

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q**

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

For the quarterly period ended September 28, 2014

OR

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

Commission File Number: 001-33174

CARROLS RESTAURANT GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-1287774
(I.R.S. Employer
Identification No.)

968 James Street
Syracuse, New York
(Address of principal executive office)

13203
(Zip Code)

Registrant's telephone number, including area code: (315) 424-0513

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>
(Do not check if smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 3, 2014, Carrols Restaurant Group, Inc. had 35,222,543 shares of its common stock, \$.01 par value, outstanding.

CARROLS RESTAURANT GROUP, INC.
FORM 10-Q
QUARTER ENDED SEPTEMBER 28, 2014

	Page
<hr/>	
<u>PART I FINANCIAL INFORMATION</u>	
Item 1 Interim Consolidated Financial Statements (Unaudited) - Carrols Restaurant Group, Inc.:	
Consolidated Balance Sheets as of September 28, 2014 and December 29, 2013	3
Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 28, 2014 and September 29, 2013	4
Consolidated Statements of Changes in Stockholders' Equity	5
Consolidated Statements of Cash Flows for the Nine Months Ended September 28, 2014 and September 29, 2013	6
Notes to Unaudited Interim Consolidated Financial Statements	7
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3 Quantitative and Qualitative Disclosures About Market Risk	28
Item 4 Controls and Procedures	29
 <u>PART II OTHER INFORMATION</u>	
Item 1 Legal Proceedings	29
Item 1A Risk Factors	29
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3 Defaults Upon Senior Securities	29
Item 4 Mine Safety Disclosures	29
Item 5 Other Information	29
Item 6 Exhibits	29

PART I—FINANCIAL INFORMATION

ITEM 1—INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CARROLS RESTAURANT GROUP, INC. **CONSOLIDATED BALANCE SHEETS** (In thousands of dollars, except share and per share amounts) (Unaudited)

	September 28, 2014	December 29, 2013
ASSETS		
Current assets:		
Cash	\$ 43,309	\$ 8,302
Trade and other receivables	5,051	2,846
Inventories	6,237	6,494
Prepaid rent	2,535	2,332
Prepaid expenses and other current assets	4,510	2,874
Refundable income taxes	2,416	2,631
Deferred income taxes	3,242	3,196
Total current assets	67,300	28,675
Restricted cash (Note 6)	20,000	20,000
Property and equipment, net of accumulated depreciation of \$201,862 and \$188,492, respectively	158,725	152,175
Franchise rights, net of accumulated amortization of \$82,005 and \$78,818, respectively (Note 5)	95,992	90,168
Goodwill (Note 5)	8,217	8,162
Franchise agreements, at cost less accumulated amortization of \$6,787 and \$6,353, respectively	12,718	12,802
Favorable leases, net of accumulated amortization of \$732 and \$496, respectively (Note 5)	3,231	2,974
Deferred financing costs	3,597	4,344
Deferred income taxes	14,498	6,824
Other assets	3,094	3,357
Total assets	\$ 387,372	\$ 329,481
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 6)	\$ 1,067	\$ 1,147
Accounts payable	14,611	14,687
Accrued interest	6,368	2,140
Accrued payroll, related taxes and benefits	16,075	18,021
Accrued real estate taxes	3,866	4,945
Other liabilities	12,145	9,709
Total current liabilities	54,132	50,649
Long-term debt, net of current portion (Note 6)	156,462	158,189
Lease financing obligations	1,201	1,200
Deferred income—sale-leaseback of real estate	15,557	16,824
Accrued postretirement benefits	2,157	2,370
Unfavorable leases, net of accumulated amortization of \$1,922 and \$1,378, respectively (Note 5)	7,785	8,175
Other liabilities (Note 8)	15,746	14,870
Total liabilities	253,040	252,277
Commitments and contingencies (Note 9)		
Stockholders' equity (Note 13):		
Preferred stock, par value \$.01; authorized 20,000,000 shares, issued and outstanding—100 shares	—	—
Voting common stock, par value \$.01; authorized—100,000,000 shares, issued—35,222,765 and 23,711,257 shares, respectively, and outstanding—34,824,060 and 23,048,334 shares, respectively	348	230
Additional paid-in capital	137,350	69,258
Retained earnings (accumulated deficit)	(3,927)	7,155
Accumulated other comprehensive income	702	702
Treasury stock, at cost	(141)	(141)
Total stockholders' equity	134,332	77,204
Total liabilities and stockholders' equity	\$ 387,372	\$ 329,481

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
THREE AND NINE MONTHS ENDED SEPTEMBER 28, 2014 AND SEPTEMBER 29, 2013
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Restaurant sales	\$ 179,822	\$ 168,312	\$ 499,858	\$ 497,969
Costs and expenses:				
Cost of sales	55,169	51,125	148,606	152,626
Restaurant wages and related expenses	56,023	52,395	159,764	156,727
Restaurant rent expense	12,205	11,779	35,269	35,357
Other restaurant operating expenses	29,179	26,973	82,264	80,756
Advertising expense	6,794	7,476	20,621	22,496
General and administrative (including stock-based compensation expense of \$296, \$302, \$883 and \$899, respectively)	10,031	8,740	28,923	27,342
Depreciation and amortization	9,318	8,536	27,121	24,990
Impairment and other lease charges (Note 4)	773	1,079	1,822	3,907
Other expense (income) (Note 11)	—	—	25	(185)
Total operating expenses	179,492	168,103	504,415	504,016
Income (loss) from operations	330	209	(4,557)	(6,047)
Interest expense	4,683	4,708	14,080	14,130
Loss before income taxes	(4,353)	(4,499)	(18,637)	(20,177)
Benefit for income taxes (Note 7)	(2,632)	(1,737)	(7,555)	(8,720)
Net loss	<u>\$ (1,721)</u>	<u>\$ (2,762)</u>	<u>\$ (11,082)</u>	<u>\$ (11,457)</u>
Basic and diluted net loss per share (Note 12):	<u>\$ (0.05)</u>	<u>\$ (0.12)</u>	<u>\$ (0.37)</u>	<u>\$ (0.50)</u>
Shares used in computing net loss per share:				
Basic and diluted weighted average common shares outstanding	34,797,490	23,020,529	29,571,846	22,929,505
Comprehensive loss, net of tax:				
Net loss	\$ (1,721)	\$ (2,762)	\$ (11,082)	\$ (11,457)
Other comprehensive loss	—	—	—	(13)
Comprehensive loss	<u>\$ (1,721)</u>	<u>\$ (2,762)</u>	<u>\$ (11,082)</u>	<u>\$ (11,470)</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	<u>Common Stock</u>		<u>Preferred Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>						
Balance at December 30, 2012	22,748,241	\$ 227	\$ —	\$ 68,056	\$ 21,362	\$ 669	\$ (141)	\$ 90,173
Stock-based compensation	—	—	—	1,205	—	—	—	1,205
Vesting of non-vested shares and excess tax benefits	300,093	3	—	(3)	—	—	—	—
Distribution of Fiesta Restaurant Group's net assets	—	—	—	—	(688)	—	—	(688)
Net loss	—	—	—	—	(13,519)	—	—	(13,519)
Change in postretirement benefit obligations, net of tax of \$30	—	—	—	—	—	33	—	33
Balance at December 29, 2013	23,048,334	230	—	69,258	7,155	702	(141)	77,204
Stock-based compensation	—	—	—	883	—	—	—	883
Vesting of non-vested shares and excess tax benefits	275,726	3	—	(3)	—	—	—	—
Public stock offering (Note 13)	11,500,000	115	—	67,212	—	—	—	67,327
Net loss	—	—	—	—	(11,082)	—	—	(11,082)
Balance at September 28, 2014	<u>34,824,060</u>	<u>\$ 348</u>	<u>\$ —</u>	<u>\$ 137,350</u>	<u>\$ (3,927)</u>	<u>\$ 702</u>	<u>\$ (141)</u>	<u>\$ 134,332</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 28, 2014 AND SEPTEMBER 29, 2013
(In thousands of dollars)
(Unaudited)

	Nine Months Ended	
	September 28, 2014	September 29, 2013
Cash flows provided from operating activities:		
Net loss	\$ (11,082)	\$ (11,457)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Loss on disposals of property and equipment	321	272
Stock-based compensation	883	899
Impairment and other lease charges	1,822	3,907
Depreciation and amortization	27,121	24,990
Amortization of deferred financing costs	754	752
Amortization of unearned income	(130)	(100)
Amortization of deferred gains from sale-leaseback transactions	(1,345)	(1,349)
Deferred income taxes	(7,774)	(4,438)
Change in refundable income taxes	177	(4,269)
Changes in other operating assets and liabilities	183	6,975
Net cash provided from operating activities	10,930	16,182
Cash flows used for investing activities:		
Capital expenditures:		
New restaurant development	(1,661)	(582)
Restaurant remodeling	(23,345)	(31,574)
Other restaurant capital expenditures	(4,533)	(5,724)
Corporate and restaurant information systems	(3,173)	(2,478)
Total capital expenditures	(32,712)	(40,358)
Acquisition of restaurants, net of cash acquired	(13,021)	—
Proceeds from sale of other assets	54	—
Properties purchased for sale-leaseback	(3,412)	—
Proceeds from sale-leaseback transactions	6,604	—
Net cash used for investing activities	(42,487)	(40,358)
Cash flows provided from (used for) financing activities		
Borrowings under senior credit facility	32,750	—
Repayments under senior credit facility	(32,750)	—
Proceeds from public stock offering, net of expenses	67,327	—
Principal payments on capital leases	(756)	(789)
Financing costs associated with issuance of debt	(7)	(8)
Net cash provided from (used for) financing activities	66,564	(797)
Net increase (decrease) in cash	35,007	(24,973)
Cash, beginning of period	8,302	38,290
Cash, end of period	\$ 43,309	\$ 13,317
Supplemental disclosures:		
Interest paid on long-term debt	\$ 9,019	\$ 8,567
Interest paid on lease financing obligations	\$ 77	\$ 78
Accruals for capital expenditures	\$ 2,514	\$ 1,425
Income taxes paid, net	\$ 41	\$ —
Non-cash assets acquired	\$ —	\$ 858
Non-cash reduction of capital lease assets and obligation	\$ 1,055	\$ —

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars except share and per share amounts)

1. Basis of Presentation

Business Description. At September 28, 2014 Carrols Restaurant Group, Inc. ("Carrols Restaurant Group" or the "Company") operated, as franchisee, 581 restaurants under the trade name "Burger King ®" in 13 Northeastern, Midwestern and Southeastern states.

Basis of Consolidation. Carrols Restaurant Group is a holding company and conducts all of its operations through Carrols Corporation ("Carrols") and its wholly-owned subsidiaries. The unaudited consolidated financial statements presented herein include the accounts of Carrols Restaurant Group and its wholly-owned subsidiary Carrols. Any reference to "Carrols LLC" refers to Carrols' wholly-owned subsidiary, Carrols LLC, a Delaware limited liability company.

Unless the context otherwise requires, Carrols Restaurant Group, Carrols and the direct and indirect subsidiaries of Carrols are collectively referred to as the "Company." All intercompany transactions have been eliminated in consolidation.

Fiscal Year. The Company uses a 52-53 week fiscal year ending on the Sunday closest to December 31. The fiscal year ended December 29, 2013 contained 52 weeks. The three and nine months ended September 28, 2014 and September 29, 2013 each contained thirteen and thirty-nine weeks, respectively.

Basis of Presentation. The accompanying unaudited consolidated financial statements for the three and nine months ended September 28, 2014 and September 29, 2013 have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission and do not include certain of the information and the footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of such unaudited consolidated financial statements have been included. The results of operations for three and nine months ended September 28, 2014 and September 29, 2013 are not necessarily indicative of the results to be expected for the full year.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 29, 2013. The December 29, 2013 consolidated balance sheet data is derived from those audited financial statements.

Use of Estimates. The preparation of the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 dates of the unaudited consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates include: accrued occupancy costs, insurance liabilities, the evaluation of goodwill, long-lived assets and franchise rights for impairment, lease accounting matters and the valuation of deferred income tax assets. Actual results could differ from those estimates.

Segment Information. Operating segments are components of an entity for which separate financial information is available and is regularly reviewed by the chief operating decision maker in order to allocate resources and assess performance. The Company's chief operating decision maker currently evaluates the Company's operations from a number of different operational perspectives; however, significant resource decisions, including the level of capital expenditures, are made at an overall Company level. The Company derives all significant revenues from a single operating segment. Accordingly, the Company views the operating results for all of its Burger King restaurants as one reportable segment.

Fair Value of Financial Instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value as follows: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities; and Level 3 inputs are unobservable and reflect the Company's own assumptions. Financial instruments include cash, accounts receivable, accounts payable, and long-term debt. The carrying amounts of cash, accounts receivable and accounts payable approximate fair value because of the short-term nature of these financial instruments. The fair value of the Carrols Restaurant Group 11.25% Senior Secured Second Lien Notes due 2018 is based on a recent trading value, which is considered Level 2, and at September 28, 2014 was approximately \$163.5 million.

Fair value measurements of non-financial assets and non-financial liabilities are primarily used in the impairment analysis of long-lived assets, goodwill and intangible assets. Long-lived assets and definite-lived intangible assets are measured at fair value on a nonrecurring basis using Level 3 inputs. As described in Note 4, the Company recorded long-lived asset impairment

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

charges of \$0.4 million and \$1.0 million during the three and nine months ended September 28, 2014, respectively, and \$1.1 million and \$2.3 million during the three and nine months ended September 29, 2013, respectively. Nominal value was given to the Level 3 assets measured at fair value associated with the impairment charges during the three and nine months ended September 28, 2014. Goodwill is reviewed annually for impairment on the last day of the fiscal year, or more frequently, if impairment indicators arise.

Subsequent Events. On October 8, 2014, the Company exercised its right of first refusal and purchased 30 Burger King® restaurants in the Wilmington, North Carolina and Greenville, North Carolina markets for a cash purchase price of approximately \$20.5 million, which included 12 fee-owned properties. On November 4, 2014, the Company purchased 64 Burger King® restaurants in or around the Nashville, TN, Springfield, IL, Terre Haute, IN, and Evansville, IN markets for a cash purchase price of \$18.0 million excluding inventory.

2. Acquisitions

On April 30, 2014, the Company exercised its right of first refusal, assigned by Burger King Corporation ("BKC") as part of the Company's 2012 acquisition of 278 Burger King® restaurants from BKC, and acquired four Burger King® restaurants in the Fort Wayne, Indiana market for a cash purchase price of \$0.7 million. On June 30, 2014, the Company exercised its right of first refusal and purchased four Burger King® restaurants in the Pittsburgh, Pennsylvania market for a cash purchase price of \$3.8 million. On July 22, 2014, the Company completed the acquisition of 21 Burger King® restaurants located in or around Rochester, NY and in the Southern Tier region of western New York State for a cash purchase price of \$8.5 million.

The Company accounts for the acquisition of Burger King® restaurants using the acquisition method of accounting for business combinations. The Company engaged a third party valuation specialist to assist with the valuation of certain acquired assets. For purposes of a preliminary allocation of the assets acquired and liabilities assumed, the excess of the purchase price over the estimated fair value of net tangible and intangible assets has been assigned to franchise rights. The purchase price allocations will be finalized within twelve months of the closing of the aforementioned acquisitions. When the valuations are finalized, changes to the preliminary valuation of assets acquired may result in material adjustments to the fair value of identifiable intangible assets acquired, including franchise rights, and any related goodwill initially recorded.

Preliminary purchase price allocations to the net tangible and intangible assets were based upon their fair values on the acquisition date. Refer to Note 5 for the initial estimate of the fair value of the franchise rights associated with these acquired restaurants. The Company estimated that the carrying value of restaurant equipment, subject to certain adjustments, was equivalent to fair value of this equipment at the date of the acquisition. The fair value of franchise fees for certain restaurants was based on current market rates for such fees. The fair value of the favorable and unfavorable leases acquired, as well as the fair value of the leasehold improvements acquired, were measured using significant inputs observable in the open market. As such, the Company categorizes these as Level 2 inputs under ASC 820.

3. Stock-Based Compensation

Stock-based compensation expense in each of the three months ended September 28, 2014 and September 29, 2013 was \$0.3 million and in each of the nine months ended September 28, 2014 and September 29, 2013 was \$0.9 million. As of September 28, 2014, the total unrecognized stock-based compensation expense relating to non-vested shares was approximately \$1.9 million, which the Company expects to recognize over a remaining weighted average vesting period for non-vested shares of 1.9 years. The Company expects to record an additional \$0.3 million as compensation expense for the remainder of 2014.

A summary of all non-vested shares activity for the nine months ended September 28, 2014 was as follows:

	Shares	Weighted Average Grant Date Price
Non-vested at December 29, 2013	662,923	\$ 7.35
Granted	14,048	7.12
Vested	(275,726)	8.29
Forfeited	(2,540)	10.13
Nonvested at September 28, 2014	<u>398,705</u>	<u>\$ 6.67</u>

The fair value of the non-vested shares is based on the closing price on the date of grant, a Level 1 input.

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

4. Impairment of Long-Lived Assets and Other Lease Charges

The Company reviews its long-lived assets, principally property and equipment, for impairment at the restaurant level. If an indicator of impairment exists for any of its assets, an estimate of the undiscounted future cash flows over the life of the primary asset for each restaurant is compared to that long-lived asset's carrying value. If the carrying value is greater than the undiscounted cash flow, the Company then determines the fair value of the asset and if an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value. For closed restaurant locations, the Company reviews the future minimum lease payments and related ancillary costs from the date of the restaurant closure to the end of the remaining lease term and records a lease charge for the lease liabilities to be incurred, net of any estimated sublease recoveries.

The Company determined the fair value of restaurant equipment, for those restaurants reviewed for impairment, based on current economic conditions and the Company's history of using these assets in the operation of its business. These fair value asset measurements rely on significant unobservable inputs and are considered Level 3 in the fair value hierarchy.

During the three months ended September 28, 2014, the Company recorded other lease charges of \$0.3 million associated with the closure of two of the Company's restaurants in the third quarter of 2014 and asset impairment charges of \$0.4 million including \$0.3 million of capital expenditures at previously impaired restaurants.

During the nine months ended September 28, 2014, the Company recorded other lease charges of \$0.8 million related to the closure of three of the Company's restaurants, including \$0.1 million to terminate an operating lease, and impairment charges of \$1.0 million consisting of approximately \$0.6 million of capital expenditures at previously impaired restaurants and approximately \$0.5 million related to initial impairment charges for five underperforming restaurants.

The following table presents the activity in the closed-restaurant reserve for the nine months ended September 28, 2014 and year ended December 29, 2013:

	Nine Months Ended September 28, 2014	Year Ended December 29, 2013
Balance, beginning of the period	\$ 1,466	\$ —
Provisions for restaurant closures	604	1,616
Payments, net	(479)	(242)
Other adjustments, including the effect of discounting future obligations and changes in estimates	75	92
Balance, end of the period	<u>\$ 1,666</u>	<u>\$ 1,466</u>

5. Goodwill, Franchise Rights, Favorable and Unfavorable Leases

Goodwill. The Company is required to review goodwill for impairment annually, or more frequently, when events and circumstances indicate that the carrying amount may be impaired. If the determined fair value of goodwill is less than the related carrying amount, an impairment loss is recognized. The Company performs its annual impairment assessment as of the last day of its fiscal year and does not believe circumstances have changed since the last assessment date which would make it necessary to reassess its value. There were no goodwill impairment losses during the three and nine months ended September 28, 2014 or the year ended December 29, 2013. The change in goodwill for the nine months ended September 28, 2014 is summarized below:

Balance at December 30, 2012 and December 29, 2013	\$ 8,162
Acquisition of restaurants (Note 2)	55
Balance at September 28, 2014	<u>\$ 8,217</u>

Franchise Rights. Amounts allocated to franchise rights for each acquisition of Burger King restaurants are amortized using the straight-line method over the average remaining term of the acquired franchise agreements plus one twenty-year renewal period.

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

The Company assesses the potential impairment of franchise rights whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If an indicator of impairment exists, an estimate of the aggregate undiscounted cash flows from the acquired restaurants is compared to the respective carrying value of franchise rights for each acquisition. If an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value. No impairment charges were recorded related to the Company's franchise rights during the three and nine months ended September 28, 2014 or the year ended December 29, 2013. The change in franchise rights for the nine months ended September 28, 2014 is summarized below:

Balance at December 29, 2013	\$ 90,168
Acquisition of restaurants (Note 2)	9,011
Amortization expense	(3,187)
Balance at September 28, 2014	<u>\$ 95,992</u>

Amortization expense related to franchise rights was \$1.1 million and \$1.0 million in the three months ended September 28, 2014 and September 29, 2013, respectively, and \$3.2 million and \$3.1 million in the nine months ended September 28, 2014 and September 29, 2013, respectively. The Company estimates the annual amortization expense of franchise rights recorded at September 28, 2014 to be \$4.3 million in 2014, \$4.5 million in 2015, and \$4.4 million in 2016, 2017, 2018 and 2019.

Favorable and Unfavorable Leases. Amounts allocated to favorable and unfavorable leases are being amortized using the straight-line method over the remaining terms of the underlying lease agreements as a net reduction of restaurant rent expense.

The net reduction of rent expense related to the amortization of favorable and unfavorable leases for both the three months ended September 28, 2014 and September 29, 2013 was \$0.2 million, and was \$0.5 million for both the nine months ended September 28, 2014 and September 29, 2013. The Company expects the annual net reduction of rent expense from the amortization of favorable and unfavorable leases to be \$0.6 million in 2014, \$0.5 million in 2015 and 2016, \$0.4 million in 2017 and 2018, and \$0.3 million in 2019.

6. Long-term Debt

Long-term debt at September 28, 2014 and December 29, 2013 consisted of the following:

	September 28, 2014	December 29, 2013
Collateralized:		
Carrols Restaurant Group 11.25% Senior Secured Second Lien Notes	\$ 150,000	\$ 150,000
Senior Credit Facility - Revolving credit borrowings	—	—
Capital leases	7,529	9,336
	157,529	159,336
Less: current portion	(1,067)	(1,147)
	<u>\$ 156,462</u>	<u>\$ 158,189</u>

Senior Secured Second Lien Notes. On May 30, 2012, Carrols Restaurant Group issued \$150.0 million of 11.25% Senior Secured Second Lien Notes due 2018 (the "Notes") pursuant to an indenture dated as of May 30, 2012 governing such Notes.

The Notes mature and are payable on May 15, 2018. Interest is payable semi-annually on May 15 and November 15. The Notes are guaranteed by the Company's subsidiaries and are secured by second-priority liens on substantially all of the Company's and its subsidiaries' assets (including a pledge of all of the capital stock and equity interests of its subsidiaries).

The Notes are redeemable at the option of the Company in whole or in part at any time after May 15, 2015 at a price of 105.625% of the principal amount plus accrued and unpaid interest, if any, if redeemed before May 15, 2016, 102.813% of the principal amount plus accrued and unpaid interest, if any, if redeemed after May 15, 2016 but before May 15, 2017 and 100% of the principal amount plus accrued and unpaid interest, if any, if redeemed after May 15, 2017. Prior to May 15, 2015, the Company may redeem some or all of the Notes at a redemption price of 100% of the principal amount of each note plus accrued and unpaid interest, if any, and a make-whole premium. In addition, the indenture governing the Notes also provides that the Company may redeem up to 35% of the Notes using the proceeds of certain equity offerings completed before May 15, 2015.

The Notes are jointly and severally guaranteed, unconditionally and in full by the Company's subsidiaries which are directly or indirectly 100% owned by the Company. Separate condensed consolidating information is not included because the Company

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

is a holding company that has no independent assets or operations. There are no significant restrictions on the ability of the Company or any of the guarantor subsidiaries to obtain funds from its respective subsidiaries. All consolidated amounts in the Company's financial statements are representative of the combined guarantors.

The indenture governing the Notes includes certain covenants, including limitations and restrictions on the Company and all of its subsidiaries who are guarantors under such indenture to, among other things: incur indebtedness or issue preferred stock; incur liens; pay dividends or make distributions in respect of capital stock or make certain other restricted payments or investments; sell assets; agree to payment restrictions affecting certain subsidiaries; enter into transaction with affiliates; or merge, consolidate or sell substantially all of the Company's assets.

The indenture governing the Notes and the security agreement provide that any capital stock and equity interests of any of the Company's subsidiaries will be excluded from the collateral to the extent that the par value, book value or market value of such capital stock or equity interests exceeds 20% of the aggregate principal amount of the Notes then outstanding.

The indenture governing the Notes contains customary default provisions, including without limitation, a cross default provision pursuant to which it is an event of default under the Notes and the indenture if there is a default under any indebtedness of the Company having an outstanding principal amount of \$15.0 million or more which results in the acceleration of such indebtedness prior to its stated maturity or is caused by a failure to pay principal when due. The Company was in compliance as of September 28, 2014 with the restrictive covenants of the indenture governing the Notes.

Senior Credit Facility. On May 30, 2012, the Company entered into a senior credit facility, which provides for aggregate revolving credit borrowings of up to \$20.0 million (including \$15.0 million available for letters of credit) maturing on May 30, 2017. The senior credit facility also provides for potential incremental borrowing increases of up to \$25.0 million, in the aggregate. At September 28, 2014, there were no revolving credit borrowings outstanding under the senior credit facility.

Under the senior credit facility (all terms not otherwise defined herein are defined in the Company's senior credit facility), the Company has deposited \$20.0 million in an account with the Administrative Agent as collateral for the senior credit facility until the date on which its Adjusted Leverage Ratio is less than 6.00x for two consecutive fiscal quarters (the "Cash Collateral Release Date"). This amount is classified as restricted cash on the Company's consolidated balance sheet as of September 28, 2014.

Prior to the Cash Collateral Release Date, revolving credit borrowings under the senior credit facility bear interest at a rate per annum, at the Company's option, of:

- (i) the Alternate Base Rate plus the applicable margin of 0.75% or
- (ii) the LIBOR Rate plus the applicable margin of 1.75%

Following the Cash Collateral Release Date, borrowings under the senior credit facility will bear interest at a rate per annum, at the Company's option, of

- (i) the Alternate Base Rate plus the applicable margin of 2.50% to 3.25% based on the Company's Adjusted Leverage Ratio, or
- (ii) the LIBOR Rate plus the applicable margin of 3.50% to 4.25% based on the Company's Adjusted Leverage Ratio.

The Company's obligations under the senior credit facility are guaranteed by its subsidiaries and are secured by first priority liens on substantially all of the assets of the Company and its subsidiaries, including a pledge of all of the capital stock and equity interests of its subsidiaries.

Under the senior credit facility, the Company will be required to make mandatory prepayments of borrowings in the event of dispositions of assets, debt issuances and insurance and condemnation proceeds (all subject to certain exceptions).

The senior credit facility contains certain covenants, including without limitation, those limiting the Company's and its subsidiaries' ability to, among other things, incur indebtedness, incur liens, sell or acquire assets or businesses, change the character of its business in all material respects, engage in transactions with related parties, make certain investments, make certain restricted payments or pay dividends. In addition, the senior credit facility requires the Company to meet certain financial ratios, including a Fixed Charge Coverage Ratio and Adjusted Leverage Ratio (all as defined under the senior credit facility); provided, however that the Company is not required to be in compliance with such ratios so long as the senior credit facility is cash collateralized.

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

The senior credit facility contains customary default provisions, including that the lenders may terminate their obligation to advance and may declare the unpaid balance of borrowings, or any part thereof, immediately due and payable upon the occurrence and during the continuance of customary defaults which include, without limitation, payment default, covenant defaults, bankruptcy type defaults, cross-defaults on other indebtedness, judgments or upon the occurrence of a change of control.

After reserving \$7.6 million for letters of credit issued under the senior credit facility for workers' compensation and other insurance policies, \$12.4 million was available for revolving credit borrowings under the senior credit facility at September 28, 2014.

7. Income Taxes

The benefit for income taxes for the three and nine months ended September 28, 2014 and September 29, 2013 was comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Current	\$ —	\$ (4,269)	\$ 219	\$ (4,282)
Deferred	(2,632)	2,532	(7,774)	(4,438)
	<u>\$ (2,632)</u>	<u>\$ (1,737)</u>	<u>\$ (7,555)</u>	<u>\$ (8,720)</u>

The benefit for income taxes for the three and nine months ended September 28, 2014 was derived using an estimated effective annual income tax rate for 2014 of 37.5%, which excluded any discrete tax adjustments. The Company's estimated effective tax rate for 2014 does not include any Work Opportunity Tax Credits for qualifying employees hired in 2014 as this expired at the end of 2013. The credit for such employees will be reflected in the Company's estimated effective tax rate in the period when and if re-enacted into law. Other discrete tax adjustments increased the benefit for income taxes by \$0.5 million and \$0.6 million in the three and nine months ended September 28, 2014, respectively, which included \$0.5 million in employment tax credits relating to periods prior to the tax credit's expiration.

The benefit for income taxes for the three and nine months ended September 29, 2013 was derived using an estimated effective annual income tax rate for 2013 of 39.9%, which excluded any discrete tax adjustments. In January 2013, the United States Congress authorized, and the President signed into law, certain federal tax credits that were reflected in the Company's Federal tax return for 2012. However, since the law was enacted in 2013, the financial statement benefit of such credits totaling \$1.0 million was recorded in the first quarter of 2013 and is included in the benefit for income taxes in the consolidated statement of operations and comprehensive loss for the nine months ended September 29, 2013. Other discrete tax adjustments increased the benefit for income taxes by \$0.1 million in the three months ended September 29, 2013 and decreased the benefit for income taxes by \$0.3 million for the nine months ended September 29, 2013.

The Company establishes a valuation allowance when it is necessary to reduce deferred tax assets to an amount for which realization is likely. The Company has performed the required assessment of positive and negative evidence regarding the realization of deferred income tax assets in accordance with ASC 740. The Company considered all available positive and negative evidence to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of its deferred income tax assets. Judgment is used in considering the relative impact of negative and positive evidence. In arriving at these judgments, the weight given to the potential effect of negative and positive evidence is commensurate with the extent to which such evidence can be objectively verified.

In evaluating the objective evidence provided by historical results, the Company considered (among other things) the past three years of cumulative losses, projected reversal of deferred tax liabilities, recent and prospective operating results, the ability to carry-back net operating losses generated through December 30, 2012 against taxable income reported in prior years, and that the first year of expiration of its net operating loss carryforwards is 2033. The Company also considered subjective evidence related to the forecast of expected operating results for the years over the carryforward period. Additionally, the deferred tax liabilities the Company has considered in the assessment of the realization of deferred tax assets will reverse in the carryforward period and same jurisdiction. While the Company's performance for the nine months ended September 28, 2014 did not meet previous projections, management has considered the financial results in the third quarter compared to the first and second quarter of 2014, as well as the potential accretive impact of closing underperforming restaurants and acquiring additional restaurants in 2014 within its forecast of their future performance. Based on the analysis of positive and negative evidence, the Company believed that there was enough positive evidence to overcome its cumulative loss position at September 28, 2014, and therefore no valuation allowance of its deferred tax assets of \$17.7 million was necessary. As disclosed in Note 1, the Company has acquired 94 restaurants in the

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

fourth quarter of 2014. Management recognizes that the future performance of such restaurants, and the judgments associated with projected cash flows for the 2014 acquisitions are impactful to the Company's analysis of positive and negative evidence, and its continued evaluation of the recoverability of deferred income tax assets. In future periods, if the negative evidence outweighs the positive evidence, the Company would need to record a valuation allowance equal to the full amount of the net deferred tax asset balance at that time.

The Company will continue to monitor and evaluate the positive and negative evidence considered in arriving at the above conclusion, in order to assess whether such conclusion remains appropriate in future periods.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of September 28, 2014 and December 29, 2013, the Company had no unrecognized tax benefits and no accrued interest related to uncertain tax positions.

The tax year 2013 remains open to examination by the major taxing jurisdictions to which the Company is subject. Although it is not reasonably possible to estimate the amount by which unrecognized tax benefits may increase within the next twelve months due to the uncertainties regarding the timing of any examinations, the Company does not expect unrecognized tax benefits to significantly change in the next twelve months.

8. Other Liabilities, Long-Term

Other liabilities, long-term, at September 28, 2014 and December 29, 2013 consisted of the following:

	September 28, 2014	December 29, 2013
Accrued occupancy costs	\$ 8,802	\$ 7,793
Accrued workers' compensation and general liability claims	3,196	2,272
Deferred compensation	517	353
Long-term obligation to BKC for right of first refusal	1,123	1,672
Other	2,108	2,780
	<u>\$ 15,746</u>	<u>\$ 14,870</u>

Accrued occupancy costs above include long-term obligations pertaining to closed restaurant locations, contingent rent, and accruals to expense operating lease rental payments on a straight-line basis over the lease term.

9. Commitments and Contingencies

Lease Guarantees. Fiesta Restaurant Group, Inc. ("Fiesta"), a former wholly-owned subsidiary of the Company, was spun-off in 2012 to the Company's stockholders. As of September 28, 2014, the Company is a guarantor under 33 Fiesta restaurant property leases, with lease terms expiring on various dates through 2030, and is the primary lessee on five Fiesta restaurant property leases, which it subleases to Fiesta. The Company is fully liable for all obligations under the terms of the leases in the event that Fiesta fails to pay any sums due under the lease, subject to indemnification provisions of the Separation and Distribution Agreement entered into in connection with the spin-off of Fiesta.

The maximum potential amount of future undiscounted rental payments the Company could be required to make under these leases at September 28, 2014 was \$39.9 million. The obligations under these leases will generally continue to decrease over time as these operating leases expire. No payments related to these guarantees have been made by the Company to date and none are expected to be required to be made in the future. The Company has not recorded a liability for these guarantees in accordance with ASC 460 - Guarantees as Fiesta has indemnified the Company for all such obligations and the Company did not believe it was probable it would be required to perform under any of the guarantees or direct obligations.

Litigation. The Company is a party to various litigation matters that arise in the ordinary course of business. The Company does not believe that the outcome of any of these matters meet the disclosure or recognition standards, nor will they have a material adverse effect on its consolidated financial statements.

10. Transactions with Related Parties

In 2012 the Company issued to BKC 100 shares of Series A Convertible Preferred Stock which is convertible into 9,414,580 shares, or 28.9% of the outstanding shares of common stock calculated on the date of the closing of the 2012 acquisition on a fully diluted basis. As a result of the 2012 acquisition, BKC has two representatives on the Company's board of directors.

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

Each of our Burger King restaurants operates under a separate franchise agreement with BKC. These franchise agreements generally provide for an initial term of twenty years and currently have an initial franchise fee of fifty thousand dollars. Any franchise agreement, including renewals, can be extended at the Company's discretion for an additional 20 year term, with BKC's approval, provided that, among other things, the restaurant meets the current Burger King image standard and the Company is not in default under terms of the franchise agreement.

