CHECKERS DRIVE IN RESTAURANTS INC /DE
Form 10-Q
July 23, 2002
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 17, 2002

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-19649

Checkers Drive-In Restaurants, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**58-1654960**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
4300 West Cypress Street **Suite 600** **Tampa, FL**	**33607**
(Address of principal executive offices)	**(Zip code)**

Registrant s telephone number, including area code: (813) 283-7000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

The Registrant had 12,172,427 shares of Common Stock, par value $.001 per share, outstanding as of June 17, 2002.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Item 1. ***Financial Statements***

CHECKERS DRIVE-IN RESTAURANTS, INC.
AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 17, 2002	December 31, 2001
	(Dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 12,482	$ 7,159
Restricted cash	3,818	3,482
Accounts, notes and leases receivable, net	2,925	3,420
Inventory	1,052	1,122
Prepaid expenses and other current assets	1,199	2,337
Property and equipment held for sale	2,686	3,230
Total current assets	24,162	20,750
Property and equipment, net	49,030	49,136
Notes receivable, net less current portion	2,871	3,527
Lease receivable, net less current portion	6,089	6,669
Intangible assets, net	45,018	45,189
Other assets, net	1,779	1,989
	$ 128,949	$ 127,260
Current Liabilities:		
Current maturities of long-term debt and obligations under capital leases	$ 3,144	$ 4,743
Accounts payable	6,062	6,645
Reserves for restaurant relocations and abandoned sites	1,429	1,879
Accrued wages and benefits	2,525	2,271
Accrued liabilities	7,022	7,686
Total current liabilities	20,182	23,224
Long-term debt, less current maturities	22,757	25,192
Obligations under capital leases, less current maturities	6,759	6,981
Long-term reserves for restaurant relocations and abandoned sites	2,528	2,549
Minority interests in joint ventures	239	312
Deferred revenue	4,821	5,440
Other long-term liabilities	4,243	3,938
Total liabilities	61,529	67,636
Stockholders Equity:		
Preferred stock, $.001 par value, authorized 2,000,000 shares, none issued at June 17, 2002 and December 31, 2001		
Common stock, $.001 par value, authorized 175,000,000 shares, issued 12,220,669 at June 17, 2002 and 10,914,727 at December 31, 2001	12	11
Additional paid-in capital	145,533	143,004
Accumulated deficit	(77,593)	(82,891)
	67,952	60,124
Less: Treasury stock, 48,242 at June 17, 2002 and December 31, 2001, at cost	(465)	(400)
Note receivable officer	(67)	(100)

Total stockholders equity	67,420	59,624
	$ 128,949	$ 127,260

See accompanying notes to consolidated financial statements.

3

Table of Contents

CHECKERS DRIVE-IN RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	Quarter Ended		Two Quarters Ended	
	June 17, 2002	June 18, 2001	June 17, 2002	June 18, 2001
	(Dollars in thousands except per share amounts)			
REVENUES:				
Restaurant sales	$ 39,055	$ 33,208	$ 76,148	$ 64,891
Franchise royalty revenue	3,380	3,839	6,702	7,277
Franchise fees and other income	271	190	275	364
Total revenues	$ 42,706	$ 37,237	$ 83,125	$ 72,532
COSTS AND EXPENSES:				
Restaurant food and paper costs	11,924	11,427	23,171	21,646
Restaurant labor costs	11,904	10,791	23,691	21,214
Restaurant occupancy expenses	2,850	2,698	5,458	5,208
Restaurant depreciation and amortization	1,315	970	2,607	1,940
Other restaurant operating expenses	5,737	4,193	10,403	8,217
General and administrative expenses	2,818	2,893	5,830	5,724
Advertising	2,197	1,933	4,323	3,780
Bad debt expense	100	162	200	341
Non-cash compensation	23	23	46	46
Other depreciation and amortization	155	923	307	1,716
Impairment of long lived assets	492		492	
Restaurant closure expense	38	(255)	413	(237)
Gain on sale of assets	(26)	(179)	(103)	(543)
Total costs and expenses	39,527	35,579	76,838	69,052
Operating income	3,179	1,658	6,287	3,480
OTHER INCOME (EXPENSE):				
Interest income	318	456	715	905
Interest expense	(830)	(1,281)	(1,644)	(2,658)
Income before minority interests and income tax expense	2,667	833	5,358	1,727
Minority interests in operations of joint ventures	(2)	(22)	(29)	(36)
Income before income tax expense	2,665	811	5,329	1,691
Income tax expense		35		72
Net income	$ 2,665	$ 776	$ 5,329	$ 1,619
Comprehensive income	$ 2,665	$ 776	$ 5,329	$ 1,619
Basic net earnings per share	$ 0.22	$ 0.08	$ 0.47	$ 0.17
Diluted net earnings per share	$ 0.19	$ 0.07	$ 0.40	$ 0.14

Weighted average number of common shares outstanding:

Basic	11,892	9,869	11,426	9,807
Diluted	13,699	11,908	13,277	11,645

See accompanying notes to consolidated financial statements.

