

**Charges tarnish siblings' success;**  
**Atlanta Bread CEO, VP accused of fraud**

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**Byline:** ANN HARDIE, PATTI BOND, CHRIS LOGAN

## **Body**

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Their success reads like the classic tale of the immigrant entrepreneur.

Shortly after immigrating to the United States in the mid-1990s, South African-born Jerry Couvaras happened by a Sandy Springs sandwich shop with a line of customers snaking out the door.

Impressed by what he saw --- and convinced that he could improve on it --- he and brother Basil Couvaras bought the little-known Atlanta Bread Co. and transformed it into one of the country's largest and most ambitious cafe and bakery chains.

But their American success story attracted the attention of South African investors who believe they were swindled by the brothers 10 years ago.

Now one brother is stuck in South Africa, his passport confiscated. The other has been told to return and face arrest. And on Monday, Atlanta Bread Co. is expected to name an interim president to run the Smyrna-based franchise company, which has 167 stores in 24 states.

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South African authorities have charged the Couvarases with operating two investment companies in the early 1990s that committed securities fraud and cheated 2,000 citizens out of \$6.5 million. They could face lengthy jail sentences if convicted.

The brothers plan to fight the charges, spokeswoman Jane Langley said. "[Jerry Couvaras] has said he strongly disagrees with the allegations and will contest these issues that are based on old animosities and events that occurred more than 10 years ago," she said.

The brothers declined to be interviewed for this story.

The investigation of alleged fraud had languished, South African law enforcement authorities say, until angry investors stumbled across the brothers' smiling faces --- and stories of their good fortune --- on the Atlanta Bread Co. Web site.

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South African arrest warrants were issued for the Couvarases in 2000, but authorities say the brothers had left the country and couldn't be found. An international warrant was issued last year for Jerry Couvaras, 46, **Atlanta Bread** Co.'s chief executive and president, and plans were under way for extradition, authorities said.

Then, six weeks ago, Couvaras was arrested at Johannesburg International Airport while boarding a plane to **Atlanta**. He was released on \$150,000 bail but must remain in South Africa. His next court appearance is scheduled for June 2.

Langley said Couvaras had no idea that he was wanted. "He was shocked, particularly because he has been back to South Africa several times," she said. "He has family there. . . . He's not hiding."

Basil Couvaras, 37, **Atlanta Bread** Co.'s vice president and chief operating officer, is in **Atlanta**, Langley said. "Basil is reviewing the **charges** with his attorneys and is going about the business of being COO of the company," Langley said.

South African authorities want him to come to Johannesburg to answer the **fraud charges** there.

"If he doesn't, we will seek to have him extradited," said Detective Inspector Jan Judeel of the Johannesburg Police Commercial Branch. "Then he will not be given bail."

In the meantime, officials at the Smyrna headquarters of privately held **Atlanta Bread** Co. say "it's business as usual."

**Siblings** shared dream

Jerry and Basil Couvaras, who both live near Chastain Park in **Atlanta**, were born and raised in South Africa, according to their bios on the **Atlanta Bread** Co. Web site.

In February 1994, Jerry Couvaras moved to **Atlanta** searching for a business to invest in, he said in earlier interviews. Younger brother Basil followed, and the **siblings** started looking for an investment opportunity.

That's when Jerry Couvaras came upon the Sandy Springs sandwich shop that couldn't move the customers fast enough.

"I thought if I could just introduce more items and put systems in and enhance the whole appearance of the bakery/cafe, we'd really have something going," Couvaras said in an article this year in restaurant business magazine QSR.

With the help of his brother, Couvaras seems to have done just that.

Within months of that Sandy Springs lunch, he contacted **Atlanta Bread** Co. founder Robert Auffenberg and started talking about turning the sandwich shop, along with a second location in Marietta, into a franchise chain.

The Couvarases signed on as business partners, bought the business outright in 1996, then set out on a growth spurt to put the fledgling **Atlanta** business on the national map.

During the next five years, the brothers signed on more than 100 franchise cafes. Entrepreneur magazine has repeatedly cited **Atlanta Bread** Co. as one of the country's fastest-growing franchises in recent years.

Couvaras, whose father was a second-generation South African of Greek origin, was active in **Atlanta's** Greek community and was involved in charitable work here.