In addition to the initial franchise fee, the Company generally pays BKC a monthly royalty at a rate of 4.5% of sales. Royalty expense was \$7.6 million and \$7.1 million in the three months ended September 28, 2014 and September 29, 2013, respectively, and \$21.0 million and \$20.7 million in the nine months ended September 28, 2014 and September 29, 2013, respectively.

The Company is also generally required to contribute 4% of restaurant sales from our Burger King restaurants to an advertising fund utilized by BKC for its advertising, promotional programs and public relations activities, and additional amounts for participation in local advertising campaigns in markets that approve such additional spending. Advertising expense related to BKC was \$6.8 million and \$7.3 million in the three months ended September 28, 2014 and September 29, 2013, respectively and \$20.3 million and \$22.0 million in the nine months ended September 28, 2014 and September 29, 2013, respectively.

As of September 28, 2014, the Company leased 290 of its restaurant locations from BKC and for 188 of these locations the terms and conditions of the lease with BKC are identical to those between BKC and the third-party lessor. Aggregate rent under all BKC leases for the three months ended September 28, 2014 and September 29, 2013 was \$6.7 million and \$6.6 million, respectively, and \$19.6 million and \$20.0 million in the nine months ended September 28, 2014 and September 29, 2013, respectively. The Company believes the lease terms for all of its leases with BKC are commercially reasonable and are on an arms-length basis.

As of September 28, 2014, the Company owed BKC \$1.9 million associated with the assignment of its right of first refusal in 2012 and \$3.7 million related to the monthly payment of advertising, royalties and rent.

11. Other Income

In the nine months ended September 29, 2013, the Company recorded a gain of \$0.2 million related to business interruption insurance recoveries from a fire at a restaurant.

12. Net Loss per Share

The Company applies the two-class method to calculate and present net loss per share. The Company's non-vested share awards and Series A Convertible Preferred Stock issued to BKC contain non-forfeitable rights to dividends and are considered participating securities for purposes of computing net loss per share pursuant to the two-class method. Under the two-class method, net earnings are reduced by the amount of dividends declared (whether paid or unpaid) and the remaining undistributed earnings are then allocated to common stock and participating securities, based on their respective rights to receive dividends. However, as the Company has incurred net losses for the three and nine months ended September 28, 2014 and September 29, 2013, and as those losses are not allocated to the participating securities under the two-class method, such method is not applicable for the aforementioned reporting periods.

Basic net loss per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding for the reporting period. Diluted net loss per share reflects additional shares of common stock outstanding, where applicable, calculated using the treasury stock method or the two-class method.

CARROLS RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

The following table sets forth the calculation of basic and diluted net loss per share:

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Basic and diluted net loss per share:				
Net loss	\$ (1,721)	\$ (2,762)	\$ (11,082)	\$ (11,457)
Basic and diluted weighted average common shares outstanding	34,797,490	23,020,529	29,571,846	22,929,505
Basic and diluted net loss per share	\$ (0.05)	\$ (0.12)	\$ (0.37)	\$ (0.50)
Common shares excluded from diluted net loss per share computation (1)	9,813,285	10,066,823	9,813,285	10,066,823

(1) Shares issuable upon conversion of preferred stock and non-vested shares were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive.

13. Public Offering

On April 30, 2014, the Company completed an underwritten public offering of 10.0 million shares of common stock at a price of \$6.20 per share (the "Public Offering"). The Company also issued and sold an additional 1.5 million shares of common stock pursuant to the underwriters exercise of the option to purchase additional shares at the same terms and conditions as offered in the Public Offering, for a total share issuance of 11.5 million shares. All shares were issued and sold by the Company and the net proceeds received were approximately \$67.3 million in the aggregate after deducting underwriting discounts and commissions and offering expenses.

The Company is using the net proceeds of the Public Offering to accelerate the remodeling of the Company's restaurants to Burger King Corporation's 20/20 restaurant image, to acquire additional franchised Burger King restaurants, and, to a lesser extent, develop new restaurants and for other general corporate purposes.

A shelf registration statement (including a prospectus) relating to these securities was filed by the Company with the Securities and Exchange Commission ("SEC") and was declared effective by the SEC on April 9, 2014.

ITEM 2—MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Throughout this Quarterly Report on Form 10-Q, we refer to Carrols Restaurant Group, Inc. as “Carrols Restaurant Group” and, together with its consolidated subsidiaries, as “we”, “our” and “us” unless otherwise indicated or the context otherwise requires. Any reference to “Carrols” refers to our wholly-owned subsidiary, Carrols Corporation, a Delaware corporation, and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires. Any reference to “Carrols LLC” refers to Carrols' wholly-owned subsidiary, Carrols LLC, a Delaware limited liability company.

We use a 52-53 week fiscal year ending on the Sunday closest to December 31. The fiscal year ended December 29, 2013 contained 52 weeks and the three and nine months ended September 28, 2014 and September 29, 2013 each contained thirteen and thirty-nine weeks, respectively.

Introduction

We are a holding company and conduct all of our operations through our direct and indirect subsidiaries and have no assets other than the shares of capital stock of Carrols, our direct wholly-owned subsidiary. The following Management's Discussion and Analysis of Financial Condition and Results of Operations (or “MD&A”) is written to help the reader understand our company. The MD&A is provided as a supplement to, and should be read in conjunction with our Consolidated Financial Statements and the accompanying financial statement notes appearing elsewhere in this report and our Annual Report on Form 10-K, as amended, for the year ended December 29, 2013. The overview provides our perspective on the individual sections of MD&A, which include the following:

Company Overview—a general description of our business and our key financial measures.

Recent and Future Events Affecting Our Results of Operations—a description of recent events that affect, and future events that may affect, our results of operations.

Operating Results from Operations—an analysis of our results of operations for the three and nine months ended September 28, 2014 compared to the three and nine months ended September 29, 2013 including a review of material items and known trends and uncertainties.

Liquidity and Capital Resources—an analysis of historical information regarding our sources of cash and capital expenditures, the existence and timing of commitments and contingencies, changes in capital resources and a discussion of cash flow items affecting liquidity.

Application of Critical Accounting Policies—an overview of accounting policies requiring critical judgments and estimates.

Effects of New Accounting Standards—a discussion of new accounting standards and any implications related to our financial statements.

Forward Looking Statements—cautionary information about forward-looking statements and a description of certain risks and projections.

Company Overview

We are one of the largest restaurant companies in the United States and have been operating restaurants for more than 50 years. We are the largest Burger King ® franchisee in the world and have operated Burger King restaurants since 1976. As of September 28, 2014, we operated 581 Burger King restaurants in 13 states. On May 30, 2012, we acquired 278 restaurants from Burger King Corporation (“BKC”), which we refer to as the “2012 acquired restaurants”. As of September 28, 2014 we were operating 263 of such acquired restaurants. Additionally, in the first nine months of 2014 we acquired an additional 29 restaurants, which we refer to as the “2014 acquired restaurants”. All of our other Burger King restaurants are referred to as our “legacy restaurants”.

The following is an overview of the key financial measures discussed in our results of operations:

- *Restaurant sales* consist of food and beverage sales at our restaurants, net of discounts and excluding sales tax collected. Restaurant sales are influenced by changes in comparable restaurant sales, menu price increases, new restaurant openings and closures of restaurants. Restaurants, including restaurants we acquire, are included in comparable restaurant sales after they have been open for 12 months. For comparative purposes, the calculation of the changes in comparable restaurant sales is based on a 52-week year.

- *Cost of sales* consists of food, paper and beverage costs including packaging costs, less purchase discounts. Cost of sales is generally influenced by changes in commodity costs, the mix of items sold and the effectiveness of our restaurant-level controls to manage food and paper costs.
- *Restaurant wages and related expenses* include all restaurant management and hourly productive labor costs and related benefits, employer payroll taxes and restaurant-level bonuses. Payroll and related benefits are subject to inflation, including minimum wage increases and increased costs for health insurance, workers' compensation insurance and state unemployment insurance.
- *Restaurant rent expense* includes base rent and contingent rent on our leases characterized as operating leases, the amortization of favorable and unfavorable leases and is reduced by the amortization of deferred gains on sale-leaseback transactions.
- *Other restaurant operating expenses* include all other restaurant-level operating costs, the major components of which are royalty expenses paid to BKC, utilities, repairs and maintenance, real estate taxes and credit card fees.
- *Advertising expense* includes all marketing and promotional expenses including advertising payments to BKC based on a percentage of sales as required under our franchise agreements.
- *General and administrative expenses* are comprised primarily of (1) salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, (2) legal, auditing and other professional fees and (3) stock-based compensation expense.
- *EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA.* EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA are non-GAAP financial measures. EBITDA represents net income (loss) from operations, before benefit for income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA as adjusted to exclude impairment and other lease charges, EEOC litigation and settlement costs, acquisition and integration costs and stock compensation expense. Restaurant-Level EBITDA represents income (loss) from operations before general and administrative expenses, depreciation and amortization, impairment and other lease charges and other income and expense.

We are presenting Adjusted EBITDA and Restaurant-Level EBITDA because we believe that they provide a more meaningful comparison than EBITDA of our core business operating results, as well as with those of other similar companies. Additionally, we present Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses and other income and expense which are not directly related to restaurant operations. Management believes that Adjusted EBITDA and Restaurant-Level EBITDA, when viewed with our results of operations in accordance with GAAP and the accompanying reconciliations on page 24, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA and Restaurant-Level EBITDA permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced.

However, EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net loss, income (loss) from operations or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. For a reconciliation between net loss and EBITDA and Adjusted EBITDA and between Restaurant-Level EBITDA and income (loss) from operations see page 24.

EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA have important limitations as analytical tools. These limitations include the following:

- EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA do not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments to purchase capital equipment;
- EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA do not reflect the interest expense or the cash requirements necessary to service principal or interest payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets that we currently depreciate and amortize will likely have to be replaced in the future, and EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA do not reflect the cash required to fund such replacements; and
- EBITDA, Adjusted EBITDA and Restaurant-Level EBITDA do not reflect the effect of earnings or charges resulting from matters that our management does not consider to be indicative of our ongoing operations. However, some of

these charges (such as impairment and other lease charges and acquisition and integration costs) have recurred and may reoccur.

- *Depreciation and amortization* primarily includes the depreciation of fixed assets, including equipment, owned buildings and leasehold improvements utilized in our restaurants, the amortization of franchise rights resulting from our acquisitions of restaurants and the amortization of franchise fees paid to BKC.
- *Impairment and other lease charges* are determined through our assessment of the recoverability of property and equipment and intangible assets by determining whether the carrying value of these assets can be recovered over their respective remaining lives through undiscounted future operating cash flows. A potential impairment charge is evaluated whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Lease charges are recorded for our obligations under the related leases for closed locations net of estimated sublease recoveries. At September 28, 2014, there were \$1.7 million of lease charges accrued for closed restaurant locations.
- *Interest expense* consists primarily of interest expense associated with our 11.25% Senior Secured Second Lien Notes due 2018 (the "Notes"), amortization of deferred financing costs and revolving credit borrowings under our senior secured credit facility.

Recent and Future Events Affecting our Results of Operations

Acquisitions of Burger King Restaurants

2012 Acquisition

On May 30, 2012, we acquired 278 restaurants from BKC including BKC's assignment of its right of first refusal ("ROFR") on franchisee restaurant transfers in 20 states. We also agreed to remodel or otherwise upgrade 455 Burger King restaurant locations to BKC's 20/20 restaurant image by the end of 2015. As of September 28, 2014, we had completed remodeling a total of 255 restaurants to the 20/20 restaurant image, including 54 completed in 2014 through the end of the third quarter. We currently anticipate remodeling a total of 100 to 110 restaurants in 2014.

2014 Acquisitions

We exercised our ROFR and acquired four Burger King® restaurants located in Fort Wayne, Indiana on April 30, 2014 for a cash purchase price of \$0.7 million. In the third quarter we exercised our ROFR on June 30, 2014 and acquired four Burger King® restaurants in the Pittsburgh, Pennsylvania market for a cash purchase price of \$3.8 million including one fee-owned property. Additionally, on July 22, 2014, we acquired 21 Burger King® restaurants located in the Rochester, NY market and the Southern Tier region of Western New York State for a cash purchase price of \$8.5 million.

In the fourth quarter of 2014 we exercised our ROFR and purchased 30 Burger King® restaurants located in the Wilmington, North Carolina and Greenville, North Carolina markets for a cash purchase price of approximately \$20.5 million, which included 12 fee-owned properties. Also on November 4, 2014, we purchased 64 Burger King® restaurants in or around the Nashville, TN, Springfield, IL, Terre Haute, IN, and Evansville, IN markets for a cash purchase price of \$18.0 million excluding inventory. We are currently marketing in sale-leaseback transactions eleven of the fee-owned restaurant properties acquired in 2014.

Public Equity Offering

On April 30, 2014, we completed an underwritten public offering of 10.0 million shares of our common stock at a price of \$6.20 per share (the "Public Offering"). We also issued and sold an additional 1.5 million shares of our common stock pursuant to the underwriters' exercise of their option to purchase additional shares at the same terms and conditions as offered in the Public Offering, for a total share issuance of 11.5 million shares. All shares were issued and sold by us and our net proceeds were approximately \$67.3 million after deducting underwriting discounts and commissions and offering expenses.

We are using the net proceeds of the Public Offering to accelerate the remodeling of our restaurants to BKC's 20/20 restaurant image, to acquire additional franchised Burger King restaurants, to a lesser extent to develop new Burger King restaurants and for other general corporate purposes. A shelf registration statement (including a prospectus) relating to these securities was filed by us with the Securities and Exchange Commission ("SEC") and was declared effective by the SEC on April 9, 2014.

Beef Commodity Costs

Our largest component of cost of sales is beef costs. Beef costs have risen from \$2.03/lb. at the beginning of 2014 to \$2.76/lb. at the end of the third quarter of 2014 and increased over 30% in the third quarter of 2014 compared to the third quarter of 2013. Given the current level of beef costs in 2014 we currently anticipate beef costs to be higher in the first six months of 2015 compared to the first six months of 2014.

Future Restaurant Closures

We evaluate the performance of our restaurants on an ongoing basis including an assessment of the current and future operating results of the restaurant in relation to its cash flow and future occupancy costs, and with regard to franchise agreement renewals, the cost of required capital improvements. We may elect to close restaurants based on these evaluations.

In 2013, we closed ten restaurants excluding one restaurant relocated within its market area. In the first nine months of 2014 we have closed twelve restaurants, excluding one restaurant which we relocated within its existing market. We may incur lease charges in the future from additional closures of underperforming restaurants.

We currently anticipate that we will close in 2014 a total of 12 restaurants, excluding one restaurant relocated within the same market area under a new franchise agreement, with an additional six to eight restaurants scheduled to close at the beginning of 2015. Our determination of whether to close restaurants in the future is subject to further evaluation and may change.

We do not believe that the future impact on our consolidated results of operations due to restaurant closures will be material, although there can be no assurance in this regard.

Valuation of Deferred Income Tax Assets

We establish a valuation allowance when it is necessary to reduce deferred tax assets to an amount for which realization is likely. We have performed the required assessment of positive and negative evidence regarding the realization of our deferred income tax assets. We considered all available positive and negative evidence to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of our deferred income tax assets. Judgment is used in considering the relative impact of negative and positive evidence. In arriving at these judgments, the weight given to the potential effect of negative and positive evidence is commensurate with the extent to which such evidence can be objectively verified.

In evaluating the objective evidence provided by historical results, we considered (among other things) the past three years of cumulative losses, projected reversals of deferred tax liabilities, recent improvements in operating results, the ability to carry-back net operating losses generated through December 30, 2012 against taxable income reported in prior years, and that the first year of expiration of our net operating loss carryforwards is 2033. We also considered subjective evidence related to the forecast of expected operating results for the years over the carryforward period. Additionally, the deferred tax liabilities we have considered in the assessment of the realization of deferred tax assets will reverse in the carryforward period and same jurisdiction. While our financial results for the nine months ended September 28, 2014 did not meet our previous projections, we have considered our financial results in the third quarter compared to the first and second quarters of 2014, as well as the accretive impact of closing underperforming restaurants and acquiring additional restaurants in 2014 within our forecast of their future performance. Based on the analysis of positive and negative evidence, we believed that there was enough positive evidence to overcome our cumulative loss position at September 28, 2014, and therefore no valuation allowance of our deferred tax assets of \$17.7 million was necessary. To date we have acquired 94 restaurants in the fourth quarter of 2014. Management recognizes that the future performance of such restaurants, and the judgments associated with projected cash flows for the 2014 acquisitions are impactful to our analysis of positive and negative evidence, and our continued evaluation of the recoverability of deferred income tax assets. In future periods, if the negative evidence outweighs the positive evidence, we would need to record a valuation allowance equal to the full amount of the net deferred tax asset balance at that time.

We will continue to monitor and evaluate the positive and negative evidence considered in arriving at the above conclusion, in order to assess whether such conclusion remains appropriate in future periods.

Health Care Reform

The Patient Protection and Affordable Care Act (the “Act”) requires businesses employing fifty or more full-time equivalent employees to offer health care benefits to those full-time employees beginning in January 2015, or be subject to an annual penalty. Those benefits must be provided under a health care plan which provides a certain minimum scope of health care services. The Act also limits the portion of the cost of the benefits which we can require employees to pay.

We are continuing to assess the financial impact of the Act including the provision beginning in 2015 to offer health insurance to our hourly employees who work an average of 30 hours or more per week. Based on our analyses to date and our current activities addressing aspects of this provision operationally, we currently estimate that our cost for the health care coverage for our qualifying hourly employees would not exceed \$3.0 million on an annual basis if all our eligible hourly employees elect coverage. Given the estimated annual premium cost our eligible hourly employees would incur in comparison to the annual financial penalty they would pay if they do not elect our health care coverage, we currently estimate our additional annual health care costs could range from \$0.5 million to \$1.0 million due solely to this provision; however there can be no assurance in this regard. For 2015, due to the Act we expect to incur additional health care premiums of \$0.8 million associated with our current health care coverage of our employees.

Results of Operations

Three Months Ended September 28, 2014 Compared to Three Months Ended September 29, 2013

The following table sets forth, for the three months ended September 28, 2014 and September 29, 2013, selected operating results as a percentage of total restaurant sales:

	Three Months Ended	
	September 28, 2014	September 29, 2013
Costs and expenses (all restaurants):		
Cost of sales	30.7%	30.4%
Restaurant wages and related expenses	31.2%	31.1%
Restaurant rent expense	6.8%	7.0%
Other restaurant operating expenses	16.2%	16.0%
Advertising expense	3.8%	4.4%
General and administrative	5.6%	5.2%

Since the beginning of the third quarter of 2013, we acquired 30 restaurants and opened three new restaurants, including two restaurants relocated within the same market areas under new franchise agreements. During the same period we closed sixteen restaurants, excluding the relocated restaurants.

Restaurant Sales. Total restaurant sales in the third quarter of 2014 increased 6.8% to \$179.8 million from \$168.3 million in the third quarter of 2013. Comparable restaurant sales in the third quarter of 2014 increased 3.3% due to an increase in average check of 8.0%, which was partially offset by a decrease in customer traffic of 4.7%. These changes were caused in part by fewer low price promotions in the third quarter of 2014 compared to the prior year quarter. The effect of menu price increases in the third quarter of 2014 was approximately 2.0%. Comparable restaurant sales increased 2.7% at our legacy restaurants and increased 4.0% at our 2012 acquired restaurants. Sales from the restaurants we acquired in 2014 were \$7.8 million in the third quarter of 2014.

Operating Costs and Expenses (percentages stated as a percentage of total restaurant sales). Cost of sales increased to 30.7% in the third quarter of 2014 from 30.4% in the third quarter of 2013 due primarily to higher beef commodity costs (2.0%) partially offset by decreases in other commodity costs (0.3%), menu price increases (0.8%), lower discounts and promotions (0.4%) and improvements in restaurant-level food and cash controls at our 2012 acquired restaurants (0.3%).

Restaurant wages and related expenses increased slightly to 31.2% in the third quarter of 2014 from 31.1% in the third quarter of 2013 due primarily to higher restaurant-level performance bonuses (0.2%).

Other restaurant operating expenses increased to 16.2% in the third quarter of 2014 from 16.0% in the third quarter of 2013 due primarily to higher general liability insurance claims (0.2%).

Advertising expense decreased to 3.8% in the third quarter of 2014 from 4.4% in the third quarter of 2013 due primarily to reduced spending for additional local advertising in many of our markets.

Restaurant rent expense decreased to 6.8% in the third quarter of 2014 from 7.0% in the third quarter of 2013 due primarily to the closure of sixteen restaurants with below average sales since the beginning of the third quarter of 2013 and the effect of comparable restaurant sales increases in the third quarter of 2014 on fixed rentals.

Restaurant-Level EBITDA. As a result of the factors above, Restaurant-Level EBITDA increased 10.2%, or \$1.9 million, to \$20.5 million in the third quarter of 2014. Restaurant-Level EBITDA for our 2012 acquired restaurants was \$6.0 million in the third quarter of 2014 compared to \$4.3 million in the third quarter of 2013. For a reconciliation between Restaurant-Level EBITDA and income (loss) from operations see page 24.

	Three Months Ended			
	September 28, 2014	% ⁽¹⁾	September 29, 2013	% ⁽¹⁾
Restaurant Sales:				
Legacy restaurants	\$ 96,861		\$ 94,307	
2012 acquired restaurants	75,180		74,005	
2014 acquired restaurants	7,781		—	
Total	<u>\$ 179,822</u>		<u>\$ 168,312</u>	
Restaurant-Level Restaurant EBITDA:				
Legacy restaurants	\$ 13,630	14.1%	\$ 14,295	15.2%
2012 acquired restaurants	6,014	8.0%	4,269	5.8%
2014 acquired restaurants	808	10.4%	—	
Total	<u>\$ 20,452</u>	<u>11.4%</u>	<u>\$ 18,564</u>	<u>11.0%</u>

(1) Restaurant-Level EBITDA margin is calculated as a percentage of restaurant sales for the respective group of restaurants.

Restaurant-Level EBITDA margin decreased 1.1% at our legacy restaurants due primarily to higher beef costs and higher restaurant-level bonus accruals. Restaurant-level EBITDA margin increased 2.2% at our 2012 acquired restaurants due to improvements in food and cash controls, the closure of ten underperforming restaurants since the beginning of the third quarter of 2013 and the effect of comparable sales increases on fixed operating costs. Cost of sales, as a percentage of restaurant sales, declined 0.2% at our acquired 2012 restaurants, compared to an increase of 0.7% at our legacy restaurants, due to the improvement in food and cash controls. However, cost of sales, as a percentage of sales, at our 2012 acquired restaurants was 31% and 0.6% higher than that at our legacy restaurants in the third quarter of 2014.

General and Administrative Expenses. General and administrative expenses increased \$1.3 million in the third quarter of 2014 to \$10.0 million and, as a percentage of total restaurant sales, increased to 5.6% compared to 5.2% in the third quarter of 2013 due primarily to higher legal and professional fees of \$0.5 million and higher field management salaries, training and travel of \$0.4 million. General and administrative expenses in the third quarter of 2014 include \$0.4 million of acquisition and integration costs related to the 2014 acquisitions. General and administrative expenses also increased due to \$0.6 million in payments received by us from Fiesta Restaurant Group, Inc. ("Fiesta") in the third quarter of 2013 for transitional services. These services ended in the fourth quarter of 2013.

Adjusted EBITDA. As a result of the factors above, Adjusted EBITDA increased 9.9% to \$11.1 million in the third quarter of 2014 from \$10.1 million in the third quarter of 2013. For a reconciliation between net loss and EBITDA and Adjusted EBITDA see page 24.

Depreciation and Amortization Expense. Depreciation and amortization expense increased to \$9.3 million in the third quarter of 2014 from \$8.5 million in the third quarter of 2013 due primarily to our remodeling initiatives in 2014 and 2013.

Impairment and Other Lease Charges. Impairment and other lease charges were \$0.8 million in the third quarter of 2014 and were comprised of other lease charges of \$0.3 million associated with the closure of two restaurants in the third quarter of 2014 and asset impairment charges of \$0.4 million, which included \$0.3 million of capital expenditures at previously impaired restaurants.

Interest Expense. Interest expense was \$4.7 million in the third quarter of both 2014 and 2013. The weighted average interest rate on our long-term debt, excluding lease financing obligations, was 11.25% in the third quarter of both 2014 and 2013.

Benefit for Income Taxes. The benefit for income taxes for the third quarter of 2014 was derived using an estimated effective annual income tax rate for 2014 of 37.5%, which excluded any discrete tax adjustments. Our estimated effective tax rate for 2014 does not consider the Work Opportunity Tax Credit which expired at the end of 2013 for any qualified employees hired after that date. This credit for qualified employees hired in 2014 will be reflected in our estimated effective tax rate in the period if and

when re-enacted into law. Discrete tax adjustments increased the benefit for income taxes in the third quarter of 2014 by \$0.5 million, which included \$0.5 million in employment tax credits relating to periods prior to the tax credit's expiration.

The benefit for income taxes for the third quarter of 2013 was derived using an estimated effective annual income tax rate for 2013 of 39.9%, which excluded discrete tax adjustments. Discrete tax adjustments increased the benefit for income taxes in the third quarter of 2013 by \$0.1 million.

Net Loss. As a result of the above, net loss for the third quarter of 2014 was \$1.7 million, or \$0.05 per diluted share, compared to a net loss in the third quarter of 2013 of \$2.8 million, or \$0.12 per diluted share.

Nine Months Ended September 28, 2014 Compared to Nine Months Ended September 29, 2013

The following table sets forth, for the nine months ended September 28, 2014 and September 29, 2013, selected operating results as a percentage of total restaurant sales:

	Nine Months Ended	
	September 28, 2014	September 29, 2013
Costs and expenses (all restaurants):		
Cost of sales	29.7%	30.6%
Restaurant wages and related expenses	32.0%	31.5%
Restaurant rent expense	7.1%	7.1%
Other restaurant operating expenses	16.5%	16.2%
Advertising expense	4.1%	4.5%
General and administrative	5.8%	5.5%

Since the beginning of 2013 we acquired 30 restaurants and opened three new restaurants, including two restaurants relocated within the same market areas under new franchise agreements. During the same period we closed 22 restaurants, excluding the relocated restaurants.

Restaurant Sales. Restaurant sales in the first nine months of 2014 increased 0.4% to \$499.9 million from \$498.0 million in the first nine months of 2013. Comparable restaurant sales in the first nine months of 2014 decreased 0.4% due to lower customer traffic of 5.8%, which was substantially offset by an increase in average check of 5.4%. The effect of menu price increases in the first nine months of 2014 was approximately 2.1%.

Comparable restaurant sales for our legacy restaurants decreased 0.1% in the first nine months of 2014. Comparable restaurant sales at our 2012 acquired restaurants decreased 0.7%. Sales from the restaurants we have acquired in 2014 were \$8.6 million in the first nine months of 2014.

Operating Costs and Expenses (percentages stated as a percentage of total restaurant sales). Cost of sales decreased to 29.7% in the first nine months of 2014 from 30.6% in the first nine months of 2013 due primarily to the effect of menu price increases (0.8%), improvement in restaurant-level food and cash controls at our 2012 acquired restaurants (0.4%) and higher vendor rebates (0.2%), substantially offset by higher beef commodity costs (1.1%).

Restaurant wages and related expenses increased to 32.0% in the first nine months of 2014 from 31.5% in the first nine months of 2013 due to higher medical insurance claims (0.2%) and the effect of labor rate increases on slightly negative comparable restaurant sales.

Other restaurant operating expenses increased to 16.5% in the first nine months of 2014 from 16.2% in the first nine months of 2013 due primarily to higher general liability insurance claims (0.2%) and higher utility costs (0.1%).

Advertising expense decreased to 4.1% in the first nine months of 2014 from 4.5% in the first nine months of 2013 due primarily to lower spending for additional local advertising in certain markets. For all of 2014, we anticipate advertising expense for all restaurants to range between 4.1% and 4.2% of restaurant sales.

Restaurant rent expense was 7.1% in both the first nine months of 2014 and 2013 due to essentially flat restaurant sales.

Restaurant-Level EBITDA. As a result of the factors above, Restaurant-Level EBITDA increased 6.7%, or \$3.3 million, to \$53.3 million in the first nine months of 2014 compared to \$50.0 million in the first nine months of 2013. For a reconciliation between Restaurant-Level EBITDA and income (loss) from operations see page 24.

	Nine Months Ended			
	September 28, 2014	% ⁽¹⁾	September 29, 2013	% ⁽¹⁾
Restaurant Sales:				
Legacy restaurants	\$ 274,394		\$ 275,383	
2012 acquired restaurants	216,880		222,586	
2014 acquired restaurants	8,584		—	
Total	<u>\$ 499,858</u>		<u>\$ 497,969</u>	
Restaurant-Level EBITDA Margin:				
Legacy restaurants	\$ 36,356	13.2%	\$ 38,692	14.1%
2012 acquired restaurants	16,136	7.4%	11,315	5.1%
2014 acquired restaurants	842	9.8%	—	—%
Total	<u>\$ 53,334</u>	<u>10.7%</u>	<u>\$ 50,007</u>	<u>10.0%</u>

(1) Restaurant-Level EBITDA margin is calculated as a percentage of restaurant sales for the respective group of restaurants.

Restaurant-Level EBITDA margin decreased 0.9% at our legacy restaurants due primarily to the effect of higher labor costs on slightly negative comparable restaurant sales and higher medical insurance claims. Restaurant-level EBITDA margin increased 2.3% at our 2012 acquired restaurants due to similar factors previously discussed for the third quarter plus lower spending for additional local advertising in certain markets. Fourteen underperforming restaurants acquired in 2012 have closed since the beginning of 2013.

General and Administrative Expenses. General and administrative expenses increased \$1.6 million in the first nine months of 2014 to \$28.9 million and, as a percentage of total restaurant sales, increased to 5.8% from 5.5%. The increase in general and administrative expenses was due primarily to \$3.0 million in payments received by us from Fiesta in the first nine months of 2013 for transitional services which ended in the fourth quarter of 2013 and higher legal and professional fees of \$0.8 million. General and administrative expenses include \$0.7 million in acquisition and integration costs related to the 2014 acquisitions. This was substantially offset by lower administrative bonus accruals of \$1.7 million.

Adjusted EBITDA. As a result of the factors above Adjusted EBITDA increased 8.9% to \$26.0 million in the first nine months of 2014 from \$23.8 million in the first nine months of 2013. For a reconciliation between net loss and EBITDA and Adjusted EBITDA see page 24.

Depreciation and Amortization. Depreciation and amortization expense increased to \$27.1 million in the first nine months of 2014 from \$25.0 million in the first nine months of 2013 due primarily to our restaurant remodeling initiatives in 2014 and 2013.

Impairment and Other Lease Charges. Impairment and other lease charges were \$1.8 million in the first nine months of 2014 and were comprised of \$0.7 million of estimated future rent payments and other lease related charges due to the closure of three underperforming restaurants, \$0.5 million of initial impairment charges associated with five underperforming restaurants and \$0.6 million of impairment charges associated with capital expenditures at previously impaired restaurants.

Interest Expense. Total interest expense was \$14.1 million in both the first nine months of 2014 and the first nine months of 2013. The weighted average interest rate on our long-term debt, excluding lease financing obligations, decreased to 11.23% in the first nine months of 2014 compared to 11.25% in the first nine months of 2013.

Benefit for Income Taxes. The benefit for income taxes for the first nine months of 2014 was derived using an estimated effective annual income tax rate for all of 2014 of 37.5%, which excluded any discrete tax adjustments. Discrete tax adjustments increased the benefit for income taxes in the first nine months of 2014 by \$0.6 million, which included \$0.5 million in employment tax credits relating to periods prior to the expiration of the Work Opportunity Tax credit at the end of 2013.

The benefit for income taxes for first nine months of 2013 was derived using an estimated effective annual income tax rate for 2013 of 39.9%, which excluded discrete tax adjustments. In January 2013, the United States Congress authorized, and the President signed into law, certain federal tax credits that were reflected in our Federal tax return for 2012. However, since the law was enacted in 2013, the financial statement benefit of such credits totaling \$1.0 million was recorded in the first quarter of 2013.

and is included in the benefit for income taxes for the first nine months of 2013. We also had other discrete tax adjustments which decreased the benefit for income taxes by \$0.3 million in the first nine months of 2013.

Net Loss. As a result of the foregoing, net loss for the first nine months of 2014 was \$11.1 million, or \$0.37 per diluted share, compared to a net loss in the first nine months of 2013 of \$11.5 million, or \$0.50 per diluted share.

Reconciliations of EBITDA and Adjusted EBITDA to net loss and Restaurant-Level EBITDA to income (loss) from operations are as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Reconciliation of EBITDA and Adjusted EBITDA:				
Net loss	\$ (1,721)	\$ (2,762)	\$ (11,082)	\$ (11,457)
Benefit for income taxes	(2,632)	(1,737)	(7,555)	(8,720)
Interest expense	4,683	4,708	14,080	14,130
Depreciation and amortization	9,318	8,536	27,121	24,990
EBITDA	9,648	8,745	22,564	18,943
Impairment and other lease charges	773	1,079	1,822	3,907
Acquisition and integration costs (1)	412	—	686	—
EEOC Litigation and settlement costs	—	—	—	85
Stock-based compensation expense	296	302	883	899
Adjusted EBITDA	\$ 11,129	\$ 10,126	\$ 25,955	\$ 23,834
Reconciliation of Restaurant-Level EBITDA:				
Restaurant-Level EBITDA	\$ 20,452	\$ 18,564	\$ 53,334	\$ 50,007
Less:				
General and administrative expenses	10,031	8,740	28,923	27,342
Depreciation and amortization	9,318	8,536	27,121	24,990
Impairment and other lease charges	773	1,079	1,822	3,907
Other expense (income)	—	—	25	(185)
Income (loss) from operations	\$ 330	\$ 209	\$ (4,557)	\$ (6,047)

(1) Acquisition and integration costs for the periods presented include legal and professional fees, salaries, training and travel expenses incurred in connection with the 2014 acquisitions.

Liquidity and Capital Resources

We do not have significant receivables or inventory and receive trade credit based upon negotiated terms in purchasing food products and other supplies. We are able to operate with a substantial working capital deficit because:

- restaurant operations are primarily conducted on a cash basis;
- rapid turnover results in a limited investment in inventories; and
- cash from sales is usually received before related liabilities for food, supplies and payroll become due.

