

# Middle Man Finds Seat at Table With Restaurants

**DINING:** John Tu lines up Chinese investors for two Italian food franchises.

By **JUSTIN YANG** Staff Reporter

It is truly an "Only in America" story.

An emigrant from Taiwan lands a job with the U.S. Immigration and Naturalization Service, retires after 25 years and starts a business facilitating EB-5 visas for Chinese investors interested in bringing Italian restaurants to Los Angeles.

That's the story of **John Tu**, chief executive of **Procal Investment & Management** in El Monte. His company has signed an agreement with **Chicago Franchise Systems Inc.** to bring as many as 30 of its **Al's Italian Beef** and **Nancy's Pizza** concepts to Southern California. Procal expects to open the first of each concept in Los Angeles County in Alhambra in March. Its first Al's Italian Beef opened in Chino last week.

Tu, who is in his 60s, bankrolled Procal with backing from family members. He is financing the franchise acquisitions with money from foreign investors, mostly from China, under the government's EB-5 program. In that controversial program, foreign investors can get green cards to the United States so long as they invest in a business that creates 10 jobs here. The investment usually must be at least \$1 million, but can be as low as \$500,000 if the business is in a high-unemployment area.

Most of the investors will be passive, hiring Procal to operate the restaurants in exchange for a cut of revenue. Tu declined to say what percentage his take would be.

**Dave Howey**, chief executive of Chicago Franchise, said he was drawn to the idea of franchising to foreign investors to finance a



**Digging In:** John Tu at Procal Investment & Management's office in El Monte.

longstanding plan to expand to the West Coast.

"John's whole premise was bringing franchisees that already have the money," Howey said. "Banks don't want to put money into new businesses anymore. That all stopped in 2008."

Tu said he chose Chicago Franchise's concepts to manage because the company's history, dating back to the 1930s, showed it was stable, which attracts EB-5 investors.

#### West Coast opportunity

Concepts such as Al's have potential to do well in Southern California, said Darren Tristano, an analyst with Chicago market research company Technomic Inc.

He said Al's restaurants generate higher-than-average check tallies and do not rely on expensive equipment, giving the chain a higher potential return.

"There's some clear opportunity for Al's in this market," he said.

The Chicago Franchise concepts are appealing to Chinese investors because at \$30,000 the buy-in is lower than popular fast-food chains. In addition, by employing about 12 people full time, they satisfy EB-5 job creation require-

ments. McDonald's franchises, by contrast, can cost from \$950,000 to more than \$2 million.

But the franchise fee is only the beginning. The Al's in Chino cost the franchisee about \$1 million, including costs associated with construction, equipment, employees, brokers, lawyers and advertising.

But the most important aspect for international franchisees is Chicago Franchise's willingness to offer them an opportunity.

"Most of the franchisees and the bigger companies, they don't want foreign investors," Tu said. "I don't know why."

**Barry Kurtz**, a Woodland Hills attorney specializing in franchise law, said many companies are hesitant to deal with franchisees that haven't had their immigration status finalized yet, which often takes a year after their projects have been approved.

"You don't want the sales transaction to lose until they get their visa because they could disappear. If the buyer has to leave, you have an operating business with no owner," Kurtz said.

Tu said he was confident that the businesses meet EB-5 requirements and that the franchisees would get their green cards. But, he

added, if a franchisee had to leave the country for some reason, the business would remain in the investor's name and Procal would still run the operations, assuring continuity.

Though he has no experience in the restaurant business, Tu moved quickly to staff up with people who did when he formed the business two years ago.

He hired **David Wallia**, who had 25 years of experience opening restaurants for chains like South Korean fried-chicken concept **Kyochon**, as director of operations. In addition to Wallia, Procal has about 20 employees working in operations, legal, financial and public relations.

Despite staffing up with experienced people, Tu acknowledged that owning a franchise was not always a surefire success. Still, he said, Chicago Franchise, which operates 16 Al's and 31 Nancy's, mostly in Illinois, was a safe bet.

Tu said he teaches franchisees how to run a business in America, about permits, branding and even English through another San Gabriel company he owns, **Pro Management Consulting**. That business also helps franchisees with the paper work to become permanent residents.

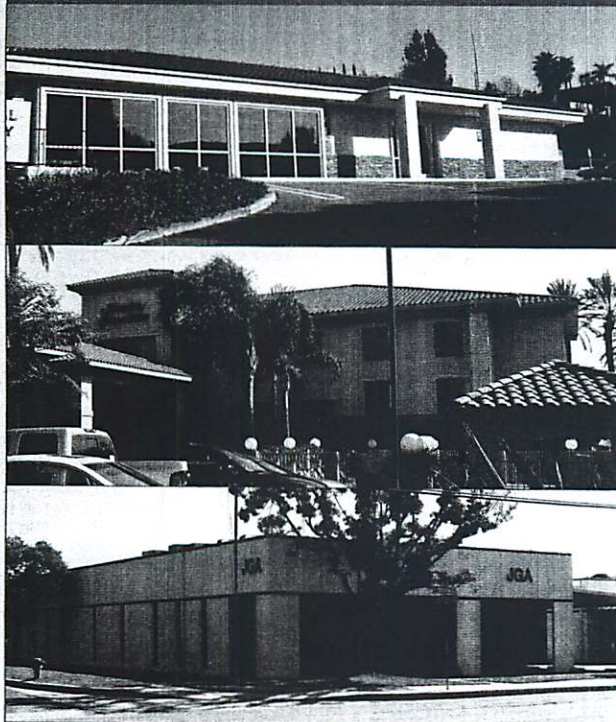
Tu, who would not say how many investors he lined up, conceded that most had little interest in actively running the business, creating further opportunity for Procal on the management side.

While that is fine with Chicago Franchise's Howey, who said that if investors wanted to be involved with operating their restaurant, they would need to go to Chicago to receive training, franchise attorney Kurtz is less enthusiastic.

The lack of active involvement on the part of the foreign investors, he said, goes against the spirit of the EB-5 law.

"At the end of the day, you get their personal investment and you're just an investment bank. There's no guarantee or commitment by anybody to make sure that the business succeeds," he said. "That's contrary to the intention of EB-5."

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