Table of Contents

CHECKERS DRIVE-IN RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Two Quarters Ended	
	June 17, 2002	June 18, 2001
	(Dollars in thousands)	
Cash Flows From Operating Activities:		
Net income	$ 5,329	$ 1,619
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,914	3,665
Impairment of long-lived assets	492	
Amortization of bond costs and discounts	99	254
Provisions for bad debt	200	341
Non-cash stock compensation	46	46
Gain on sale of assets	(103)	(543)
Minority interest in operations of joint ventures	29	36
Change in assets and liabilities:		
Decrease in receivables	694	723
Decrease (increase) in inventory	152	(76)
Decrease in prepaid expenses and other current assets	1,108	711
Decrease in other assets	111	
Decrease in accounts payable	(583)	(2,964)
Increase (decrease) in accrued liabilities	(851)	79
Net cash provided by operating activities	9,637	3,891
Cash Flows From Investing Activities:		
Capital expenditures	(3,260)	(1,570)
Acquisition of restaurants and equity interest, net of cash acquired	(109)	(312)
Proceeds from sale of property and equipment	1,359	152
Net cash used in investing activities	(2,010)	(1,730)
Cash Flows From Financing Activities:		
Principal payments on long-term debt and capital lease obligations	(4,822)	(3,578)
Decrease (increase) in restricted cash	(336)	98
Net proceeds from issuance of common stock	2,484	507
Proceeds from issuance of long-term debt and capital lease obligations	566	580
Proceeds from note receivable-officer	33	(73)
Purchase of treasury stock	(209)	
Distributions to minority interests	(20)	(50)
Net cash used in financing activities	(2,304)	(2,516)
Net increase (decrease) in cash	5,323	(355)
Cash at Beginning of Period	7,159	923
Cash at End of Period	$ 12,482	$ 568
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 1,664	$ 2,394
Issuance of capital lease obligation for equipment	$	$ 2,253

Note receivable accepted for market sale	$	$ 2,100
Issuance of treasury stock	$ 110	$

See accompanying notes to consolidated financial statements.

Table of Contents

**CHECKERS DRIVE-IN RESTAURANTS, INC.
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Note 1: Summary of Significant Accounting Policies

(a) Basis of Presentation The accompanying unaudited consolidated statements include the accounts of Checkers Drive-In Restaurants, Inc., its wholly owned subsidiaries, and its joint ventures, collectively referred to as the Company . The consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the information set forth therein have been included.

The accounts of our joint ventures have been included with those of the Company in these consolidated financial statements. Intercompany balances and transactions have been eliminated in consolidation and minority interests have been established for the outside partners interests. The Company reports on a fiscal year which will end on the Monday closest to December 31st. Each quarter consists of three 4-week periods, with the exception of the fourth quarter which consists of four 4-week periods.

The operating results for the two quarters ended June 17, 2002, are not necessarily an indication of the results that may be expected for the fiscal year ending December 30, 2002. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2001. Therefore, it is suggested that the accompanying consolidated financial statements be read in conjunction with the Company s December 31, 2001 consolidated financial statements.

(b) Purpose and Organization Our principal business is the operation and franchising of Checkers® and Rally s Hamburgers® (Rally s) restaurants. At June 17, 2002, there were 388 Rally s restaurants operating in 17 different states and there were 406 Checkers restaurants operating in 21 different states, the District of Columbia, Puerto Rico and the West Bank in the Middle East. Of the 794 total restaurants, 253 are owned by us and 541 are owned by franchisees. Two of the Company-owned restaurants are owned by joint venture partnerships in which we have a 51% and 75% ownership interest.

Our restaurants offer high quality food, serving primarily the drive-thru and take-out segments of the quick-service restaurant industry. Checkers commenced operations in April 1986 and began offering franchises in January 1987. Rally s opened its first restaurant in January 1985 and began offering franchises in November 1986.