On April 30, 2014, we completed a Public Offering of 10.0 million shares of our common stock at a price of \$6.20 per share. We also issued an additional 1.5 million shares of our common stock pursuant to the underwriters' exercise of their option to purchase additional shares at the same terms and conditions as offered in the Public Offering, for a total share issuance of 11.5 million shares. All shares were issued and sold by us and the net proceeds were approximately \$67.3 million in the aggregate after deducting underwriting discounts and commissions and offering expenses.

Interest payments under our debt obligations, capital expenditures, including our commitment to BKC to remodel restaurants, payments of royalties and advertising to BKC and payments related to our lease obligations represent significant liquidity requirements for us as well as any expenditures for the acquisition of additional Burger King® restaurants. We believe net proceeds from the issuance of our common stock in the Public Offering, cash generated from our operations, and availability of revolving credit borrowings under our senior credit facility will provide sufficient cash availability to cover our anticipated working capital needs, capital expenditures and debt service requirements for the next twelve months.

Operating Activities. Net cash provided from operating activities in the first nine months of 2014 was \$10.9 million, a decrease of \$5.3 million from cash provided from operating activities of \$16.2 million in the first nine months of 2013. The decrease was due primarily to a greater increase in deferred income tax assets of \$3.3 million in 2014 and a decrease in cash from changes in the components of net working capital of \$2.3 million.

Investing Activities. Net cash used for investing activities in the first nine months of 2014 and 2013 was \$42.5 million and \$40.4 million, respectively.

In the first nine months of 2014 we acquired 29 Burger King® restaurants for an aggregate cash purchase price of \$13.0 million. On April 30, 2014, we exercised our ROFR and acquired four Burger King® restaurants in Fort Wayne, Indiana for a cash purchase price of \$0.7 million. In the third quarter on June 30, 2014, we exercised our ROFR and purchased four Burger King® restaurants in the Pittsburgh, Pennsylvania market for a cash purchase price of approximately \$3.8 million including one fee-owned property. On July 22, 2014, we completed the acquisition of 21 Burger King® restaurants located in the Rochester, NY market and in the Southern Tier region of Western New York State in a negotiated transaction for a cash purchase price of approximately \$8.5 million.

Subsequent to the end of the third quarter of 2014, on October 8, 2014, we exercised our ROFR and purchased 30 Burger King® restaurants in or around the Wilmington, North Carolina and Greenville, North Carolina markets for a cash purchase price of approximately \$20.5 million, which included 12 fee-owned properties. We are currently marketing eleven of the fee-owned properties acquired in the 2014 acquisitions in sale-leaseback transactions. Also in the fourth quarter of 2014, on November 4, 2014, we purchased 64 Burger King® restaurants in or around the Nashville, TN, Springfield, IL, Terre Haute, IN, and Evansville, IN markets for a cash purchase price of \$18.0 million excluding inventory.

Capital expenditures are a large component of our investing activities and include: (1) new restaurant development, which may include the purchase of real estate; (2) restaurant remodeling, which includes the renovation or rebuilding of the interior and exterior of our existing restaurants, including expenditures associated with our commitment to BKC to remodel restaurants to the 20/20 image and franchise agreement renewals; (3) other restaurant capital expenditures, which include capital maintenance expenditures for the ongoing reinvestment and enhancement of our restaurants including expenditures to support BKC's ongoing menu enhancement initiatives; and (4) corporate and restaurant information systems, including expenditures for our point-of-sale systems for restaurants that we acquire.

The following table sets forth our capital expenditures for the periods presented (in thousands):

Nine Months Ended September 28, 2014

New restaurant development	\$	1,661
Restaurant remodeling		23,345
Other restaurant capital expenditures (1)		4,533
Corporate and restaurant information systems		3,173
Total capital expenditures	\$	32,712
Number of new restaurant openings (2)		1

Nine Months Ended September 29, 2013

New restaurant development	\$	582
Restaurant remodeling		31,574
Other restaurant capital expenditures (1)		5,724
Corporate and restaurant information systems		2,478
Total capital expenditures	\$	40,358
Number of new restaurant openings		—

1) Excludes restaurant repair and maintenance expenses included in other restaurant operating expenses in our consolidated financial statements. For the nine months ended September 28, 2014 and September 29, 2013, total restaurant repair and maintenance expenses were approximately \$13.0 million and \$13.2 million, respectively.

2) Represents a restaurant which was relocated within the same market area under a new franchise agreement.

In 2014, we anticipate that total capital expenditures will range from \$55 million to \$58 million, although the actual amount of capital expenditures may differ from these estimates. Capital expenditures in 2014 are expected to include approximately \$38 million to \$40 million for remodeling a total of 100 to 110 restaurants in 2014 to the BKC 20/20 image standard, \$4 million to

scrape and rebuild three restaurants, capital restaurant maintenance expenditures of approximately \$6.0 million and \$5.0 million to \$6.0 million of expenditures for corporate and restaurant information systems.

Investing activities in 2014 included \$3.4 million for purchases of three existing restaurant properties that were sold in sale-leaseback transactions in 2014 and proceeds from sale-leaseback transactions of five restaurant properties of \$6.6 million. The net proceeds from a sale-leaseback transaction in the first quarter was used to reduce outstanding borrowings under our senior credit facility and the net proceeds from sale-leaseback transactions in the second and third quarters were used to fund ongoing restaurant remodeling initiatives.

Financing Activities. Net cash provided by financing activities in the first nine months of 2014 was \$66.6 million, due primarily from a public offering of our common stock completed in the second quarter which generated net cash proceeds of \$67.3 million, net of related expenses. Net cash used in financing activities in the first nine months of 2013 was \$0.8 million which was related to principal payments on capital leases.

Senior Secured Second Lien Notes. On May 30, 2012, we issued \$150.0 million of the Notes pursuant to an indenture dated as of May 30, 2012 governing such Notes. The Notes mature and are payable on May 15, 2018. Interest is payable semi-annually on May 15 and November 15. The Notes are guaranteed by our material subsidiaries and are secured by second-priority liens on substantially all of ours and our subsidiaries' assets (including a pledge of all of the capital stock and equity interests of our subsidiaries).

The Notes are redeemable at our option in whole or in part at any time after May 15, 2015 at a price of 105.625% of the principal amount plus accrued and unpaid interest, if any, if redeemed before May 15, 2016, 102.813% of the principal amount plus accrued and unpaid interest, if any, if redeemed after May 15, 2016 but before May 15, 2017 and 100% of the principal amount plus accrued and unpaid interest, if any, if redeemed after May 15, 2017. Prior to May 15, 2015, we may redeem some or all of the Notes at a redemption price of 100% of the principal amount of each Note plus accrued and unpaid interest, if any, and a make-whole premium. In addition, the indenture governing the Notes also provides that we may redeem up to 35% of the Notes using the proceeds of certain equity offerings completed before May 15, 2015.

The Notes are jointly and severally guaranteed, unconditionally and in full by our material subsidiaries which are directly or indirectly 100% owned by us. Separate condensed consolidating information is not included because Carrols Restaurant Group is a holding company that has no independent assets or operations. There are no significant restrictions on our ability or any of the guarantor subsidiaries' ability to obtain funds from its respective subsidiaries. All consolidated amounts in our financial statements are representative of the combined guarantors.

The indenture governing the Notes includes certain covenants, including limitations and restrictions on our and our subsidiaries who are guarantors under such indenture to, among other things: incur indebtedness or issue preferred stock; incur liens; pay dividends or make distributions in respect of capital stock or make certain other restricted payments or investments; sell assets; agree to payment restrictions affecting certain subsidiaries; enter into transaction with affiliates; or merge, consolidate or sell substantially all of our assets.

The indenture governing the Notes and the security agreement provide that any capital stock and equity interests of any of our subsidiaries will be excluded from the collateral to the extent that the par value, book value or market value of such capital stock or equity interests exceeds 20% of the aggregate principal amount of the Notes then outstanding.

The indenture governing the Notes contains customary default provisions, including without limitation, a cross default provision pursuant to which it is an event of default under the Notes and the indenture governing the Notes if there is a default under any of our indebtedness having an outstanding principal amount of \$15.0 million or more which results in the acceleration of such indebtedness prior to its stated maturity or is caused by a failure to pay principal when due. We were in compliance as of September 28, 2014 with the restrictive covenants of the indenture governing the Notes.

Senior Credit Facility. On May 30, 2012, we entered into a senior credit facility, which provides for aggregate revolving credit borrowings of up to \$20.0 million (including \$15.0 million available for letters of credit) maturing on May 30, 2017. The senior credit facility also provides for potential incremental borrowing increases of up to \$25.0 million, in the aggregate.

Under the senior credit facility (all terms not otherwise defined herein are defined in our senior credit facility), we have deposited \$20.0 million in an account with the Administrative Agent as collateral for the senior credit facility until the date on which our Adjusted Leverage Ratio is less than 6.00x for two consecutive fiscal quarters (the "Cash Collateral Release Date"). This amount is classified as restricted cash on our consolidated balance sheet as of September 28, 2014.

Prior to the Cash Collateral Release Date, revolving credit borrowings under the senior credit facility bear interest at a rate per annum, at our option, of:

- (i) the Alternate Base Rate plus the applicable margin of 0.75% or
- (ii) the LIBOR Rate plus the applicable margin of 1.75%.

Following the Cash Collateral Release Date, borrowings under the senior credit facility will bear interest at a rate per annum, at our option, of

- (i) the Alternate Base Rate plus the applicable margin of 2.50% to 3.25% based on our Adjusted Leverage Ratio, or
- (ii) the LIBOR Rate plus the applicable margin of 3.50% to 4.25% based on our Adjusted Leverage Ratio.

Our obligations under the senior credit facility are guaranteed by our subsidiaries and are secured by first priority liens on substantially all of our assets and our subsidiaries, including a pledge of all of the capital stock and equity interests of the subsidiaries.

Under the senior credit facility, we will be required to make mandatory prepayments of borrowings in the event of dispositions of assets, debt issuances and insurance and condemnation proceeds (all subject to certain exceptions). The senior credit facility contains certain covenants, including without limitation, those limiting our and our subsidiaries' ability to, among other things, incur indebtedness, incur liens, sell or acquire assets or businesses, change the character of its business in all material respects, engage in transactions with related parties, make certain investments, make certain restricted payments or pay dividends. In addition, the senior credit facility requires us to meet certain financial ratios, including the Fixed Charge Coverage Ratio and the Adjusted Leverage Ratio; however, we are not required to be in compliance with such ratios so long as the senior credit facility is cash collateralized.

The senior credit facility contains customary default provisions, including that the lenders may terminate their obligation to advance and may declare the unpaid balance of borrowings, or any part thereof, immediately due and payable upon the occurrence and during the continuance of customary defaults which include, without limitation, payment default, covenant defaults, bankruptcy type defaults, cross-defaults on other indebtedness, judgments or upon the occurrence of a change of control.

At September 28, 2014 there were no revolving credit borrowings outstanding under the senior credit facility. After reserving \$7.6 million for letters of credit issued under the senior credit facility for workers' compensation and other insurance policies, \$12.4 million was available for revolving credit borrowings under the senior credit facility at September 28, 2014.

Contractual Obligations

A table of our contractual obligations as of December 29, 2013 was included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 29, 2013. There have been no significant changes to our contractual obligations during the nine months ended September 28, 2014.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than our operating leases, which are primarily for our restaurant properties and not recorded on our consolidated balance sheet.

Inflation

The inflationary factors that have historically affected our results of operations include increases in food and paper costs, labor and other operating expenses, the cost of providing medical and prescription drug insurance to our employees and energy costs. Wages paid in our restaurants are impacted by changes in the Federal and state hourly minimum wage rates. Accordingly, changes in the Federal and state hourly minimum wage rates directly affect our labor costs. We typically attempt to offset the effect of inflation, at least in part, through periodic menu price increases and various cost reduction programs. However, no assurance can be given that we will be able to offset such inflationary cost increases in the future.

Application of Critical Accounting Policies

Our unaudited interim consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in the "Significant Accounting Policies" footnote in the notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013. Critical accounting estimates are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may

change in subsequent periods. There have been no material changes affecting our critical accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Statements that are predictive in nature or that depend upon or refer to future events or conditions are forward-looking statements. These statements are often identified by the words “may”, “might”, “will”, “should”, “anticipate”, “believe”, “expect”, “intend”, “estimate”, “hope”, “plan” or similar expressions. In addition, expressions of our strategies, intentions or plans are also forward looking statements. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties, both known and unknown. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their date. There are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected or implied in the forward-looking statements. We have identified significant factors that could cause actual results to differ materially from those stated or implied in the forward-looking statements. We believe important factors that could cause actual results to differ materially from our expectations include the following, in addition to other risks and uncertainties discussed herein and in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013:

- *The effect of our tax-free spin-off of Fiesta in 2012, including any potential tax liability that may arise;*
- *Effectiveness of the Burger King® advertising programs and the overall success of the Burger King brand;*
- *Increases in food costs and other commodity costs;*
- *Competitive conditions;*
- *Our ability to integrate any restaurants we acquire;*
- *Regulatory factors;*
- *Environmental conditions and regulations;*
- *General economic conditions, particularly in the retail sector;*
- *Weather conditions;*
- *Fuel prices;*
- *Significant disruptions in service or supply by any of our suppliers or distributors;*
- *Changes in consumer perception of dietary health and food safety;*
- *Labor and employment benefit costs, including the effects of healthcare reform;*
- *The outcome of pending or future legal claims or proceedings;*
- *Our ability to manage our growth and successfully implement our business strategy;*
- *Our inability to service our indebtedness;*
- *Our borrowing costs and credit ratings, which may be influenced by the credit ratings of our competitors;*
- *The availability and terms of necessary or desirable financing or refinancing and other related risks and uncertainties; and*
- *Factors that affect the restaurant industry generally, including recalls if products become adulterated or misbranded, liability if our products cause injury, ingredient disclosure and labeling laws and regulations, reports of cases of food borne illnesses, and the possibility that consumers could lose confidence in the safety and quality of certain food products, as well as negative publicity regarding food quality, illness, injury or other health concerns.*

ITEM 3—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes from the information presented in Item 7A included in our Annual Report on Form 10-K for the year ended December 29, 2013, as amended, with respect to our market risk sensitive instruments.

A 1% change in interest rates would have resulted in a nominal change to interest expense for the three and nine months ended September 28, 2014 and no change to interest expense for the three and nine months ended September 29, 2013.

ITEM 4—CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. Our senior management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures. We have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, with the participation of our Chief Executive Officer and Chief Financial Officer, as well as other key members of our management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 28, 2014.

No change occurred in our internal control over financial reporting during the third quarter of 2014 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Part I-Item 1A of Annual Report on Form 10-K, as amended, for the fiscal year ended December 29, 2013 describes important factors that could materially adversely affect our business, consolidated financial condition or results of operations or cause our operating results to differ materially from those indicated or suggested by forward-looking statements made in this Form 10-Q or presented elsewhere by management from time-to-time. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, as amended, for the fiscal year ended December 29, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

(a) The following exhibits are filed as part of this report.

Exhibit No.	
10.1	Asset Purchase Agreement dated as of August 22, 2014 between Carrols LLC and Heartland Illinois Food Corp.
10.2	Asset Purchase Agreement dated as of August 22, 2014 between Carrols LLC and Heartland Indiana LLC
10.3	Asset Purchase Agreement dated as of August 22, 2014 between Carrols LLC and Heartland Midwest LLC
31.1	Chief Executive Officer’s Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
31.2	Chief Financial Officer’s Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
32.1	Chief Executive Officer’s Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
32.2	Chief Financial Officer’s Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARROLS RESTAURANT GROUP, INC.

Date: November 6, 2014

/s/ Daniel T. Accordino

(Signature)

Daniel T. Accordino
Chief Executive Officer

Date: November 6, 2014

/s/ Paul R. Flanders

(Signature)

Paul R. Flanders
Vice President – Chief Financial Officer and Treasurer

ASSET PURCHASE AGREEMENT

CARROLS LLC
(Purchaser)

And

HEARTLAND ILLINOIS FOOD CORP.
(Seller)

Dated as of August 22, 2014

TABLE OF EXHIBITS

Exhibit A	Restaurants
Exhibit B	Form of Consent, Assignment and Assumption of Real Property Lease
Exhibit C	Form of Lessor Estoppel Certificate
Exhibit D	Form of Memorandum of Lease
Exhibit E	Form of Consent to Assignment of Real Property Lease and Non-Disturbance Agreement
Exhibit F	Form of Bill of Sale

TABLE OF SCHEDULES

1.1(e)	Assumed Contracts
1.2(c)	Store Bank Funds
1.2(e)	Allocation Schedule for Purchase Price
1.3(a)(ii)	Real Property Expiration Dates, Monetary Terms and Renewal Terms
1.3(a)(iii)	Real Property Descriptions
1.3(e)	Parking and Easement Agreements
2.5	Required Consents
2.6(b)	Events or items not reflected in Financial Statements
2.7(a)	Purchased Assets which do not conform to Burger King Standards
2.9(a)	Liens on Real Properties
2.9(b)	Certificate of Occupancy, Ongoing Repairs
2.11(b)	Compliance with Employment Laws
2.11(c)	Sellers' Employees and Wages
2.11(d)	Pending Employment Charges
2.13(a)	Litigation
2.13(c)	Required Licenses
2.14	Environmental Matters
2.21(a)	Planned/Proposed Burger King Restaurants
2.21(b)	Planned/Proposed Competitor Restaurants

PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "**Agreement**") made as of August 22, 2014 (the "**Effective Date**") by and among CARROLS LLC, a Delaware limited liability company, with its principal office at 968 James Street, Syracuse, New York 13203 ("**Purchaser**"); HEARTLAND ILLINOIS FOOD CORP., a Delaware corporation having its principal office at 1400 Opus Place, Suite 900, Downers Grove, Illinois 60515 ("**Seller**").

RECITALS

A. Seller operates the Burger King restaurants identified and set forth on **Exhibit "A"** attached to and made a part of this Agreement (each restaurant is hereinafter sometimes referred to individually as a "**Restaurant**" and collectively as the "**Restaurants**").

B. Seller is the owner or lessee of certain personal property used or held for use in or in connection with the conduct of business at the Restaurants and Seller is the lessee of certain buildings and land upon and in which the Restaurants are located, all as listed on **Exhibit "A"** (individually, the "**Real Property**" and collectively, the "**Real Properties**").

C. Seller proposes to sell, and Purchaser proposes to purchase, the Purchased Assets (as hereinafter defined) of Seller.

D. Seller occupies the Real Properties pursuant to lease agreements with an unaffiliated landlord and proposes to assign to Purchaser, and Purchaser proposes to accept such assignment of such Seller's leasehold interest with respect to the Real Property on which each Restaurant is located.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I PURCHASE AND SALE; CLOSING

SECTION 1.1 **Assets To Be Conveyed.** Subject to the terms, provisions and conditions contained in this Agreement, and on the basis of the representations and warranties hereinafter set forth, Seller agrees to sell, assign, transfer, convey and deliver to Purchaser at Closing (as hereinafter defined), and Purchaser agrees to purchase and accept the assignment, transfer, conveyance and delivery from Seller at Closing of, all of the following assets used or located in or held for use in connection with the Restaurants operated by Seller (collectively, the "**Purchased Assets**") free and clear of all mortgages, liens, security interests, encumbrances, restrictions on transfer, rights of first refusal, pre-emptive rights, equities, claims, pledges, priorities, hypothecation, charges, liabilities and other obligations of whatever kind and character (collectively referred to herein as "**Liens**"), except for such Liens as are specifically permitted as provided herein:

(a) **Restaurant Equipment.** All of the machinery, equipment (including without limitation all POS equipment), furnishings, trade fixtures, cleaning and other supplies, uniforms, spare equipment parts and all other personal property (other than Inventory, as hereinafter defined) owned by Seller and used or held for use in, or in connection with, the operation of the Restaurants according to the current

standards required of franchisees by Burger King Corporation (“**BKC**” or “**Burger King**”) (collectively, “**Restaurant Equipment**”);

(b) Leasehold Improvements. All fixtures and other leasehold improvements owned by Seller at the Restaurants (“**Leasehold Improvements**”);

(c) Franchise Agreements. The Burger King Franchise Agreement for each of the Restaurants (the “**Franchise Agreements**”);

(d) Inventories. All of the saleable food and related paper products, saleable premiums and saleable promotional materials located at the Restaurants and owned by Seller or otherwise used or held for use in or in connection with the business being conducted at the Restaurants including, but not limited to, all saleable food and beverage inventory, new and unused uniforms, cleaning supplies, saleable paper goods and saleable promotional inventory (collectively, “**Inventory**”) (priced as set forth in Section 1.2(b) of this Agreement);

(e) Assumed Contracts. Those contracts, agreement, leases, licenses set forth on Schedule 1.1(e) annexed to this Agreement and made a part of this Agreement (collectively the “**Assumed Contracts**”) which are to be assigned to and assumed by Purchaser which shall include, but not be limited to any and all Coke Freestyle Agreements and those between Seller and The Brink’s Company provided that Purchaser may amend Schedule 1.1(e) to add contracts, agreement, leases, licenses by giving written notice to Seller prior to the Closing Date;

(g) Permits. All permits issued to Seller by any federal, state, regional, local or other political subdivision thereof, and any entity or official exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law) (collectively “**Governmental Authorities**”) or other third party, if and only to the extent assignable to by Seller to Purchaser.

(h) Good Will; Phone Numbers; Warranties. All goodwill as a going concern and all other right, title and interest of Seller in and to the general intangibles incident to its business at the Restaurants; all telephone numbers and fax numbers utilized by the Restaurants to the extent assignable by Seller to Purchaser; and all of Seller's right, title, and interest, if any, to and under any assignable guaranties, warranties and agreements from all contractors, subcontractors, vendors or suppliers regarding their performance, quality of workmanship, or quality of materials supplied in connection with the construction, manufacture, development, installation, repair or maintenance of any part of the subject Restaurants (collectively, the “**Warranties**”)

(i) Excluded Assets and Excluded Liabilities. Other than the Purchased Assets, the Seller is not selling, conveying, transferring, assigning or delivering to Purchaser, and Purchaser is not purchasing or assuming, any of Seller’s right, title and interest in and to any tangible or intangible property of Seller (whether or not used in or in connection with the operation of the Restaurants) or any other restaurant assets owned by Seller or any of its affiliates. Other than those liabilities contained in the Assumed Contracts, Purchaser shall not assume or otherwise become liable for any liability, obligation or commitment of any nature whatsoever of Seller, whether known or unknown, (collectively “**Excluded Liabilities**”). Seller shall, and shall cause each of its Affiliates to, pay and satisfy in due course all Excluded Liabilities which they are obligated to pay and satisfy. Without limiting the generality of the foregoing, Purchaser is not assuming and

shall not indemnify Seller, or any of its Affiliates against any liability, obligation, duty or responsibility of Seller, or any of its Affiliates:

(i) arising from, or out of, the ownership or operations or use of, or incurred in connection with, or incurred as a result of any claim made against Seller, or any of its Affiliates in connection with, any Restaurant, Asset, Real Property, Real Property or Assumed Contract (as hereinafter defined) on or prior to, or relating to any time period prior to 11:59 p.m. on the day of the Closing Date;

(ii) resulting from any Federal, state or local income taxes, transfer taxes, sales taxes or any other kind of tax of whatever kind including, without limitation, any such tax that may arise from or by reason of the transactions contemplated by this Agreement unless otherwise expressly provided for herein;

(iii) with respect to any wages, vacation, severance or sick pay or any rights under any stock option, bonus or other incentive arrangement that have accrued prior to the Closing Date;

(iv) with respect to any employment, consulting or similar arrangement to which Seller is a party or for which Seller is responsible;

(v) with respect to any Plan (as hereinafter defined) whether arising before, on or after the Closing Date; or

(vi) under any Laws (as defined in Section 2.13(b)) relating to public health and safety and pollution or protection of the environment, including, without limitation, those relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, or hazardous or toxic materials or wastes into ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants or hazardous or toxic materials or wastes or any materials defined or categorized by any of the above as "Hazardous Materials", "Hazardous Substances", or similar or related designations (collectively referred to herein as "**Environmental Laws**").

SECTION 1.2 Purchase Price for Assets and Inventory.

(a) The Purchase Price for the Purchased Assets, exclusive of the Inventory, shall be the aggregate sum of Three Million Seven Hundred and One Thousand and 00/100 (3,701,000.00). The Purchase Price shall be payable at the Closing to Seller by Federal funds bank wire transfer to an account designated by Seller. The Purchase Price to be paid for the Inventory shall be paid in the manner set forth in Section 1.2(b) below by Federal funds bank wire transfer to an account designated by Seller.

(b) For the Inventory, at Closing Purchaser shall pay to Seller the sum of One Hundred Eighty-Seven Thousand Two Hundred and 00/100 Dollars (\$187,200.00) (the "**Estimated Inventory Price**"), which is calculated based on the product of (i) Eleven Thousand Seven Hundred and 00/100 Dollars (\$11,700.00) and (ii) the number of Restaurants being sold pursuant to this Agreement. The final cost for the Inventory shall be determined as of the night of the Closing. Seller and Purchaser shall each have the right to have at least one of its representatives present at the taking of such inventories. At least five (5) days prior to the Closing Date Seller shall provide Purchaser with a copy of the form of inventory sheet to be used which shall be subject to Purchaser's approval in its reasonable discretion. The inventory shall be based upon Seller's actual costs and shall be conducted in the following manner: (i) food, paper, premiums and cleaning supplies will be entered into the "**Menu Link**" back office system and Seller shall provide Buyer with an

electronic file, no later than noon on the day following Closing, setting forth the detailed inventory counts and valuations and (ii) new and unused uniforms will be entered into an Excel spreadsheet and similarly provided to Buyer within the timeframe set forth above. No later than five (5) business days following the Closing, Buyer will provide Seller with written objections to the Inventory count made by Seller. The parties will work in good faith to resolve any inaccuracies, inconsistencies or otherwise obvious errors within a period of not later than two (2) business days subsequent to the submission of any written objections by Buyer to Seller. Within a period not later than ten (10) business days after final agreement as to the amount and value of the Inventory (the "**Reconciled Inventory Price**"), Seller shall pay to Buyer the amount by which the Estimated Inventory Price exceeds the Reconciled Inventory Price or Buyer shall pay to Seller the amount by which the Reconciled Inventory Price exceeds the Estimated Inventory Price.

(c) At Closing, Purchaser shall pay to Seller the total of Twenty-Four Thousand and 00/100 Dollars (\$24,000.00) as reimbursement for cash that is to remain at each of the Restaurants for Purchaser's use the next business day after Closing (the "**Store Bank Funds**"). Seller shall arrange for cash in the amounts set forth on Schedule 1.2(c) annexed to and made a part of this Agreement to remain at each of the Restaurants for Purchaser's use the day of Closing. Purchaser's representative conducting the Closing Inventory shall confirm the amount of the Store Bank Funds on hand at each of the Stores, and give Seller's representative a written receipt for them. Seller then shall be entitled to remove from the Stores all cash on hand in excess of the Store Bank Funds, which excess funds shall be considered as Seller's property; and Purchaser shall have no right, title, or interest in or to such excess funds.

(d) Intentionally deleted.

(e) The Purchase Price (including Assumed Liabilities only to the extent they are liabilities for Federal income tax purposes) will be allocated among the Purchased Assets in accordance with Section 1060 of the Code and the regulations thereunder. Purchaser and Seller shall set the allocation of the Purchase Price among the Purchased Assets at or before Closing in form as set forth on Schedule 1.2(e) annexed hereto and made a part hereof (the "**Allocation Schedule**"). Purchaser and Seller each agree to file Internal Revenue Service Form 8594, and all federal, state, local and foreign Tax Returns, in accordance with the Allocation Schedule; and in that event, Purchaser and Seller each agree to provide the other promptly with any other information reasonably required to complete Form 8594. The parties hereto intend that the transaction contemplated hereby be treated for tax purposes as taxable under Section 1001 of the Code.

SECTION 1.3 Real Properties; Lease Assignments; Easements and Parking Agreements. Subject to the terms, provisions and conditions contained in this Agreement and on the basis of the representations and warranties hereinafter set forth, at the Closing, Seller shall assign to Purchaser all of its leasehold interest in the Real Properties and shall assign, sublease or otherwise transfer to Purchaser all of its right, title and interest in and to all parking and other access agreements or arrangements relating to the Real Properties, as follows:

(a) Assignment.

(i) At Closing, Seller shall assign to Purchaser all of Seller's right, title and interest as tenant under the applicable Real Property pursuant to the form of Consent, Assignment and Assumption of Lease (the "**Lease Assignment**") annexed hereto as Exhibit "B" and made a part hereof. The Lease Assignment shall be executed and delivered at Closing by Seller and Purchaser.

(ii) The expiration dates, monetary terms and renewal terms for each of the Real Properties are as set forth in

Schedule 1.3(a)(ii).

(iii) The legal descriptions for the Real Properties are as set forth in Schedule 1.3(a)(iii).

(b) Lessor Estoppel. At Closing, Seller shall deliver to Purchaser a duly executed Lessor Estoppel in the form annexed hereto as **Exhibit "C"** and made a part hereof.

(c) Memorandum of Lease. At Closing, the Lessor under each assigned lease shall execute, acknowledge and deliver a Memorandum of Lease (each, a "**Memorandum of Lease**" and collectively "**Memorandum of Leases**") for each Lease, in the form annexed hereto as **Exhibit "D"**, which shall set forth the material terms of the lease in question and which Memoranda of Leases shall be recorded with the local register of deeds of the respective counties where the Real Properties are located. The recording fees for recording the Memorandum of Leases shall be paid by Purchaser.

(d) Mortgagee Consent and Non-Disturbance Agreement. At Closing, for each Real Property on which there is an outstanding mortgage, Seller shall deliver to Purchaser a duly executed Consent to Lease Assignment and Non-Disturbance Agreement in the form annexed hereto as **Exhibit "E"** and made a part hereof ("**Mortgagee Consents to Assignment and Non-Disturbance**").

(e) Parking, Easements and Related Agreements. Schedule 1.3(e) annexed hereto and made a party hereof sets forth all written or oral parking leases, easements, agreements, grants, licenses, options and any other agreement (collectively referred to herein as "**Easements**") pursuant to which Seller is granted, for use in connection with the Restaurants, drive-thrus, parking privileges or rights, current or prospective, and/or rights of access of any kind or nature in and to the applicable Real Property. At Closing Seller shall deliver to Purchaser such documentation in form and substance reasonably satisfactory to Purchaser and its counsel which effectively assigns or transfers Seller's rights under both recorded and unrecorded Easements to Purchaser (hereinafter individually referred to as an "**Easement Assignment**", and, collectively, as the "**Easement Assignments**").

SECTION 1.5 Closing; Deliveries.

(a) Date. The closing of the transactions contemplated hereby (the "**Closing**") shall take place on the first Tuesday following satisfaction or waiver of the conditions set forth in Articles IV and V of this Agreement or at such other date or time as may be mutually agreed to by the parties (the "**Closing Date**"), and shall be effective as of 11:59 P. M. on the day of the Closing Date. The Closing shall be effectuated through escrow by the mutual exchange of documents by overnight mail and facsimile or PDF, or in such other manner as the parties may otherwise agree.

(b) Delivery of Documents. At the Closing, Seller' and Purchaser shall deliver to each other the respective documents and other items set forth in Article V.

SECTION 1.6 Adjustments.

(a) All customary pro-rations with respect to (i) the Real Properties; (ii) obligations under the Assumed Contracts; (iii) utility charges and (iv) real property and personal property taxes, shall be adjusted between the parties as of 11:59 P.M. on the day of the Closing Date. Payment, if any, owed by

Purchaser to Seller or by Seller to Purchaser by reason of such adjustments shall be made at the Closing (by adjustment of the Purchase Price, if practicable) or as soon as reasonably practicable thereafter.

(b) Seller shall pay all sales taxes, and transfer taxes, if any, including, without limitation, any transfer taxes relating to the conveyance of the Real Properties, applicable to its transaction at the Closing. Seller shall be responsible for all franchise assignment fees owed to Burger King in connection with the assignment of the Franchise Agreements to Purchaser.

(c) All rent and percentage rent and other sums payable under the leases for the Real Properties shall be pro-rated as of the Closing Date for the month in which Closing occurs.

(d) All rebates, amounts and funds on account of, accrued by or due under the Soft Drink Agreements and the RSI Dividends shall be pro-rated as of the Closing Date.

(e) Advance payments made by Seller for medical coverage continuing for employees of the Restaurants shall be pro-rated for the month in which Closing occurs.

(f) To the extent the amount of any adjustments pursuant to this Section 1.6 cannot be known as of Closing, such amount shall be calculated as soon as practicable after the information is available to allow calculation, and the party owing such credit hereunder shall promptly pay such credit amount to the other party as set forth in this Section 1.6.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents, warrants, covenants and agrees to and with Purchaser as follows:

SECTION 2.1 Organization and Corporate Power. Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and is authorized to conduct business in the jurisdictions in which the Restaurants are located. Such jurisdictions are the only jurisdictions wherein the character of the Real Properties and other Purchased Assets owned or leased or the nature of the business of Seller makes such licensing or qualification to do business necessary. Seller has full power and authority (corporate or otherwise) to own its assets, or hold under lease the real property it presently holds under lease and to carry on the business in which it is engaged at all locations at which it is presently located including, without limitation, operation of the Restaurants at the Real Properties and to execute and deliver this Agreement and the other documents and instruments to be executed and delivered by Seller under or in connection with this Agreement, as the case may be, (this Agreement and all other agreements, documents and instruments to be entered into pursuant to this Agreement or in connection herewith including all exhibits and schedules annexed hereto and thereto are collectively referred to herein as the "**Transaction Documents**") and to consummate the transactions contemplated hereby and thereby.

SECTION 2.2 Governing Instruments. The copies of the Governing Instruments (as defined in Section 10.6) of Seller, and all amendments thereto to date, as certified by the secretary of Seller have heretofore been delivered to Purchaser, and are complete and correct. Seller is not in default in the performance, observance or fulfillment of any of the provisions, terms or conditions of its Governing Instruments.

SECTION 2.3 Due Authorization. All requisite authorizations for the execution, delivery and performance of this Agreement and the other Transaction Documents by Seller have been duly obtained or

will be obtained as of the Closing Date. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been or will be duly authorized by the Board of Directors and shareholders of Seller, and no other corporate acts or proceedings on the part of Seller or its shareholders are necessary to authorize the execution and delivery of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby. This Agreement and each of the other Transaction Documents, upon execution and delivery by Seller, will be the legal, valid and binding obligation of Seller enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency and other laws affecting creditors rights (collectively "**Bankruptcy Laws**") and subject to general principles of equity affecting the right to specific performance and injunctive relief.

