

From One Buffalo Wild Wings® Franchise in 1999 to Currently Operating Twenty-One, with Agreements to Open Seventeen More and Four Bagger Dave's Legendary Burger Tavern® Locations in Michigan and Florida, Diversified Restaurant Holdings, Inc. is on a Strong Growth Path



**Services
Restaurants
(DFRH-OTC: BB)**

**Diversified Restaurant Holdings,
Inc.**

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**Thomas "Michael" Ansley
President and CEO**

BIO:

Very few people have achieved the hard-earned success of Michael Ansley before reaching the age of 40, and yet, he has already earned 10 entrepreneurial awards. Most notable is the 2007 Franchisee of the Year, awarded by the International Franchise Association, with over 10,000 franchisees and 1,300 franchise companies. For 6 years in a row, he has received awards for Highest Annual Restaurant Sales and now owns 4 of the top 50 restaurants in sales volume in the Buffalo Wild Wings (BWW)

food franchise business, with over 700 locations nationally.

As the CEO of Diversified Restaurant Holdings, a holding company with 3 subsidiaries, Mr. Ansley maintains the charm and charisma of a new entrepreneur. Michael's first introduction to owning and operating a business was his father, who, from the time Michael was 5 years old, developed a summer painting and roofing business into a full time company. As Michael grew, his father not only involved him in the business, but took him along on sales calls and taught him the art of negotiation and communication. By the time Michael was in high school, he began to demonstrate the skills of leadership, persuasion and marketing, as he led the school's first successful fundraiser. It would be of no surprise today to his former classmates that their class vice-president is now a successful entrepreneur who is continually changing the restaurant industry.

After graduating from the University of Dayton, Michael naturally pursued a career with DAP, Inc., the market leader in home repair and construction products, an area he was comfortable working in from childhood. There, he gained marketing and sales skills and, though offered an opportunity to advance in the company, chose to explore owning his own business. In only their mid-20's, Michael and a college buddy explored franchising opportunities and, based on their research, decided to open a



BWW franchise. With no prior restaurant experience and at such a young age, they were unsuccessful at securing bank financing. Determined, they secured funding from their families and opened the first Michigan BWW franchise in 1996. With slow market acceptance and 2 years of losses, Michael and his partner finally realized a small profit in the third year. By then, Michael had learned some hard lessons of running a business and was ready for more. He sold his interest in the franchise to his partner and began his own company in 1999, which is now Diversified Restaurant Holdings, Inc.

Michael has continued opening new restaurants every year. He is driven to grow the company in other markets and is not afraid to make change along the way. He continues to learn how to tailor his approach for each store by demographics, location and region. Mr. Ansley studies changing trends, watches guest patterns by time of day and preferences, then adapts each store to those particular situations, as necessary. While he relies on his store managers for information, much of this comes first hand.

Active engagement in management and operations has given Mr. Ansley the ability to observe what his customers want in a dining experience. Michael was one of the first store owners who offered full service to their guests in 2002. He did this against the advice of corporate, which was still operating primarily under a carry-out model or a self-service model. Michael had observed that many of his guests were former loyal college customers, now employed, married with children and living in the suburbs. With young children in tow, it was inconvenient for these families to leave their tables for food and beverages. It was also evident that customer demographics were changing and included families who wanted to dine as well as those interested in a sports bar atmosphere.

He responded by providing full service as well as a separation between the casual dining and the bar atmosphere in his Novi, MI location. This immediately shot the store to top sales in the first year of operations. This model was not only successful because of the customer attraction; it also proved financially profitable because of the change in hourly labor costs and ability of servers to "up-sell" more menu items. Soon, BWW corporate leadership embraced the full-service model, which is now available nationwide. This "breeding of the demographic," so to speak, has allowed Mr. Ansley to continue to attract long-term "guests", as he calls them. Actively engaging in management at the stores is only one way he has made such sound business decisions.

Market analysis has enabled Mr. Ansley to make informed decisions about market and product expansion. After studying patterns of Mid-Westerners, the company began expanding to the Metropolitan Tampa market in 2004, where BWW would be a recognized brand. The company now operates 7 stores in Florida, with future plans for expansion. Mr. Ansley

also studied market trends toward more fresh, made-to-order products in the fast, casual service market. He and his team developed an alternative to the drive-thru burger model and launched the first Bagger Dave's Legendary Burgers Tavern restaurant in Metropolitan Detroit in early 2008. Here, customers may order a variety of fresh burgers, hand cut fries, Michigan craft beer on tap, black bean turkey chili, salads and hand dipped milk shakes, and again in a full service entertaining atmosphere.

