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Former TGI Fridays CEO makes run at restaurants in bankruptcy court

Ray Blanchette seeks to add nine corporate-owned locations in Maryland and Texas



This TGI Fridays restaurant in Upper Marlboro, Maryland, sits along Shoppers Way. The casual restaurant chain plans to sell some of its Maryland and Texas company-owned locations to its former CEO. (CoStar)

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TGI Fridays' former CEO Ray Blanchette is making a run at snapping up more locations of the fast-casual chain after being named the bidder to beat for nine company-owners restaurants in bankruptcy court.

Sugarloaf Hospitality's $30.5 million offer was approved by the court on Wednesday as a so-called stalking horse bid for nine TGI Fridays in Maryland and at Dallas Fort Worth International Airport in Texas, U.S. Judge Stacey Jernigan said during a bankruptcy hearing in the Northern District of Texas.

Prior to approving the bid, Jernigan confirmed with attorneys for TGI Fridays that the company was open to competing offers on the restaurants and to proposals for other locations owned by TGI Fridays.

When TGI Fridays filed for Chapter 11 bankruptcy protection last month to restructure its operations, the chain only had 39 company-operated U.S. eateries left in its portfolio after closing dozens of locations across the country. TGI Fridays has 122 U.S. franchised locations that are not involved with the bankruptcy proceedings, according to court documents.

In putting together Sugarloaf Hospitality's bid for the nine restaurants, Blanchette is adding to his stake in the casual restaurant chain after

acquiring eight corporate-owned TGI Fridays in January. He did not immediately respond to requests for comment from CoStar News on Wednesday.

Blanchette, who is a graduate of Southern Methodist University in Dallas, became founder and CEO of Sugarloaf Hospitality in November 2023, according to his LinkedIn profile. He stepped down from his role as CEO of TGI Fridays in May 2023.

The five eateries at the sprawling Dallas Fort Worth International Airport are among some of the most successful in TGI Fridays' portfolio. Those restaurants generated sales of $44.5 million in the 52 weeks ending Dec. 25, 2023, according to court filings. The outlets do well enough that the company was exploring an expansion to other airports prior to filing for bankruptcy, court documents said.

The addresses of the Maryland locations were not disclosed, and TGI Fridays did not immediately respond to requests for comment.

The details

The stalking-horse purchase agreement is secured by bid protections, including a $640,000 breakup fee and a $50,000 reimbursement for reasonable out-of-pocket expenses incurred as part of Sugarloaf Hospitality's efforts to negotiate the transaction, the Jernigan said in her ruling.

At Wednesday's hearing, the judge also approved debtor-in-possession financing for a revised amount of potential new borrowing of up to $1.3 million through January. The additional funds come after the court already approved $3.3 million in debtor-in-possession financing supplied by Texas Partners Bank in November. The next hearing for TGI Fridays is scheduled for Jan. 2.

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Last month, the bankruptcy judge granted approval for TGI Fridays to exit 78 of its restaurant leases as well as the office lease for its Dallas headquarters in a move expected to save the chain about $1.4 million a month.

If the stalking-horse bid goes through, attorneys on behalf of TGI Fridays say the company will have the funds to pay landlords the portion of rent owed prior to the bankruptcy filing, commonly known as stub rent.

One landlord attorney asked the bankruptcy judge to add more protections for her landlord clients that ensure payment from TGI Fridays, but Jernigan overruled the objection.

"I was impressed by the give and take" in the final financing order with the stalking-horse bid looking "very promising," Jernigan said. "I believe there is adequate protection."