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Wisconsin franchisees sue Quiznos

GREEN BAY, WIS.

Quiznos Sub forces its franchisees to buy food and supplies from the company or its approved vendors at unfair prices and sets retail prices too low for the stores to make a profit, according to a lawsuit filed by 28 operators of Quiznos franchises in Wisconsin.

The class action lawsuit, filed in U.S. District Court on Monday, said Denver-based Quiznos has systematically defrauded its franchisees in a scheme designed to build the brand at the expense of the store owners.

The lawsuit, which seeks millions of dollars in damages for lost investments, accuses Quiznos of fraud, violations of federal and state antitrust laws, racketeering, breach of contract and violations of Wisconsin's fair dealership law, attorney Justin Klein said Tuesday.

Tamani Chio, a spokeswoman for Quiznos at its headquarters in Denver, did not immediately return a telephone message Tuesday.

The first Quiznos, featuring toasted sandwiches, opened in Denver in 1981 and the company has grown to more than 4,500 restaurants, becoming the fastest-growing restaurant chain in the country, trailing only Subway as the nation's No. 2 sandwich shop -- not counting hamburgers.

"Quiznos has been taking advantage of its franchisees for years through practices that we contend are illegal and in violation of the franchise agreement," said Chris Bray, president of the Toasted Subs Franchisees Association Inc., a trade group that help organize the class-action suit.

Bray, who owns two Quiznos stores in Texas and has been a franchisee for nine years, said Quiznos "has slowly, methodically and deliberately modified the business model, year over year, to make it economically favorable to them, to the detriment of the franchisees. It is time to put a stop to this."

Among the named defendants in the lawsuit are The Quiznos Franchise Company LLC of Denver; Richard E. Schaden of Lafayette, Colo., and Richard F. Schaden, of Westminster, Colo., the father-son owners of Quiznos; and Cervantes Capital LLC of Denver, which the lawsuit says runs the Quiznos operations.

According to Klein, a similar lawsuit was filed in New Jersey earlier this year by some Quiznos franchisees there. "We are in the preliminary stages of that case," he said.

Klein said the allegations against Quiznos involve restaurants in many states, but Wisconsin was chosen for one of the first lawsuits because it has "very good" laws that protect franchisees.

"There are suits soon to be filed in other states," the attorney said.

A Quiznos franchise costs \$25,000, and to open a restaurant and get it running requires an investment of between \$300,000 and \$400,000, Klein said.

"They tell you who you can buy from and who you can't buy from," he said. "The prices are unreasonably high. Quiznos gets rebates from approved vendors."

Between 2002 and 2004, Quiznos leaped from 1,765 stores to 3,339, an annual growth rate of nearly 45 percent, with company sales climbing 48 percent to \$1.27 billion.

On the Net:

Quiznos Sub: <http://www.quiznos.com>

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