



**Opinion: Speculative Investment Merit** We believe that the shares of Dixie Lee International Inc. (OTC: DLII.PK) warrants speculative investment merit. DLII is a developmental business enterprise with limited operating history. The company is not yet fully reporting, and thus audited and current quarter financial statements have not been filed. Given its speculative nature at current price levels, this investment should only be considered for accounts seeking speculative aggressive growth. While investment in the common shares of DLII could result in significant capital appreciation, we caution that investment in this security is suitable only for accounts with a high tolerance for both market and operational risk inherent with micro-cap OTC listed issues. All SEC filed documents should be reviewed when evaluating this or any other company.

Industry / Sector: Service / Restaurants	Sector P/E multiple: 28.3 x
Current price (bid) : \$1.00 Target price: \$3.00 -\$4.00	Sector NPM: 6.1%
Trailing P/E multiple : N/A	Sector ROE: 16.4%
12 month High (ask) : \$10.00 trading range Low (ask) : \$0.003	Shares outstanding: (M) : 39.13 Approximate float: (M) : 12 .04
President : Joe Murano	Market cap: ( \$ M ) 54.78
Corporate phone number: 613-354-7999 IR: 713-401-9333	Reporting date: June
Corporate address: 7 Snow Rd, Napanee, Ontario, CN K7R0A2	Web site: Dixieleechicken.com

**Balance sheet summary September 30, 2007 Un-Audited (CN \$000)**

Total current assets: 277.0 Total assets: 351.0 Total current liabilities: 153.0  
Long term debt: 0.00 Stockholders equity: 198.0

(\$CN 000)	*FY 2007 E	*1Q 2008 E	*2008 E
<b>Revenue</b>	1,303	245	2,650
<b>Expenses</b>	1,270	174	1,873
<b>Net income</b>	23.8	50	52.4
<b>EPS (\$CN)</b>	\$0.000	\$0.001	\$0.001
<b>WASO (M)</b>	39.13	39.13	40.0E

\*Note: All numbers contained herein are based upon management's projections, are un-audited and may be subject to significant revisions. In addition, projections for FY 2008 and beyond are subject to proposed financing requirements and application of "safe harbors" herein. Please refer to assumptions in this report's Fundamentals sections. We caution that actual results may differ significantly from estimates.

**Summary** – Let's get right down to it because I'm hungry, and nothing could be finer than eating at a Dixie Lee Diner. Dixie Lee International Inc.'s management team has the experience and talent in our opinion to successfully market a unique concept in the restaurant dining franchisor business arena – a "moveable feast" if you will. With relocatable diners if needed, and built upon a proven business model extracted from the previous parent company (Dixie Lee Food Systems Ltd.), we think the future possibilities for DLII are nothing short of down home and delicious. As with many new companies, adequate working capital is often a barrier to the execution of sound business plans.

DLII is no exception to this situation, and the company is still in need of an additional \$5 million to expand its franchisor base in the United States. Foreign expansion programs are currently underway in Canada, Dubai, and the Ukraine. On a comparative basis within this industry, the company's fast track approach is exceptional. We believe that if the company's business plan is fully executed over the next several years, potential share appreciation exceeding \$3.00 is possible. "If you like quality down home cooking – you'll love Dixie Lee Diners."

### *The Menu*

**Corporate Background** - Dixie Lee International Inc. (DLII), a registered Nevada corporation, was formed on May 29, 2007, through a reverse merger with Woods Products Inc. Subsequently, on November 6, 2007, the company acquired through an exchange of shares, all of the assets of Dixie Lee Food Systems (U.S.A.) Inc. and Dixie Lee Food Systems Ltd., which is the franchisor and trademark holder of 80 Dixie Lee Restaurants, located primarily in Eastern Canada. Dixie Lee Food Systems (U.S.A.) was a subsidiary of Dixie Lee Food Systems Ltd., which evolved out of the founding parent company- Dixie Lee.

Dixie Lee Food Systems Ltd. was founded in Belleville, Ontario in 1964. This company was initially a supplementary food service marketer, and later developed over 80 restaurants, with the Dixie Lee trademark. Dixie Lee Food Systems Ltd. began selling franchises in Canada in 1964.