SECTION 2.4 No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents by Seller and the consummation by Seller of the transactions contemplated hereby and thereby, do not and at Closing will not: (a) violate its Governing Instruments; (b) violate or conflict with or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under any agreement, indenture, instrument or understanding to which Seller is a party or by which it is bound; (c) violate any judgment, decree, law, rule or regulation to which Seller is a party or by which it is bound; (d) result in the creation of, or give any party the right to create any encumbrance upon the property and assets of Seller; (e) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any agreement or commitment to which Seller is a party or by which Seller is subject or bound; or (f) result in any suspension, revocation, impairment, forfeiture or non-renewal of any permit, license, qualification, authorization or approval applicable to Seller.

SECTION 2.5 Consents. Schedule 2.5 sets forth a list of all consents, approvals or other authorizations which Seller is required to obtain from, and any filing which Seller is required to make with, any governmental authority or agency or any other Person including, but not limited to, consents required from Burger King (the "**Burger King Consents**") in connection with the execution, delivery and consummation of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby or thereby (collectively, the "**Required Consents**").

SECTION 2.6 Financial Statements.

(a) Seller has delivered to Purchaser (i) its audited financial statements, including the balance sheet of the business operated at the Restaurants as of December 31, 2013, and the related statements of income, shareholders' equity and cash flows for the fiscal years ended on December 31, 2013, December 31, 2012 and December 31, 2011 (collectively, the "**Audited Financial Statements**"); and (ii) its unaudited financial statements, including the balance sheet of the business operated at the Restaurants as of June 30, 2014 and the related statements of income, shareholders' equity and cash flows for the period from January 1, 2014 to said date (collectively, the "**Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**").

(b) The Financial Statements of Seller referred to in Section 2.6(a) are true, correct and complete, have been prepared in accordance with generally accepted accounting principles consistently applied and accurately present the results of operations of the Restaurants for the periods covered thereby. There has not been any change between the date of the Financial Statements and the date of this Agreement which has materially affected the financial condition, assets, liabilities, results of operations of the Restaurants and, except as set forth in Schedule 2.6(b), no fact or condition exists or is contemplated or threatened which may cause any such change at any time in the future.

(c) Without limiting the foregoing since last audit date and interim period end date with respect to the Restaurants:

(i) Seller has not incurred any obligation or liability (absolute or contingent) except current liabilities incurred in the ordinary course of conduct of business and obligations under Contracts entered in the ordinary course of business; and

(ii) Seller has not paid, loaned or advanced any amounts to, or sold, transferred, leased, subleased or licensed any Real Properties or Purchased Assets to, or entered into any agreement or arrangements with, any Affiliate or associate (and any of such transactions shall have been terminated on or before the Closing Date).

SECTION 2.7 Purchased Assets.

(a) Seller owns, and will transfer to Purchaser at Closing, good and marketable title to all of its Purchased Assets and Assumed Contracts free and clear of all Liens and leases. All of the Purchased Assets: (i) are, and on the Closing Date will be, in good operating condition and repair, capable of performing the functions for which such items are currently and normally used, normal wear and tear excepted and are not in need of maintenance or repairs except for ordinary, routine maintenance and repairs; and (ii) except as set forth on Schedule 2.7(a), conform, and on the Closing Date will conform, to the current standards and specifications of Burger King applicable to franchisees of Burger King restaurants under the terms and conditions set forth in the applicable Franchise Agreements, including, without limitation, Burger King's "current image" requirements. On the Closing Date, each Restaurant, together with its related Purchased Assets and Real Property, taken as a whole, will constitute a fully operable "turn-key" Burger King restaurant sufficient to permit Seller to obtain the unconditional consent of Burger King to the transfer of the Restaurants to Purchaser and to permit Purchaser to immediately operate the business at such Restaurant as presently being conducted therein.

(b) Seller will transfer and/or assign to Purchaser at Closing all Warranties, if any, with respect to its Purchased Assets.

SECTION 2.8 Inventory. The Inventory of Seller consists, and at Closing will consist, of items of quality and quantity usable or salable in the ordinary course of business consistent with the current standards and specifications of Burger King applicable to franchisees of Burger King restaurants and shall include current saleable premiums only. At Closing, the Inventory at each Restaurant shall be sufficient for the operation of such Restaurant for at least 48 hours after the Closing Date.

SECTION 2.9 Real Property.

(a) With respect to any Real Properties, Seller has delivered to Purchaser a true and complete copy of all leases, together with all amendments thereto. To the best of Seller's knowledge, each applicable owner of the Real Properties has good and marketable title in fee simple to such real property free and clear of all Liens except as set forth in Schedule 2.9(a). Seller has no knowledge or information of any facts, circumstances or conditions which do or would in any way adversely affect the Real Properties or the operation thereof or business thereon as presently conducted or as intended to be conducted. At or prior to Closing, Seller shall cause to be discharged of record all Liens against Seller or Seller's interest affecting its Real Properties. Each lease associated with the Real Properties is valid and binding in full force and effect and enforceable in accordance with its terms. There are no existing defaults or offsets which any of the applicable landlords has against the enforcement of its lease of the Real Property and neither Seller

nor such landlord is in default under the applicable leases for the Real Property, nor have any events under any such leases for the Real Property occurred which, with the giving of notice or passage of time or both, would constitute a default thereunder by either party thereto.

(b) To the best of Seller's knowledge, the Real Properties and all improvements located thereon and the present use thereof comply with, constitute a valid non-conforming use, or are operating pursuant to the provisions of a valid variance under all zoning laws, ordinances and regulations of governmental authorities having jurisdiction thereof and, to the best of Seller's knowledge, the construction, use and operation of the Real Properties by Seller are in substantial compliance with all Laws. On or prior to Closing, Seller shall deliver to Purchaser true and complete copies of each certificate of occupancy for each Restaurant and all amendments thereto to date. In the event Seller is unable to provide copies of said certificates, Seller shall deliver documentation from the appropriate municipalities indicating that such certificates are not required or no longer exist in their records. Except as otherwise set forth on Schedule 2.9(b), the Real Properties and the Restaurants located thereon are in a state of good maintenance and repair and are in good operating condition, normal wear and tear excepted, and (i) there are no material, physical or mechanical defects in any of the Real Properties and or Restaurants, including, without limitation, the structural portions of the Real Properties and Restaurants and the plumbing, heating, air conditioning, electrical, mechanical, life safety and other systems therein and all such systems are in good operating condition and repair (normal wear and tear excepted); (ii) there are no ongoing repairs to the Real Properties or Restaurants located thereon being made by or on behalf of Seller or being made by or on behalf of any landlord; and (iii) the roof of each Restaurant is in good condition and free of leaks. Except as otherwise set forth on Schedule 2.9(b), all necessary occupancy and other certificates and permits, municipal and otherwise, for the lawful use and occupancy of the Real Properties for the purposes for which they are intended and to which they are presently devoted including, without limitation, for the operation of a Burger King restaurant thereon, have been issued and remain valid. There are no pending or threatened actions or proceedings that might prohibit, restrict or impair such use and occupancy or result in the suspension, revocation, impairment, forfeiture or non-renewal of any such certificates or permits. All notes or notices of violation of any Laws, against or affecting any such Real Properties have been complied with. There are no outstanding correcting work orders from any Federal, State, county, municipal or local government, or the owner of the Real Properties or any insurance company with respect to any such Real Properties.

(c) There are no condemnation or eminent domain proceedings of any kind whatsoever or proceedings of any other kind whatsoever for the taking of the whole or any part of the Real Properties for public or quasi-public use pending or, to the knowledge of Seller, threatened against the Real Properties.

(d) The Real Properties and all improvements thereon represent all of the locations at which the Seller conducts business relating to the Restaurants and are, now, and at Closing will be, the only locations where any of the Purchased Assets are or will be located.

(e) All water, sewer, gas, electric, telephone and drainage facilities, and all other utilities required by any Law or by the normal use and operation of the Real Properties and the Restaurants located thereon are installed to the property lines of the respective Real Properties, are connected pursuant to valid permits, are fully operable and are adequate to service the Real Properties and the Restaurants located thereon and to permit full compliance with all Laws and normal utilization of the Real Properties and the Restaurants located thereon.

(f) All licenses, permits, certificates, including, without limitation, proof of dedication, required from all governmental agencies having jurisdiction over the Real Properties, and from

any other Persons, for the normal use and operation of the Real Properties and the Restaurants located thereon and to ensure adequate vehicular and pedestrian ingress to and egress from the Real Properties and the Restaurants located thereon have been obtained. The Easements are valid and binding, in full force and effect and enforceable in accordance with their respective terms.

SECTION 2.10 Franchise Agreements.

(a) Seller has delivered to Purchaser a true, complete and correct copy of the Franchise Agreements and all amendments thereto. Seller owns, and at Closing will transfer to Purchaser, its right, title and interest in the Franchise Agreements, free and clear of all Liens. Subject to the written consent of Burger King, which Seller shall obtain and deliver to Purchaser at or prior to the Closing, Seller has the absolute right and authority to sell, assign, transfer and convey the Franchise Agreements, and Seller does not know or has no reason to know of any event which would give rise to a violation or default under the Franchise Agreements.

(b) Burger King Business Plans, Facility Reports. Prior to Closing Seller shall deliver to Purchaser true and correct copies of all "Facility Inspection Reports or similar documentation (collectively "**BKC Reports**") prepared by Burger King personnel for the past three (3) years relating to the operations, repair and maintenance of the Restaurants.

SECTION 2.11 Employment Arrangements.

(a) Except as required by Law, Seller has no obligation, contingent or otherwise, under any employment agreement, collective bargaining or other labor agreement, any agreement containing severance or termination pay arrangements, retainer or consulting arrangements, or purchase plan or other employee contract or non-terminable (whether with or without penalty) arrangement with respect to any person employed by Seller in connection with the businesses operated at the Restaurants (including but not limited to district managers) (collectively "**Subject Employees**").

(b) Except as set forth on Schedule 2.11(b), within the last five (5) years Seller has not experienced any labor disputes, union organization attempts or any work stoppage due to labor disagreements. Except as set forth on Schedule 2.11(b), (i) Seller is in substantial compliance with all applicable Laws, including all Federal and state labor laws, rules and regulations, respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice; (ii) there is no unfair labor practice, charge or complaint against Seller pending or threatened before the National Labor Relations Board; (iii) there is no labor strike, dispute, request for representation, slowdown or stoppage actually pending or threatened against or affecting Seller; (iv) no question concerning representation has been raised or is threatened respecting the employees of Seller; and (v) no grievance which might have an adverse effect on Seller or the conduct of its business nor any arbitration proceeding arising out of or under collective bargaining agreements is pending and no claims therefor exist.

(c) Schedule 2.11(c) sets forth a true and complete list of (i) the names of all manager and assistant managers employed by Seller at the Restaurants as of the date hereof, including both salaried and hourly managers, the date such individuals were first employed by Seller, how long such individuals have been at the particular Restaurants and the salary or hourly wage payable to such persons; (ii) the names of all other persons employed by Seller at the Restaurants as of the date hereof, and the salary or hourly wage payable to each such person; and (iii) the total number of vacation days earned and/or accrued by all persons employed by Seller and the total monetary value of such accrued vacation for all such persons

("Accrued Vacation Pay"). As of the Closing, Seller shall have terminated all Subject Restaurant Employees and no additional payments shall be due and owing to any Subject Restaurant Employee with respect to any period prior to and including the Closing Date (except for any amount claimed by any Subject Restaurant Employee but which has being denied or contested by the Seller in good faith, which shall be an Excluded Liability) or amounts that Seller shall be obligated to pay (including, without limitation, payments relating to such employees' Accrued Vacation). Seller has complied with all requirements of the Worker Adjustment and Retraining Notification Act of 1988 and has not incurred, nor is reasonably expected to incur, any Losses under such Act.

(d) Except as set forth on Schedule 2.11(d): (1) no charge against Seller or any of the employees of the Restaurants is pending before the Equal Employment Opportunity Commission, the National Labor Relations Board, or any other Governmental Authority responsible for the prevention of unlawful employment practices related to the Restaurants; (2) no actions relating to employment or loss of employment from Seller, directly or indirectly, are pending in any Governmental Authority and no such Actions have been threatened against Seller related to the Restaurants; and (3) no notice of intent of any Governmental Authority responsible for the enforcement of labor or employment regulations to conduct an investigation has been received, and no such investigation is in progress.

(e) Each of the employees at the Restaurants is employed at will and may be terminated at any time by Seller without the payment of any severance or other penalty and without any requirement that any advance notice be given in connection with such termination.

(f) The Accrued Vacation has been earned and accrued in the ordinary course of Seller's business consistent with past practices.

(g) Seller is not, and has not been, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, "**Union**"), and there is not, and has not been, any Union representing or purporting to represent any employee of Seller, and no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. There has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor disruption or dispute affecting Seller or any employees of the Business. Seller has no duty to bargain with any Union.

SECTION 2.12 Contracts and Arrangements.

(a) Except for the Franchise Agreements, leases for the Real Properties, Easements, and Assumed Contracts, all other Seller Contracts are capable of being, and will be, terminated as of the Closing Date at Seller's sole cost and expense. Seller has no other Contract relating to the Restaurants, Purchased Assets or Real Properties, that will survive the Closing including, without limiting the generality of the foregoing, any (i) Contract for the purchase or sale of Inventory; (ii) Contract for the purchase or sale of supplies, services or other items; (iii) Contract for the purchase, sale or lease of any Restaurant Equipment; (iv) Franchise Agreement or license agreement; and (v) employment or consulting agreement or pension, disability, profit sharing, bonus, incentive, insurance, retirement or other employee benefit agreement.

(b) Seller has not given any power of attorney (revocable or irrevocable) to any Person for any purpose whatsoever.

SECTION 2.13 Litigation, Compliance with Laws and Consents.

(a) Except as set forth on Schedule 2.13(a), there are no suits, grievances, complaints, charges, inquiries, proceedings, hearings, demands, notices, demand letters, claims, actions, causes of action or investigations before any court, tribunal, governmental or regulatory authority or any other Person (each an "**Action**" and, collectively, "**Actions**") now pending, or, to the knowledge of Seller, in prospect or threatened against, Seller or any of its respective officers, directors or partners, at law or in equity, whether or not fully covered by insurance, in connection with the Purchased Assets, Real Properties, leases for the Real Properties, Assumed Contracts, Restaurants, business, affairs or assets of Seller.

(b) Seller at all times during the past has been, and at Closing, will be, in substantial compliance in all respects with all laws (whether statutory or otherwise) rules, regulations, orders, ordinances, judgments, injunctions, demands, or decrees of any governmental authority (Federal, state, local or otherwise) (collectively "**Laws**") applicable to its employees, business, affairs, properties or assets. Neither Seller, nor any officer, director or authorized agent of Seller is in default with respect to, and has not been charged or to its knowledge threatened with, nor is under investigation with respect to any violation of any Laws relating to any aspect of its business, affairs, properties or assets including, but not limited to, the Restaurants, Purchased Assets, Real Properties, leases for the Real Properties or Assumed Contracts.

(c) Set forth on Schedule 2.13(c) hereto is a list of all licenses, permits, approvals, permissions, qualifications, consents and other authorizations (collectively "**Licenses**") which are required to be obtained in connection with the ownership, use or operation of the Restaurants, the Purchased Assets or Real Properties ("**Required Licenses**"). Except as set forth on Schedule 2.13(c), Seller has obtained each of the Required Licenses and each such Required License is, and on the Closing Date will be, validly issued and in full force and effect and there are not now, and at Closing shall not be, any Actions pending, and to Seller's knowledge, any Actions in prospect or threatened, challenging the Required Licenses.

SECTION 2.14 Environmental Matters. Except as set forth in Schedule 2.14 annexed hereto: (i) Seller has obtained all Licenses which are required under any Environmental Laws; (ii) to the best of Seller's knowledge, Seller is in substantial compliance with all terms and conditions of the Required Licenses and is also in substantial compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Laws or code, plan, order, decree or judgment relating to public health and safety and pollution or protection of the environment or any notice or demand letter issued, entered, promulgated or approved thereunder; (iii) there are no civil, criminal or administrative Actions pending, or to Seller's knowledge threatened, against Seller relating in any way to any Environmental Law or any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder; and (iv) Seller does not know or have any reason to know of and Seller has not received any notice of any facts, events or conditions which would interfere with or prevent continued compliance with, or give rise to any common law or legal liability under any Environmental Law.

SECTION 2.15 Insurance Policies. Seller has maintained with financially sound and reputable insurers insurance with respect to its properties and business against loss or damage of the kinds customarily insured against, including, but not limited to fire, liability, workers' compensation or vehicular by reputable companies in the same or similar business, of such types and in such amounts (with such deductible amounts) as is customary for such companies under similar circumstances. All of the applicable insurance policies are valid and enforceable and in full force and effect and will be continued in full force and effect up to and including the Closing Date.

SECTION 2.16 Tax Returns. Seller has filed all Federal income tax returns and all state and local income, franchise and sales tax returns and all real property tax returns and any other tax return which was

required to be filed as of the date of this Agreement, and will timely file or obtain extensions of time to file all returns which were not required to be filed prior to the date hereof. As of the date hereof, no taxes are past due, no tax liabilities have been assessed or proposed which remain unpaid and all current payroll taxes have been paid. Seller is not aware of any basis upon which any assessment of additional Federal, state or local income or other taxes could be made, and Seller has not signed any extension agreement with the Internal Revenue Service or any other governmental agency or given waiver of a statute of limitations with respect to the payment of taxes for periods for which the statute of limitations has not expired. Seller shall be liable for all tax liabilities in connection with the operation of the Restaurants, the Purchased Assets, the Real Properties, the Easements and Assumed Contracts, which cover periods prior to the Closing Date. Seller shall be liable for all transfer, sales and similar tax liabilities, if any, in connection with the assignment of the leases for the Real Properties and Assumed Contracts, and the transfer of any rights under the Easements. All taxes which Seller is required by law to withhold or collect have been duly withheld or collected and to the extent required have been paid over to the proper governmental authorities on a timely basis or reflected as an obligation on the current Financial Statements of the Seller. Seller is not a "foreign person" as that term is used in Treasury regulation Section 1.1445-2.

SECTION 2.17 Adverse Restrictions. Seller is not subject to any charter, by-law, Lien, lease, agreement, instrument, order, judgment or decree, or any other restriction of any kind or character, or, any law (currently in existence or adopted on or before the Closing Date), rule or regulation, which now is or in the future could be burdensome or which could affect materially adversely the Restaurants or the business conducted therein, Purchased Assets, Real Properties or the lease for the Real Properties, the Easements or Assumed Contracts. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereunder and thereby will not result in the violation or breach of, default or the creation of any Lien under any of the aforesaid.

SECTION 2.18 Brokers. No broker, finder or selling agent has had a part in bringing about any of the transactions contemplated by this Agreement or the other Transaction Documents (including, but not limited to, the assignment of the Real Properties) and no commission or other fee is due to any party in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

SECTION 2.20 Material Information. The Financial Statements, this Agreement, the other Transaction Documents and any exhibit, schedule, certificate, or other information, representation, warranty or other document furnished or to be furnished by Seller to Purchaser pursuant to or in connection with any of the foregoing, do not (i) contain, nor will the same contain, any untrue statement of a material fact; or (ii) omit, nor will the same omit, or fail to state, a material fact required to be stated herein or therein or which is necessary to make the statements herein or therein not misleading.

SECTION 2.21 Other Franchise Development Competition.

(a) Except as set forth in Schedule 2.21(a), Seller has not received any notification from Burger King, and is not otherwise aware of any planned or proposed new development of Burger King restaurants by other franchisees anywhere within the "Restricted Area" (as defined in Section 8.1(a)(i)).

(b) Except as set forth on Schedule 2.21(b), Seller, has no knowledge of any planned or proposed new development of competing restaurants (such as McDonald's, Wendy's, Taco Bell and Subway) anywhere within the "Restricted Area" which, upon opening, could reasonably be expected to cause a decrease in the sales of any Restaurant of greater than five (5%) percent.

SECTION 2.22 Continuing Representations. The representations and warranties of Seller herein contained shall be materially true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser represents, warrants, covenants and agrees to and with Seller that:

SECTION 3.1 Organization and Corporate Power. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has full power and authority to execute and deliver this Agreement and the other Transaction Documents to be executed and delivered by Purchaser pursuant hereto or in connection herewith and to consummate the transactions contemplated hereby and thereby.

SECTION 3.2 Certificate of Incorporation and By-Laws. Copies of the Articles of Organization of Purchaser and all amendments thereto to date, as certified by the Secretary of Purchaser, have heretofore been delivered to Seller, and are complete and correct as of the date of this Agreement and will be complete and correct as of the Closing Date. Purchaser is not in default in the performance, observance or fulfillment of any of the terms or conditions of its Certificate of Incorporation or By-Laws.

SECTION 3.3 Due Authorization. All requisite authorizations for the execution, delivery, performance and satisfaction of this Agreement and the other Transaction Documents by Purchaser have been duly obtained. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been or will be at the time of Closing duly authorized by the Member of Purchaser and no other corporate acts or proceedings on the part of Purchaser are necessary to authorize the execution and delivery of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby. This Agreement and each of the other Transaction Documents, upon execution and delivery by Purchaser, will be the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforcement thereof may be limited by Bankruptcy Laws and subject to the general principles of equity affecting the right to specific performance and injunctive relief.

SECTION 3.4 No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents by Purchaser and the consummation by Purchaser of the transactions contemplated hereby and thereby will not (a) violate its Articles of Organization or Operating Agreement; (b) violate or conflict with or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any agreement, indenture, instrument or understanding to which Purchaser is a party or by which it is bound; (c) violate any judgment, decree, law, rule or regulation to which Purchaser is a party or by which it is bound; (d) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any agreement or commitment to which Purchaser is a party or by which Purchaser is subject or bound; or (e) result in any suspension, revocation, impairment, forfeiture or non-renewal of any license, qualification, authorization or approval applicable to Purchaser.

SECTION 3.5 Consents. Except for the consent of Purchaser's senior lender and any filings that Purchaser may be required to make with the Securities and Exchange Commission, Purchaser is not required to obtain any consents, approvals or other authorizations or to make any filing with any governmental authority or agency or any other Person in connection with the execution, delivery and consummation of this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

SECTION 3.6 Brokers. No broker, finder or selling agent has had a part in bringing about any of the transactions contemplated by this Agreement or the other Transaction Documents (including, but not limited to, the assignment of the leases) and no commission or other fee is due to any party in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

SECTION 3.7 Material Information. This Agreement, the other Transaction Documents and any exhibit, schedule, certificate or other information representation, warranty or other document furnished or to be furnished by Purchaser to Seller do not (a) contain, nor will the same contain, any untrue statement of a material fact; or (b) omit, nor will the same omit, or fail to state, a material fact required to be stated herein or therein or which is necessary to make the statements herein or therein not misleading.

SECTION 3.8 Continuing Representations. The representations and warranties of Purchaser herein contained shall be materially true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date.

ARTICLE IV COVENANTS OF THE PARTIES

SECTION 4.1 Access to Records and Properties Prior to the Closing Date. Between the date of this Agreement and the Closing Date, Seller shall give Purchaser, its directors, officers, employees, accountants, counsel and other representatives and agents ("**Representatives**") reasonable access to the premises, properties, employee records, books, financial statements, Contracts, and records of Seller relating to the Restaurants, the Purchased Assets, Real Properties, the Easements and Assumed Contracts, and shall furnish Purchaser with such financial and operating data and other information with respect to the business and properties of Seller as Purchaser shall from time to time reasonably request for such purposes as Purchaser shall require and pertaining to its acquisition of the Restaurants. Any such investigation or examination shall be conducted at reasonable times and upon reasonable notice to Seller. Purchaser shall: (i) be solely responsible for all costs associated with the conduct of its investigations and examinations; (ii) upon completion of its investigations and examinations immediately repair and restore the Real Property to its condition existing immediately prior to the conduct of its investigations and examinations; and (iii) indemnify, defend and hold Seller harmless from and against all liabilities, claims, damages, actions, or losses (threatened or incurred) to the Real Property or anyone on the Property or around the Property as a result of the negligence of the Purchaser, or any of Purchaser's agents, in performing the investigations and examinations. Notwithstanding inspections, audits or other studies undertaken by or on behalf of Purchaser hereunder or any other due diligence investigation undertaken by or on behalf of Purchaser, Seller shall not be relieved in any way of responsibility for their warranties, representations and covenants set forth in this Agreement.

SECTION 4.2 Operation of the Business of Seller.

(a) Between the date of this Agreement and the Closing Date, Seller shall conduct the operation of the Restaurants in the ordinary and usual course of business, consistent with past practices and will use its best efforts to preserve intact the present business organization with respect to the Restaurants, to keep available the services of its officers and employees, and to maintain satisfactory relationships with landlords, franchisors, dealers, licensors, licensees, suppliers, contractors, distributors, customers and others having business relations with it and the Restaurants and will maintain the Restaurants, Real Properties, and Purchased Assets in a condition conducive to the operation of the business currently carried on therein.

(b) Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or with the prior written consent of Purchaser, Seller will not:

(i) keep and maintain its books of account and records other than in accordance with generally accepted accounting principles consistent with past practices;

(ii) amend or restate the leases for the Real Properties, the Franchise Agreements or any Assumed Contract or other material Contract;

(iii) (A) Increase in any manner the compensation of any of the employees at any of the Restaurants other than in the ordinary course of business, consistent with past practices; (B) pay or agree to pay any pension, retirement allowance or other employee benefit not required or permitted by any Plan, whether past or present; or (C) commit itself in relation to the Restaurants, the employees at the Restaurants or the Real Properties, to any new or renewed Plan with or for the benefit of any Person, or to amend any of such Plans or any of such agreements in existence on the date hereof;

(iv) Permit any of its insurance policies to be canceled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies are in full force and effect providing coverage, in form, substance and amount equal to or greater than the coverage under those canceled, terminated or lapsed for substantially similar premiums;

(v) Enter into any other Contracts whether written or oral which, individually or in the aggregate, would be material to the Restaurants, Purchased Assets, Real Properties, the Easements or the Assumed Contracts, except Contracts for the purchase, sale or lease of goods or services in the ordinary course of business consistent with past practice and not in excess of current requirements, or otherwise make any material change in the conduct of the businesses or operations of Seller;

(vi) Take any action which would result in any of the representations or warranties contained in this Agreement or the other Transaction Documents not being true at and as of the time immediately after such action at and as of the Closing Date, or impair Seller's ability to perform any of the covenants contained in this Agreement or other Transaction Documents or which would have a materially adverse impact on the transactions contemplated by this Agreement or the Transaction Documents;

(vii) Operate the Restaurants or otherwise engage in any practices which would materially adversely affect sales at the Restaurants; or

(viii) Agree (in writing or otherwise) to do any of the foregoing.

(c) From and after the date hereof, Seller or any of its Affiliates will not remove any management personnel (manager and assistant managers) from the Restaurants or relocate such management personnel to any other restaurants owned or operated by Seller or its Affiliates.

(d) From the date hereof and up to and including the Closing Date, Seller shall use its best efforts to maintain and retain at a minimum one (1) Restaurant Manager position and two (2) Assistant Restaurant Manager positions per Restaurant.

(e) From the date hereof and up to and including the Closing Date, Seller shall:

(i) maintain all agreements and accounts with suppliers, licensors, licensees, advertisers, distributors, vendors and others having business dealings with or providing services to the Restaurants including, but not limited to trash and garbage removal, snow and ice removal, landscaping and lawn care, utilities, telephone service, internet service, repairs and maintenance, grease removal, and billboard and highway sign agreements and Seller shall not terminate any such agreements or accounts without the Purchaser's prior written consent not to be unreasonably withheld;

(ii) assist with and provide reasonable cooperation in the orderly transition of all such agreements, business dealings and services to Purchaser;

(iii) provide reasonable cooperation in obtaining the assignment of any of the Assumed Contracts provided that the same are capable of assignment with or without consent; and

(iv) provide reasonable cooperation in developing transitional plans and arrangements, as may be required, to effect the transition of the Restaurants and related POS, inventory and supporting information systems.

SECTION 4.3 Supplements to Disclosures. Prior to the Closing Date, Seller will promptly supplement or amend the information set forth herein and in the Schedules and Exhibits referred to herein with respect to any material matter hereafter arising which, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described herein or in a Schedule or Exhibit or which is necessary to correct any material information herein or in a Schedule or Exhibit or in any representation and warranty, which has been rendered inaccurate thereby.

SECTION 4.4 No Other Asset Sales. From the date hereof until the Closing Date, Seller shall not, directly or indirectly and whether by means of a sale of assets, sale of stock, merger or otherwise:

(a) sell, transfer, assign or dispose of, or offer to, or enter into any Contract to sell, transfer assign or dispose, of the Purchased Assets or any interest therein, except for normal operations in the ordinary course of business; or

(b) encourage, initiate or solicit any inquiries or proposals by, or engage in any discussions or negotiations with, or furnish any non-public information to any Person concerning any other sale of the Purchased Assets and Seller shall promptly communicate to Purchaser the substance of any inquiry or proposal concerning any such transaction which may be received.

SECTION 4.5 Regulatory Filings and Consents. From the date hereof until the Closing Date, each of the parties hereto shall furnish to the other party hereto such necessary information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings or submissions to any governmental agency and Seller and Purchaser shall use their best efforts to obtain all Licenses and Required Consents from third parties necessary to consummate the transactions contemplated by this Agreement and the other Transaction Documents. Each party shall furnish to the other copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between Purchaser, Seller, or any of their respective Representatives and agents, on the one hand, and any government agency or authority or third party, on the other hand, with respect to this Agreement and the other Transaction Documents and transactions contemplated hereby and thereby.

SECTION 4.6 Announcements; Confidentiality.

(a) From the date of this Agreement until Closing, except as required by Law or as otherwise provided herein, no announcement of the existence or terms of this Agreement or the other Transaction Documents or the transactions contemplated hereby and thereby shall be made publicly or to the employees or customers of Seller, by any party to this Agreement or any of its respective Representatives without the advance written approval of the other party.

(b) A certain Confidentiality Agreement dated October 3, 2013, has been entered into by and between Purchaser and Seller (the "**Confidentiality Agreement**"). Seller and Purchaser acknowledge and agree that the Confidentiality Agreement remains in full force and effect and, in addition, covenants and agrees to keep confidential, in accordance with the provisions of the Confidentiality Agreement, information provided by such other party pursuant to this Agreement and the Confidentiality Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this Section 4.6(b) shall nonetheless continue in full force and effect. At Closing, the Confidentiality Agreement shall remain in full force and effect, other than with respect to Purchaser's obligations relating to the Restaurants and Purchased Assets, which shall terminate at such time.

SECTION 4.7 Limitation of Seller, Actions After Closing. From and after the Closing and thereafter so long as the provisions of Article VII are still applicable, Seller shall not, without the prior written consent of Purchaser: (i) engage in any business which would adversely affect the value of the Purchased Assets or the businesses operated at the Restaurants; or (ii) take any other action or fail to take any action, or allow the occurrence of any event, with respect to Seller's assets, including without limitation, the Real Properties, which could be reasonably expected to materially and adversely affect the value thereof.

SECTION 4.8 Bulk Sales. Not Applicable

SECTION 4.9 Financial Statements and Reports. Between the date hereof and the Closing Date, Seller shall deliver to Purchaser:

(a) within five (5) business days after the end of each calendar week, a written statement, certified by Seller, of the Gross Sales of each Restaurant for that week; and

(b) within five (5) business days of their availability, such financial statements relating to each Restaurant as may be prepared by Seller, which shall be prepared on a basis consistent with past practices.

SECTION 4.10 Environmental Matters.

(a) Purchaser shall, at its sole cost and expense, obtain current "Phase I" environmental site assessments (hereinafter "**Phase I's**") for each of the Real Properties within forty-five (45) days after the Effective Date, which shall be conducted by a reputable, licensed environmental services company (the "**Environmental Company**"). The Phase I's shall be prepared by the Environmental Company so that they may be relied upon by both Seller and Purchaser.

(b) In the event any of the Phase I's shall recommend that a "Phase II" environmental site assessment (hereinafter "**Phase II's**") be performed, or shall disclose any environmental conditions which Purchaser, in its sole discretion reasonably exercised, believes should be investigated further, Purchaser, at its sole cost and expense and conditioned upon obtaining the consent of Seller, shall cause Phase II's for each Real Property so affected to be performed by the Environmental Company. In connection with any such Phase II Purchaser shall: (i) be solely responsible for all costs associated with the Phase II;

(ii) upon completion of the Phase II immediately repair and restore the Real Property to its condition existing immediately prior to the Phase II; and (iii) indemnify, defend and hold Seller harmless from and against all liabilities, claims, damages, actions, or losses (threatened or incurred) to the Real Property or anyone on the Property or around the Property as a result of the negligence of the Purchaser, or any of Purchaser's agents, in performing the Phase II.

(c) In the event that a Phase I or a Phase II shall identify a Real Property which is affected by an environmental condition which requires abatement or remediation or is otherwise subject to a Recognized Environmental Condition (an "***Environmentally Damaged Restaurant***") or if Seller does not authorize the conduct of a Phase II that Purchaser reasonably believes should be conducted, Purchaser shall have the option, to be exercised within ten (10) days of receipt of such Phase I or Phase II, to elect to have the Environmentally Damaged Restaurant and the Real Property upon which such Restaurant is located, and all other Purchased Assets relating to such Restaurant, withdrawn from this transaction, whereupon the purchase price for the Purchased Assets shall be reduced by an amount (referred to herein as the "***Damage Credit***") which shall be determined by Purchaser and Seller by taking into account the sales, profitability and location of such Restaurant, as well as any other relevant material facts or factors related to the value of such Restaurant, the Purchased Assets related thereto or the Real Property upon which it is located. In the event Purchaser and Seller are unable to agree upon the Damage Credit, such dispute shall be submitted to arbitration before a single Arbitrator under the rules of the American Arbitration Association located in Chicago, Illinois.

SECTION 4.11 Employee Benefit Matters.

(a) Seller shall pay to any and all liabilities with respect to any wages, vacation, severance or sick pay, and payroll taxes thereon, or any rights under any stock option, bonus or other incentive arrangements of its respective employees which shall have accrued or been earned by the Subject Employees as of the Closing Date and not paid by Seller. For the purposes hereof, such accrued liabilities shall be determined as if Seller does not terminate the employment of their respective employees on the Closing Date.

(b) Seller shall assume full responsibility and liability for offering and providing "continuation coverage" to any employee of Seller, and to "qualified beneficiaries" of any employee of Seller or to any qualified beneficiary who incurs a multiple qualifying event after the Closing Date provided that the employee or "qualified beneficiary" incurs a "qualifying event" prior to the Closing Date. The continuation coverage shall be provided under a group health plan of Seller or an affiliate of Seller. The type of coverage shall be that described in Section 4980B(f)(2)(A) of the Code. The continuation coverage shall be provided for the period described in Section 4980B(f)(2)(A) of the Code. "Continuation coverage", "qualified beneficiaries", and "qualifying event" have the meanings given such terms under Section 4980B of the Code. Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any "Damages" (as defined in Section 7.2(a) below) arising out of Seller's failure to offer the continuation coverage described herein.