His ability to keep apprised of such details is enabled not only by his personal involvement but his relationship with each store's management and staff. Mr. Ansley surrounds himself

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with quality people and values their opinion and input. He and his management team promote from within, giving career opportunities to employees demonstrating loyalty, hard work and integrity. Hourly employees from restaurants that exhibit these qualities are identified, interviewed and screened by upper management. Qualified candidates attend a management training program and are provided a career path. Store managers participate in a lucrative bonus program and typically attend an annual conference with their families. Non-management incentives include gift card programs for every employee in the top 3 service rated restaurants each month. At Christmas, all employees receive Target gift

cards. The result: low employee turnover and high employee morale. Clearly, Mr. Ansley cares about people.

Further demonstrating this is his commitment to his community. He is passionate about Children's Leukemia Foundation of Michigan (where he is an Executive Board Member) and Boys and Girls Club of South Oakland County. Each year, the company sponsors multiple fundraisers through direct funding, serving meals to volunteers and families, and volunteering for events. Most of the company's employees participate in these events and, following Michael's example, have become avid supporters of these charities. The company's goal

for this coming year is to donate 5% of profits to charities.

As of March, 2011, Mr. Ansley's company operates 25 restaurants, with total managed employees exceeding 1,700+, and total managed sales exceeding \$45 million in 2010. Over the next 6 years, the company plans to open up to 17 new BWW stores and up to 25 new Bagger Dave's locations. Mr. Ansley has an aggressive growth strategy and completed an IPO in August of 2008. To accommodate this growth strategy, Diversified Restaurant Holdings,

Inc. was formed in 2006 as a holding company for 3 wholly owned subsidiaries, AMC Group, Inc., which manages existing restaurants, AMC Wings, Inc., which will own future restaurants, and AMC Burgers, Inc., which will own all Bagger Dave's restaurants.

With such success, Mr. Ansley says he is still learning the business. He has to continuously navigate challenges with real estate, locations, demographics, regulations and financing, and speaks articulately about each issue. He has gained first-hand experience as an entrepreneur that he may have otherwise never gained. His energy, his vision and his courage define him as a role model for other

entrepreneurs.

Company Profile:

About Diversified Restaurant Holdings DRH owns and operates its own unique, full-service, ultra-casual restaurant and bar concept, Bagger Dave's Legendary Burger Tavern®, which was launched in January 2008. The concept focuses on local flair with the interior showcasing historic photos of the city in which it resides. It also features an electric train that runs above the dining room and bar areas. Bagger Dave's offers a full-service, family-friendly restaurant and bar with a casual, comfortable atmosphere. The menu features freshly-made burgers (never frozen), accompanied by more than 30 toppings from which to choose, fresh-cut fries, hand-dipped milkshakes, and a selection of craft beer and wine. Signature items include Sloppy Dave's BBQ®, Train Wreck Burger®, and Bagger Dave's Amazingly Delicious Turkey Black Bean Chili®. Currently, there are four locations in the state of Michigan. DRH is approved to franchise Bagger Dave's in the states of Michigan, Indiana, Ohio, and Illinois.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Ansley, would you give us a little bit of the history of Diversified Restaurant Holdings?

Mr. Ansley: The company in its current form actually started in 1999, with one Buffalo Wild Wings® ("BWW") franchise. However, the company has evolved and changed names to Diversified Restaurant Holdings, which is publicly traded on the OTC Bulletin Board under DFRH. We currently operate twenty-one Buffalo Wild Wings in Michigan and Florida and we have four Bagger Dave's Legendary Burger Tavern® ("Bagger Dave's") locations. We have an agreement to open 17 additional Buffalo Wild Wings in Michigan and Florida and we are currently rolling out a franchise program for Bagger Dave's, for which we will be the franchisor. We have about seventeen hundred employees system wide and our

home office is located in Southfield Michigan.

CEOCFO: There are lots of restaurants and concepts to choose from; what's special about Buffalo Wild Wings and Bagger Dave's?