Mr. David Silvester (Vice President and a Director) started in the business in 1970 as an owner/operator of a single Dixie Lee outlet in Castlegar, British Columbia. Mr. Silvester then acquired a Dixie Lee area franchise for British Columbia, where after developing this province he was successful in purchasing the Dixie Lee franchise parent company in 1979. Mr. Silvester was responsible for developing Dixie Lee from 8 to more than 35 stores in Ontario from 1979 – 1987. Dixie Lee Food Systems Ltd. is an all Canadian Franchise Company with over 80 franchised outlets from coast to coast.

**Current Management** - In April, 2007 Joe Murano took over as President of Dixie Lee Food Systems Ltd., and subsequently formed DLII. Mr. Murano has over a 32 year history in managing and developing franchise operations. Previously, Mr. Murano owned and operated a chain of Papa Pete's Pizzeria Restaurants with annual sales of \$10,000,000, as well as operated a chain of 65 Bandito Video stores, with annual sales of \$60,000,000.

Mr. David Silvester, Vice President, has a long and impressive history with Dixie Lee, having owned and operated his own Dixie Lee unit, and moving on as an area franchisee of the British Columbia market to develop 17 stores. In 1979, Mr. Silvester purchased the parent company, Dixie Lee Food Systems Ltd., and moved the chain from its humble beginnings to over 80 stores in Canada. On January 31, 2006, Mr. Silvester sold Dixie Lee Food Systems Ltd., to Mr. Mark Graham.

Mr. Mark Graham, Director, has worked in the franchise industry since 1973. Mr. Graham successfully operated multiple McDonald's franchise locations for 17 years from 1973 to 1990. Beginning at the entry level, Mr. Graham became the youngest store manager in the company at that time. Mark Graham has opened stores around the world on behalf of the McDonalds Corporation, including stores in St John's, Newfoundland, Whitehorse, and the Yukon. Mr. Graham was selected to open the first McDonald's in Moscow USSR. In 2004, as Vice President of Operations for Jumbo Entertainment Corporation, under his leadership, sales exceeded \$500 million from 123 locations.

Mr. Ron Silvestri has been employed with Dixie Lee Food Systems Ltd., as Chief Financial Officer since 2002. With well over 20 years of accounting experience, Mr. Silvestri is an accomplished professional skilled at increasing profits and reducing costs through application of analytical and business development skills. As the Director of Finance and Administration with the Canadian Automobile Association in North-eastern Ontario, Ron was responsible for all financial and administrative management issues related to five branch offices with over 45 employees and annual revenues of \$13 million.