(c) Use of Estimates The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(d) Reclassifications Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

Note 2: Liquidity and Capital Resources

The restaurant industry, in general, operates with a working capital deficit because most of our investments are in long-term restaurant operating assets. We do not normally require large amounts of working capital to maintain operations since sales are for cash, purchases are on open accounts and meat and produce inventories are limited to a three-to-five day supply to assure freshness. We do not have significant levels of accounts receivable or inventory, and receive credit from our trade suppliers. Funds available from cash sales not needed immediately to pay our trade suppliers are used for non-current capital expenditures.

We have a working capital surplus of $4.0 million at June 17, 2002 as compared to a $2.5 million deficit at December 31, 2001. The change to liquidity is primarily due to repayment of current portion of the $1.5 million of 14% debt, utilizing operating profits of $5.3 million for the first half of the year and additional capital contributions of $2.5 million from the exercise of options and warrants into 1,305,942 shares of common stock.

The Company is subject to certain restrictive financial and non-financial covenants under certain of its debt agreements, including EBITDA and a Fixed Charge Coverage ratio. We were in compliance with all of the covenants for the quarter ended June 17, 2002.

6

Table of Contents

Note 3: Lease Receivables

As a result of the sale of Company-owned restaurants in 1999 and 2000, we have recorded capital lease receivables for those restaurants sold which are subject to capital lease and mortgage obligations. The amount of capital lease receivables as of June 17, 2002 was approximately $6.5 million. As of June 17, 2002, we have deferred gains of $4.7 million from these sales since we continue to be responsible for the payment of these obligations to the original lessors and mortgagors. The gains are being recognized over the life of the related capital leases. The deferred gains are included in the consolidated balance sheet under the captions accrued liabilities-current and deferred revenue for $0.5 million and $4.2 million, respectively.

We have subleased the property associated with the sale of Company-owned restaurants under operating leases. The revenue from these subleases is offset against rent expense, as we continue to be responsible for the rent payments to the original lessors.

Note 4: Intangible Assets

We assess the impairment of long-lived, identifiable intangible assets and enterprise level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

We account for long-lived assets under Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), which we adopted on January 1, 2002. SFAS 144 requires the write-down of certain intangibles and tangible property associated with under-performing sites. Impairments or recoveries are recorded to adjust the asset values to the amount recoverable under the discounted cash flow analysis, in accordance with SFAS No. 144.

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). As a result, we ceased to amortize approximately $24 million of goodwill and $17.5 million for the intangible value of our tradename. We recorded approximately $1.1 million of amortization on these amounts during the first half of 2001 and would have recorded approximately $1.1 million of amortization during the two quarters ended June 17, 2002. In lieu of amortization, we performed an initial impairment review of our goodwill and tradename as of January 1, 2002. Based upon the review, no impairment charge was required and we do not believe circumstances have changed since the review date which would make it necessary to reassess their values as of the balance sheet date.

Intangible assets consist of the following:

	June 17, 2002	Dec. 31, 2001
Goodwill	$ 24,252	$ 24,252
Tradename	17,548	17,548
Amortizable intangible assets	3,218	3,389
Intangible assets, net	$ 45,018	$ 45,189

Amortizable intangible assets:

	June 17, 2002			December 31, 2001			
	Gross Amount	Accum Amort	Net	Gross Amount	Accum Amort	Net	Estimated Lives

Reacquired franchise rights	$ 1,359	$ (434)	$ 925	$ 1,359	$ (358)	$ 1,001	1-11 years
Other intangibles	4,191	(1,898)	2,293	4,191	(1,803)	2,388	10-25 years
	$ 5,550	$ (2,332)	$ 3,218	$ 5,550	$ (2,161)	$ 3,389	

Table of Contents

Note 5: Long-term debt and Obligations under Capital Leases

Long-term debt and obligations under capital leases consist of the following:

	June 17, 2002	December 31, 2001
Note payable (Loan A) to Textron Financial Corporation payable in 120 monthly installments, maturing July 1, 2010, including interest at LIBOR plus 3.7% (5.54% at June 17, 2002) secured by property and equipment.	$ 10,402	$ 10,817
Mortgages payable to FFCA Acquisition Corporation secured by thirty-three Company-owned restaurants, payable in 240 aggregate monthly installments of $133,295, maturing January 1, 2019, including interest at 9.5%.	13,332	13,494
Obligations under capital leases, maturing at various dates through December 1, 2019, secured by property and equipment, bearing interest ranging from 7.0% to 10%. The leases are payable in monthly principal and interest installments averaging $105,000.	3,560	3,445
Obligations under capital leases, maturing at various dates through January 1, 2016, secured by property and equipment, bearing interest ranging from 10.3% to 16.4%. The leases are payable in monthly principal and interest installments averaging $114,000.	4,524	5,013
Notes payable to former Rally s franchise owners for acquisition of markets, secured by the related assets acquired, with maturities through May 1, 2004, bearing interest at 7.5% and 7.75%. The notes are payable in monthly principal and interest installments of $8,416 and $15,420.	418	534
Other notes payable, maturing at various dates through September 17, 2004, secured by property and equipment, bearing interest at 7.70%. The notes are payable in monthly principal and interest installments of $18,095.	424	528
Note payable to Heller Financial secured by the equipment at Company-owned restaurants, payable in 30 monthly installments of $153,712, maturing December 1, 2003, including interest at 14%. The balance was completely repaid on April 15, 2002.		3,085
Total long-term debt and obligations under capital leases	32,660	36,916
Less current installments	(3,144)	(4,743)
Long-term debt, less current maturities	$ 29,516	$ 32,173

Although we continue to be obligated, approximately $6.5 million of the mortgage and capital lease obligations noted above pass directly through to franchisees as a result of Company-owned restaurant sales (See Note 3).

Note 6: Equity

On February 19, 2002, the Company issued 17,350 shares of common stock previously held as treasury stock to Mr. Dorsch, as compensation, in accordance with his employment agreement. In addition, the Company repurchased an additional 17,350 shares of common stock to be held as treasury stock on March 20, 2002 for $208,755.

On April 8, 2002, the Board of Directors granted 658,250 stock options to certain employees of the Company in accordance with the 2001 stock option plan.

Table of Contents

Note 7: Acquisitions

On January 26, 2002, we reacquired the Checkers restaurants in Philadelphia which were previously sold to a franchisee in February 2001. As a result of the acquisition, the Company paid assumed liabilities of $244,000 and removed deferred revenues of $2.1 million from the balance sheet along with the associated note receivable as of December 31, 2001, which was to be collected in installments through 2005. As a result of the gain deferral in 2001 at the original time of the sale, no gain or loss was recognized as a result of these transactions.

On March 24, 2002, we reacquired eight Rally s restaurants located in Detroit from RJR Receiver, LLC. We paid a total of approximately $131,000 for the restaurants.

On March 26, 2002, we acquired the minority partner s share of a joint venture restaurant located in Atlanta from WEA, Inc. for $40,000 cash plus assumed liabilities.

Note 8: Accounting Charges and Loss Provisions

At the end of fiscal 2001, we had reserves of $4.4 million relating to restaurant relocations and abandoned sites. These reserves represent management s estimate of future lease obligations and are reviewed and adjusted periodically, as more information becomes available related to our ability to sublease or assign the lease and other negotiations with the landlord. During the first two quarters ended June 17, 2002, the Company made lease and other payments of $856,000. Net additions to the reserve of $386,000 were recorded, comprised of additional reserves of $749,000 and recoveries for four franchisee sublease commitments and one lease termination totaling $363,000.

The Company also completed an evaluation of properties held for sale during the quarter, and obtained appraisals for six locations from third parties which resulted in an impairment of long-lived assets of $313,000. The Company also reviewed the sales and profit performance of operating stores and recorded an impairment charge for one under-performing restaurant of $179,000.

Note 9: Income Taxes

We account for income taxes under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). Under the asset or liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As a result of the Merger in 1999, both companies experienced an ownership change as defined by Internal Revenue Code Section 382. Pursuant to IRC Section 382, the surviving entity or post-merger Checkers is significantly limited in utilizing the net operating loss carryforwards that were generated before the Merger to offset taxable income arising after the ownership change. As of August 9, 1999 Rally s and Checkers had net operating loss carryforwards of approximately $49.8 million and $60.9 million, respectively for a combined total of $110.7 million. We believe that the limitations imposed by IRC Section 382 could restrict the prospective utilization of the total pre-merger net operating loss carryforward to approximately $31.3 million over the carryforwards life of the net operating losses. The remaining pre-merger net operating loss carryforward of $79.4 million could expire before becoming available under these limitations. The $31.3 million net operating loss carryforwards are subject to limitation in any given year and will expire in 2018. The Company has approximately $5 million of post-merger net operating loss carryforward available through 2020, and approximately $1.8 million of alternative minimum tax credit carryforwards available indefinitely.