Snellville resident Noula Kokenes said she met Jerry Couvaras through the Greek Orthodox Cathedral of the Annunciation on Clairmont Road in DeKalb County, which both attend.

She worked with Couvaras on fund-raisers for the DeKalb Medical Center Foundation and described him as generous and "low-key."

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"Jerry is very down-to-earth and very approachable. You always feel comfortable around him," Kokenes said.

Colleagues and former colleagues say the Couvaras brothers are intensely hands-on businessmen.

"Jerry and Basil were very much involved in the business. It was obvious they were passionate about building a powerful brand," said Ed Howie, who was director of marketing for **Atlanta Bread** Co. from February 2000 to August 2001.

Now an independent marketing consultant in San Antonio, Howie said he was "shocked" when he found out about the allegations of **fraud** in South Africa.

"There was never any indication that they were being surreptitious about anything when we worked together," Howie said.

The company's former owners tell a different story in a 1998 lawsuit in Fulton County.

In the lawsuit, Auffenberg and his brother Richard allege that Jerry Couvaras took over the financial operations of **Atlanta Bread** Co., then lied about the company's finances as part of a plan to persuade them to sell their interests at a "grossly inadequate" price.

Couvaras denied the allegations in a response to the lawsuit, claiming he turned around a company that faced serious cash flow problems.

The case was settled in 1999, according to a court filing. The Auffenbergs said they can't discuss the settlement because of a confidentiality agreement.

When they went to America, South African authorities say, the Couvarases left a trail of financially devastated people.

### Troubles in South Africa

In court documents detailing the criminal **charges** against the Couvarases, South African authorities contend the brothers operated two companies that illegally sold debentures --- much like an IOU --- from 1989 to 1992. Authorities say the companies were not authorized to sell debentures, that they engaged in reckless trading, and that they improperly represented the debentures as safe investments.

Authorities also say Jerry Couvaras misrepresented the companies' financial stability when he sold off the shares in 1992, and in 1993 the companies were liquidated, the documents show.

Many of those who invested funds in the companies handed over their life savings, authorities say. Others were people who had lost their jobs and invested the layoff compensation packages they received.

Authorities have asked the investors, now potential witnesses in the criminal case, not to speak to the media.

In 1996 investors formed a trust and sued Jerry Couvaras in civil court to recover their money, said Cyril Ziman, the Johannesburg attorney who represented them.

"In the end, after several years, we settled out of court for a fraction of what we had been seeking," Ziman said. The investors were not happy with the settlement, which is confidential, he said.

But Ziman said Couvaras' lawyers asserted that "he had little money in America and the chances of recovering the full amount we wanted were nonexistent."

The Couvarases, through a spokeswoman, contend the civil case was dismissed, not settled.

But South African authorities continued to work on the criminal case against the Couvarases, and say they spent eight years interviewing the 2,000 investors.

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There was little progress in the investigation until the calls from furious investors who had visited the **Atlanta Bread** Co.'s Web site.

In March, police got a tip that Jerry Couvaras was vacationing in Johannesburg with his wife and four children.

Couvaras was arrested March 21 and held in a cell at the Johannesburg Central Police Station until he was released on bond April 1, authorities say.

Under the terms of the bond, Couvaras must report to police twice a day. His passport has been confiscated.

With its top two executives entangled in legal troubles a world away, the company said other executives are ready to step in.

"We have a strong management team in place that is committed to growing the brand and we will continue to do so," said Kim Jensen-Pitts, **Atlanta Bread** Co.'s vice president of marketing.

Execs ready to step up

On Monday, Rick Arras, an outside consultant with 25 years in the hospitality industry, will join **Atlanta Bread** Co. as interim president, said Alice Coggin, the company's spokeswoman. He is not replacing Jerry Couvaras, she said.

The company has contacted its franchisees to ease their concerns.

The president of the association of **Atlanta Bread** Co. franchisees, Jason Schultz, said he had met with Basil Couvaras. Schultz would not divulge any details of the meeting, but he said he was pleased with how the company was handling the situation.

"I was surprised at how open he was with me, especially in a touchy situation like this," said Schultz, who owns four **Atlanta Bread** Co. stores and has a fifth under construction, all in Wisconsin. "He shared a detailed plan with me . . . and, bottom line, we don't think there will be any business implications because this has nothing to do with **Atlanta Bread**. It hasn't affected our sales at all."