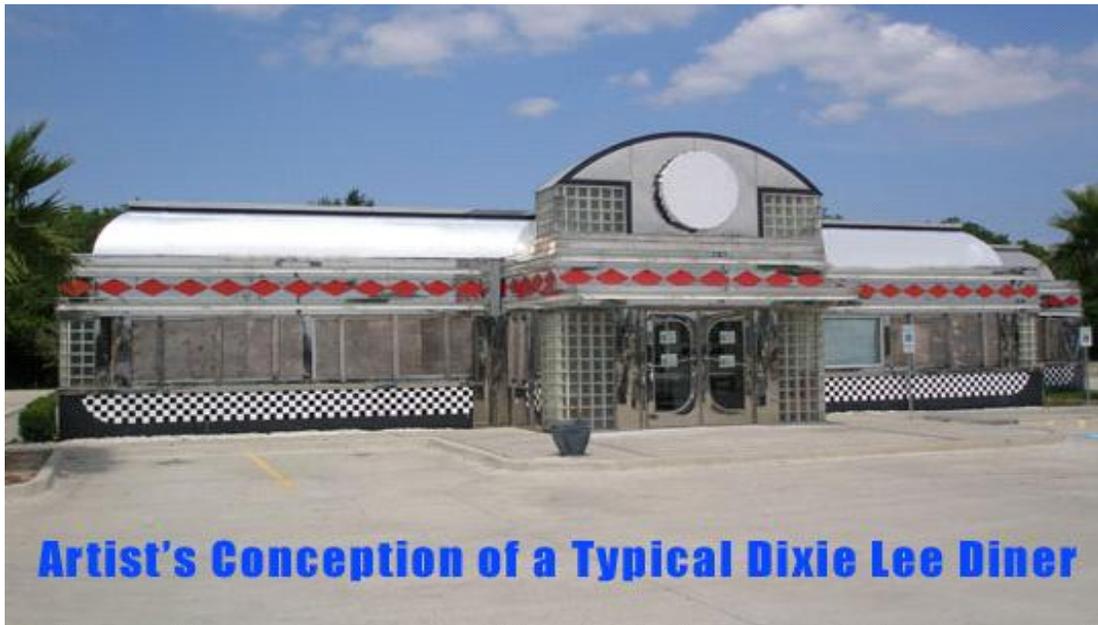
### *A Recipe for Success*

**Business Model** - Building upon the success and history of the established Dixie Lee dining concept, a new venture has been undertaken by the company to enhance its franchising capabilities domestically in the U.S.A., and in international markets. We believe that the essential ingredients necessary to compete in this very difficult marketing environment are in the company's recipe book. Going forward, Dixie Lee International has addressed the following key elements in its business plan.

#### **Three major requirements for a franchisors' success is based upon the following:**

1. Location, Location, Location - Most restaurant franchises require premium space or "encap" locations to sustain traffic and visibility. Whether the locations are free standing buildings, strip, or in shopping malls, competition for those spots can be both costly as well as on a first come first serve. Additionally, demographic profiles within a community can often change dramatically, further putting a franchisee's capital investment at risk. The solution to these dilemmas is solved with the employment of the company's **Dixie Lee Diner™** modular, freestanding building approach.

With a setup time of approximately 30- 60 days, stores can be fully operational in choice out parcels locations. This opens the door for the company to market franchises to a wider demographic customer base in both small and medium sized market areas. A prime example of this location approach, utilizing secondary locations is exemplified with Cracker Barrel stores.



According to Joe Murano, President, “The Dixie Lee Diner is its own “brand”. These freestanding stainless-steel building will become a “landmark” icon in there own location. The diner tradition has been an established American icon for over 100 years. The evolution of the traditional diner has spawned many independent and chain restaurants serving “3 squares” (3 meals) a day; however, most are built in permanent locations of “bricks and sticks,” such as Waffle House, Huddle House, Denny’s and the like.

Unfortunately, as demographics change over time, many once successful permanent locations become marginal locations, and may even close. A major advantage with the Dixie Lee Diner concept is that the entire modular building is relocatable. If a location begins to decline in demographics, a franchise owner can literally move the diner to a more desirable site in short order.”

2. Dining Experience – The appearance of these modular stores creates a “billboard” advertisement presentation, which exudes a retro-Americana flavor. Who doesn’t like a warm and friendly “Happy Days” nostalgia type of eating environment? As portrayed in the hit movies, *Pulp Fiction* or *American Graffiti*, and off the screen with independent or chain stores such as Gunther Toody’s Diners, a slice of “Americana” sells; not only domestically, but internationally also. A dining gourmet I am not, however, as we all know, presentation and ambience can be as important as to what is actually being served up on the plate.

While Dave Thomas and Ray Crock might have been restaurateur mavericks, they were selling fast food and convenience, not quality and a warm and friendly dining experience. This is the hallmark of the Dixie Lee brand diner concept. It is further supported by knowing how to operate stores (food quality consistency, employee training, advertising). In this regard, management has the hands on experience in all of these areas from the ground floor up to insure implementation of these critical operating parameters for franchisees to become successful.

3. Marketing Drives the Train - DLII has enlisted the talents of Paul Stewart and Associates (PSA) to design and market the franchisor template for the Dixie Lee Diner concept. Mr. Stewart’s firm has assisted over 300 companies with their expansion plans, including consulting, packaging, franchise marketing and finance. In just the past 12 years, several of PSA’s franchise clients have generated

hundreds of millions in revenues, including: Merry Maids Home Cleaning (largest in its field), sold for \$25 Million; Fast Signs One-Day Signs (largest in its field), sold for \$100 Million; Manhattan Bagel Company (largest in its field), sold for \$55 Million; Express Lube & Oil, sold to Jiffy Lube for \$56 Million; and Remco Appliance Rentals, sold for \$47 Million. PSA specializes in growing restaurant, service and retail chains.