Mr. Ansley: Buffalo Wild Wings has been around since 1982 and is one of the hotter concepts in the restaurant industry. I have been with that concept for sixteen years, so I have watched it evolve. The price point is attractive, and the food is exciting. Customers at Buffalo Wild Wings all have their favorite sauce and then we have a spectacular atmosphere to come watch a game. It is more about the food, but we also have the atmosphere at Buffalo Wild Wings, with seven to eight big screen plasma TVs, trivia games, and furniture you can move around. Customers like the fact that it is so casual and they can go there with large groups of people or just themselves. It just has a great position and continues to grow. We are very fortunate to be a part of that system; it taught me a lot and our organization a lot about the industry. Then Bagger Dave's is a little different than the rest of the concepts, because there is a lot of buzz around the burger segment right now, especially the fast casual counter service concepts. Bagger Dave's is different in that we offer full service, it has a tavern feel, historical photos and murals of every community that we go in, there is an electric train, there is cherry paneling, and a copper bar. We feature local craft beers, which is a very popular trend and we are actually seeing that in both concepts; build your own burger, like I said full service, just an entertaining atmosphere that is doing very well with young families in that concept. So we like our position, we like the economics that we are seeing out of that concept. We plan to open at least two more corporate stores this year if not three. Then Bill McClintock, who is the former vice president of franchise sales and development of Buffalo Wild Wings for ten years, and he was at McAllister's Deli for three years prior to that, has just come on board as our senior vice-president of franchise sales and development. It is an exciting time.

CEOCFO: Why the decision to be the franchisor?

Mr. Ansley: As far as fueling our growth there is a lot more potential with Bagger Dave's because we are not limited by areas. We pretty much can go anywhere we want with Bagger Dave's, but Buffalo Wild Wings is limited by territory. With that I think we need to strategically mushroom out of your core with Bagger Dave's, so out of metro Detroit we plan on mushrooming into neighboring states, which would include Indiana, Ohio, Illinois, and potentially Wisconsin. However, we plan on doing this in a disciplined fashion; we are not planning on selling two hundred franchises next year. We would be very happy if twenty-four franchise locations opened up over the next few years. That way we could manage the distribution, the operational aspect and the branding aspect of it, rather than jumping around the country. Our own concept potentially could be much more profitable for the company, could add a lot of growth, rather than signing up for another territory as a franchisee with another concept. Starting a from scratch concept has not been easy and a lot harder than I had envisioned. It has been a lot of hard work, but we have a team of people that are very passionate about the Bagger Dave's concept and I think that is starting to pay off. We have been a franchisee for sixteen years. It gives us an opportunity to use that experience and we understand what a franchisee goes through now. From our perspective, I think understanding that might be much better for our franchisees. Also by leveraging the operational team and our experience from our Buffalo Wild Wings side of the business to start a new brand has been very powerful rather than just being a start-up with four locations. We actually have the support both financially and physically from the twenty-one Buffalo Wild Wings that we operate.

CEOCFO: How do you maintain the quality, the image, and the concept when you have so many locations?

Mr. Ansley: We empower our people. I do not know roughly how many people have been with our company for ten plus years, but our retention rate

has been great. We usually have hired from within the company, promoted from within the company, so we have a very loyal management team. Through that process, we have area managers and operational responsibilities for certain territories that help monitor that. We have secret shopper programs in place for both lunch, dinner, and carry-out. Each restaurant gets those three day parts every month. We have different quality service rating programs that customers can actually fill out, and we get those types of ratings. Customers obviously email us this day and age on either good or bad their experiences and we try to get back to them within 48 hours. Also we make our rounds in and out of the restaurants. Even at an executive level that comes on board has to go work in our restaurants for two weeks so they have a good understanding of what our restaurant employees are going through. It is not easy, but we are very fortunate to have some very quality people at our organization that are very dedicated.

CEOCFO: What is the financial picture like for Diversified Restaurant Holdings today?

Mr. Ansley: We are on the best financial footing that we have been on for years. Obviously, we made it through the financial crisis and we continued to grow throughout the last couple of years and reinvest in our restaurants with freshening ups, remodels, audio/visual upgrades, and continued to grow with new restaurants. Through that process, we were able to pick up some great real estate at very reasonable prices, which has put the company in a very strong position moving forward. Those restaurants have opened up very strong again because they were good sites, and then we got reasonable leases and sometimes a lot of TI money on top of it. We were fortunate enough last May to get a \$6 million development line of credit from RBS and that is for both Buffalo Wild Wings and Bagger Dave's. We have managed to increase our cash reserves and then utilize that deal out very effectively. Therefore, we feel very good about where we are moving forward. With that, we have been able to increase

our productivity in the restaurants. Our new CFO, David Burke has been here for about a year now, he came over from Federal Mogul, which is the auto industry, but he has been involved with many great programs, both from an IT perspective and different matrixes for the restaurant managers to maintain. We have a new bonus program and we seem to see that paying dividends already. We are fortunate enough to see chicken wing prices drop, which is going against all the other commodities. It almost seems to be an inverse relationship, so this year we are enjoying being on the Buffalo Wild Wing side, but that is a significant part of our business; it has had a great impact.