SECTION 4.12 Access to Restaurants Prior to Closing. From the Effective Date and from time to time thereafter and until the Closing, Seller shall give Purchaser and its Representatives access to the Restaurants for the purposes of facilitating Purchaser's conversion of the POS systems and other operational equipment. Such access by Purchaser shall be upon reasonable prior notice and Purchaser agrees to use best efforts to conduct said activities in such manner so as not to unreasonably interfere with the operation of Seller's business. To the extent there is storage space available at the Restaurants and the same shall not

cause undue burden on Seller, Purchaser may also, at its sole risk, store its POS and related equipment at the Restaurants.

SECTION 4.13 No Solicitation. During the term of this Agreement, the Seller and any related party or parties acting through or on behalf of Seller shall not (i) solicit, initiate or encourage any inquiries, proposals or offers from any Person for, or enter into any discussions or agreements with any Person with respect to, the acquisition of any interest in the Purchased Assets (an “**Acquisition Transaction**”), (ii) furnish or cause to be furnished any non-public information concerning the business and operations of Seller with respect to the Purchased Assets to any Person (other than any of the parties hereto and their officers, directors, employees, consultants and agents) or (iii) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any Person to do or seek any of the foregoing. The Seller shall promptly notify the Purchaser of any inquiry or proposal received by the Seller with respect to any such Acquisition Transaction. On the Effective Date Seller and Stockholders shall immediately terminate any and all existing discussion, communications or negotiations with any Person other than Purchaser with respect to the Purchased Assets.

SECTION 4.15 Utilities and Contracts. Seller shall terminate all of the Restaurants’ utility accounts effective as of the Closing Date and shall provide such reasonable cooperation, as requested by Purchaser, to establish new utility accounts at the Restaurants in the name of the Purchaser. For the avoidance of doubt, in no event will Seller be required to transfer any utility accounts and/or related deposits to Purchaser.

SECTION 4.16 Termination of Employees. The Seller shall terminate each employee at all Restaurants effective as of the Closing. Seller shall bear any and all obligations and liability under the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. resulting from employment losses pursuant to this Section 4.16. Prior to the Closing, the timing of which shall be jointly agreed to by Seller and Purchaser, Purchaser may contact and make arrangements with any or all of the Subject Restaurant Employees, in the presence of representatives of the Seller, for the purpose of securing their employment by Purchaser immediately after the Closing and for the purpose of ensuring the continuity of the Restaurants after the Closing.

ARTICLE V CONDITIONS TO OBLIGATIONS OF PARTIES

SECTION 5.1 Conditions to the Obligations of Seller and Purchaser. The obligations of Purchaser and Seller to consummate the transactions contemplated by the Transaction Documents are subject to the satisfaction at or prior to the Closing of the following conditions, except to the extent that any such condition may have been waived in writing by both Seller and Purchaser at or prior to the Closing:

(a) Impediments to Closing. No Actions shall have been instituted or shall be pending or threatened which questions the validity or legality of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and which could reasonably be expected to damage materially the Purchased Assets or Restaurants if the transactions contemplated hereby or thereby are consummated. No injunction, decree or order shall be in effect prohibiting consummation of the transactions contemplated by this Agreement or the other Transaction Documents or which would make the consummation of such transactions unlawful and no Actions shall have been instituted and remain pending to restrain or prohibit the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 5.2 Conditions to the Obligations of Seller. The obligations of Seller to consummate the transactions contemplated hereby and by the other Transaction Documents are subject to the satisfaction

at or prior to the Closing of the following conditions, except to the extent that any such condition may have been waived in writing by Seller at or prior to the Closing:

(a) Representations, Warranties and Performance. The representations, warranties, covenants and agreements of Purchaser contained in this Agreement and the other Transaction Documents or otherwise made in writing by it or on its behalf pursuant hereto or otherwise made in connection with the transactions contemplated hereby or thereby shall be true and correct at and as of the Closing Date, with the same force and effect as if made at and as of the Closing Date; the Purchaser shall have performed or complied with all agreements and conditions required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date; and Seller shall have received a certificate to the foregoing effect dated the Closing Date in form reasonably satisfactory to Seller signed by an officer of Purchaser.

(b) Governing Instruments. Seller shall have received a certificate, dated the Closing Date, of the Secretary or Assistant Secretary of Purchaser certifying, among other things, that attached or appended to such certificate (i) is a true and correct copy of its Certificate of Incorporation and all amendments, if any, thereto as of the date thereof; (ii) is a true and correct copy of its By-Laws; (iii) is a true copy of all corporate actions taken by it, including resolutions of its board of directors authorizing the execution and delivery of this Agreement and each other Transaction Document to be delivered by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby; and (iv) are the names, the signatures of its duly elected or appointed officers who are authorized to execute and deliver this Agreement, and any certificate, document or other instrument in connection herewith.

(c) Payment of Purchase Price. Purchaser shall have tendered to Seller the Purchase Price payable at Closing in accordance with Section 1.2(a).

(d) Required Consents. Seller shall have received all of the Required Consents in form and content satisfactory to Seller in its sole discretion.

(e) Other Documents. Purchaser shall have delivered to Seller the Consent, Assignment and Assumption of Real Property Leases, the Leases, and each Assumed Contract;

(f) Certificates. Certificates dated no earlier than thirty (30) days prior to the Closing Date, from appropriate authorities in the State of its jurisdiction of incorporation, as to the good standing of Purchaser;

(g) Receipt of Inducement Payment. Seller shall have received, on or before the Closing, the Inducement Payment from Burger King in the amount of Two Million One Hundred Thousand and 00/100 Dollars (\$2,100,000.00).

(h) Closing of Concurrent Sales. The transactions between Heartland Midwest LLC, Heartland Indiana LLC and Purchaser referenced on Schedule 5.2(h) attached hereto and made a part hereof (the “**Concurrent Transactions**”) shall have been closed simultaneous to and in conjunction with the Closing.

SECTION 5.3 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated hereby and by the other Transaction Documents are subject to the satisfaction at or prior to the Closing of the following additional conditions, except to the extent that any such condition may have been waived in writing by Purchaser at or prior to the Closing:

(a) Representations, Warranties and Covenants. The representations, warranties, covenants and agreements of Seller contained in this Agreement and the other Transaction Documents, or otherwise made in writing by it or on its behalf pursuant hereto or otherwise made in connection with the transactions contemplated hereby or thereby shall be materially true and correct at and as of the Closing Date with the same force and effect as though made on and as of the Closing Date; Seller shall have performed or complied with all agreements and conditions required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date; and Purchaser shall have received certificates to the foregoing effect dated the Closing Date in form reasonably satisfactory to Purchaser signed by the an officer of Seller.

(b) Governing Instruments, etc. Purchaser shall have received a certificate, dated the Closing Date, of the Secretary or Assistant Secretary of Seller certifying, among other things, that attached or appended to such certificate (i) is a true and correct copy of each Governing Instrument and all amendments if any thereto as of the date thereof; (ii) is a true copy of all corporate actions taken by it, including resolutions of its board of directors and shareholders authorizing the execution and delivery of this Agreement and each other Transaction Document to be delivered by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby; and (iii) are the names and signatures of its duly elected or appointed officers who are authorized to execute and deliver this Agreement and any certificate, document or other instrument in connection herewith.

(c) Instruments of Transfer. Seller shall have delivered to Purchaser a bill of sale and assignment ("**Bill of Sale**") substantially in the form annexed as Exhibit "F" hereto and made a part hereof, the Leases, the Consent, Assignment and Assumption of Real Property Leases, and any other documents of transfer which Purchaser reasonably shall request in order to evidence and effectuate the sale and assignment to Purchaser of the Purchased Assets, the Real Properties, the Assumed Contracts and the consummation of all other transactions contemplated by this Agreement and the other Transaction Documents.

(d) Consents. Seller shall have obtained, and delivered to Purchaser, copies of the Required Consents applicable to it in form and substance satisfactory to Purchaser.

(e) No Material Adverse Change. There shall have been no material adverse change, nor any events which could have a material adverse change, in the business, operations, prospects or financial or other condition of any Restaurant or in the respective Purchased Assets or Real Properties from the date hereof to the Closing Date (the "**Interim Period**").

(f) Environmental Due Diligence. Purchaser shall have completed its environmental due diligence of the Restaurants, Real Property and Purchased Assets and have received results which are satisfactory to Purchaser in its sole discretion.

(g) Due Diligence. Purchaser shall have completed its own due diligence investigation of the operation of the business and the Purchase Assets, the Leases and the Real Property, including but not limited to, environmental audits, title review and examination, tax and accounting, financial data, required permits and third party consents, equipment, buildings and structures, easements and restrictions, the results of which shall have been deemed satisfactory in the sole discretion of Purchaser and its Representatives.

(h) Other Documents. Seller shall have delivered to Purchaser:

(i) each Assumed Contract;

(ii) the Easement Assignments;

(iii) certificates dated no earlier than thirty (30) days prior to the Closing Date, from appropriate authorities in the State of its jurisdiction of incorporation, as to the good standing of Seller;

(vii) all other documents, instruments and agreements required to be delivered by Seller to Purchaser pursuant to this Agreement and the other Transaction Documents.

(i) Senior Lender's Consent. Purchaser shall have received, if necessary, the written consent of its senior lender to the transactions contemplated hereby.

ARTICLE VI DAMAGE OR DESTRUCTION

SECTION 6.1 Damage to or Destruction of Restaurants. If prior to the Closing Date, any of the Restaurants (hereafter referred to as a "**Damaged Restaurant**") incurs substantial damage or is destroyed by fire or other casualty (whether or not such destruction is covered by insurance) Purchaser shall have the option, to be exercised within ten (10) days of receipt of notice from Seller, to: (i) require the Seller to promptly repair, rebuild and/or replace such Damaged Restaurant at Seller's sole cost and expense; (ii) elect to have the Damaged Restaurants and the Real Property upon which such Restaurant is located, and all other Purchased Assets relating to such Restaurants, withdrawn from this transaction, whereupon the Purchase Price shall be reduced by an amount equal to the Damage Credit or (iii) remove the Damaged Restaurants from this Agreement whereupon a Damage Credit will be applied to the Purchase Price calculated as set forth in Section 4.10(c). In the event Purchaser and Seller are unable to agree upon the Damage Credit, such dispute shall be submitted to arbitration under the rules of the American Arbitration Association in Chicago, Illinois. In the event Purchaser elects to require the Seller to rebuild and/or replace such Restaurant, the Closing shall occur pursuant to this Agreement except a portion of the purchase price equal to the Damage Credit shall be held in escrow by the attorneys for Purchaser pending completion of the repair and/or restoration of the Damaged Restaurant. In the event such restoration or repair is not completed within one hundred eighty (180) days after the date Purchaser has elected to have the Seller proceed with the repair and/or restoration, Purchaser shall have an additional option to withdraw the Damaged Restaurant from this transaction, exercisable within thirty (30) days from the date Purchaser's additional option shall arise, whereupon the Damage Credit shall immediately be paid to Purchaser.

SECTION 6.2 Notification of Damage or Destruction. Seller shall notify Purchaser of any destruction or damage to any of the Real Properties or Purchased Assets within forty eight (48) hours after becoming aware of the casualty.

ARTICLE VII INDEMNIFICATION

SECTION 7.1 Survival of Representations. The representations and warranties contained in Sections 2.1, 2.3, 2.6, 2.7, 2.9, 2.14, 16, 2.18, 3.1, 3.3 and 3.6 hereof (the "**Transactional Reps**") will survive the Closing and continue in full force and effect thereafter until thirty (30) days following the end of the applicable statute of limitations. All other representations and warranties in this Agreement will survive the Closing and continue in full force and effect thereafter for a period of twelve (12) months and will thereupon expire together with any right to indemnification for breach thereof. All covenants and agreements shall

survive the Closing indefinitely (except for those covenants and agreements required to be performed at or prior to the Closing, which covenants and agreements shall not survive the Closing).

SECTION 7.2 Agreement to Indemnify. Subject to the conditions of this Article VII:

(a) Purchaser hereby agrees to indemnify, defend and hold harmless Seller from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties and reasonable attorney's fees, costs and disbursements and expenses (collectively, "**Damages**"), asserted against, resulting to, imposed upon or incurred by Seller and its officers, directors and shareholders directly or indirectly, arising out of or resulting from (i) a breach of any representation, warranty, covenant or agreement of Purchaser contained in or made pursuant to this Agreement (including but not limited to enforcement of this Article VII), the other Transaction Documents or the transactions contemplated hereby or thereby or any facts or circumstances constituting such a breach; (ii) any indebtedness, obligation or liability assumed by Purchaser pursuant to Section 1.4(b) hereof; and (iii) the operation, use or ownership of the Restaurants, Purchased Assets, Real Properties, the Easements and Assumed Contracts, during, or which have otherwise accrued from or otherwise relate to, the period of time after the Closing Date; and

(b) Seller hereby agrees to indemnify, defend and hold harmless Purchaser and its officers, directors and shareholders from and against all Damages asserted against or incurred by Purchaser or such officers, directors and shareholders, directly or indirectly, arising out of or resulting from (i) a breach of any representation, warranty, covenant or agreement of Seller contained in or made pursuant to this Agreement (including but not limited to enforcement of this Article VII, the other Transaction Documents or any facts or circumstances constituting such a breach; (ii) any indebtedness, obligations or liabilities of Seller including, but not limited to, any liability or obligation set forth in Section 1.4(a), and the tax liabilities set forth in Section 2.17 other than those expressly assumed by Purchaser hereunder; (iii) a breach of or otherwise arising under any Environmental Law (whether now or hereafter in effect), to the extent the same arises out of any condition or state of facts or otherwise relates to the period of time commencing on the date of possession by the Seller of the Real Property in question and ending on the Closing Date; (iv) the operation, use or ownership of the Restaurants, Purchased Assets, Real Properties, Real Properties, the Easements and Assumed Contracts during, or which have otherwise accrued from or otherwise relate to the period of time prior to the Closing Date; (v) Seller's failure to pay and discharge all claims of creditors which may be asserted against Purchaser by reason of Purchaser's waiver of compliance by Seller of the Bulk Sales Laws; and (vi) any claims made with respect to any Plan.

SECTION 7.3 Conditions of Indemnification. The obligations and liabilities of an indemnifying party under Section 7.2 with respect to Damages for which it must indemnify another party hereunder (collectively, the "**Indemnified Claims**") shall be subject to the following terms and conditions:

(a) The indemnified party shall give the indemnifying party notice of any such Indemnified Claim which notice shall set forth in reasonable detail the basis for and amount of the Indemnified Claim, and the circumstances giving rise thereto. If the Indemnified Claim is a third-party claim, the notice must contain a copy of any papers served on the indemnified party.

(b) If the Indemnified Claim is not a third-party claim, unless within thirty (30) days of receipt by the indemnifying party of notice of the Indemnified Claim the indemnifying party sends written notice to the indemnified party disputing the facts giving rise to the Indemnified Claim or the amount of Damages stated in the notice, the Damages stated in the notice shall become due and payable upon the expiration of such thirty (30) day period. If, however, the indemnifying party disputes the facts, giving rise

to the Indemnified Claim or the amount of Damages stated in the notice within such thirty (30) day period and the dispute cannot be resolved within the following ninety (90) days, the dispute shall be submitted to arbitration under the rules of the American Arbitration Association in Chicago, Illinois.

(c) If the Indemnified Claim is a third-party claim, the indemnifying party may undertake the defense thereof at its own expense by representatives of its own choosing reasonably satisfactory to the indemnified party and will consult with the indemnified party concerning such defense during the course thereof. If the indemnifying party, within thirty (30) days after receipt of notice of any Indemnified Claim (or such shorter period as is necessary to prevent prejudice to the indemnified party, if such thirty (30) day period would prejudice the rights of the indemnified party), fails to defend, the indemnified party (upon further notice to the indemnifying party) will have the right to undertake the defense, compromise or settlement of such Indemnified Claim on behalf of and for the account and risk of and at the expense of the indemnifying party. In addition, if there is a reasonable probability that a third-party Indemnified Claim may materially and adversely affect an indemnified party, the indemnified party shall have the right, at its own cost and expense, to defend, compromise or settle such Indemnified Claim.

(d) Anything in this Section 7.3 to the contrary notwithstanding, neither the indemnifying party nor the indemnified party, as the case may be, may settle or compromise any Indemnified Claim or consent to entry of any judgment in respect thereof, without the written consent of the other, which consent shall not be unreasonably withheld or delayed.

SECTION 7.4 Remedies Cumulative. The remedies provided in this Article VII shall be cumulative and shall not preclude the assertion by any party hereto of any other rights or the seeking of any other remedies against the other parties hereto. Either party may, among its other remedies, offset the amount of any Indemnified Claim which becomes due and payable to it or to its shareholders, officers or directors, against any payments to be made or consideration to be paid to the other pursuant to this Agreement or any of the other Transaction Documents.

SECTION 7.5 Certain Limitations. Payments by an indemnifying party pursuant to Section 7.2 in respect of any Damages shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment actually received by the indemnified party in respect of any such claim, less any related costs and expenses, including the aggregate cost of pursuing any related insurance claims and any related increases in insurance premiums or other chargebacks (it being agreed that neither party shall have any obligation to seek to recover any insurance proceeds in connection with making a claim under this Article VII and that, promptly after the realization of any insurance proceeds, contribution or other similar payment, the Indemnified Party shall reimburse the indemnifying party for such reduction in Damages for which the Indemnified Party was indemnified prior to the realization of reduction of such Damages).

SECTION 7.6 Limitation on Indemnity. None of the Purchaser indemnified parties or the Seller indemnified parties shall be entitled to assert any right to indemnification under Section 7.2 for an individual claim until such claim exceeds One Hundred Thousand Dollars (\$100,000.00). The maximum amount that any of the Purchaser indemnified parties or the Seller indemnified parties, either individually or in the aggregate and whether based upon claims made pursuant to this Agreement and/or in conjunction with the Concurrent Transactions, may recover based upon a claim or claims for indemnification (subject to the threshold limitations set forth above) shall be Two Million Five Hundred Thousand and 00/100 Dollars (\$2,500,000.00).

SECTION 7.7 Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price. In determining the amount of any indemnification payment for Damages suffered or incurred by an indemnified party, the amount of such Damages shall be (i) increased to take into account any additional tax cost incurred by the indemnified party arising from the receipt of indemnification payments hereunder ("**Tax Costs**") and (ii) decreased to take into account any deduction, credit or other tax benefit actually realized by the indemnified party with respect to such Loss ("**Tax Benefits**"). In computing the amount of any such Tax Cost or Tax Benefit, the indemnified party shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnification payment hereunder or the incurrence or payment of any indemnified Damages. To the extent a Tax Cost or Tax Benefit cannot be determined at the time an indemnity payment would otherwise be due hereunder, the indemnity payment shall be made without taking into account such Tax Cost or Tax Benefit and if and when the Tax Cost or Tax Benefit is actually determined and realized, the parties shall make any payments necessary to cause the indemnity payment to be what it would have been had such Tax Cost or Tax Benefit been determined and realized at the time the indemnity payment was originally made.

ARTICLE VIII COVENANT NOT TO COMPETE

SECTION 8.1 Covenant Not to Compete.

(a) For a period of three (3) years from the Closing Date, Seller and its officers or employees covenant and agree that they shall not, directly or indirectly, individually or collectively for its or their own account or as an employee, officer, director, partner, joint venturer, shareholder, investor, consultant or otherwise:

(i) own, operate, manage, develop, finance or otherwise engage in or have any interest in any quick service hamburger restaurant or other fast food restaurant with a drive-thru or that does not have table service within a five (5) mile radius of any Restaurant is located (the "**Restricted Area**");

(ii) do anything or allow parties within its or their control to do anything which diminishes the value of any of the Restaurants; or

(b) For a period of two (2) years from the Closing Date, Seller and its officers or employees jointly and severally covenant and agree that it/they will not, directly or indirectly, individually or collectively for its/their own account or as an employee, officer, director, partner, joint venturer, shareholder, investor, consultant or otherwise solicit or hire for employment or induce or attempt to influence to terminate their employment with the Purchaser of any executive or management level employees of the Restaurants who are employed by or in any of the Restaurants on the Closing Date.

(c) The provisions of Section 8.1 shall not preclude Seller or any Affiliate of Seller from owning and operating any Burger King restaurant which is owned or operated by Seller or any Affiliate of Seller as of the date of this Agreement.

SECTION 8.2 Geographic Area Reasonable; Reduction of Geographical Area and Time. Seller acknowledges that the restricted period of time and geographical area specified in Section 8.1 hereof are reasonable. Notwithstanding anything herein to the contrary, if the period of time or the geographical area specified under Section 8.1 hereof should be determined to be unreasonable in any judicial proceeding, then

the period of time and territory of the restriction shall be reduced so that this Agreement may be enforced in such area and during such period of time as shall be determined to be reasonable.

SECTION 8.3 Effect of Breach. The parties acknowledge that any breach of this Article VIII will cause Purchaser irreparable harm for which there is no adequate remedy at law, and as a result, Purchaser shall be entitled to the issuance by an arbitrator or court of competent jurisdiction of an injunction, restraining order or other equitable relief in favor of itself restraining Seller or any Affiliate as the case may be, from committing or continuing any such violation. Any right to obtain an injunction, restraining order or other equitable relief hereunder shall not be deemed a waiver of any right to assert any other remedy Purchaser may have at law or in equity.

ARTICLE IX TERMINATION

SECTION 9.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) by the mutual written consent of Seller and Purchaser;

(b) by Purchaser by written notice to Seller if: (i) any of the representations and warranties of Seller contained in this Agreement or the Transaction Documents shall fail to be materially true and correct as of the date made and is not cured by Seller within ten (10) days after written notice from Purchaser, or (ii) there shall be a breach by Seller of any covenant or agreement of Seller in this Agreement that is not curable or, if curable, is not cured by Seller within ten (10) days after written notice from Purchaser; or

(c) by Seller by written notice to Purchaser if: (i) any of the representations and warranties of Purchaser contained in Article III shall fail to be materially true and correct as of the date made and is not cured by Purchaser within ten (10) days after written notice from Seller or (ii) there shall be a breach by Purchaser of any of its respective covenants or agreements in this Agreement that is not curable or, if curable, is not cured by Purchaser within ten (10) days after written notice from Seller; or

(d) by Purchaser or Seller in the event that:

(i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited; or

(ii) any Governmental Authority shall have issued an order restraining or enjoining the transactions contemplated by this Agreement, and such order shall have become final and non-appealable; or

(iii) provided that the terminating party is not in default under this Agreement and further provided that the terminating party has not caused or contributed to the delay, the Closing has not occurred on or prior to the ninety (90) days after the Effective Date.

SECTION 9.2 Effect of Termination; Right to Proceed. In the event of the termination of this Agreement in accordance with this Article, written notice thereof shall be given to the other party or parties specifying the provision pursuant to which such termination is made, and this Agreement shall be terminated and become void and have no effect, and there shall be no liability hereunder on the part of Purchaser or Seller, except with respect to any breach of this Agreement by such party prior to termination

and subject to the right to seek specific performance. Notwithstanding the foregoing, Sections 4.6 and 10.3, Article X and this Section 9.2, shall survive any termination of this Agreement.

ARTICLE X MISCELLANEOUS

SECTION 10.1 Further Assurances. Each of the parties hereto shall without further consideration execute and deliver to any other party hereto such other instruments of transfer and take such other action as any party may reasonably request to carry out the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 10.2 Waiver and Amendment. No provisions of this Agreement may be amended, supplemented or waived at any time except by a written instrument executed by the parties hereto, or in the case of a waiver, by the waiving party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

SECTION 10.3 Remedies. In the event of a default under this Agreement or the Transaction Documents, the aggrieved party may proceed to protect and enforce its rights by a suit for damages, a suit in equity, an action at law or other appropriate proceeding, whether for specific performance, or for an injunction against a violation of any terms hereof or thereof or in aid of the exercise of any right, power or remedy granted thereby or by law, equity, statute or otherwise. The foregoing shall include, but shall not be limited to, allowance for recovery by the aggrieved party of all of its fees and expenses and disbursements incurred by it in connection with the transactions contemplated hereby and in the Transaction Documents, including, without limitation, the reasonable fees and expenses of its counsel, accountants, agents and representatives employed by it. No course of dealing and no delay on the part of any party in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such party's rights, powers or remedies. No right, power or remedy conferred hereby shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute, or otherwise.

SECTION 10.4 Expenses. Except as expressly otherwise provided for in this Agreement, all expenses incurred by or on behalf of the parties hereto in connection with the authorization, preparation and consummation of this Agreement and the other Transaction Documents, including without limitation all fees and expenses of agents, representatives, counsel and accountants employed by the parties hereto in connection with the authorization, preparation, execution and consummation of this Agreement, shall be borne solely by the party who shall have incurred the same.

SECTION 10.5 Entire Agreement. This Agreement and the other Transaction Documents and the Exhibits and Schedules referred to herein and therein contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior arrangements or understandings with respect thereto.

SECTION 10.6 Definitions. For the purposes of this Agreement:

(i) "**Affiliate**" shall mean, with respect to any Person, any other Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other of such Persons.

(ii) "**Contract**" shall mean any contract, agreement, purchase order, sales order, guaranty, option, mortgage, promissory note, assignment, lease, franchise, commitment, understanding or other binding arrangement, whether written, oral, express or implied.

(iii) "**Control**", with respect to any Person, shall mean the power to direct the management and policies of such Person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with a Contract with one or more other Persons by or through stock ownership, agency or otherwise; and the terms "**controlling**" and "**controlled**" shall have meanings correlative to the foregoing.

(iv) "**Governing Instruments**" shall mean, with respect to any Person, the certificate of incorporation, articles of incorporation, bylaws, code of regulations or other organizational or governing documents howsoever denominated, and any amendments or modifications thereof, of such Person.

(v) "**Gross Sales**" shall have the meaning as set forth in the Burger King Franchise Agreement.

(vi) "**Person**" shall mean an individual, partnership, corporation, joint venture, unincorporated organization, cooperative, or a government entity or agency thereof.

SECTION 10.7 Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the Agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

SECTION 10.8 Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein shall be validly given, made or served in writing and delivered personally, sent by facsimile, Federal Express or other reputable overnight courier or sent by certified or registered mail, postage prepaid, return receipt requested, at the addresses set forth below:

(a) if to Purchaser, to:

Carrols LLC
968 James Street
Syracuse, New York 13203-6969
Attention: Daniel T. Accordino, Chief Executive Officer
Facsimile No.: (315) 475-9616

(b) if to Seller, to:

Heartland Illinois Food Corp.
1400 Opus Place, Suite 900
Downers Grove, Illinois 60515
Attention: K. Todd Bartmess, Chief Executive Officer
Facsimile No.: (630) 598-2280

(c) with a copy to:

ROBERGELAW
12775 Horseferry Road, Suite 200
Carmel, Indiana 46032
Attn: Christopher S. Roberge, Esq.
Facsimile No.: (317) 818-5510

or such other address as any party hereto may, from time to time, designate in a written notice given in a like manner (which change of address shall only be effective upon actual receipt of same by the other party). Notices shall be deemed delivered: (i) three (3) days after the date the same is postmarked if sent by registered or certified mail; (ii) on the date the same is delivered personally; and (iii) the next business day after delivery to a national courier service for next business day delivery.

SECTION 10.9 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the heirs, executor, personal representatives, legal representatives, successors and assigns of the parties hereto, and shall not be assignable by either party without the prior written consent of the other party.

SECTION 10.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to New York's conflict of laws rules.

SECTION 10.11 Consent to Jurisdiction; Service of Process. Except with respect to disputes wherein the parties have expressly agreed herein to submit such dispute to arbitration, the parties hereto irrevocably submit exclusively to the jurisdiction of the State Courts in the State of Illinois or the United States Federal Courts sitting in the State of Illinois over any dispute arising out of or relating to this Agreement or any agreement or instrument contemplated hereby or entered into in connection herewith or any of the transactions contemplated hereby or thereby, and each party hereby irrevocably agrees that all claims in respect of such dispute or proceeding shall be heard and determined in such court.

SECTION 10.12 Severability. Whenever possible, each provision in this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 10.13 Counterparts. This Agreement may be executed in one or more counterparts as may be convenient or necessary, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof. Additionally, the parties hereto hereby covenant and agree that, for purposes of facilitating the execution of this Agreement, (a) the signature pages taken from separate individually executed counterparts of this Agreement may be combined to form multiple fully executed counterparts and (b) a facsimile signature, PDF signature, or electronic signature shall be deemed to be an original signature. All executed counterparts of this Agreement shall be deemed to be originals, but all such counterparts taken together shall constitute one and the same agreement.

SECTION 10.14 Arbitration. Whenever this Agreement calls for the submission of any matter to arbitration, the matter shall be determined by binding arbitration before a single arbitrator pursuant to the

Expedited Procedures for Commercial Arbitration of the American Arbitration Association (or its successor) and shall be administered by the American Arbitration Association exclusively in the City of Chicago, State of Illinois. The party requesting arbitration ("**Requesting Party**") shall simultaneously give written notice to the other party of the Requesting Party's election to have the issue resolved by binding arbitration and file the appropriate request for arbitration with the American Arbitration Association with applicable filing fees. The time period within which the binding arbitration must be held shall be not more than thirty (30) business days after notice by the Requesting Party for binding arbitration unless: (i) otherwise agreed to in writing by Purchaser and Seller (provided that neither shall be required to consent to such extension); (ii) delayed by Force Majeure; or (iii) delayed by the American Arbitration Association through no fault, cause, or request of either Purchaser or Seller. The arbitrator shall have no right to compel any party to breach any existing written agreement or obligation. The arbitrator shall only issue written findings and shall award costs and fees to the prevailing party as provided in Section 10.15 of this Agreement. The judgment rendered by the arbitrator may be entered in any court having jurisdiction thereof and shall be final upon Purchaser and Seller. The cost of the arbitrator and legal fees of both parties shall be paid by the non-prevailing party (as determined pursuant to Section 10.15 of this Agreement). Any arbitration proceedings shall be conducted exclusively in the City of Chicago, State of Illinois. This clause shall not preclude the parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

SECTION 10.15 Enforcement. If either party hereto fails to perform its obligations under this Agreement, or if a dispute arises concerning the meaning or interpretation of any provision of this Agreement and any action or steps are taken in furtherance thereof including, but not limited to, the commencement of legal proceedings, lawsuits, arbitration, or other proceedings arising out of, relating to, or based in any way on this Agreement, including without limitation, tort actions and actions for injunctive and declaratory relief, the non-prevailing party in the dispute shall pay any and all actual costs and expenses incurred by the prevailing party in enforcing or establishing its rights hereunder, including, without limitation, all court costs, all fees and costs incurred in any appellate process, and all actual attorney's and paralegal fees. Except as may be agreed by the parties in a settlement agreement, a party shall be considered the prevailing party if (i) it initiated the litigation and obtains the relief sought, either through a judgment or the losing party's voluntary action before trial or judgment, or (ii) it did not initiate the litigation and the party that initiated the action withdraws its action without obtaining the relief sought, or (iii) it did not initiate the litigation and judgment is entered for the non-initiating party whether by way of motion, trial verdict and/or on appeal.

SECTION 10.16 Force Majeure. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, Laws, adverse weather, unusual delay in transportation or other cause without fault and beyond the control of the party obligated (financial inability excepted), then upon written notice to the other party, the performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay; provided, however, the party requiring such delay shall use commercially reasonable efforts to remedy any such cause of delay or cause preventing performance.

(Signature Page to Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Purchase and Sale Agreement to be executed as of the date first written above.

CARROLS LLC

By: /s/ Daniel T. Accordino
Name: Daniel T. Accordino
Title: Chief Executive Officer

HEARTLAND INDIANA LLC

By: /s/ K. Todd Bartmess
Name: K. Todd Bartmess
Title: Chief Executive Officer

ASSET PURCHASE AGREEMENT

CARROLS LLC

(Purchaser)

And

HEARTLAND INDIANA LLC

(Seller)

Dated as of August 22, 2014

TABLE OF EXHIBITS

Exhibit A	Restaurants
Exhibit B	Form of Consent, Assignment and Assumption of Real Property Lease
Exhibit C	Form of Lessor Estoppel Certificate
Exhibit D	Form of Memorandum of Lease
Exhibit E	Form of Consent to Assignment of Real Property Lease and Non-Disturbance Agreement
Exhibit F	Form of Bill of Sale

TABLE OF SCHEDULES

1.1(e)	Assumed Contracts
1.2(c)	Store Bank Funds
1.2(e)	Allocation Schedule for Purchase Price
1.3(a)(ii)	Real Property Expiration Dates, Monetary Terms and Renewal Terms
1.3(a)(iii)	Real Property Descriptions
1.3(e)	Parking and Easement Agreements
2.5	Required Consents
2.6(b)	Events or items not reflected in Financial Statements
2.7(a)	Purchased Assets which do not conform to Burger King Standards
2.9(a)	Liens on Real Properties
2.9(b)	Certificate of Occupancy, Ongoing Repairs
2.11(b)	Compliance with Employment Laws
2.11(c)	Sellers' Employees and Wages
2.11(d)	Pending Employment Charges
2.13(a)	Litigation
2.13(c)	Required Licenses
2.14	Environmental Matters
2.21(a)	Planned/Proposed Burger King Restaurants
2.21(b)	Planned/Proposed Competitor Restaurants

PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "**Agreement**") made as of August 22, 2014 (the "**Effective Date**") by and among CARROLS LLC, a Delaware limited liability company, with its principal office at 968 James Street, Syracuse, New York 13203 ("**Purchaser**"); HEARTLAND INDIANA LLC, a Delaware limited liability company having its principal office at 1400 Opus Place, Suite 900, Downers Grove, Illinois 60515 ("**Seller**").

RECITALS

A. Seller operates the Burger King restaurants identified and set forth on **Exhibit "A"** attached to and made a part of this Agreement (each restaurant is hereinafter sometimes referred to individually as a "**Restaurant**" and collectively as the "**Restaurants**").

B. Seller is the owner or lessee of certain personal property used or held for use in or in connection with the conduct of business at the Restaurants and Seller is the lessee of certain buildings and land upon and in which the Restaurants are located, all as listed on **Exhibit "A"** (individually, the "**Real Property**" and collectively, the "**Real Properties**").

