

THE Valley INDEPENDENT

Daley, Quiznos not toasty

By Stacy Wolford
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When state Rep. Peter J. Daley (D-California) and his wife Sally ventured into the Quiznos Sub business, they were excited about the prospects of opening the restaurants in two college towns.

But Daley says the franchise venture has since turned into a nightmare that has led them into a court battle.

The Daleys are the largest shareholders in American Delis Inc., which operated Quiznos Subs restaurants in State College, Pa., and Morgantown, W.Va.

Listing debts of more than \$600,000, American Delis Inc. recently filed for Chapter 7 protection under the federal bankruptcy code. Those debts include unpaid state and federal taxes and \$631,955 in liabilities, according to court documents filed in December.

Sally Daley, president of American Delis Inc., is claiming debts of \$89,726 in federal taxes and \$42,633 in state taxes incurred from 2002 to 2004.

The bankruptcy court filing states that the two restaurants lost more than \$300,000 over a two-year period. Sally Daley also cited liabilities including \$2,408 in unpaid business and occupational taxes to Morgantown; \$29,110 in professional services and loans from Peter J. Daley & Associates; and a \$282,000 personal loan from Kermith Sonnier of Lake Charles, La.

Peter Daley, who is seeking his 13th term in the 49th Legislative District, said the first priority during the bankruptcy period is paying off the company's debts.

That effort will include payment of back taxes.

Daley served as president of American Delis Inc. when the corporation was registered in 1985. His wife served as secretary and is now president.

"I'm just a shareholder and American Delis Inc. is doing nothing different from what any other company would do in this situation," Daley said.

The Daleys also are facing a federal lawsuit in Colorado, in which Quiznos alleged American Delis Inc. violated terms of the franchise agreement by selling unlicensed products under the company's name.

Daley scoffed at the lawsuit.

"We ran out of provolone cheese, so the employee ran to Sam's Club to buy some more," Daley said. "The inspector came and saw we weren't using the Quiznos brand."

The Daleys are counter-suing Quiznos in Colorado federal court over claims the franchise agreement interferes with business and that the company has violated its agreement with American Delis Inc.

Quiznos company spokeswoman Bonnie Warschauer issued the following statement: "We terminated Mr. Daley for failing to comply with our system standards in accordance with his franchise agreement."

The Daley's aren't alone in their court battle with Quiznos. The Denver-based company is facing class-action lawsuits in New Jersey and Ontario, Canada, over delays in approving locations for franchisees.

Daley contends Quiznos employs a "bad business model" which sets franchisees up for failure.

"There are about 4,500 Quiznos nationwide and there are about 600 that have filed for bankruptcy protection," Daley said.

Daley said that since American Delis Inc.'s bankruptcy filing was reported, he has received phone calls from other Quiznos franchise holders from around the country in similar situations.

Daley has the support of the Toasted Subs Franchise Association, an independent organization formed by Quiznos Subs franchise owner Chris Bray, of Killeen, Texas.

Bray, president of the association, says the organization was formed to give franchisees a "voice" and secure their rights with Quiznos.

Bray accused Quiznos of price-gouging involving franchisees, who must buy their products from the company. He further claims the company took control of advertising dollars from the local franchisees.

Bray said there are at least a half-dozen law suits currently filed again Quiznos, and about a dozen more pending.

A phone call to the new Quiznos Subs shop franchise owner in Rostraver Township was not returned.

Stacy Wolford can be reached at swolford@tribweb.com or (724) 684-2640.