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INCREDIBLE SHRINKING UNIVERSE

of Minnesota Small Public Companies

Our mission to explore the performance of Minnesota's public companies, which began on Sept. 7 with the Top 100, continues as we rank the best and worst performers in the next 50 ... *the Small 50.*

We unravel the mystery:

Why are public companies vanishing?

And what does it mean?

THE AMAZING STORY STARTS ON PAGE 15!

Age shakeout yields a deal for bank

Leeann Chin CEO plans expansion – and yogurt?

BY JOHN VOMHOF JR.
STAFF WRITER

Leeann Chin is getting a makeover, complete with new menu items and store renovations.

The Bloomington-based Chinese takeout chain, acquired in March by a former Los Angeles investment banker, has introduced new entrees at all of its restaurants and a trendy Asian frozen yogurt at selected locations. Store remodels are scheduled to start next month, and a significant local expansion is slated to occur over the next three years.

New owner and CEO Lorne Goldberg, a 39-year-old Montreal native, says the changes are part of a strategy to refocus Leeann Chin Inc. on its namesake restaurants. Previous

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Cargill fund may target loan market

BY KATHARINE GRAYSON
STAFF WRITER

Meet the region's best CFOs Awards Luncheon

Wednesday
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Cathy Cooney, HealthPartners
Luisa Wilson, Star Exhibits & Environments
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LEEANN: New owner plans to focus on core brand

FROM PAGE 1

management, he said, got distracted by failed attempts at national expansion and two underperforming spinoffs: Chin's Asia Fresh and the short-lived Asia Grille.

"Leeann Chin is a fantastic brand that's played a secondary role to Chin's Asia Fresh for the past five years," Goldberg said. "I'm bringing it back and doing it in a substantial way."

The company recently converted its Chin's Asia Fresh stores in Plymouth and at Knollwood Mall in St. Louis Park into traditional Leeann Chin stores, increasing the number of locations to 32. The two remaining Chin's Asia Fresh locations in Minnetonka and Woodbury are performing well, Goldberg said.

Leeann Chin also continues to move away from its old model of operating inside grocery stores. The chain had takeout counters at Lunds and Byerly's locations for more than a decade before switching to Rainbow Foods in 2004. Only the two best-performing of those locations are left, at Rainbow stores in Eagan and Shoreview.

New menu items

Leeann Chin has introduced five new menu items in the past couple of months, all of which are top sellers at Mandarin Express, a mall-based Chinese takeout chain. Goldberg owns and operates in the southeast United States. Two of the new items, grilled bourbon chicken and sweet and spicy Mongolian chicken, have accounted for about 20 percent of sales since joining traditional favorites like sesame chicken and lemon chicken on the menu two months ago.

Same-store sales have risen 3 percent since the acquisition in March, Goldberg said.

Leeann Chin also has started to test a tart and tangy Korean style of frozen yogurt at nine stores, with plans to introduce it chainwide next spring. Customers can choose a variety of toppings, including fresh fruits, candies and cereals.

Similar treats have generated a lot of buzz at yogurt chains in Los Angeles and New York, but can't be found elsewhere in the Twin Cities. "For now, it's a nice add-on dessert," Goldberg said, "but down the road we hope it becomes more of a destination play."

Korean-style frozen yogurt is probably more of a fad than a long-term trend, but it makes sense as a complementary item for Leeann Chin, said Darren Tristano, executive vice president at Technomic Inc., a restaurant consulting firm in Chicago. The yogurt can attract prices similar to those for ice cream at Cold Stone Creamery, he said.

"The chains that are going to be more successful in competitive environments have to look at what the trends are and what the consumer drivers are. By adding this very trendy dessert to their existing Asian offerings, it provides their customers and others more opportunity to

come through the door to drive traffic."

Goldberg hopes that the frozen yogurt, along with the chain's new grilled chicken and shrimp entrees, will attract more health-conscious customers who otherwise wouldn't come in. He plans to launch a marketing campaign next spring to introduce local consumers to what he calls "the new Leeann Chin."

"It's time to go after people who haven't been back in awhile," he said.

Remodels, expansion planned

Most Leeann Chin stores will receive cosmetic remodels within six months, including brighter interior colors, glass mosaics, menu boards with pictures of the food and new outdoor signage. All stores will have plasma televisions and Wi-Fi service.

Older stores at Park Place Plaza in St. Louis Park and at The Quarry Shopping Center in Minneapolis will undergo more extensive remodels.

Goldberg also plans to open 10 to 15 new Leeann Chin stores in the Twin Cities in the next three years. "It's already the most-dominant [Chinese food] brand locally, but we want to enhance it and take it up a notch."

There are no plans for national expansion, Goldberg said.

"We will explore down the road whether it

makes sense to expand outside of the Twin Cities," he said. "I have no plans to focus on stores outside the Twin Cities anytime soon, and frankly, I don't know if it will ever work, because it didn't in the past."

Leeann Chin, founded in 1980, has struggled to grow outside the Twin Cities, despite its success here. Over the years, the company made ill-fated attempts to expand into Chicago, Detroit, Seattle and Kansas City, Mo.

History suggests that future expansion attempts also would fail, said Allan Hickok, managing director of the restaurant industry group at Houlihan Lokey Howard & Zuckin in Minneapolis. Hickok invested in Leeann Chin for a brief time in the mid-1990s, but no longer has any ties to the company.

"The Asian segment is a good segment and fits in with the demand for chains with full flavor profiles, so if they can crack the code on that, then there's a very receptive market for American-Asian cuisine," he said. "The flip side is that this company has had a poor track record of expansion. But maybe the new owners can take a different approach and have more success with it."

Goldberg said he sees Leeann Chin as a strong long-term investment, with a lot of potential to grow through increased store sales and future expansion.

"I'm an owner, not a private-equity fund," Goldberg said. "I don't flip. I'm here to build a fantastic brand."

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PROVIDED BY LEEANN CHIN

The chain's new bourbon chicken has been selling well. Next up: A tangy frozen yogurt treat.