C. Seller proposes to sell, and Purchaser proposes to purchase, the Purchased Assets (as hereinafter defined) of Seller.

D. Seller occupies the Real Properties pursuant to lease agreements with an unaffiliated landlord and proposes to assign to Purchaser, and Purchaser proposes to accept such assignment of such Seller's leasehold interest with respect to the Real Property on which each Restaurant is located.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I PURCHASE AND SALE; CLOSING

SECTION 1.1 **Assets To Be Conveyed.** Subject to the terms, provisions and conditions contained in this Agreement, and on the basis of the representations and warranties hereinafter set forth, Seller agrees to sell, assign, transfer, convey and deliver to Purchaser at Closing (as hereinafter defined), and Purchaser agrees to purchase and accept the assignment, transfer, conveyance and delivery from Seller at Closing of, all of the following assets used or located in or held for use in connection with the Restaurants operated by Seller (collectively, the "**Purchased Assets**") free and clear of all mortgages, liens, security interests, encumbrances, restrictions on transfer, rights of first refusal, pre-emptive rights, equities, claims, pledges, priorities, hypothecation, charges, liabilities and other obligations of whatever kind and character (collectively referred to herein as "**Liens**"), except for such Liens as are specifically permitted as provided herein:

(a) **Restaurant Equipment.** All of the machinery, equipment (including without limitation all POS equipment), furnishings, trade fixtures, cleaning and other supplies, uniforms, spare equipment parts and all other personal property (other than Inventory, as hereinafter defined) owned by Seller and used or held for use in, or in connection with, the operation of the Restaurants according to the current

standards required of franchisees by Burger King Corporation (“**BKC**” or “**Burger King**”) (collectively, “**Restaurant Equipment**”);

(b) Leasehold Improvements. All fixtures and other leasehold improvements owned by Seller at the Restaurants (“**Leasehold Improvements**”);

(c) Franchise Agreements. The Burger King Franchise Agreement for each of the Restaurants (the “**Franchise Agreements**”);

(d) Inventories. All of the saleable food and related paper products, saleable premiums and saleable promotional materials located at the Restaurants and owned by Seller or otherwise used or held for use in or in connection with the business being conducted at the Restaurants including, but not limited to, all saleable food and beverage inventory, new and unused uniforms, cleaning supplies, saleable paper goods and saleable promotional inventory (collectively, “**Inventory**”) (priced as set forth in Section 1.2(b) of this Agreement);

(e) Assumed Contracts. Those contracts, agreement, leases, licenses set forth on Schedule 1.1(e) annexed to this Agreement and made a part of this Agreement (collectively the “**Assumed Contracts**”) which are to be assigned to and assumed by Purchaser which shall include, but not be limited to any and all Coke Freestyle Agreements and those between Seller and The Brink’s Company provided that Purchaser may amend Schedule 1.1(e) to add contracts, agreement, leases, licenses by giving written notice to Seller prior to the Closing Date;

(g) Permits. All permits issued to Seller by any federal, state, regional, local or other political subdivision thereof, and any entity or official exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law) (collectively “**Governmental Authorities**”) or other third party, if and only to the extent assignable to by Seller to Purchaser.

(h) Good Will; Phone Numbers; Warranties. All goodwill as a going concern and all other right, title and interest of Seller in and to the general intangibles incident to its business at the Restaurants; all telephone numbers and fax numbers utilized by the Restaurants to the extent assignable by Seller to Purchaser; and all of Seller's right, title, and interest, if any, to and under any assignable guaranties, warranties and agreements from all contractors, subcontractors, vendors or suppliers regarding their performance, quality of workmanship, or quality of materials supplied in connection with the construction, manufacture, development, installation, repair or maintenance of any part of the subject Restaurants (collectively, the “**Warranties**”)

(i) Excluded Assets and Excluded Liabilities. Other than the Purchased Assets, the Seller is not selling, conveying, transferring, assigning or delivering to Purchaser, and Purchaser is not purchasing or assuming, any of Seller’s right, title and interest in and to any tangible or intangible property of Seller (whether or not used in or in connection with the operation of the Restaurants) or any other restaurant assets owned by Seller or any of its affiliates. Other than those liabilities contained in the Assumed Contracts, Purchaser shall not assume or otherwise become liable for any liability, obligation or commitment of any nature whatsoever of Seller, whether known or unknown, (collectively “**Excluded Liabilities**”). Seller shall, and shall cause each of its Affiliates to, pay and satisfy in due course all Excluded Liabilities which they are obligated to pay and satisfy. Without limiting the generality of the foregoing, Purchaser is not assuming and

shall not indemnify Seller, or any of its Affiliates against any liability, obligation, duty or responsibility of Seller, or any of its Affiliates:

(i) arising from, or out of, the ownership or operations or use of, or incurred in connection with, or incurred as a result of any claim made against Seller, or any of its Affiliates in connection with, any Restaurant, Asset, Real Property, Real Property or Assumed Contract (as hereinafter defined) on or prior to, or relating to any time period prior to 11:59 p.m. on the day of the Closing Date;

(ii) resulting from any Federal, state or local income taxes, transfer taxes, sales taxes or any other kind of tax of whatever kind including, without limitation, any such tax that may arise from or by reason of the transactions contemplated by this Agreement unless otherwise expressly provided for herein;

(iii) with respect to any wages, vacation, severance or sick pay or any rights under any stock option, bonus or other incentive arrangement that have accrued prior to the Closing Date;

(iv) with respect to any employment, consulting or similar arrangement to which Seller is a party or for which Seller is responsible;

(v) with respect to any Plan (as hereinafter defined) whether arising before, on or after the Closing Date; or

(vi) under any Laws (as defined in Section 2.13(b)) relating to public health and safety and pollution or protection of the environment, including, without limitation, those relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, or hazardous or toxic materials or wastes into ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants or hazardous or toxic materials or wastes or any materials defined or categorized by any of the above as "Hazardous Materials", "Hazardous Substances", or similar or related designations (collectively referred to herein as "**Environmental Laws**").

SECTION 1.2 Purchase Price for Assets and Inventory.

(a) The Purchase Price for the Purchased Assets, exclusive of the Inventory, shall be the aggregate sum of Three Million Five Hundred Eighty-Five Thousand and 00/100 Dollars (\$3,585,000.00). The Purchase Price shall be payable at the Closing to Seller by Federal funds bank wire transfer to an account designated by Seller. The Purchase Price to be paid for the Inventory shall be paid in the manner set forth in Section 1.2(b) below by Federal funds bank wire transfer to an account designated by Seller.

(b) For the Inventory, at Closing Purchaser shall pay to Seller the sum of Two Hundred Ten Thousand Six Hundred and 00/100 Dollars (\$210,600.00) (the "**Estimated Inventory Price**"), which is calculated based on the product of (i) Eleven Thousand Seven Hundred and 00/100 Dollars (\$11,700.00) and (ii) the number of Restaurants being sold pursuant to this Agreement. The final cost for the Inventory shall be determined as of the night of the Closing. Seller and Purchaser shall each have the right to have at least one of its representatives present at the taking of such inventories. At least five (5) days prior to the Closing Date Seller shall provide Purchaser with a copy of the form of inventory sheet to be used which shall be subject to Purchaser's approval in its reasonable discretion. The inventory shall be based upon Seller's actual costs and shall be conducted in the following manner: (i) food, paper, premiums and cleaning supplies will be entered into the "**Menu Link**" back office system and Seller shall provide Buyer with an

electronic file, no later than noon on the day following Closing, setting forth the detailed inventory counts and valuations and (ii) new and unused uniforms will be entered into an Excel spreadsheet and similarly provided to Buyer within the timeframe set forth above. No later than five (5) business days following the Closing, Buyer will provide Seller with written objections to the Inventory count made by Seller. The parties will work in good faith to resolve any inaccuracies, inconsistencies or otherwise obvious errors within a period of not later than two (2) business days subsequent to the submission of any written objections by Buyer to Seller. Within a period not later than ten (10) business days after final agreement as to the amount and value of the Inventory (the "**Reconciled Inventory Price**"), Seller shall pay to Buyer the amount by which the Estimated Inventory Price exceeds the Reconciled Inventory Price or Buyer shall pay to Seller the amount by which the Reconciled Inventory Price exceeds the Estimated Inventory Price.

(c) At Closing, Purchaser shall pay to Seller the total of Twenty Seven Thousand and 00/100 Dollars (\$27,000.00) as reimbursement for cash that is to remain at each of the Restaurants for Purchaser's use the next business day after Closing (the "**Store Bank Funds**"). Seller shall arrange for cash in the amounts set forth on Schedule 1.2(c) annexed to and made a part of this Agreement to remain at each of the Restaurants for Purchaser's use the day of Closing. Purchaser's representative conducting the Closing Inventory shall confirm the amount of the Store Bank Funds on hand at each of the Stores, and give Seller's representative a written receipt for them. Seller then shall be entitled to remove from the Stores all cash on hand in excess of the Store Bank Funds, which excess funds shall be considered as Seller's property; and Purchaser shall have no right, title, or interest in or to such excess funds.

(d) Intentionally deleted.

(e) The Purchase Price (including Assumed Liabilities only to the extent they are liabilities for Federal income tax purposes) will be allocated among the Purchased Assets in accordance with Section 1060 of the Code and the regulations thereunder. Purchaser and Seller shall set the allocation of the Purchase Price among the Purchased Assets at or before Closing as set forth on Schedule 1.2(e) annexed hereto and made a part hereof (the "**Allocation Schedule**"). Purchaser and Seller each agree to file Internal Revenue Service Form 8594, and all federal, state, local and foreign Tax Returns, in accordance with the Allocation Schedule; and in that event, Purchaser and Seller each agree to provide the other promptly with any other information reasonably required to complete Form 8594. The parties hereto intend that the transaction contemplated hereby be treated for tax purposes as taxable under Section 1001 of the Code.

SECTION 1.3 Real Properties; Lease Assignments; Easements and Parking Agreements. Subject to the terms, provisions and conditions contained in this Agreement and on the basis of the representations and warranties hereinafter set forth, at the Closing, Seller shall assign to Purchaser all of its leasehold interest in the Real Properties and shall assign, sublease or otherwise transfer to Purchaser all of its right, title and interest in and to all parking and other access agreements or arrangements relating to the Real Properties, as follows:

(a) Assignment.

(i) At Closing, Seller shall assign to Purchaser all of Seller's right, title and interest as tenant under the applicable Real Property pursuant to the form of Consent, Assignment and Assumption of Lease (the "**Lease Assignment**") annexed hereto as Exhibit "B" and made a part hereof. The Lease Assignment shall be executed and delivered at Closing by Seller and Purchaser.

(ii) The expiration dates, monetary terms and renewal terms for each of the Real Properties are as set forth in Schedule 1.3(a)(ii).

(iii) The legal descriptions for the Real Properties are as set forth in Schedule 1.3(a)(iii).

(b) Lessor Estoppel. At Closing, Seller shall deliver to Purchaser a duly executed Lessor Estoppel in the form annexed hereto as Exhibit "C" and made a part hereof.

(c) Memorandum of Lease. At Closing, the Lessor under each assigned lease shall execute, acknowledge and deliver a Memorandum of Lease (each, a "**Memorandum of Lease**" and collectively "**Memorandum of Leases**") for each Lease, in the form annexed hereto as Exhibit "D", which shall set forth the material terms of the lease in question and which Memoranda of Leases shall be recorded with the local register of deeds of the respective counties where the Real Properties are located. The recording fees for recording the Memorandum of Leases shall be paid by Purchaser.

(d) Mortgagee Consent and Non-Disturbance Agreement. At Closing, for each Real Property on which there is an outstanding mortgage, Seller shall deliver to Purchaser a duly executed Consent to Lease Assignment and Non-Disturbance Agreement in the form annexed hereto as Exhibit "E" and made a part hereof ("**Mortgagee Consents to Assignment and Non-Disturbance**").

(e) Parking, Easements and Related Agreements. Schedule 1.3(e) annexed hereto and made a part hereof sets forth all written or oral parking leases, easements, agreements, grants, licenses, options and any other agreement (collectively referred to herein as "**Easements**") pursuant to which Seller is granted, for use in connection with the Restaurants, drive-thrus, parking privileges or rights, current or prospective, and/or rights of access of any kind or nature in and to the applicable Real Property. At Closing Seller shall deliver to Purchaser such documentation in form and substance reasonably satisfactory to Purchaser and its counsel which effectively assigns or transfers Seller's rights under both recorded and unrecorded Easements to Purchaser (hereinafter individually referred to as an "**Easement Assignment**", and, collectively, as the "**Easement Assignments**").

SECTION 1.5 Closing; Deliveries.

(a) Date. The closing of the transactions contemplated hereby (the "**Closing**") shall take place on the first Tuesday following satisfaction or waiver of the conditions set forth in Articles IV and V of this Agreement or at such other date or time as may be mutually agreed to by the parties (the "**Closing Date**"), and shall be effective as of 11:59 P. M. on the day of the Closing Date. The Closing shall be effectuated through escrow by the mutual exchange of documents by overnight mail and facsimile or PDF, or in such other manner as the parties may otherwise agree.

(b) Delivery of Documents. At the Closing, Seller' and Purchaser shall deliver to each other the respective documents and other items set forth in Article V.

SECTION 1.6 Adjustments.

(a) All customary pro-rations with respect to (i) the Real Properties; (ii) obligations under the Assumed Contracts; (iii) utility charges and (iv) real property and personal property taxes, shall be adjusted between the parties as of 11:59 P.M. on the day of the Closing Date. Payment, if any, owed by Purchaser to Seller or by Seller to Purchaser by reason of such adjustments shall be made at the Closing (by adjustment of the Purchase Price, if practicable) or as soon as reasonably practicable thereafter.

(b) Seller shall pay all sales taxes, and transfer taxes, if any, including, without limitation, any transfer taxes relating to the conveyance of the Real Properties, applicable to its transaction at the Closing. Seller shall be responsible for all franchise assignment fees owed to Burger King in connection with the assignment of the Franchise Agreements to Purchaser.

(c) All rent and percentage rent and other sums payable under the leases for the Real Properties shall be pro-rated as of the Closing Date for the month in which Closing occurs.

(d) All rebates, amounts and funds on account of, accrued by or due under the Soft Drink Agreements and the RSI Dividends shall be pro-rated as of the Closing Date.

(e) Advance payments made by Seller for medical coverage continuing for employees of the Restaurants shall be pro-rated for the month in which Closing occurs.

(f) To the extent the amount of any adjustments pursuant to this Section 1.6 cannot be known as of Closing, such amount shall be calculated as soon as practicable after the information is available to allow calculation, and the party owing such credit hereunder shall promptly pay such credit amount to the other party as set forth in this Section 1.6.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents, warrants, covenants and agrees to and with Purchaser as follows:

SECTION 2.1 Organization and Corporate Power. Seller is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and is authorized to conduct business in the jurisdictions in which the Restaurants are located. Such jurisdictions are the only jurisdictions wherein the character of the Real Properties and other Purchased Assets owned or leased or the nature of the business of Seller makes such licensing or qualification to do business necessary. Seller has full power and authority (corporate or otherwise) to own its assets, or hold under lease the real property it presently holds under lease and to carry on the business in which it is engaged at all locations at which it is presently located including, without limitation, operation of the Restaurants at the Real Properties and to execute and deliver this Agreement and the other documents and instruments to be executed and delivered by Seller under or in connection with this Agreement, as the case may be, (this Agreement and all other agreements, documents and instruments to be entered into pursuant to this Agreement or in connection herewith including all exhibits and schedules annexed hereto and thereto are collectively referred to herein as the "**Transaction Documents**") and to consummate the transactions contemplated hereby and thereby.

SECTION 2.2 Governing Instruments. The copies of the Governing Instruments (as defined in Section 10.6) of Seller, and all amendments thereto to date, as certified by the secretary of Seller have heretofore been delivered to Purchaser, and are complete and correct. Seller is not in default in the performance, observance or fulfillment of any of the provisions, terms or conditions of its Governing Instruments.

SECTION 2.3 Due Authorization. All requisite authorizations for the execution, delivery and performance of this Agreement and the other Transaction Documents by Seller have been duly obtained or will be obtained as of the Closing Date. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been or will be duly authorized by the Board of Directors and shareholders of Seller, and no other corporate

acts or proceedings on the part of Seller or its shareholders are necessary to authorize the execution and delivery of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby. This Agreement and each of the other Transaction Documents, upon execution and delivery by Seller, will be the legal, valid and binding obligation of Seller enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency and other laws affecting creditors rights (collectively "**Bankruptcy Laws**") and subject to general principles of equity affecting the right to specific performance and injunctive relief.

SECTION 2.4 No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents by Seller and the consummation by Seller of the transactions contemplated hereby and thereby, do not and at Closing will not: (a) violate its Governing Instruments; (b) violate or conflict with or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under any agreement, indenture, instrument or understanding to which Seller is a party or by which it is bound; (c) violate any judgment, decree, law, rule or regulation to which Seller is a party or by which it is bound; (d) result in the creation of, or give any party the right to create any encumbrance upon the property and assets of Seller; (e) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any agreement or commitment to which Seller is a party or by which Seller is subject or bound; or (f) result in any suspension, revocation, impairment, forfeiture or non-renewal of any permit, license, qualification, authorization or approval applicable to Seller.

SECTION 2.5 Consents. Schedule 2.5 sets forth a list of all consents, approvals or other authorizations which Seller is required to obtain from, and any filing which Seller is required to make with, any governmental authority or agency or any other Person including, but not limited to, consents required from Burger King (the "**Burger King Consents**") in connection with the execution, delivery and consummation of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby or thereby (collectively, the "**Required Consents**").

SECTION 2.6 Financial Statements.

(a) Seller has delivered to Purchaser (i) its audited financial statements, including the balance sheet of the business operated at the Restaurants as of December 31, 2013, and the related statements of income, shareholders' equity and cash flows for the fiscal years ended on December 31, 2013, December 31, 2012 and December 31, 2011 (collectively, the "**Audited Financial Statements**"); and (ii) its unaudited financial statements, including the balance sheet of the business operated at the Restaurants as of June 30, 2014 and the related statements of income, shareholders' equity and cash flows for the period from January 1, 2014 to said date (collectively, the "**Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**").

(b) The Financial Statements of Seller referred to in Section 2.6(a) are true, correct and complete, have been prepared in accordance with generally accepted accounting principles consistently applied and accurately present the results of operations of the Restaurants for the periods covered thereby. There has not been any change between the date of the Financial Statements and the date of this Agreement which has materially affected the financial condition, assets, liabilities, results of operations of the Restaurants and, except as set forth in Schedule 2.6(b), no fact or condition exists or is contemplated or threatened which may cause any such change at any time in the future.

(c) Without limiting the foregoing since last audit date and interim period end date with respect to the Restaurants:

(i) Seller has not incurred any obligation or liability (absolute or contingent) except current liabilities incurred in the ordinary course of conduct of business and obligations under Contracts entered in the ordinary course of business; and

(ii) Seller has not paid, loaned or advanced any amounts to, or sold, transferred, leased, subleased or licensed any Real Properties or Purchased Assets to, or entered into any agreement or arrangements with, any Affiliate or associate (and any of such transactions shall have been terminated on or before the Closing Date).

SECTION 2.7 Purchased Assets.

(a) Seller owns, and will transfer to Purchaser at Closing, good and marketable title to all of its Purchased Assets and Assumed Contracts free and clear of all Liens and leases. All of the Purchased Assets: (i) are, and on the Closing Date will be, in good operating condition and repair, capable of performing the functions for which such items are currently and normally used, normal wear and tear excepted and are not in need of maintenance or repairs except for ordinary, routine maintenance and repairs; and (ii) except as set forth on Schedule 2.7(a), conform, and on the Closing Date will conform, to the current standards and specifications of Burger King applicable to franchisees of Burger King restaurants under the terms and conditions set forth in the applicable Franchise Agreements, including, without limitation, Burger King's "current image" requirements. On the Closing Date, each Restaurant, together with its related Purchased Assets and Real Property, taken as a whole, will constitute a fully operable "turn-key" Burger King restaurant sufficient to permit Seller to obtain the unconditional consent of Burger King to the transfer of the Restaurants to Purchaser and to permit Purchaser to immediately operate the business at such Restaurant as presently being conducted therein.

(b) Seller will transfer and/or assign to Purchaser at Closing all Warranties, if any, with respect to its Purchased Assets.

SECTION 2.8 Inventory. The Inventory of Seller consists, and at Closing will consist, of items of quality and quantity usable or salable in the ordinary course of business consistent with the current standards and specifications of Burger King applicable to franchisees of Burger King restaurants and shall include current saleable premiums only. At Closing, the Inventory at each Restaurant shall be sufficient for the operation of such Restaurant for at least 48 hours after the Closing Date.

SECTION 2.9 Real Property.

(a) With respect to any Real Properties, Seller has delivered to Purchaser a true and complete copy of all leases, together with all amendments thereto. To the best of Seller's knowledge, each applicable owner of the Real Properties has good and marketable title in fee simple to such real property free and clear of all Liens except as set forth in Schedule 2.9(a). Seller has no knowledge or information of any facts, circumstances or conditions which do or would in any way adversely affect the Real Properties or the operation thereof or business thereon as presently conducted or as intended to be conducted. At or prior to Closing, Seller shall cause to be discharged of record all Liens against Seller or Seller's interest affecting its Real Properties. Each lease associated with the Real Properties is valid and binding in full force and effect and enforceable in accordance with its terms. There are no existing defaults or offsets which any of the applicable landlords has against the enforcement of its lease of the Real Property and neither Seller nor such landlord is in default under the applicable leases for the Real Property, nor have any events under any such leases for the Real Property occurred which, with the giving of notice or passage of time or both, would constitute a default thereunder by either party thereto.

(b) To the best of Seller's knowledge, the Real Properties and all improvements located thereon and the present use thereof comply with, constitute a valid non-conforming use, or are operating pursuant to the provisions of a valid variance under all zoning laws, ordinances and regulations of governmental authorities having jurisdiction thereof and, to the best of Seller's knowledge, the construction, use and operation of the Real Properties by Seller are in substantial compliance with all Laws. On or prior to Closing, Seller shall deliver to Purchaser true and complete copies of each certificate of occupancy for each Restaurant and all amendments thereto to date. In the event Seller is unable to provide copies of said certificates, Seller shall deliver documentation from the appropriate municipalities indicating that such certificates are not required or no longer exist in their records. Except as otherwise set forth on Schedule 2.9(b), the Real Properties and the Restaurants located thereon are in a state of good maintenance and repair and are in good operating condition, normal wear and tear excepted, and (i) there are no material, physical or mechanical defects in any of the Real Properties and or Restaurants, including, without limitation, the structural portions of the Real Properties and Restaurants and the plumbing, heating, air conditioning, electrical, mechanical, life safety and other systems therein and all such systems are in good operating condition and repair (normal wear and tear excepted); (ii) there are no ongoing repairs to the Real Properties or Restaurants located thereon being made by or on behalf of Seller or being made by or on behalf of any landlord; and (iii) the roof of each Restaurant is in good condition and free of leaks. Except as otherwise set forth on Schedule 2.9(b), all necessary occupancy and other certificates and permits, municipal and otherwise, for the lawful use and occupancy of the Real Properties for the purposes for which they are intended and to which they are presently devoted including, without limitation, for the operation of a Burger King restaurant thereon, have been issued and remain valid. There are no pending or threatened actions or proceedings that might prohibit, restrict or impair such use and occupancy or result in the suspension, revocation, impairment, forfeiture or non-renewal of any such certificates or permits. All notes or notices of violation of any Laws, against or affecting any such Real Properties have been complied with. There are no outstanding correcting work orders from any Federal, State, county, municipal or local government, or the owner of the Real Properties or any insurance company with respect to any such Real Properties.

(c) There are no condemnation or eminent domain proceedings of any kind whatsoever or proceedings of any other kind whatsoever for the taking of the whole or any part of the Real Properties for public or quasi-public use pending or, to the knowledge of Seller, threatened against the Real Properties.

(d) The Real Properties and all improvements thereon represent all of the locations at which the Seller conducts business relating to the Restaurants and are, now, and at Closing will be, the only locations where any of the Purchased Assets are or will be located.

(e) All water, sewer, gas, electric, telephone and drainage facilities, and all other utilities required by any Law or by the normal use and operation of the Real Properties and the Restaurants located thereon are installed to the property lines of the respective Real Properties, are connected pursuant to valid permits, are fully operable and are adequate to service the Real Properties and the Restaurants located thereon and to permit full compliance with all Laws and normal utilization of the Real Properties and the Restaurants located thereon.

(f) All licenses, permits, certificates, including, without limitation, proof of dedication, required from all governmental agencies having jurisdiction over the Real Properties, and from any other Persons, for the normal use and operation of the Real Properties and the Restaurants located thereon and to ensure adequate vehicular and pedestrian ingress to and egress from the Real Properties and the

Restaurants located thereon have been obtained. The Easements are valid and binding, in full force and effect and enforceable in accordance with their respective terms.

SECTION 2.10 Franchise Agreements.

(a) Seller has delivered to Purchaser a true, complete and correct copy of the Franchise Agreements and all amendments thereto. Seller owns, and at Closing will transfer to Purchaser, its right, title and interest in the Franchise Agreements, free and clear of all Liens. Subject to the written consent of Burger King, which Seller shall obtain and deliver to Purchaser at or prior to the Closing, Seller has the absolute right and authority to sell, assign, transfer and convey the Franchise Agreements, and Seller does not know or has no reason to know of any event which would give rise to a violation or default under the Franchise Agreements.

(b) Burger King Business Plans, Facility Reports. Prior to Closing Seller shall deliver to Purchaser true and correct copies of all "Facility Inspection Reports or similar documentation (collectively "**BKC Reports**") prepared by Burger King personnel for the past three (3) years relating to the operations, repair and maintenance of the Restaurants.

SECTION 2.11 Employment Arrangements.

(a) Except as required by Law, Seller has no obligation, contingent or otherwise, under any employment agreement, collective bargaining or other labor agreement, any agreement containing severance or termination pay arrangements, retainer or consulting arrangements, or purchase plan or other employee contract or non-terminable (whether with or without penalty) arrangement with respect to any person employed by Seller in connection with the businesses operated at the Restaurants (including but not limited to district managers) (collectively "**Subject Employees**").

(b) Except as set forth on Schedule 2.11(b), within the last five (5) years Seller has not experienced any labor disputes, union organization attempts or any work stoppage due to labor disagreements. Except as set forth on Schedule 2.11(b), (i) Seller is in substantial compliance with all applicable Laws, including all Federal and state labor laws, rules and regulations, respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice; (ii) there is no unfair labor practice, charge or complaint against Seller pending or threatened before the National Labor Relations Board; (iii) there is no labor strike, dispute, request for representation, slowdown or stoppage actually pending or threatened against or affecting Seller; (iv) no question concerning representation has been raised or is threatened respecting the employees of Seller; and (v) no grievance which might have an adverse effect on Seller or the conduct of its business nor any arbitration proceeding arising out of or under collective bargaining agreements is pending and no claims therefor exist.

(c) Schedule 2.11(c) sets forth a true and complete list of (i) the names of all manager and assistant managers employed by Seller at the Restaurants as of the date hereof, including both salaried and hourly managers, the date such individuals were first employed by Seller, how long such individuals have been at the particular Restaurants and the salary or hourly wage payable to such persons; (ii) the names of all other persons employed by Seller at the Restaurants as of the date hereof, and the salary or hourly wage payable to each such person; and (iii) the total number of vacation days earned and/or accrued by all persons employed by Seller and the total monetary value of such accrued vacation for all such persons ("**Accrued Vacation Pay**"). As of the Closing, Seller shall have terminated all Subject Restaurant Employees and no additional payments shall be due and owing to any Subject Restaurant Employee with respect to any period prior to and including the Closing Date (except for any amount claimed by any Subject Restaurant

Employee but which has being denied or contested by the Seller in good faith, which shall be an Excluded Liability) or amounts that Seller shall be obligated to pay (including, without limitation, payments relating to such employees' Accrued Vacation). Seller has complied with all requirements of the Worker Adjustment and Retraining Notification Act of 1988 and has not incurred, nor is reasonably expected to incur, any Losses under such Act.

(d) Except as set forth on Schedule 2.11(d): (1) no charge against Seller or any of the employees of the Restaurants is pending before the Equal Employment Opportunity Commission, the National Labor Relations Board, or any other Governmental Authority responsible for the prevention of unlawful employment practices related to the Restaurants; (2) no actions relating to employment or loss of employment from Seller, directly or indirectly, are pending in any Governmental Authority and no such Actions have been threatened against Seller related to the Restaurants; and (3) no notice of intent of any Governmental Authority responsible for the enforcement of labor or employment regulations to conduct an investigation has been received, and no such investigation is in progress.

(e) Each of the employees at the Restaurants is employed at will and may be terminated at any time by Seller without the payment of any severance or other penalty and without any requirement that any advance notice be given in connection with such termination.

(f) The Accrued Vacation has been earned and accrued in the ordinary course of Seller's business consistent with past practices.

(g) Seller is not, and has not been, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, "**Union**"), and there is not, and has not been, any Union representing or purporting to represent any employee of Seller, and no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. There has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor disruption or dispute affecting Seller or any employees of the Business. Seller has no duty to bargain with any Union.

SECTION 2.12 Contracts and Arrangements.

(a) Except for the Franchise Agreements, leases for the Real Properties, Easements, and Assumed Contracts, all other Seller Contracts are capable of being, and will be, terminated as of the Closing Date at Seller's sole cost and expense. Seller has no other Contract relating to the Restaurants, Purchased Assets or Real Properties, that will survive the Closing including, without limiting the generality of the foregoing, any (i) Contract for the purchase or sale of Inventory; (ii) Contract for the purchase or sale of supplies, services or other items; (iii) Contract for the purchase, sale or lease of any Restaurant Equipment; (iv) Franchise Agreement or license agreement; and (v) employment or consulting agreement or pension, disability, profit sharing, bonus, incentive, insurance, retirement or other employee benefit agreement.

(b) Seller has not given any power of attorney (revocable or irrevocable) to any Person for any purpose whatsoever.

SECTION 2.13 Litigation, Compliance with Laws and Consents.

(a) Except as set forth on Schedule 2.13(a), there are no suits, grievances, complaints, charges, inquiries, proceedings, hearings, demands, notices, demand letters, claims, actions, causes of action or investigations before any court, tribunal, governmental or regulatory authority or any other Person (each

an "**Action**" and, collectively, "**Actions**") now pending, or, to the knowledge of Seller, in prospect or threatened against, Seller or any of its respective officers, directors or partners, at law or in equity, whether or not fully covered by insurance, in connection with the Purchased Assets, Real Properties, leases for the Real Properties, Assumed Contracts, Restaurants, business, affairs or assets of Seller.

(b) Seller at all times during the past has been, and at Closing, will be, in substantial compliance in all respects with all laws (whether statutory or otherwise) rules, regulations, orders, ordinances, judgments, injunctions, demands, or decrees of any governmental authority (Federal, state, local or otherwise) (collectively "**Laws**") applicable to its employees, business, affairs, properties or assets. Neither Seller, nor any officer, director or authorized agent of Seller is in default with respect to, and has not been charged or to its knowledge threatened with, nor is under investigation with respect to any violation of any Laws relating to any aspect of its business, affairs, properties or assets including, but not limited to, the Restaurants, Purchased Assets, Real Properties, leases for the Real Properties or Assumed Contracts.

(c) Set forth on Schedule 2.13(c) hereto is a list of all licenses, permits, approvals, permissions, qualifications, consents and other authorizations (collectively "**Licenses**") which are required to be obtained in connection with the ownership, use or operation of the Restaurants, the Purchased Assets or Real Properties ("**Required Licenses**"). Except as set forth on Schedule 2.13(c), Seller has obtained each of the Required Licenses and each such Required License is, and on the Closing Date will be, validly issued and in full force and effect and there are not now, and at Closing shall not be, any Actions pending, and to Seller's knowledge, any Actions in prospect or threatened, challenging the Required Licenses.

SECTION 2.14 Environmental Matters. Except as set forth in Schedule 2.14 annexed hereto: (i) Seller has obtained all Licenses which are required under any Environmental Laws; (ii) to the best of Seller's knowledge, Seller is in substantial compliance with all terms and conditions of the Required Licenses and is also in substantial compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Laws or code, plan, order, decree or judgment relating to public health and safety and pollution or protection of the environment or any notice or demand letter issued, entered, promulgated or approved thereunder; (iii) there are no civil, criminal or administrative Actions pending, or to Seller's knowledge threatened, against Seller relating in any way to any Environmental Law or any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder; and (iv) Seller does not know or have any reason to know of and Seller has not received any notice of any facts, events or conditions which would interfere with or prevent continued compliance with, or give rise to any common law or legal liability under any Environmental Law.

SECTION 2.15 Insurance Policies. Seller has maintained with financially sound and reputable insurers insurance with respect to its properties and business against loss or damage of the kinds customarily insured against, including, but not limited to fire, liability, workers' compensation or vehicular by reputable companies in the same or similar business, of such types and in such amounts (with such deductible amounts) as is customary for such companies under similar circumstances. All of the applicable insurance policies are valid and enforceable and in full force and effect and will be continued in full force and effect up to and including the Closing Date.

SECTION 2.16 Tax Returns. Seller has filed all Federal income tax returns and all state and local income, franchise and sales tax returns and all real property tax returns and any other tax return which was required to be filed as of the date of this Agreement, and will timely file or obtain extensions of time to file all returns which were not required to be filed prior to the date hereof. As of the date hereof, no taxes are past due, no tax liabilities have been assessed or proposed which remain unpaid and all current payroll taxes

have been paid. Seller is not aware of any basis upon which any assessment of additional Federal, state or local income or other taxes could be made, and Seller has not signed any extension agreement with the Internal Revenue Service or any other governmental agency or given waiver of a statute of limitations with respect to the payment of taxes for periods for which the statute of limitations has not expired. Seller shall be liable for all tax liabilities in connection with the operation of the Restaurants, the Purchased Assets, the Real Properties, the Easements and Assumed Contracts, which cover periods prior to the Closing Date. Seller shall be liable for all transfer, sales and similar tax liabilities, if any, in connection with the assignment of the leases for the Real Properties and Assumed Contracts, and the transfer of any rights under the Easements. All taxes which Seller is required by law to withhold or collect have been duly withheld or collected and to the extent required have been paid over to the proper governmental authorities on a timely basis or reflected as an obligation on the current Financial Statements of the Seller. Seller is not a "foreign person" as that term is used in Treasury regulation Section 1.1445-2.

SECTION 2.17 Adverse Restrictions. Seller is not subject to any charter, by-law, Lien, lease, agreement, instrument, order, judgment or decree, or any other restriction of any kind or character, or, any law (currently in existence or adopted on or before the Closing Date), rule or regulation, which now is or in the future could be burdensome or which could affect materially adversely the Restaurants or the business conducted therein, Purchased Assets, Real Properties or the lease for the Real Properties, the Easements or Assumed Contracts. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereunder and thereby will not result in the violation or breach of, default or the creation of any Lien under any of the aforesaid.