A valuation allowance has been provided for 100 percent of the deferred tax assets since management cannot determine that it is more likely than not that the deferred tax assets will be realized. Management will continue to review the likelihood of the future realization of the deferred tax assets. The benefit related to the net deductible temporary differences and net operating loss and credit carryforwards will be recognized and prorated as a reduction of income tax expense and goodwill when realization is more likely than not to occur.

Table of Contents

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Introduction

Checkers Drive-In Restaurants, Inc. (Checkers), a Delaware corporation, its wholly owned subsidiaries, and its joint ventures (collectively, the Company) is the largest chain of double drive-thru restaurants in the United States. Our Company is a combination of two separate quick-service restaurant chains, Checkers® and Rally s Hamburgers® (Rally s), which were merged in August 1999. Although Checkers was the surviving entity for purposes of corporate law, Rally s was considered the surviving entity for accounting purposes since the shareholders of Rally s owned a majority of our outstanding stock immediately following the merger. At June 17, 2002, there were 388 Rally s restaurants operating in 17 different states and 406 Checkers restaurants operating in 21 different states, the District of Columbia, Puerto Rico and the West Bank in the Middle East. Of the 794 total restaurants, 253 are owned by us and 541 are owned by franchisees. Two of our restaurants are owned by joint venture partnerships in which we have a 51% and 75% ownership interest. Our restaurants offer high quality food, serving primarily the drive-thru and take-out segments of the quick-service restaurant industry. Checkers commenced operations in April 1986 and began offering franchises in January 1987. Rally s opened its first restaurant in January 1985 and began offering franchises in November 1986.

We receive revenues from restaurant sales, franchise fees and royalties. Restaurant food and paper costs, labor costs, occupancy expense, other operating expenses, depreciation and amortization, and advertising and promotion expenses relate directly to Company-owned restaurants. Other expenses, such as depreciation and amortization, and general and administrative expenses, relate to Company-owned restaurant operations and the Company s franchise sales and support functions. Our revenues and expenses are affected by the number and timing of additional restaurant openings, closings, market sales and the sales volumes of both existing and new restaurants.

Special Note Regarding Forward-Looking Statements

Certain statements in this Form 10-Q under Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, Part II, Item 1. Legal Proceedings and elsewhere in this Form 10-Q constitute forward-looking statements which we believe are within the meaning of the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended. Also, when we use words such as believes , expects , anticipates or similar expressions, we are making forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Some of the risks that should be considered include:

(i) The fact that we compete with numerous well established competitors who have substantially greater financial resources and longer operating histories than us, which enables them to engage in heavy and sustained discounting as well as substantial advertising and promotion. While this competition is already intense, if it increases, it could have an even greater adverse impact on revenues and profitability of company and franchise restaurants.

(ii) The fact that we anticipate the need to continue the improvement in same restaurant sales if we are to achieve improved profitability. Sales increases will depend, among other things, on the success of our advertising and promotion efforts and the success of other operating and training initiatives, all of which are speculative.

We may also be negatively impacted by other factors common to the restaurant industry such as changes in consumer tastes away from red meat and fried foods; consumer acceptance of new products; consumer frequency; increases in the costs of food; paper, labor, health care, workers compensation or energy; an inadequate number of available hourly paid employees; and/or decreases in the availability of affordable capital resources; development and operating costs. Other factors which may negatively impact the Company include, among others, adverse publicity; general economic and business conditions; availability, locations, and terms of sites for restaurant development; changes in business strategy or development plans; quality of management; availability, terms and deployment of capital; the results of financing efforts; business abilities and judgment of personnel; availability of qualified personnel; changes in, or failure to comply with, government regulations; weather conditions; construction schedules; uninterrupted product supply; results of existing and future litigation and other factors referenced in this Form 10-Q.

RESTAURANTS OPERATING IN THE SYSTEM FOR THE QUARTERS ENDED

	Sept. 11, 2000	Jan. 1, 2001	March 26, 2001	June 18, 2001	Sept. 10, 2001	Dec. 31, 2001	March 25, 2002	June 17, 2002
Company-operated:								
Beginning of quarter	287							