011

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The Southern California-based Pat & Oscar's chain filed for Chapter 7 bankruptcy last week, closing the three remaining corporate locations on Friday.

While the last three corporate locations in Temecula, El Cajon and Carlsbad closed on Sept. 23, 11 franchise locations remained open this week, and company officials said the franchisee group is doing what it can to ensure the longevity of the brand.

The San Diego area-based fast-casual chain has struggled with declining sales for several years, despite attempts to revive the brand, [including the debut of a new prototype location last year](#).

In a statement Monday, company officials said management has been working very hard to streamline operations in recent months in an attempt to return to profitability.

"However, we discovered that, while these efforts were important and necessary, they were not going to be sufficient to save our parent company," the statement said.

The Sept. 21 liquidation filing comes only two years after Pat & Oscar's was acquired in a management buyout lead by industry veterans John Kaufman and Tim Foley in 2009.

Known for its fluffy breadsticks and family-friendly menu, Pat & Oscar's was founded in 1991 by Pat and Oscar Sarkisian.

In 2000, a majority stake in the chain was acquired for about \$16 million by the owners of the Sizzler restaurant chain, which also added KFC franchise units in Australia and became Worldwide Restaurant Concepts.

In 2005, Worldwide was acquired by private-equity firm Pacific Equity Partners, or PEP, which a few years later put both Pat & Oscar's and Sizzler up for sale.

As the economy took a downward spiral, however, PEP put sale plans for both brands on hold.

Kaufman, whose executive-level experience included time at California Pizza Kitchen, Koo Koo Roo and Famiglia Toscana Rosti, joined the then-19-unit Pat & Oscar's as president and chief executive in 2008, with a management buyout in mind.

After he and partners took ownership of Pat & Oscar's, Kaufman tried to position the brand for growth. A new prototype unit was unveiled in May 2010, and the company had a systemwide remodel planned.

In 2009, the menu was overhauled to include more shared-dish options designed to attract more families and groups.

By the time the bankruptcy was filed, however, the chain had shrunk to 14 locations, including nine owned by franchisees and two units that were in escrow to become franchise units, according to court documents.

With the liquidation of the franchisor, ownership of the rights to the brand remains unclear.

Industry consultant John Gordon with Pacific Management Consulting Group in San Diego, said, "There is brand equity and loyalty in San Diego for the Pat & Oscar's brand, though I'm not sure it would work elsewhere."

The franchisees likely will have to go to court to fight for the brand, he said.

While unusual for a franchisor to liquidate with existing franchisees, it's not unprecedented.

In 2004, a group of Ground Round franchisees acquired that brand and franchising rights after former parent Boston Ventures filed for Chapter 7 liquidation. The Ground Round Independent Owners Cooperative, based in Freeport, Maine, operates about 24 locations and earlier this year had paid off debt from the acquisition and was poised for new growth.

In 2008, about 200 Bennigan's and Steak and Ale locations shuttered after the Chapter 7 filing by parent S&A Restaurant Corp. The rights to the now 80-unit Bennigan's were acquired that year by Bennigan's Franchising Co.

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