Expansion plans at risk

But franchising experts say the Couvarases' legal troubles might put a crimp in **Atlanta Bread** Co.'s expansion plans. The company has said it plans to have 200 stores by the end of this year.

Federal law requires the company to disclose civil and criminal matters to potential franchisees, and that might scare some of them off, said George Knauf of FranChoice, a franchise consulting firm based in Washington.

"If you're getting ready to sign on as a partner, this is a cause for concern," Knauf said. "There might not be much impact on current franchisees, but potential partners who are looking [at **Atlanta Bread**] may put those plans on hold."

As of last week, pending deals were still on track, according to the Couvarases' spokeswoman.

"No franchisees have left, but more importantly, no deals under discussion have been canceled," Langley said.

By ANN HARDIE and PATTI BOND in **Atlanta** and CHRIS LOGAN in Cape Town, South Africa. Staff writers Ann Hardie and Patti Bond can be e-mailed at [ahardie@ajc.com](mailto:ahardie@ajc.com) and [pbond@ajc.com](mailto:pbond@ajc.com). Correspondent Chris Logan can be e-mailed at [chrislogan@mweb.co.za](mailto:chrislogan@mweb.co.za).

## Graphic

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Charges tarnish siblings' success; Atlanta Bread CEO, VP accused of fraud

Graphic: LEGAL TROUBLE

\* Who: Brothers Jerry Couvaras, 46, **Atlanta Bread** Co. president and **CEO**, and Basil Couvaras, 37, **Atlanta Bread** Co. vice president and chief operating officer.

\* **Charges**: Defrauding 2,000 South African citizens who invested in two companies the Couvaras brothers ran between 1989 and 1992. Investors lost \$6.5 million.

\* Where: Johannesburg, South Africa, where Jerry Couvaras remains on \$150,000 bail. He was arrested March 21 while attempting to board a flight to **Atlanta** with his wife and four children. An arrest warrant has been issued for Basil Couvaras, who remains in **Atlanta**.

\* Prosecuting authority: **Charges** were brought by South African authorities in the Regional Court for the Division of South Transvaal. Jerry Couvaras is due to appear in court June 2.

Graphic includes an outline of Africa with Johannesburg, South Africa pinpointed.

/ TROY OXFORD / Staff; Graphic: ABOUT **ATLANTA BREAD** CO.

\* Headquarters: Smyrna

\* Business: The bakery-cafe chain is known for breakfast and lunches, but it's branching into a light dinner menu as part of an expansion plan.

\* History: Founded in 1993 by brothers Robert and Richard Auffenberg. Jerry and Basil Couvaras came on as franchise partners in 1994 and opened their first restaurant in Norcross. The Couvaras brothers bought the company in 1996 and turned it into a nationwide franchise chain.

\* Revenue: \$214.5 million in 2003

\* Employees: 200 corporate; 5,000 in franchises

\* Locations: 167 stores in 24 states, including 40 stores in metro **Atlanta**. Nearly all are franchise-operated.

Graphic includes a map of United States; states having store locations are shaded and labeled. Rhode Island and Connecticut have stores that haven't opened yet.

Source: **Atlanta Bread** Co. and staff research

/ TROY OXFORD / Staff; Photo: Basil Couvaras / TROY OXFORD / Staff; Photo: Jerry Couvaras / TROY OXFORD / Staff

## Classification

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(88%); IMMIGRATION (78%); ENTREPRENEURSHIP (78%); FRANCHISING (77%); EXTRADITION (74%); CRIMINAL CONVICTIONS (73%); LAW ENFORCEMENT (73%); SENTENCING (71%); INVESTIGATIONS (71%); CRIMINAL INVESTIGATIONS (68%); BAIL (68%); JAIL SENTENCING (68%); LAWYERS (67%)

**Company:** ATLANTA BREAD CO INTERNATIONAL INC (84%); ATLANTA BREAD CO INTERNATIONAL INC (84%)

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**Geographic:** ATLANTA, GA, USA (92%); JOHANNESBURG, SOUTH AFRICA (88%); SOUTH AFRICA (98%); UNITED STATES (92%); AFRICA (91%)

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