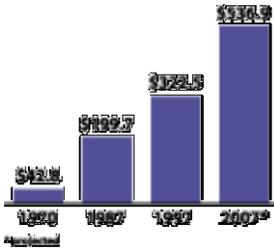
**The Restaurant Industry** - Just when you might have thought that the restaurant industry was at a standstill, and in particular that restaurant franchising in this period of economic uncertainty would be a bust – think again. This is a huge business, and although competitive, there's plenty of room for a new kid on the block. As the following data indicates, total restaurant sales have increased from \$323 Billion in 1997, to an estimated \$537 billion in 2007, and \$558 billion in 2008 or a 6.6% increase on an annual basis. **Franchise stores represent approximately 30% or \$161 billion of this industry's revenue base; and we expect DLII to capture an ample helping on its plate of this industry's revenue servings.**

## 2007 RESTAURANT INDUSTRY OVERVIEW

- **Sales: \$537 billion** (Est.)
- **Locations: 935,000** — serving more than 70 billion meal and snack occasions
- **Employees: 12.8 million** — the industry is the largest employer besides government

## SALES PROJECTIONS

**Restaurant industry sales  
(Billions of current  
dollars)**



**Type of Establishment      2007 Estimates Sales (\$B)**

Commercial	\$491
Eating Places	\$363
Drinking Places	\$16
Managed	\$36
Services	\$27
Lodging-place	
Restaurants	\$49
Other	\$46

**CORNERSTONE OF OUR NATIONS ECONOMY**

**Restaurant-industry sales are forecast to advance 5% in 2008 and equal 4% of the U.S. gross domestic product.**

- The overall economic impact of the restaurant industry is expected to exceed \$1.3 trillion in 2007, including sales in related industries such as agriculture, transportation and manufacturing.
- Every dollar spent by consumers in restaurants generates an additional \$2.34 spent in other industries allied with the restaurant industry.
- Every additional \$1 million in restaurant sales generates an additional 37 jobs for the nation's economy.
- Average unit sales in 2004 were \$795,000 at full-service restaurants and \$671,000 at limited-service restaurants.
- The average household expenditure for food away from home in 2005 was \$2,634, or \$1,054 per person.
- More than seven out of 10 eating-and-drinking places are single-unit (independent) operations.

As reflected in the monthly industry tracking survey published by the National Restaurant Association (NRA), data for August indicated that while the industry isn't growing by leaps and bounds, it is still on an upward track, regardless of how much we have all been shelling out for gasoline. In fact, the industry has been in a growth mode for 52 consecutive months.

According to Hudson Riehle, Senior Vice President of Research and Information Services for NRA, "Solid gains in same-store sales, customer traffic and capital spending propelled the Current Situation Index to its strongest level thus far in 2007."

Furthermore, this industry group has noted that the Association's Restaurant Performance Index (RPI) – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood

at 101.1 in August, up 0.2 percent from its July level of 100.9. **In addition, the RPI remained above 100 for the 52nd consecutive month, which represents expansion in the Association's composite index of eight key industry indicators.**

### Restaurant Performance Index

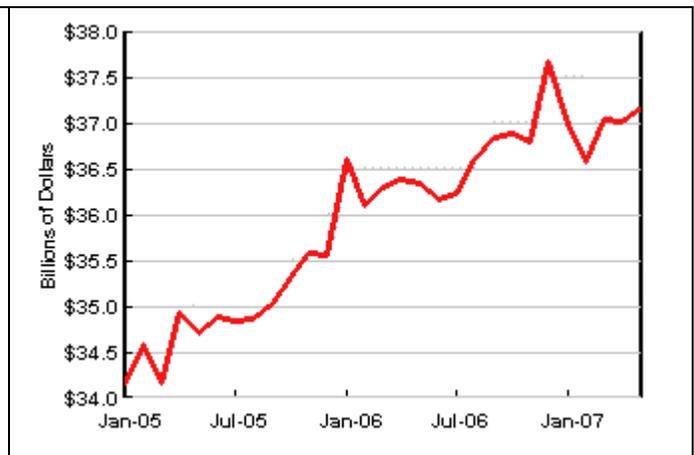
*Values Greater than 100 = Expansion;*

*Values Less than 100 = Contraction*



Source: **National Restaurant Association**

### Total Monthly Eating and Drinking Place Sales



*Figures are Seasonally-adjusted and adjusted for Inflation*

## ***SERVE IT UP PLEASE***

DLII plans to roll out its franchises by first developing company owned stores in key markets to attract potential buyers domestically. The company intends to operate up to five (5) company-owned stores in strategic “hub” location cities within the US, wherein such locations will also have affiliated franchise and operations personnel located.