SECTION 2.18 Brokers. No broker, finder or selling agent has had a part in bringing about any of the transactions contemplated by this Agreement or the other Transaction Documents (including, but not limited to, the assignment of the Real Properties) and no commission or other fee is due to any party in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

SECTION 2.20 Material Information. The Financial Statements, this Agreement, the other Transaction Documents and any exhibit, schedule, certificate, or other information, representation, warranty or other document furnished or to be furnished by Seller to Purchaser pursuant to or in connection with any of the foregoing, do not (i) contain, nor will the same contain, any untrue statement of a material fact; or (ii) omit, nor will the same omit, or fail to state, a material fact required to be stated herein or therein or which is necessary to make the statements herein or therein not misleading.

SECTION 2.21 Other Franchise Development Competition.

(a) Except as set forth in Schedule 2.21(a), Seller has not received any notification from Burger King, and is not otherwise aware of any planned or proposed new development of Burger King restaurants by other franchisees anywhere within the "Restricted Area" (as defined in Section 8.1(a)(i)).

(b) Except as set forth on Schedule 2.21(b), Seller, has no knowledge of any planned or proposed new development of competing restaurants (such as McDonald's, Wendy's, Taco Bell and Subway) anywhere within the "Restricted Area" which, upon opening, could reasonably be expected to cause a decrease in the sales of any Restaurant of greater than five (5%) percent.

SECTION 2.22 Continuing Representations. The representations and warranties of Seller herein contained shall be materially true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents, warrants, covenants and agrees to and with Seller that:

SECTION 3.1 Organization and Corporate Power. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has full power and authority to execute and deliver this Agreement and the other Transaction Documents to be executed and delivered by Purchaser pursuant hereto or in connection herewith and to consummate the transactions contemplated hereby and thereby.

SECTION 3.2 Certificate of Incorporation and By-Laws. Copies of the Articles of Organization of Purchaser and all amendments thereto to date, as certified by the Secretary of Purchaser, have heretofore been delivered to Seller, and are complete and correct as of the date of this Agreement and will be complete and correct as of the Closing Date. Purchaser is not in default in the performance, observance or fulfillment of any of the terms or conditions of its Certificate of Incorporation or By-Laws.

SECTION 3.3 Due Authorization. All requisite authorizations for the execution, delivery, performance and satisfaction of this Agreement and the other Transaction Documents by Purchaser have been duly obtained. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been or will be at the time of Closing duly authorized by the Member of Purchaser and no other corporate acts or proceedings on the part of Purchaser are necessary to authorize the execution and delivery of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby. This Agreement and each of the other Transaction Documents, upon execution and delivery by Purchaser, will be the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforcement thereof may be limited by Bankruptcy Laws and subject to the general principles of equity affecting the right to specific performance and injunctive relief.

SECTION 3.4 No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents by Purchaser and the consummation by Purchaser of the transactions contemplated hereby and thereby will not (a) violate its Articles of Organization or Operating Agreement; (b) violate or conflict with or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any agreement, indenture, instrument or understanding to which Purchaser is a party or by which it is bound; (c) violate any judgment, decree, law, rule or regulation to which Purchaser is a party or by which it is bound; (d) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any agreement or commitment to which Purchaser is a party or by which Purchaser is subject or bound; or (e) result in any suspension, revocation, impairment, forfeiture or non-renewal of any license, qualification, authorization or approval applicable to Purchaser.

SECTION 3.5 Consents. Except for the consent of Purchaser's senior lender and any filings that Purchaser may be required to make with the Securities and Exchange Commission, Purchaser is not required to obtain any consents, approvals or other authorizations or to make any filing with any governmental authority or agency or any other Person in connection with the execution, delivery and consummation of this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

SECTION 3.6 Brokers. No broker, finder or selling agent has had a part in bringing about any of the transactions contemplated by this Agreement or the other Transaction Documents (including, but not

limited to, the assignment of the leases) and no commission or other fee is due to any party in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

SECTION 3.7 Material Information. This Agreement, the other Transaction Documents and any exhibit, schedule, certificate or other information representation, warranty or other document furnished or to be furnished by Purchaser to Seller do not (a) contain, nor will the same contain, any untrue statement of a material fact; or (b) omit, nor will the same omit, or fail to state, a material fact required to be stated herein or therein or which is necessary to make the statements herein or therein not misleading.

SECTION 3.8 Continuing Representations. The representations and warranties of Purchaser herein contained shall be materially true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date.

ARTICLE IV COVENANTS OF THE PARTIES

SECTION 4.1 Access to Records and Properties Prior to the Closing Date. Between the date of this Agreement and the Closing Date, Seller shall give Purchaser, its directors, officers, employees, accountants, counsel and other representatives and agents ("**Representatives**") reasonable access to the premises, properties, employee records, books, financial statements, Contracts, and records of Seller relating to the Restaurants, the Purchased Assets, Real Properties, the Easements and Assumed Contracts, and shall furnish Purchaser with such financial and operating data and other information with respect to the business and properties of Seller as Purchaser shall from time to time reasonably request for such purposes as Purchaser shall require and pertaining to its acquisition of the Restaurants. Any such investigation or examination shall be conducted at reasonable times and upon reasonable notice to Seller. Purchaser shall: (i) be solely responsible for all costs associated with the conduct of its investigations and examinations; (ii) upon completion of its investigations and examinations immediately repair and restore the Real Property to its condition existing immediately prior to the conduct of its investigations and examinations; and (iii) indemnify, defend and hold Seller harmless from and against all liabilities, claims, damages, actions, or losses (threatened or incurred) to the Real Property or anyone on the Property or around the Property as a result of the negligence of the Purchaser, or any of Purchaser's agents, in performing the investigations and examinations. Notwithstanding inspections, audits or other studies undertaken by or on behalf of Purchaser hereunder or any other due diligence investigation undertaken by or on behalf of Purchaser, Seller shall not be relieved in any way of responsibility for their warranties, representations and covenants set forth in this Agreement.

SECTION 4.2 Operation of the Business of Seller.

(a) Between the date of this Agreement and the Closing Date, Seller shall conduct the operation of the Restaurants in the ordinary and usual course of business, consistent with past practices and will use its best efforts to preserve intact the present business organization with respect to the Restaurants, to keep available the services of its officers and employees, and to maintain satisfactory relationships with landlords, franchisors, dealers, licensors, licensees, suppliers, contractors, distributors, customers and others having business relations with it and the Restaurants and will maintain the Restaurants, Real Properties, and Purchased Assets in a condition conducive to the operation of the business currently carried on therein.

(b) Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or with the prior written consent of Purchaser, Seller will not:

(i) keep and maintain its books of account and records other than in accordance with generally accepted accounting principles consistent with past practices;

(ii) amend or restate the leases for the Real Properties, the Franchise Agreements or any Assumed Contract or other material Contract;

(iii) (A) Increase in any manner the compensation of any of the employees at any of the Restaurants other than in the ordinary course of business, consistent with past practices; (B) pay or agree to pay any pension, retirement allowance or other employee benefit not required or permitted by any Plan, whether past or present; or (C) commit itself in relation to the Restaurants, the employees at the Restaurants or the Real Properties, to any new or renewed Plan with or for the benefit of any Person, or to amend any of such Plans or any of such agreements in existence on the date hereof;

(iv) Permit any of its insurance policies to be canceled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies are in full force and effect providing coverage, in form, substance and amount equal to or greater than the coverage under those canceled, terminated or lapsed for substantially similar premiums;

(v) Enter into any other Contracts whether written or oral which, individually or in the aggregate, would be material to the Restaurants, Purchased Assets, Real Properties, the Easements or the Assumed Contracts, except Contracts for the purchase, sale or lease of goods or services in the ordinary course of business consistent with past practice and not in excess of current requirements, or otherwise make any material change in the conduct of the businesses or operations of Seller;

(vi) Take any action which would result in any of the representations or warranties contained in this Agreement or the other Transaction Documents not being true at and as of the time immediately after such action at and as of the Closing Date, or impair Seller's ability to perform any of the covenants contained in this Agreement or other Transaction Documents or which would have a materially adverse impact on the transactions contemplated by this Agreement or the Transaction Documents;

(vii) Operate the Restaurants or otherwise engage in any practices which would materially adversely affect sales at the Restaurants; or

(viii) Agree (in writing or otherwise) to do any of the foregoing.

(c) From and after the date hereof, Seller or any of its Affiliates will not remove any management personnel (manager and assistant managers) from the Restaurants or relocate such management personnel to any other restaurants owned or operated by Seller or its Affiliates.

(d) From the date hereof and up to and including the Closing Date, Seller shall use its best efforts to maintain and retain at a minimum one (1) Restaurant Manager position and two (2) Assistant Restaurant Manager positions per Restaurant.

(e) From the date hereof and up to and including the Closing Date, Seller shall:

(i) maintain all agreements and accounts with suppliers, licensors, licensees, advertisers, distributors, vendors and others having business dealings with or providing services to the Restaurants including, but not limited to trash and garbage removal, snow and ice removal, landscaping and lawn care, utilities, telephone service, internet service, repairs and maintenance, grease removal, and billboard

and highway sign agreements and Seller shall not terminate any such agreements or accounts without the Purchaser's prior written consent not to be unreasonably withheld;

(ii) assist with and provide reasonable cooperation in the orderly transition of all such agreements, business dealings and services to Purchaser;

(iii) provide reasonable cooperation in obtaining the assignment of any of the Assumed Contracts provided that the same are capable of assignment with or without consent; and

(iv) provide reasonable cooperation in developing transitional plans and arrangements, as may be required, to effect the transition of the Restaurants and related POS, inventory and supporting information systems.

SECTION 4.3 Supplements to Disclosures. Prior to the Closing Date, Seller will promptly supplement or amend the information set forth herein and in the Schedules and Exhibits referred to herein with respect to any material matter hereafter arising which, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described herein or in a Schedule or Exhibit or which is necessary to correct any material information herein or in a Schedule or Exhibit or in any representation and warranty, which has been rendered inaccurate thereby.

SECTION 4.4 No Other Asset Sales. From the date hereof until the Closing Date, Seller shall not, directly or indirectly and whether by means of a sale of assets, sale of stock, merger or otherwise:

(a) sell, transfer, assign or dispose of, or offer to, or enter into any Contract to sell, transfer assign or dispose, of the Purchased Assets or any interest therein, except for normal operations in the ordinary course of business; or

(b) encourage, initiate or solicit any inquiries or proposals by, or engage in any discussions or negotiations with, or furnish any non-public information to any Person concerning any other sale of the Purchased Assets and Seller shall promptly communicate to Purchaser the substance of any inquiry or proposal concerning any such transaction which may be received.

SECTION 4.5 Regulatory Filings and Consents. From the date hereof until the Closing Date, each of the parties hereto shall furnish to the other party hereto such necessary information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings or submissions to any governmental agency and Seller and Purchaser shall use their best efforts to obtain all Licenses and Required Consents from third parties necessary to consummate the transactions contemplated by this Agreement and the other Transaction Documents. Each party shall furnish to the other copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between Purchaser, Seller, or any of their respective Representatives and agents, on the one hand, and any government agency or authority or third party, on the other hand, with respect to this Agreement and the other Transaction Documents and transactions contemplated hereby and thereby.

SECTION 4.6 Announcements; Confidentiality.

(a) From the date of this Agreement until Closing, except as required by Law or as otherwise provided herein, no announcement of the existence or terms of this Agreement or the other Transaction Documents or the transactions contemplated hereby and thereby shall be made publicly or to

the employees or customers of Seller, by any party to this Agreement or any of its respective Representatives without the advance written approval of the other party.

(b) A certain Confidentiality Agreement dated October 3, 2013, has been entered into by and between Purchaser and Seller (the "**Confidentiality Agreement**"). Seller and Purchaser acknowledge and agree that the Confidentiality Agreement remains in full force and effect and, in addition, covenants and agrees to keep confidential, in accordance with the provisions of the Confidentiality Agreement, information provided by such other party pursuant to this Agreement and the Confidentiality Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this Section 4.6(b) shall nonetheless continue in full force and effect. At Closing, the Confidentiality Agreement shall remain in full force and effect, other than with respect to Purchaser's obligations relating to the Restaurants and Purchased Assets, which shall terminate at such time.

SECTION 4.7 Limitation of Seller, Actions After Closing. From and after the Closing and thereafter so long as the provisions of Article VII are still applicable, Seller shall not, without the prior written consent of Purchaser: (i) engage in any business which would adversely affect the value of the Purchased Assets or the businesses operated at the Restaurants; or (ii) take any other action or fail to take any action, or allow the occurrence of any event, with respect to Seller's assets, including without limitation, the Real Properties, which could be reasonably expected to materially and adversely affect the value thereof.

SECTION 4.8 Bulk Sales. ***Not Applicable***

SECTION 4.9 Financial Statements and Reports. Between the date hereof and the Closing Date, Seller shall deliver to Purchaser:

(a) within five (5) business days after the end of each calendar week, a written statement, certified by Seller, of the Gross Sales of each Restaurant for that week; and

(b) within five (5) business days of their availability, such financial statements relating to each Restaurant as may be prepared by Seller, which shall be prepared on a basis consistent with past practices.

SECTION 4.10 Environmental Matters.

(a) Purchaser shall, at its sole cost and expense, obtain current "Phase I" environmental site assessments (hereinafter "**Phase I's**") for each of the Real Properties within forty-five (45) days after the Effective Date, which shall be conducted by a reputable, licensed environmental services company (the "**Environmental Company**"). The Phase I's shall be prepared by the Environmental Company so that they may be relied upon by both Seller and Purchaser.

(b) In the event any of the Phase I's shall recommend that a "Phase II" environmental site assessment (hereinafter "**Phase II's**") be performed, or shall disclose any environmental conditions which Purchaser, in its sole discretion reasonably exercised, believes should be investigated further, Purchaser, at its sole cost and expense and conditioned upon obtaining the consent of Seller, shall cause Phase II's for each Real Property so affected to be performed by the Environmental Company. In connection with any such Phase II Purchaser shall: (i) be solely responsible for all costs associated with the Phase II; (ii) upon completion of the Phase II immediately repair and restore the Real Property to its condition existing immediately prior to the Phase II; and (iii) indemnify, defend and hold Seller harmless from and against all liabilities, claims, damages, actions, or losses (threatened or incurred) to the Real Property or anyone on the

Property or around the Property as a result of the negligence of the Purchaser, or any of Purchaser's agents, in performing the Phase II.

(c) In the event that a Phase I or a Phase II shall identify a Real Property which is affected by an environmental condition which requires abatement or remediation or is otherwise subject to a Recognized Environmental Condition (an "**Environmentally Damaged Restaurant**") or if Seller does not authorize the conduct of a Phase II that Purchaser reasonably believes should be conducted, Purchaser shall have the option, to be exercised within ten (10) days of receipt of such Phase I or Phase II, to elect to have the Environmentally Damaged Restaurant and the Real Property upon which such Restaurant is located, and all other Purchased Assets relating to such Restaurant, withdrawn from this transaction, whereupon the purchase price for the Purchased Assets shall be reduced by an amount (referred to herein as the "**Damage Credit**") which shall be determined by Purchaser and Seller by taking into account the sales, profitability and location of such Restaurant, as well as any other relevant material facts or factors related to the value of such Restaurant, the Purchased Assets related thereto or the Real Property upon which it is located. In the event Purchaser and Seller are unable to agree upon the Damage Credit, such dispute shall be submitted to arbitration before a single Arbitrator under the rules of the American Arbitration Association located in Chicago, Illinois.

SECTION 4.11 Employee Benefit Matters.

(a) Seller shall pay to any and all liabilities with respect to any wages, vacation, severance or sick pay, and payroll taxes thereon, or any rights under any stock option, bonus or other incentive arrangements of its respective employees which shall have accrued or been earned by the Subject Employees as of the Closing Date and not paid by Seller. For the purposes hereof, such accrued liabilities shall be determined as if Seller does not terminate the employment of their respective employees on the Closing Date.

(b) Seller shall assume full responsibility and liability for offering and providing "continuation coverage" to any employee of Seller, and to "qualified beneficiaries" of any employee of Seller or to any qualified beneficiary who incurs a multiple qualifying event after the Closing Date provided that the employee or "qualified beneficiary" incurs a "qualifying event" prior to the Closing Date. The continuation coverage shall be provided under a group health plan of Seller or an affiliate of Seller. The type of coverage shall be that described in Section 4980B(f)(2)(A) of the Code. The continuation coverage shall be provided for the period described in Section 4980B(f)(2)(A) of the Code. "Continuation coverage", "qualified beneficiaries", and "qualifying event" have the meanings given such terms under Section 4980B of the Code. Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any "Damages" (as defined in Section 7.2(a) below) arising out of Seller's failure to offer the continuation coverage described herein.

SECTION 4.12 Access to Restaurants Prior to Closing. From the Effective Date and from time to time thereafter and until the Closing, Seller shall give Purchaser and its Representatives access to the Restaurants for the purposes of facilitating Purchaser's conversion of the POS systems and other operational equipment. Such access by Purchaser shall be upon reasonable prior notice and Purchaser agrees to use best efforts to conduct said activities in such manner so as not to unreasonably interfere with the operation of Seller's business. To the extent there is storage space available at the Restaurants and the same shall not cause undue burden on Seller, Purchaser may also, at its sole risk, store its POS and related equipment at the Restaurants.

SECTION 4.13 No Solicitation. During the term of this Agreement, the Seller and any related party or parties acting through or on behalf of Seller shall not (i) solicit, initiate or encourage any inquiries, proposals or offers from any Person for, or enter into any discussions or agreements with any Person with respect to, the acquisition of any interest in the Purchased Assets (an “**Acquisition Transaction**”), (ii) furnish or cause to be furnished any non-public information concerning the business and operations of Seller with respect to the Purchased Assets to any Person (other than any of the parties hereto and their officers, directors, employees, consultants and agents) or (iii) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any Person to do or seek any of the foregoing. The Seller shall promptly notify the Purchaser of any inquiry or proposal received by the Seller with respect to any such Acquisition Transaction. On the Effective Date Seller and Stockholders shall immediately terminate any and all existing discussion, communications or negotiations with any Person other than Purchaser with respect to the Purchased Assets.

SECTION 4.15 Utilities and Contracts. Seller shall terminate all of the Restaurants’ utility accounts effective as of the Closing Date and shall provide such reasonable cooperation, as requested by Purchaser, to establish new utility accounts at the Restaurants in the name of the Purchaser. For the avoidance of doubt, in no event will Seller be required to transfer any utility accounts and/or related deposits to Purchaser.

SECTION 4.16 Termination of Employees. The Seller shall terminate each employee at all Restaurants effective as of the Closing. Seller shall bear any and all obligations and liability under the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. resulting from employment losses pursuant to this Section 4.16. Prior to the Closing, the timing of which shall be jointly agreed to by Seller and Purchaser, Purchaser may contact and make arrangements with any or all of the Subject Restaurant Employees, in the presence of representatives of the Seller, for the purpose of securing their employment by Purchaser immediately after the Closing and for the purpose of ensuring the continuity of the Restaurants after the Closing.

ARTICLE V

CONDITIONS TO OBLIGATIONS OF PARTIES

SECTION 5.1 Conditions to the Obligations of Seller and Purchaser. The obligations of Purchaser and Seller to consummate the transactions contemplated by the Transaction Documents are subject to the satisfaction at or prior to the Closing of the following conditions, except to the extent that any such condition may have been waived in writing by both Seller and Purchaser at or prior to the Closing:

(a) Impediments to Closing. No Actions shall have been instituted or shall be pending or threatened which questions the validity or legality of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and which could reasonably be expected to damage materially the Purchased Assets or Restaurants if the transactions contemplated hereby or thereby are consummated. No injunction, decree or order shall be in effect prohibiting consummation of the transactions contemplated by this Agreement or the other Transaction Documents or which would make the consummation of such transactions unlawful and no Actions shall have been instituted and remain pending to restrain or prohibit the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 5.2 Conditions to the Obligations of Seller. The obligations of Seller to consummate the transactions contemplated hereby and by the other Transaction Documents are subject to the satisfaction at or prior to the Closing of the following conditions, except to the extent that any such condition may have been waived in writing by Seller at or prior to the Closing:

(a) Representations, Warranties and Performance. The representations, warranties, covenants and agreements of Purchaser contained in this Agreement and the other Transaction Documents or otherwise made in writing by it or on its behalf pursuant hereto or otherwise made in connection with the transactions contemplated hereby or thereby shall be true and correct at and as of the Closing Date, with the same force and effect as if made at and as of the Closing Date; the Purchaser shall have performed or complied with all agreements and conditions required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date; and Seller shall have received a certificate to the foregoing effect dated the Closing Date in form reasonably satisfactory to Seller signed by an officer of Purchaser.

(b) Governing Instruments. Seller shall have received a certificate, dated the Closing Date, of the Secretary or Assistant Secretary of Purchaser certifying, among other things, that attached or appended to such certificate (i) is a true and correct copy of its Certificate of Incorporation and all amendments, if any, thereto as of the date thereof; (ii) is a true and correct copy of its By-Laws; (iii) is a true copy of all corporate actions taken by it, including resolutions of its board of directors authorizing the execution and delivery of this Agreement and each other Transaction Document to be delivered by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby; and (iv) are the names, the signatures of its duly elected or appointed officers who are authorized to execute and deliver this Agreement, and any certificate, document or other instrument in connection herewith.

(c) Payment of Purchase Price. Purchaser shall have tendered to Seller the Purchase Price payable at Closing in accordance with Section 1.2(a).

(d) Required Consents. Seller shall have received all of the Required Consents in form and content satisfactory to Seller in its sole discretion.

(e) Other Documents. Purchaser shall have delivered to Seller the Consent, Assignment and Assumption of Real Property Leases, the Leases, and each Assumed Contract;

(f) Certificates. Certificates dated no earlier than thirty (30) days prior to the Closing Date, from appropriate authorities in the State of its jurisdiction of incorporation, as to the good standing of Purchaser;

(g) Receipt of Inducement Payment. Seller shall have received, on or before the Closing, the Inducement Payment from Burger King in the amount of Two Million One Hundred Thousand and 00/100 Dollars (\$2,100,000.00).

(h) Closing of Concurrent Sales. The transactions between Heartland Midwest LLC, Heartland Illinois Food Corp. and Purchaser referenced on Schedule 5.2(h) attached hereto and made a part hereof (the “**Concurrent Transactions**”) shall have been closed simultaneous to and in conjunction with the Closing.

SECTION 5.3 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated hereby and by the other Transaction Documents are subject to the satisfaction at or prior to the Closing of the following additional conditions, except to the extent that any such condition may have been waived in writing by Purchaser at or prior to the Closing:

(a) Representations, Warranties and Covenants. The representations, warranties, covenants and agreements of Seller contained in this Agreement and the other Transaction Documents, or

otherwise made in writing by it or on its behalf pursuant hereto or otherwise made in connection with the transactions contemplated hereby or thereby shall be materially true and correct at and as of the Closing Date with the same force and effect as though made on and as of the Closing Date; Seller shall have performed or complied with all agreements and conditions required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date; and Purchaser shall have received certificates to the foregoing effect dated the Closing Date in form reasonably satisfactory to Purchaser signed by the an officer of Seller.

(b) Governing Instruments, etc. Purchaser shall have received a certificate, dated the Closing Date, of the Secretary or Assistant Secretary of Seller certifying, among other things, that attached or appended to such certificate (i) is a true and correct copy of each Governing Instrument and all amendments if any thereto as of the date thereof; (ii) is a true copy of all corporate actions taken by it, including resolutions of its board of directors and shareholders authorizing the execution and delivery of this Agreement and each other Transaction Document to be delivered by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby; and (iii) are the names and signatures of its duly elected or appointed officers who are authorized to execute and deliver this Agreement and any certificate, document or other instrument in connection herewith.

(c) Instruments of Transfer. Seller shall have delivered to Purchaser a bill of sale and assignment ("**Bill of Sale**") substantially in the form annexed as Exhibit "F" hereto and made a part hereof, the Leases, the Consent, Assignment and Assumption of Real Property Leases, and any other documents of transfer which Purchaser reasonably shall request in order to evidence and effectuate the sale and assignment to Purchaser of the Purchased Assets, the Real Properties, the Assumed Contracts and the consummation of all other transactions contemplated by this Agreement and the other Transaction Documents.

(d) Consents. Seller shall have obtained, and delivered to Purchaser, copies of the Required Consents applicable to it in form and substance satisfactory to Purchaser.

(e) No Material Adverse Change. There shall have been no material adverse change, nor any events which could have a material adverse change, in the business, operations, prospects or financial or other condition of any Restaurant or in the respective Purchased Assets or Real Properties from the date hereof to the Closing Date (the "**Interim Period**").

(f) Environmental Due Diligence. Purchaser shall have completed its environmental due diligence of the Restaurants, Real Property and Purchased Assets and have received results which are satisfactory to Purchaser in its sole discretion.

(g) Due Diligence. Purchaser shall have completed its own due diligence investigation of the operation of the business and the Purchase Assets, the Leases and the Real Property, including but not limited to, environmental audits, title review and examination, tax and accounting, financial data, required permits and third party consents, equipment, buildings and structures, easements and restrictions, the results of which shall have been deemed satisfactory in the sole discretion of Purchaser and its Representatives.

(h) Other Documents. Seller shall have delivered to Purchaser:

(i) each Assumed Contract;

(ii) the Easement Assignments;

(iii) certificates dated no earlier than thirty (30) days prior to the Closing Date, from appropriate authorities in the State of its jurisdiction of incorporation, as to the good standing of Seller;

(vii) all other documents, instruments and agreements required to be delivered by Seller to Purchaser pursuant to this Agreement and the other Transaction Documents.

(i) Senior Lender's Consent. Purchaser shall have received, if necessary, the written consent of its senior lender to the transactions contemplated hereby.

ARTICLE VI DAMAGE OR DESTRUCTION

SECTION 6.1 Damage to or Destruction of Restaurants. If prior to the Closing Date, any of the Restaurants (hereafter referred to as a "**Damaged Restaurant**") incurs substantial damage or is destroyed by fire or other casualty (whether or not such destruction is covered by insurance) Purchaser shall have the option, to be exercised within ten (10) days of receipt of notice from Seller, to: (i) require the Seller to promptly repair, rebuild and/or replace such Damaged Restaurant at Seller's sole cost and expense; (ii) elect to have the Damaged Restaurants and the Real Property upon which such Restaurant is located, and all other Purchased Assets relating to such Restaurants, withdrawn from this transaction, whereupon the Purchase Price shall be reduced by an amount equal to the Damage Credit or (iii) remove the Damaged Restaurants from this Agreement whereupon a Damage Credit will be applied to the Purchase Price calculated as set forth in Section 4.10(c). In the event Purchaser and Seller are unable to agree upon the Damage Credit, such dispute shall be submitted to arbitration under the rules of the American Arbitration Association in Chicago, Illinois. In the event Purchaser elects to require the Seller to rebuild and/or replace such Restaurant, the Closing shall occur pursuant to this Agreement except a portion of the purchase price equal to the Damage Credit shall be held in escrow by the attorneys for Purchaser pending completion of the repair and/or restoration of the Damaged Restaurant. In the event such restoration or repair is not completed within one hundred eighty (180) days after the date Purchaser has elected to have the Seller proceed with the repair and/or restoration, Purchaser shall have an additional option to withdraw the Damaged Restaurant from this transaction, exercisable within thirty (30) days from the date Purchaser's additional option shall arise, whereupon the Damage Credit shall immediately be paid to Purchaser.

SECTION 6.2 Notification of Damage or Destruction. Seller shall notify Purchaser of any destruction or damage to any of the Real Properties or Purchased Assets within forty eight (48) hours after becoming aware of the casualty.

ARTICLE VII INDEMNIFICATION

SECTION 7.1 Survival of Representations. The representations and warranties contained in Sections 2.1, 2.3, 2.6, 2.7, 2.9, 2.14, 16, 2.18, 3.1, 3.3 and 3.6 hereof (the "**Transactional Reps**") will survive the Closing and continue in full force and effect thereafter until thirty (30) days following the end of the applicable statute of limitations. All other representations and warranties in this Agreement will survive the Closing and continue in full force and effect thereafter for a period of twelve (12) months and will thereupon expire together with any right to indemnification for breach thereof. All covenants and agreements shall survive the Closing indefinitely (except for those covenants and agreements required to be performed at or prior to the Closing, which covenants and agreements shall not survive the Closing).

SECTION 7.2 Agreement to Indemnify. Subject to the conditions of this Article VII:

(a) Purchaser hereby agrees to indemnify, defend and hold harmless Seller from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties and reasonable attorney's fees, costs and disbursements and expenses (collectively, "**Damages**"), asserted against, resulting to, imposed upon or incurred by Seller and its officers, directors and shareholders directly or indirectly, arising out of or resulting from (i) a breach of any representation, warranty, covenant or agreement of Purchaser contained in or made pursuant to this Agreement (including but not limited to enforcement of this Article VII), the other Transaction Documents or the transactions contemplated hereby or thereby or any facts or circumstances constituting such a breach; (ii) any indebtedness, obligation or liability assumed by Purchaser pursuant to Section 1.4(b) hereof; and (iii) the operation, use or ownership of the Restaurants, Purchased Assets, Real Properties, the Easements and Assumed Contracts, during, or which have otherwise accrued from or otherwise relate to, the period of time after the Closing Date; and

(b) Seller hereby agrees to indemnify, defend and hold harmless Purchaser and its officers, directors and shareholders from and against all Damages asserted against or incurred by Purchaser or such officers, directors and shareholders, directly or indirectly, arising out of or resulting from (i) a breach of any representation, warranty, covenant or agreement of Seller contained in or made pursuant to this Agreement (including but not limited to enforcement of this Article VII, the other Transaction Documents or any facts or circumstances constituting such a breach; (ii) any indebtedness, obligations or liabilities of Seller including, but not limited to, any liability or obligation set forth in Section 1.4(a), and the tax liabilities set forth in Section 2.17 other than those expressly assumed by Purchaser hereunder; (iii) a breach of or otherwise arising under any Environmental Law (whether now or hereafter in effect), to the extent the same arises out of any condition or state of facts or otherwise relates to the period of time commencing on the date of possession by the Seller of the Real Property in question and ending on the Closing Date; (iv) the operation, use or ownership of the Restaurants, Purchased Assets, Real Properties, Real Properties, the Easements and Assumed Contracts during, or which have otherwise accrued from or otherwise relate to the period of time prior to the Closing Date; (v) Seller's failure to pay and discharge all claims of creditors which may be asserted against Purchaser by reason of Purchaser's waiver of compliance by Seller of the Bulk Sales Laws; and (vi) any claims made with respect to any Plan.

SECTION 7.3 Conditions of Indemnification. The obligations and liabilities of an indemnifying party under Section 7.2 with respect to Damages for which it must indemnify another party hereunder (collectively, the "**Indemnified Claims**") shall be subject to the following terms and conditions:

(a) The indemnified party shall give the indemnifying party notice of any such Indemnified Claim which notice shall set forth in reasonable detail the basis for and amount of the Indemnified Claim, and the circumstances giving rise thereto. If the Indemnified Claim is a third-party claim, the notice must contain a copy of any papers served on the indemnified party.

(b) If the Indemnified Claim is not a third-party claim, unless within thirty (30) days of receipt by the indemnifying party of notice of the Indemnified Claim the indemnifying party sends written notice to the indemnified party disputing the facts giving rise to the Indemnified Claim or the amount of Damages stated in the notice, the Damages stated in the notice shall become due and payable upon the expiration of such thirty (30) day period. If, however, the indemnifying party disputes the facts, giving rise to the Indemnified Claim or the amount of Damages stated in the notice within such thirty (30) day period

and the dispute cannot be resolved within the following ninety (90) days, the dispute shall be submitted to arbitration under the rules of the American Arbitration Association in Chicago, Illinois.

(c) If the Indemnified Claim is a third-party claim, the indemnifying party may undertake the defense thereof at its own expense by representatives of its own choosing reasonably satisfactory to the indemnified party and will consult with the indemnified party concerning such defense during the course thereof. If the indemnifying party, within thirty (30) days after receipt of notice of any Indemnified Claim (or such shorter period as is necessary to prevent prejudice to the indemnified party, if such thirty (30) day period would prejudice the rights of the indemnified party), fails to defend, the indemnified party (upon further notice to the indemnifying party) will have the right to undertake the defense, compromise or settlement of such Indemnified Claim on behalf of and for the account and risk of and at the expense of the indemnifying party. In addition, if there is a reasonable probability that a third-party Indemnified Claim may materially and adversely affect an indemnified party, the indemnified party shall have the right, at its own cost and expense, to defend, compromise or settle such Indemnified Claim.

(d) Anything in this Section 7.3 to the contrary notwithstanding, neither the indemnifying party nor the indemnified party, as the case may be, may settle or compromise any Indemnified Claim or consent to entry of any judgment in respect thereof, without the written consent of the other, which consent shall not be unreasonably withheld or delayed.

SECTION 7.4 Remedies Cumulative. The remedies provided in this Article VII shall be cumulative and shall not preclude the assertion by any party hereto of any other rights or the seeking of any other remedies against the other parties hereto. Either party may, among its other remedies, offset the amount of any Indemnified Claim which becomes due and payable to it or to its shareholders, officers or directors, against any payments to be made or consideration to be paid to the other pursuant to this Agreement or any of the other Transaction Documents.

SECTION 7.5 Certain Limitations. Payments by an indemnifying party pursuant to Section 7.2 in respect of any Damages shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment actually received by the indemnified party in respect of any such claim, less any related costs and expenses, including the aggregate cost of pursuing any related insurance claims and any related increases in insurance premiums or other chargebacks (it being agreed that neither party shall have any obligation to seek to recover any insurance proceeds in connection with making a claim under this Article VII and that, promptly after the realization of any insurance proceeds, contribution or other similar payment, the Indemnified Party shall reimburse the indemnifying party for such reduction in Damages for which the Indemnified Party was indemnified prior to the realization of reduction of such Damages).

SECTION 7.6 Limitation on Indemnity. None of the Purchaser indemnified parties or the Seller indemnified parties shall be entitled to assert any right to indemnification under Section 7.2 for an individual claim until such claim exceeds One Hundred Thousand Dollars (\$100,000.00). The maximum amount that any of the Purchaser indemnified parties or the Seller indemnified parties, either individually or in the aggregate and whether based upon claims made pursuant to this Agreement and/or in conjunction with the Concurrent Transactions, may recover based upon a claim or claims for indemnification (subject to the threshold limitations set forth above) shall be Two Million Five Hundred Thousand and 00/100 Dollars (\$2,500,000.00).

