

Will merger end Frisch's local sponsorships?

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At River City Correctional Center in Camp Washington, inmates (or residents) learn the nuances of cooking and prepping Frisch's menu items. Upon release, they are ensured employment at a local restaurant.

For Janet Pupa, the job skills training means she will be able to take care of her family when she can go home.

"They will finally be proud of me – after a very long time," she said as she hurriedly transitioned between washing dishes and assisting cooks in prepping food. "I'm proud of myself," she smiled. The River City resident has several non-violent drug offenses on her record.

The program at the local jail, in operation for nearly 20 years, is one of many community-oriented programs that Frisch's sponsors in Greater Cincinnati. The company has also notably sponsored the Cincinnati Ballet's Nutcracker performances since 1975.

But with the Walnut Hills-based company's pending sale to an Atlanta-based private equity fund for \$175 million, the question becomes whether Frisch's community-oriented programs will continue.

On Monday, Frisch's shareholders are set to vote on approving the merger with NRD Capital Management LLC Frisch's owns and operates 95 Big Boy restaurants in Ohio, Kentucky and Tennessee and licenses 26 others in Ohio, Kentucky and Indiana.

Lamont Taylor, human resources manager at Frisch's, said he could not comment to any potential changes to any programs.

Janet Pupa, a trainee in a Frisch's Restaurant program at River City Correctional Center, washes dishes, pots and pans in the kitchen of the facility. (Photo: The Enquirer/Patrick Reddy)

Potential changes under equity ownership

Terry Kelly, principal at Bartlett & Co Downtown, said "a private equity firm is generally looking at how to take a business and raise profit and sell it, and they're looking for way out of the business before they hit front door."

"These sponsorship programs are discretionary expenses, and in most cases, the investment firm will look to discretionary expenses first, and eliminate them," Kelly said.

In the same vein, he said, there may be a benefit to underwriting high profile events and programs such as the Nutcracker, Kelly said.

"If there is a public relations value to sponsorship, it will be left to whatever management is left in place to maximize profits."

Craig F. Maier, the company's chief executive officer, and Karen F. Maier, the company's vice president of marketing, will retire but remain as franchisees of Frisch's. Each owns one location and will continue to do so.

Maier owns 10 percent of Frisch's Restaurants, for which he'll be paid \$17.5 million, while his sister owns 6 percent for which she'll receive \$10.5 million.

As for River City, the jail's food service manager Greg Janneck said the job training program is invaluable to the community, because it helps reduce recidivism for nonviolent criminal offenders.

"Aside from learning how to cook, they learn about teamwork and being part of a commercial food operation," Janneck said. "This is so important to us that this program continues."

He added that the program provides opportunities to and second chances to people who would otherwise not find it coming out of a correctional institution.

Larry Grypp, president of University of Cincinnati's Goering Center for Family & Private Business, said oftentimes family-owned companies will pay a particular focus on community-oriented programs, whereas equity firms' primary focus is making profits.

"If the merger is approved, the locus of Frisch's control will lie with the equity firm," Grypp said.

Grypp said when determining which community programs should stay, "You could make a good case that having people trained is very difficult, and the biggest issue for most companies is finding trained talent," he said.

"You could make a great case that training employees in jails is a great investment for the private equity firm."

Chris Pfeffer (right), a trainee in a Frisch's Restaurant program at River City Correctional Center, sets a plate on the serving counter as inmate Sean Claxton (left) goes through the cafeteria line at the facility. (Photo: The Enquirer/Patrick Reddy)

Sponsorships 'could go either way' with shift

When it comes to what will happen to Frisch's community sponsorships, a representative from NRD Capital Management could not be reached.

James Brock, an economics professor at Miami University, said what NRD Capital does will largely depend on what kind of profit these programs can add to the takeover company's bottom line.

"These firms take something they perceive of value, that they know they can do better with, and the big idea is that they will make it more profitable."

"It depends on a strong local community connection, it could go either way."

Bartlett's Kelly said community-oriented programs are only a portion of what could be cut by the investment firm.

"You could see labor costs cut or a change to the number of locations," Kelly said.

UC's Grypp said the value of a company can sometimes be in its sense of community, "but only time will tell what happens."