This will allow and encourage potential franchise buyers to visit and experience the “Dixie Lee Diner” brand and help promote the name and brand. Management also has indicated that the sales and marketing success of the franchise program will be enhanced by having the ability to provide financing for proposed franchise owners. PSA, the Company’s contracted franchise consultant group, has close

ties to the United States Small Business Administration (“SBA”). This relationship will further support marketing efforts to a greater demographic base.

On the international scene, the company established an agreement with master franchiser, Elyas Chaudhery back in November to expand operations in Alberta and Saskatchewan. Further strengthening its corporate position, Montreal based master franchiser, Alain Ouellette opened up his first of many planned franchised stores in the city of Montreal in December.

### **This is starting to look like a snowball gaining momentum which is turning into a major avalanche of profits!**

The company isn't just sitting back and taking it easy – management is going after the big prize – the Super bowl Paradise for Restaurant franchising ....Dubai- The Window to the United Arab Emirates. With unlimited money and always in favor of anything with an Americana flavor (where else could Michael Jackson get a gig?) Ahmad Nosratabadi is opening up a flagship franchise store there next

month. Mr. Nosratabadi is planning on establishing 30 + stores throughout 10 markets in The United Arab Emirates. This is huge! Dubai is fast becoming the new money center of the world. Establishing a business footprint here is like opening up the petro piggy bank to the richest capitalist on the planet.

### **What does the market think?**

No doubt- significant consumer preference changes have occurred over the past several years. Companies which offer low cost, high quality menu offerings, in addition to unique franchise opportunities continue to experience significant earnings growth and appreciation. These are all attributes of the Dixie Lee Diner concept.

Accordingly, for companies on investment radar screens, the market continues to be very efficient at pricing those company's which have followed these consumer trend changes and have superior operating management. Previous darlings of this sector, such as high end menu priced Ruth's Chris Steakhouse (RUTH – 51%) or middle menu priced Ruby Tuesday Inc. (RT -64%) took quite a beating last year. Only one company in the middle priced menu market had exceptional investment returns last year – Chipolte Mexican Grill (CMG + 160%). This stellar market performer last year has three basic operatives that supported it's exceptional returns: limited debt, controlled operating costs, exceptional food quality. Dixie Lee International Industries is definitely on track to offer similar returns.

**FUNDAMENTALS** - DLII anticipates that it should achieve sales of 80-100 unit sales per year, or approximately 150 unit sales under contract within 24 months from the time active franchise marketing begins. The company projects that based upon 24 months of consecutive operations (after the total financing requirement of \$5 million has been achieved) its cumulative cash position would be approximately (CN) \$4.5 million from operations, with 120 franchises in operation.

If we utilize a \$1.50 price bench mark for the company's proposed initial round of equity financing, this would increase shares outstanding by 3.3 million shares to a total of 42.43 million. Cash flow generation would be approximately \$9 million annually, or \$0.21/share. Given an industry multiple average of 43.50 X, and heavily discounting this by 50 - 60%, we believe that a projected P/FCF (price to free cash

flow) multiple range of 17 X – 21 X is warranted. **Based upon these parameters, the intrinsic value of the company should support a fundamental market price of between \$3.65 - \$4.55 per share.** Execution and timing issues aside, the company is certainly on a fast track internationally, to expand franchise roll outs. Once the USA program gets underway – this company could really fast track and get on some visible radar screens.

No doubt, there is much uncertainty in having a firm grasp on this company's fundamentals going forward – but that's what makes a market. According to one notable investment expert, Warren Buffet, "Be greedy when others are skeptical." Looking at the trading chart, some investors have been greedy, and have taken their profits way to early on this one. It ain't over till its over still applies with Dixie Lee – and this company is just starting to get the their profit kitchens warmed up.

## **Reovest Growth Research**

**"Maximizing Equity Value Through Awareness"**

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