CEOCFO: You mentioned controlled growth; what challenges do you see as you start to roll out the new stores?

Mr. Ansley: In the restaurant business it is, "location, location, location". It is one of our biggest challenges. However, we had a field day the last couple of years finding locations, although it is starting to tighten up because we prefer to be in end-cap positions in smaller strip centers. In addition, because of the financial crisis and the limited ability to get financing out there, the developers have not been able build smaller strip centers out in front of the regional malls and shopping centers where we could pick up a nice end-cap. There are some of what we like to call retreads, which are older restaurants that we retrofit into one of our concepts, these spaces can sometimes be picked-up reasonable, but sometimes it does get expensive to retrofit an old restaurant, so this can be an art. That is going to be a challenge for us moving forward to find quality locations. Another challenge is obviously keeping up on the growth side from an operations perspective. We have been able to grow organically training our people how we want the restaurants to be run, and that provides a lot of loyalty, but as you continue to grow you may not be able to continue to hire from within the company, grow and train people the way you would like. Therefore, you may have to look outside the company. However, we think we have a dynamic culture and we do not want

to ruin that. There is going to be the challenges with distribution for Bagger Dave's. That is why we plan to keep it somewhat controlled. We would like to keep it in the neighboring states for now, for a variety of reasons, such as branding, and operational support. This is because we do not want our operations team having to fly from Michigan to California to oversee one restaurant. When you are on the road for a number of days it is not ideal. From a marketing prospective when you mushroom out, obviously you start to see overlap as far as brand awareness. You see a lot of chains when they start out and maybe for financial reasons or other reasons they open a store in Michigan and then they open a store in California, Texas and Florida. If you really watch it and over the years eight times out of ten it does not work, there is always that one concept for whatever reason works, but the batting average is not good. At any rate we have a lot of challenges, we are aware of them, we continue to have meetings amongst the management team and strategically try to plan this out. It is like building a professional baseball or football team and we need to bring on more talent, but you can only do that very slowly because you have a salary cap. Therefore, we are trying to pick up those positions strategically. Do we need a new director of IT? Can we afford that salary this year? And if we do get that person, we want to make sure we get a good one; a new director of marketing. We just went through that whole process where we tried to elevate that position. It is going to be a challenge.

CEOCFO: That is where your long history comes in?

Mr. Ansley: Yes.

CEOCFO: Would you tell us about the newest openings?

Mr. Ansley: We opened in Traverse City, Michigan a Buffalo Wild Wings. We had a very strong opening up there. It is a great location, and it was a great real estate deal. We converted a Don Pablos into a Buffalo Wild Wings in Lakeland Florida, again another great deal, great location, performing very well in the first few weeks. Our newest Bagger Dave's in

Brighton Michigan, which is our forth, broke our record both from a new store opening and our weekly sales record, so that store is performing well. We are actually ecstatic over the performance of those three restaurants.

CEOCFO: In closing, why should potential investors take a look at Diversified Restaurant Holdings?

Mr. Ansley: Our IR firm that we are using out of New York cannot believe we are on the OTC. They feel that we

are one of the most legitimate companies that they have seen on the OTC. We did a self-underwritten IPO and we sold it ourselves as management team to friends, family, vendors, and employees, so we have a pretty loyal base of shareholders. In 2009, the company did \$19 million and last year we are going to show \$45 million. That is quite a bit of growth and we are obviously opening restaurants. I cannot give you the numbers and what we are predicting for the rest of the year, but I do not know that you

are going to find that type of growth with a lot of restaurant companies right now. We have a lot of experience on the team, and we are bringing more experienced people on board, so I think we have a solid foundation. Other than the macro economy something like gas prices shooting up to five bucks, with the economy improving and the foundation that we have in place, I do not think there is a lot holding us back.



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