



Court approves receiver to handle Mr. Pita 'divorce'

By Michael Strong

April 08, 2002

Macomb County Circuit Court last month granted a petition by an owner of Mt. Clemens-based Pita Inc. to appoint a receiver to possibly dissolve the company, which owns five local Mr. Pita franchises.

It's unclear whether the receiver would dissolve the company, because more litigation is expected. A settlement conference is scheduled for June 13.

The request for a receiver is just the latest chapter in an ongoing legal battle between the owners, Stuart Meadows and Frank Lombardo. The two have been swapping motions and allegations since September, when Meadows filed suit against Lombardo, who founded the franchise in the 1990s.

Meadows' attorney, Gerard Mantese, said Meadows is hoping that the restaurants won't have to be dissolved. However, if it comes to that, his client is entitled to more than half of the profits derived because of "the actions of Mr. Lombardo," said Mantese, a partner at Mantese Miller and Shea P.L.L.C. in Troy.

Meadows declined to be interviewed.

Lombardo declined to comment. Lombardo's attorney, Charles Turnbull of O'Reilly, Rancilio, Nitz, Andrews, Turnbull & Scott P.C. in Sterling Heights, said the pair will have to settle the contentious case.

"It's like a divorce," he said. "It's a corporate divorce. ... Meadows wants out; he's a retail guy. For eight years it worked; now it doesn't. There really isn't a whole lot to fight over here."

In court filings, Meadows claims Lombardo took money from the company to pay debts for the parent franchisor, Pita Franchise Corp., as well as another Mr. Pita location in Ann Arbor, which Lombardo owns separately from Pita Inc.

Pita Franchise Corp. grants the licenses for Mr. Pita franchise restaurants. Lombardo opened the first Mr. Pita in 1993 and holds 64 percent of the equity in Pita Franchise, which posted revenue of \$3.2 million in 2000. Meadows owns 3 percent; however, the pair are equal partners in Pita Inc.

There are 25 Mr. Pita franchises in Michigan and Illinois, including the five owned by Meadows and Lombardo. The franchises generated \$12 million in revenue in 2000.

Lombardo contends that Meadows just wants out of the business and hopes to cut a sweetheart deal. When Lombardo refused Meadows' demands, Meadows filed suit.

Mantese said he couldn't put a dollar amount on how much money Lombardo allegedly misappropriated because Meadows had not been able to review the company's financial records until just last week. Lombardo then sent 35 boxes of financial records to Meadows.

"Until Mr. Meadows and his auditors get a chance to review the documents, there's no way to know for certain how much money was involved," Mantese said.

Meadows also alleged Lombardo accepted "tens of thousands of dollars" in rebates from vendors without sharing them with Meadows. Meadows also accused Lombardo of buying a catering truck without approval from Meadows; securing a loan at an unfavorable interest rate against Meadows' wishes; using company funds for a "sports weekend," a "dream cruise" and Red Wings season tickets; and writing checks to himself from the company account.

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