SECTION 7.7 Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price. In determining

the amount of any indemnification payment for Damages suffered or incurred by an indemnified party, the amount of such Damages shall be (i) increased to take into account any additional tax cost incurred by the indemnified party arising from the receipt of indemnification payments hereunder ("**Tax Costs**") and (ii) decreased to take into account any deduction, credit or other tax benefit actually realized by the indemnified party with respect to such Loss ("**Tax Benefits**"). In computing the amount of any such Tax Cost or Tax Benefit, the indemnified party shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnification payment hereunder or the incurrence or payment of any indemnified Damages. To the extent a Tax Cost or Tax Benefit cannot be determined at the time an indemnity payment would otherwise be due hereunder, the indemnity payment shall be made without taking into account such Tax Cost or Tax Benefit and if and when the Tax Cost or Tax Benefit is actually determined and realized, the parties shall make any payments necessary to cause the indemnity payment to be what it would have been had such Tax Cost or Tax Benefit been determined and realized at the time the indemnity payment was originally made.

ARTICLE VIII COVENANT NOT TO COMPETE

SECTION 8.1 Covenant Not to Compete.

(a) For a period of three (3) years from the Closing Date, Seller and its officers or employees covenant and agree that they shall not, directly or indirectly, individually or collectively for its or their own account or as an employee, officer, director, partner, joint venturer, shareholder, investor, consultant or otherwise:

(i) own, operate, manage, develop, finance or otherwise engage in or have any interest in any quick service hamburger restaurant or other fast food restaurant with a drive-thru or that does not have table service within a five (5) mile radius of any Restaurant is located (the "**Restricted Area**");

(ii) do anything or allow parties within its or their control to do anything which diminishes the value of any of the Restaurants; or

(b) For a period of two (2) years from the Closing Date, Seller and its officers or employees jointly and severally covenant and agree that it/they will not, directly or indirectly, individually or collectively for its/their own account or as an employee, officer, director, partner, joint venturer, shareholder, investor, consultant or otherwise solicit or hire for employment or induce or attempt to influence to terminate their employment with the Purchaser of any executive or management level employees of the Restaurants who are employed by or in any of the Restaurants on the Closing Date.

(c) The provisions of Section 8.1 shall not preclude Seller or any Affiliate of Seller from owning and operating any Burger King restaurant which is owned or operated by Seller or any Affiliate of Seller as of the date of this Agreement.

SECTION 8.2 Geographic Area Reasonable; Reduction of Geographical Area and Time. Seller acknowledges that the restricted period of time and geographical area specified in Section 8.1 hereof are reasonable. Notwithstanding anything herein to the contrary, if the period of time or the geographical area specified under Section 8.1 hereof should be determined to be unreasonable in any judicial proceeding, then the period of time and territory of the restriction shall be reduced so that this Agreement may be enforced in such area and during such period of time as shall be determined to be reasonable.

SECTION 8.3 Effect of Breach. The parties acknowledge that any breach of this Article VIII will cause Purchaser irreparable harm for which there is no adequate remedy at law, and as a result, Purchaser shall be entitled to the issuance by an arbitrator or court of competent jurisdiction of an injunction, restraining order or other equitable relief in favor of itself restraining Seller or any Affiliate as the case may be, from committing or continuing any such violation. Any right to obtain an injunction, restraining order or other equitable relief hereunder shall not be deemed a waiver of any right to assert any other remedy Purchaser may have at law or in equity.

ARTICLE IX TERMINATION

SECTION 9.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) by the mutual written consent of Seller and Purchaser;

(b) by Purchaser by written notice to Seller if: (i) any of the representations and warranties of Seller contained in this Agreement or the Transaction Documents shall fail to be materially true and correct as of the date made and is not cured by Seller within ten (10) days after written notice from Purchaser, or (ii) there shall be a breach by Seller of any covenant or agreement of Seller in this Agreement that is not curable or, if curable, is not cured by Seller within ten (10) days after written notice from Purchaser; or

(c) by Seller by written notice to Purchaser if: (i) any of the representations and warranties of Purchaser contained in Article III shall fail to be materially true and correct as of the date made and is not cured by Purchaser within ten (10) days after written notice from Seller or (ii) there shall be a breach by Purchaser of any of its respective covenants or agreements in this Agreement that is not curable or, if curable, is not cured by Purchaser within ten (10) days after written notice from Seller; or

(d) by Purchaser or Seller in the event that:

(i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited; or

(ii) any Governmental Authority shall have issued an order restraining or enjoining the transactions contemplated by this Agreement, and such order shall have become final and non-appealable; or

(iii) provided that the terminating party is not in default under this Agreement and further provided that the terminating party has not caused or contributed to the delay, the Closing has not occurred on or prior to the ninety (90) days after the Effective Date.

SECTION 9.2 Effect of Termination; Right to Proceed. In the event of the termination of this Agreement in accordance with this Article, written notice thereof shall be given to the other party or parties specifying the provision pursuant to which such termination is made, and this Agreement shall be terminated and become void and have no effect, and there shall be no liability hereunder on the part of Purchaser or Seller, except with respect to any breach of this Agreement by such party prior to termination and subject to the right to seek specific performance. Notwithstanding the foregoing, Sections 4.6 and 10.3, Article X and this Section 9.2, shall survive any termination of this Agreement.

ARTICLE X MISCELLANEOUS

SECTION 10.1 Further Assurances. Each of the parties hereto shall without further consideration execute and deliver to any other party hereto such other instruments of transfer and take such other action as any party may reasonably request to carry out the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 10.2 Waiver and Amendment. No provisions of this Agreement may be amended, supplemented or waived at any time except by a written instrument executed by the parties hereto, or in the case of a waiver, by the waiving party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

SECTION 10.3 Remedies. In the event of a default under this Agreement or the Transaction Documents, the aggrieved party may proceed to protect and enforce its rights by a suit for damages, a suit in equity, an action at law or other appropriate proceeding, whether for specific performance, or for an injunction against a violation of any terms hereof or thereof or in aid of the exercise of any right, power or remedy granted thereby or by law, equity, statute or otherwise. The foregoing shall include, but shall not be limited to, allowance for recovery by the aggrieved party of all of its fees and expenses and disbursements incurred by it in connection with the transactions contemplated hereby and in the Transaction Documents, including, without limitation, the reasonable fees and expenses of its counsel, accountants, agents and representatives employed by it. No course of dealing and no delay on the part of any party in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such party's rights, powers or remedies. No right, power or remedy conferred hereby shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute, or otherwise.

SECTION 10.4 Expenses. Except as expressly otherwise provided for in this Agreement, all expenses incurred by or on behalf of the parties hereto in connection with the authorization, preparation and consummation of this Agreement and the other Transaction Documents, including without limitation all fees and expenses of agents, representatives, counsel and accountants employed by the parties hereto in connection with the authorization, preparation, execution and consummation of this Agreement, shall be borne solely by the party who shall have incurred the same.

SECTION 10.5 Entire Agreement. This Agreement and the other Transaction Documents and the Exhibits and Schedules referred to herein and therein contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior arrangements or understandings with respect thereto.

SECTION 10.6 Definitions. For the purposes of this Agreement:

(i) "**Affiliate**" shall mean, with respect to any Person, any other Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other of such Persons.

(ii) "**Contract**" shall mean any contract, agreement, purchase order, sales order, guaranty, option, mortgage, promissory note, assignment, lease, franchise, commitment, understanding or other binding arrangement, whether written, oral, express or implied.

(iii) "**Control**", with respect to any Person, shall mean the power to direct the management and policies of such Person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with a Contract with one or more other Persons by or through stock ownership, agency or otherwise; and the terms "**controlling**" and "**controlled**" shall have meanings correlative to the foregoing.

(iv) "**Governing Instruments**" shall mean, with respect to any Person, the certificate of incorporation, articles of incorporation, bylaws, code of regulations or other organizational or governing documents howsoever denominated, and any amendments or modifications thereof, of such Person.

(v) "**Gross Sales**" shall have the meaning as set forth in the Burger King Franchise Agreement.

(vi) "**Person**" shall mean an individual, partnership, corporation, joint venture, unincorporated organization, cooperative, or a governmental entity or agency thereof.

SECTION 10.7 Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the Agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

SECTION 10.8 Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein shall be validly given, made or served in writing and delivered personally, sent by facsimile, Federal Express or other reputable overnight courier or sent by certified or registered mail, postage prepaid, return receipt requested, at the addresses set forth below:

(a) if to Purchaser, to:

Carrols LLC
968 James Street
Syracuse, New York 13203-6969
Attention: Daniel T. Accordino, Chief Executive Officer
Facsimile No.: (315) 475-9616

(b) if to Seller, to:

Heartland Indiana LLC
1400 Opus Place, Suite 900
Downers Grove, Illinois 60515
Attention: K. Todd Bartmess, Chief Executive Officer
Facsimile No.: (630) 598-2280

(c) with a copy to:

ROBERGELAW
12775 Horseferry Road, Suite 200
Carmel, Indiana 46032
Attn: Christopher S. Roberge, Esq.

or such other address as any party hereto may, from time to time, designate in a written notice given in a like manner (which change of address shall only be effective upon actual receipt of same by the other party). Notices shall be deemed delivered: (i) three (3) days after the date the same is postmarked if sent by registered or certified mail; (ii) on the date the same is delivered personally; and (iii) the next business day after delivery to a national courier service for next business day delivery.

SECTION 10.9 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the heirs, executor, personal representatives, legal representatives, successors and assigns of the parties hereto, and shall not be assignable by either party without the prior written consent of the other party.

SECTION 10.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to New York's conflict of laws rules.

SECTION 10.11 Consent to Jurisdiction; Service of Process. Except with respect to disputes wherein the parties have expressly agreed herein to submit such dispute to arbitration, the parties hereto irrevocably submit exclusively to the jurisdiction of the State Courts in the State of Illinois or the United States Federal Courts sitting in the State of Illinois over any dispute arising out of or relating to this Agreement or any agreement or instrument contemplated hereby or entered into in connection herewith or any of the transactions contemplated hereby or thereby, and each party hereby irrevocably agrees that all claims in respect of such dispute or proceeding shall be heard and determined in such court.

SECTION 10.12 Severability. Whenever possible, each provision in this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 10.13 Counterparts. This Agreement may be executed in one or more counterparts as may be convenient or necessary, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof. Additionally, the parties hereto hereby covenant and agree that, for purposes of facilitating the execution of this Agreement, (a) the signature pages taken from separate individually executed counterparts of this Agreement may be combined to form multiple fully executed counterparts and (b) a facsimile signature, PDF signature, or electronic signature shall be deemed to be an original signature. All executed counterparts of this Agreement shall be deemed to be originals, but all such counterparts taken together shall constitute one and the same agreement.

SECTION 10.14 Arbitration. Whenever this Agreement calls for the submission of any matter to arbitration, the matter shall be determined by binding arbitration before a single arbitrator pursuant to the Expedited Procedures for Commercial Arbitration of the American Arbitration Association (or its successor) and shall be administered by the American Arbitration Association exclusively in the City of Chicago, State of Illinois. The party requesting arbitration ("**Requesting Party**") shall simultaneously give written notice to the other party of the Requesting Party's election to have the issue resolved by binding arbitration and file the appropriate request for arbitration with the American Arbitration Association with applicable filing fees. The time period within which the binding arbitration must be held shall be not more than thirty (30) business days after notice by the Requesting Party for binding arbitration unless: (i) otherwise agreed to in writing

by Purchaser and Seller (provided that neither shall be required to consent to such extension); (ii) delayed by Force Majeure; or (iii) delayed by the American Arbitration Association through no fault, cause, or request of either Purchaser or Seller. The arbitrator shall have no right to compel any party to breach any existing written agreement or obligation. The arbitrator shall only issue written findings and shall award costs and fees to the prevailing party as provided in Section 10.15 of this Agreement. The judgment rendered by the arbitrator may be entered in any court having jurisdiction thereof and shall be final upon Purchaser and Seller. The cost of the arbitrator and legal fees of both parties shall be paid by the non-prevailing party (as determined pursuant to Section 10.15 of this Agreement). Any arbitration proceedings shall be conducted exclusively in the City of Chicago, State of Illinois. This clause shall not preclude the parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

SECTION 10.15 Enforcement. If either party hereto fails to perform its obligations under this Agreement, or if a dispute arises concerning the meaning or interpretation of any provision of this Agreement and any action or steps are taken in furtherance thereof including, but not limited to, the commencement of legal proceedings, lawsuits, arbitration, or other proceedings arising out of, relating to, or based in any way on this Agreement, including without limitation, tort actions and actions for injunctive and declaratory relief, the non-prevailing party in the dispute shall pay any and all actual costs and expenses incurred by the prevailing party in enforcing or establishing its rights hereunder, including, without limitation, all court costs, all fees and costs incurred in any appellate process, and all actual attorney's and paralegal fees. Except as may be agreed by the parties in a settlement agreement, a party shall be considered the prevailing party if (i) it initiated the litigation and obtains the relief sought, either through a judgment or the losing party's voluntary action before trial or judgment, or (ii) it did not initiate the litigation and the party that initiated the action withdraws its action without obtaining the relief sought, or (iii) it did not initiate the litigation and judgment is entered for the non-initiating party whether by way of motion, trial verdict and/or on appeal.

SECTION 10.16 Force Majeure. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, Laws, adverse weather, unusual delay in transportation or other cause without fault and beyond the control of the party obligated (financial inability excepted), then upon written notice to the other party, the performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay; provided, however, the party requiring such delay shall use commercially reasonable efforts to remedy any such cause of delay or cause preventing performance.

(Signature Page to Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Purchase and Sale Agreement to be executed as of the date first written above.

CARROLS LLC

By: /s/ Daniel T. Accordino
Name: Daniel T. Accordino
Title: Chief Executive Officer

HEARTLAND INDIANA LLC

By: /s/ K. Todd Bartmess
Name: K. Todd Bartmess
Title: Chief Executive Officer

ASSET PURCHASE AGREEMENT

CARROLS LLC

(Purchaser)

And

HEARTLAND MIDWEST LLC

(Seller)

Dated as of August 22, 2014

TABLE OF EXHIBITS

Exhibit A	Restaurants
Exhibit B	Form of Consent, Assignment and Assumption of Real Property Lease
Exhibit C	Form of Lessor Estoppel Certificate
Exhibit D	Form of Memorandum of Lease
Exhibit E	Form of Consent to Assignment of Real Property Lease and Non-Disturbance Agreement
Exhibit F	Form of Bill of Sale

TABLE OF SCHEDULES

1.1(e)	Assumed Contracts
1.2(c)	Store Bank Funds
1.2(e)	Allocation Schedule for Purchase Price
1.3(a)(ii)	Real Property Expiration Dates, Monetary Terms and Renewal Terms
1.3(a)(iii)	Real Property Descriptions
1.3(e)	Parking and Easement Agreements
2.5	Required Consents
2.6(b)	Events or items not reflected in Financial Statements
2.7(a)	Purchased Assets which do not conform to Burger King Standards
2.9(a)	Liens on Real Properties
2.9(b)	Certificate of Occupancy, Ongoing Repairs
2.11(b)	Compliance with Employment Laws
2.11(c)	Sellers' Employees and Wages
2.11(d)	Pending Employment Charges
2.13(a)	Litigation
2.13(c)	Required Licenses
2.14	Environmental Matters
2.21(a)	Planned/Proposed Burger King Restaurants
2.21(b)	Planned/Proposed Competitor Restaurants

PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "**Agreement**") made as of August 22, 2014 (the "**Effective Date**") by and among CARROLS LLC, a Delaware limited liability company, with its principal office at 968 James Street, Syracuse, New York 13203 ("**Purchaser**"); HEARTLAND MIDWEST LLC, a Delaware limited liability company having its principal office at 1400 Opus Place, Suite 900, Downers Grove, Illinois 60515 ("**Seller**").

RECITALS

A. Seller operates the Burger King restaurants identified and set forth on **Exhibit "A"** attached to and made a part of this Agreement (each restaurant is hereinafter sometimes referred to individually as a "**Restaurant**" and collectively as the "**Restaurants**").

B. Seller is the owner or lessee of certain personal property used or held for use in or in connection with the conduct of business at the Restaurants and Seller is the lessee of certain buildings and land upon and in which the Restaurants are located, all as listed on **Exhibit "A"** (individually, the "**Real Property**" and collectively, the "**Real Properties**").

C. Seller proposes to sell, and Purchaser proposes to purchase, the Purchased Assets (as hereinafter defined) of Seller.

D. Seller occupies the Real Properties pursuant to lease agreements with an unaffiliated landlord and proposes to assign to Purchaser, and Purchaser proposes to accept such assignment of such Seller's leasehold interest with respect to the Real Property on which each Restaurant is located.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I PURCHASE AND SALE; CLOSING

SECTION 1.1 **Assets To Be Conveyed.** Subject to the terms, provisions and conditions contained in this Agreement, and on the basis of the representations and warranties hereinafter set forth, Seller agrees to sell, assign, transfer, convey and deliver to Purchaser at Closing (as hereinafter defined), and Purchaser agrees to purchase and accept the assignment, transfer, conveyance and delivery from Seller at Closing of, all of the following assets used or located in or held for use in connection with the Restaurants operated by Seller (collectively, the "**Purchased Assets**") free and clear of all mortgages, liens, security interests, encumbrances, restrictions on transfer, rights of first refusal, pre-emptive rights, equities, claims, pledges, priorities, hypothecation, charges, liabilities and other obligations of whatever kind and character (collectively referred to herein as "**Liens**"), except for such Liens as are specifically permitted as provided herein:

(a) **Restaurant Equipment.** All of the machinery, equipment (including without limitation all POS equipment), furnishings, trade fixtures, cleaning and other supplies, uniforms, spare equipment parts and all other personal property (other than Inventory, as hereinafter defined) owned by Seller and used or held for use in, or in connection with, the operation of the Restaurants according to the current

standards required of franchisees by Burger King Corporation (“**BKC**” or “**Burger King**”) (collectively, “**Restaurant Equipment**”);

(b) Leasehold Improvements. All fixtures and other leasehold improvements owned by Seller at the Restaurants (“**Leasehold Improvements**”);

(c) Franchise Agreements. The Burger King Franchise Agreement for each of the Restaurants (the “**Franchise Agreements**”);

(d) Inventories. All of the saleable food and related paper products, saleable premiums and saleable promotional materials located at the Restaurants and owned by Seller or otherwise used or held for use in or in connection with the business being conducted at the Restaurants including, but not limited to, all saleable food and beverage inventory, new and unused uniforms, cleaning supplies, saleable paper goods and saleable promotional inventory (collectively, “**Inventory**”) (priced as set forth in Section 1.2(b) of this Agreement);

(e) Assumed Contracts. Those contracts, agreement, leases, licenses set forth on Schedule 1.1(e) annexed to this Agreement and made a part of this Agreement (collectively the “**Assumed Contracts**”) which are to be assigned to and assumed by Purchaser which shall include, but not be limited to any and all Coke Freestyle Agreements and those between Seller and The Brink’s Company provided that Purchaser may amend Schedule 1.1(e) to add contracts, agreement, leases, licenses by giving written notice to Seller prior to the Closing Date;

(g) Permits. All permits issued to Seller by any federal, state, regional, local or other political subdivision thereof, and any entity or official exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law) (collectively “**Governmental Authorities**”) or other third party, if and only to the extent assignable to by Seller to Purchaser.

(h) Good Will; Phone Numbers; Warranties. All goodwill as a going concern and all other right, title and interest of Seller in and to the general intangibles incident to its business at the Restaurants; all telephone numbers and fax numbers utilized by the Restaurants to the extent assignable by Seller to Purchaser; and all of Seller's right, title, and interest, if any, to and under any assignable guaranties, warranties and agreements from all contractors, subcontractors, vendors or suppliers regarding their performance, quality of workmanship, or quality of materials supplied in connection with the construction, manufacture, development, installation, repair or maintenance of any part of the subject Restaurants (collectively, the “**Warranties**”)

(i) Excluded Assets and Excluded Liabilities. Other than the Purchased Assets, the Seller is not selling, conveying, transferring, assigning or delivering to Purchaser, and Purchaser is not purchasing or assuming, any of Seller’s right, title and interest in and to any tangible or intangible property of Seller (whether or not used in or in connection with the operation of the Restaurants) or any other restaurant assets owned by Seller or any of its affiliates. Other than those liabilities contained in the Assumed Contracts, Purchaser shall not assume or otherwise become liable for any liability, obligation or commitment of any nature whatsoever of Seller, whether known or unknown, (collectively “**Excluded Liabilities**”). Seller shall, and shall cause each of its Affiliates to, pay and satisfy in due course all Excluded Liabilities which they are obligated to pay and satisfy. Without limiting the generality of the foregoing, Purchaser is not assuming and

shall not indemnify Seller, or any of its Affiliates against any liability, obligation, duty or responsibility of Seller, or any of its Affiliates:

(i) arising from, or out of, the ownership or operations or use of, or incurred in connection with, or incurred as a result of any claim made against Seller, or any of its Affiliates in connection with, any Restaurant, Asset, Real Property, Real Property or Assumed Contract (as hereinafter defined) on or prior to, or relating to any time period prior to 11:59 p.m. on the day of the Closing Date;

(ii) resulting from any Federal, state or local income taxes, transfer taxes, sales taxes or any other kind of tax of whatever kind including, without limitation, any such tax that may arise from or by reason of the transactions contemplated by this Agreement unless otherwise expressly provided for herein;

(iii) with respect to any wages, vacation, severance or sick pay or any rights under any stock option, bonus or other incentive arrangement that have accrued prior to the Closing Date;

(iv) with respect to any employment, consulting or similar arrangement to which Seller is a party or for which Seller is responsible;

(v) with respect to any Plan (as hereinafter defined) whether arising before, on or after the Closing Date; or

(vi) under any Laws (as defined in Section 2.13(b)) relating to public health and safety and pollution or protection of the environment, including, without limitation, those relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, or hazardous or toxic materials or wastes into ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants or hazardous or toxic materials or wastes or any materials defined or categorized by any of the above as "Hazardous Materials", "Hazardous Substances", or similar or related designations (collectively referred to herein as "**Environmental Laws**").

SECTION 1.2 Purchase Price for Assets and Inventory.

(a) The Purchase Price for the Purchased Assets, exclusive of the Inventory, shall be the aggregate sum of Ten Million Seven Hundred Fourteen Thousand and 00/100 Dollars (\$10,714,000.00). The Purchase Price shall be payable at the Closing to Seller by Federal funds bank wire transfer to an account designated by Seller. The Purchase Price to be paid for the Inventory shall be paid in the manner set forth in Section 1.2(b) below by Federal funds bank wire transfer to an account designated by Seller.

(b) For the Inventory, at Closing Purchaser shall pay to Seller the sum of Three Hundred Fifty-One Thousand and 00/100 Dollars (\$351,000.00) (the "**Estimated Inventory Price**"), which is calculated based on the product of (i) Eleven Thousand Seven Hundred and 00/100 Dollars (\$11,700.00) and (ii) the number of Restaurants being sold pursuant to this Agreement. The final cost for the Inventory shall be determined as of the night of the Closing. Seller and Purchaser shall each have the right to have at least one of its representatives present at the taking of such inventories. At least five (5) days prior to the Closing Date Seller shall provide Purchaser with a copy of the form of inventory sheet to be used which shall be subject to Purchaser's approval in its reasonable discretion. The inventory shall be based upon Seller's actual costs and shall be conducted in the following manner: (i) food, paper, premiums and cleaning supplies will be entered into the "*Menu Link*" back office system and Seller shall provide Buyer with an

electronic file, no later than noon on the day following Closing, setting forth the detailed inventory counts and valuations and (ii) new and unused uniforms will be entered into an Excel spreadsheet and similarly provided to Buyer within the timeframe set forth above. No later than five (5) business days following the Closing, Buyer will provide Seller with written objections to the Inventory count made by Seller. The parties will work in good faith to resolve any inaccuracies, inconsistencies or otherwise obvious errors within a period of not later than two (2) business days subsequent to the submission of any written objections by Buyer to Seller. Within a period not later than ten (10) business days after final agreement as to the amount and value of the Inventory (the "**Reconciled Inventory Price**"), Seller shall pay to Buyer the amount by which the Estimated Inventory Price exceeds the Reconciled Inventory Price or Buyer shall pay to Seller the amount by which the Reconciled Inventory Price exceeds the Estimated Inventory Price.

(c) At Closing, Purchaser shall pay to Seller the total of Forty-Eight Thousand and 00/100 Dollars (\$48,000.00) as reimbursement for cash that is to remain at each of the Restaurants for Purchaser's use the next business day after Closing (the "**Store Bank Funds**"). Seller shall arrange for cash in the amounts set forth on Schedule 1.2(c) annexed to and made a part of this Agreement to remain at each of the Restaurants for Purchaser's use the day of Closing. Purchaser's representative conducting the Closing Inventory shall confirm the amount of the Store Bank Funds on hand at each of the Stores, and give Seller's representative a written receipt for them. Seller then shall be entitled to remove from the Stores all cash on hand in excess of the Store Bank Funds, which excess funds shall be considered as Seller's property; and Purchaser shall have no right, title, or interest in or to such excess funds.

(d) Intentionally deleted.

(e) The Purchase Price (including Assumed Liabilities only to the extent they are liabilities for Federal income tax purposes) will be allocated among the Purchased Assets in accordance with Section 1060 of the Code and the regulations thereunder. Purchaser and Seller shall set the allocation of the Purchase Price among the Purchased Assets at or before Closing in form as set forth on Schedule 1.2(e) annexed hereto and made a part hereof (the "**Allocation Schedule**"). Purchaser and Seller each agree to file Internal Revenue Service Form 8594, and all federal, state, local and foreign Tax Returns, in accordance with the Allocation Schedule; and in that event, Purchaser and Seller each agree to provide the other promptly with any other information reasonably required to complete Form 8594. The parties hereto intend that the transaction contemplated hereby be treated for tax purposes as taxable under Section 1001 of the Code.

SECTION 1.3 Real Properties; Lease Assignments; Easements and Parking Agreements. Subject to the terms, provisions and conditions contained in this Agreement and on the basis of the representations and warranties hereinafter set forth, at the Closing, Seller shall assign to Purchaser all of its leasehold interest in the Real Properties and shall assign, sublease or otherwise transfer to Purchaser all of its right, title and interest in and to all parking and other access agreements or arrangements relating to the Real Properties, as follows:

(a) Assignment.

(i) At Closing, Seller shall assign to Purchaser all of Seller's right, title and interest as tenant under the applicable Real Property pursuant to the form of Consent, Assignment and Assumption of Lease (the "**Lease Assignment**") annexed hereto as Exhibit "B" and made a part hereof. The Lease Assignment shall be executed and delivered at Closing by Seller and Purchaser.

(ii) The expiration dates, monetary terms and renewal terms for each of the Real Properties are as set forth in Schedule 1.3(a)(ii).

(iii) The legal descriptions for the Real Properties are as set forth in Schedule 1.3(a)(iii).

(b) Lessor Estoppel. At Closing, Seller shall deliver to Purchaser a duly executed Lessor Estoppel in the form annexed hereto as Exhibit "C" and made a part hereof.

(c) Memorandum of Lease. At Closing, the Lessor under each assigned lease shall execute, acknowledge and deliver a Memorandum of Lease (each, a "**Memorandum of Lease**" and collectively "**Memorandum of Leases**") for each Lease, in the form annexed hereto as Exhibit "D", which shall set forth the material terms of the lease in question and which Memoranda of Leases shall be recorded with the local register of deeds of the respective counties where the Real Properties are located. The recording fees for recording the Memorandum of Leases shall be paid by Purchaser.

(d) Mortgagee Consent and Non-Disturbance Agreement. At Closing, for each Real Property on which there is an outstanding mortgage, Seller shall deliver to Purchaser a duly executed Consent to Lease Assignment and Non-Disturbance Agreement in the form annexed hereto as Exhibit "E" and made a part hereof ("**Mortgagee Consents to Assignment and Non-Disturbance**").

(e) Parking, Easements and Related Agreements. Schedule 1.3(e) annexed hereto and made a part hereof sets forth all written or oral parking leases, easements, agreements, grants, licenses, options and any other agreement (collectively referred to herein as "**Easements**") pursuant to which Seller is granted, for use in connection with the Restaurants, drive-thrus, parking privileges or rights, current or prospective, and/or rights of access of any kind or nature in and to the applicable Real Property. At Closing Seller shall deliver to Purchaser such documentation in form and substance reasonably satisfactory to Purchaser and its counsel which effectively assigns or transfers Seller's rights under both recorded and unrecorded Easements to Purchaser (hereinafter individually referred to as an "**Easement Assignment**", and, collectively, as the "**Easement Assignments**").

SECTION 1.5 Closing; Deliveries.

(a) Date. The closing of the transactions contemplated hereby (the "**Closing**") shall take place on the first Tuesday following satisfaction or waiver of the conditions set forth in Articles IV and V of this Agreement or at such other date or time as may be mutually agreed to by the parties (the "**Closing Date**"), and shall be effective as of 11:59 P. M. on the day of the Closing Date. The Closing shall be effectuated through escrow by the mutual exchange of documents by overnight mail and facsimile or PDF, or in such other manner as the parties may otherwise agree.

(b) Delivery of Documents. At the Closing, Seller' and Purchaser shall deliver to each other the respective documents and other items set forth in Article V.

SECTION 1.6 Adjustments.

(a) All customary pro-rations with respect to (i) the Real Properties; (ii) obligations under the Assumed Contracts; (iii) utility charges and (iv) real property and personal property taxes, shall be adjusted between the parties as of 11:59 P.M. on the day of the Closing Date. Payment, if any, owed by Purchaser to Seller or by Seller to Purchaser by reason of such adjustments shall be made at the Closing (by adjustment of the Purchase Price, if practicable) or as soon as reasonably practicable thereafter.

(b) Seller shall pay all sales taxes, and transfer taxes, if any, including, without limitation, any transfer taxes relating to the conveyance of the Real Properties, applicable to its transaction at the Closing. Seller shall be responsible for all franchise assignment fees owed to Burger King in connection with the assignment of the Franchise Agreements to Purchaser.

(c) All rent and percentage rent and other sums payable under the leases for the Real Properties shall be pro-rated as of the Closing Date for the month in which Closing occurs.

(d) All rebates, amounts and funds on account of, accrued by or due under the Soft Drink Agreements and the RSI Dividends shall be pro-rated as of the Closing Date.

(e) Advance payments made by Seller for medical coverage continuing for employees of the Restaurants shall be pro-rated for the month in which Closing occurs.

(f) To the extent the amount of any adjustments pursuant to this Section 1.6 cannot be known as of Closing, such amount shall be calculated as soon as practicable after the information is available to allow calculation, and the party owing such credit hereunder shall promptly pay such credit amount to the other party as set forth in this Section 1.6.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents, warrants, covenants and agrees to and with Purchaser as follows:

SECTION 2.1 Organization and Corporate Power. Seller is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and is authorized to conduct business in the jurisdictions in which the Restaurants are located. Such jurisdictions are the only jurisdictions wherein the character of the Real Properties and other Purchased Assets owned or leased or the nature of the business of Seller makes such licensing or qualification to do business necessary. Seller has full power and authority (corporate or otherwise) to own its assets, or hold under lease the real property it presently holds under lease and to carry on the business in which it is engaged at all locations at which it is presently located including, without limitation, operation of the Restaurants at the Real Properties and to execute and deliver this Agreement and the other documents and instruments to be executed and delivered by Seller under or in connection with this Agreement, as the case may be, (this Agreement and all other agreements, documents and instruments to be entered into pursuant to this Agreement or in connection herewith including all exhibits and schedules annexed hereto and thereto are collectively referred to herein as the "**Transaction Documents**") and to consummate the transactions contemplated hereby and thereby.

SECTION 2.2 Governing Instruments. The copies of the Governing Instruments (as defined in Section 10.6) of Seller, and all amendments thereto to date, as certified by the secretary of Seller have heretofore been delivered to Purchaser, and are complete and correct. Seller is not in default in the performance, observance or fulfillment of any of the provisions, terms or conditions of its Governing Instruments.

SECTION 2.3 Due Authorization. All requisite authorizations for the execution, delivery and performance of this Agreement and the other Transaction Documents by Seller have been duly obtained or will be obtained as of the Closing Date. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been or will be duly authorized by the Board of Directors and shareholders of Seller, and no other corporate

acts or proceedings on the part of Seller or its shareholders are necessary to authorize the execution and delivery of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby. This Agreement and each of the other Transaction Documents, upon execution and delivery by Seller, will be the legal, valid and binding obligation of Seller enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency and other laws affecting creditors rights (collectively "**Bankruptcy Laws**") and subject to general principles of equity affecting the right to specific performance and injunctive relief.

SECTION 2.4 No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents by Seller and the consummation by Seller of the transactions contemplated hereby and thereby, do not and at Closing will not: (a) violate its Governing Instruments; (b) violate or conflict with or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under any agreement, indenture, instrument or understanding to which Seller is a party or by which it is bound; (c) violate any judgment, decree, law, rule or regulation to which Seller is a party or by which it is bound; (d) result in the creation of, or give any party the right to create any encumbrance upon the property and assets of Seller; (e) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any agreement or commitment to which Seller is a party or by which Seller is subject or bound; or (f) result in any suspension, revocation, impairment, forfeiture or non-renewal of any permit, license, qualification, authorization or approval applicable to Seller.

SECTION 2.5 Consents. Schedule 2.5 sets forth a list of all consents, approvals or other authorizations which Seller is required to obtain from, and any filing which Seller is required to make with, any governmental authority or agency or any other Person including, but not limited to, consents required from Burger King (the "**Burger King Consents**") in connection with the execution, delivery and consummation of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby or thereby (collectively, the "**Required Consents**").

SECTION 2.6 Financial Statements.

(a) Seller has delivered to Purchaser (i) its audited financial statements, including the balance sheet of the business operated at the Restaurants as of December 31, 2013, and the related statements of income, shareholders' equity and cash flows for the fiscal years ended on December 31, 2013, December 31, 2012 and December 31, 2011 (collectively, the "**Audited Financial Statements**"); and (ii) its unaudited financial statements, including the balance sheet of the business operated at the Restaurants as of June 30, 2014 and the related statements of income, shareholders' equity and cash flows for the period from January 1, 2014 to said date (collectively, the "**Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**").

(b) The Financial Statements of Seller referred to in Section 2.6(a) are true, correct and complete, have been prepared in accordance with generally accepted accounting principles consistently applied and accurately present the results of operations of the Restaurants for the periods covered thereby. There has not been any change between the date of the Financial Statements and the date of this Agreement which has materially affected the financial condition, assets, liabilities, results of operations of the Restaurants and, except as set forth in Schedule 2.6(b), no fact or condition exists or is contemplated or threatened which may cause any such change at any time in the future.

(c) Without limiting the foregoing since last audit date and interim period end date with respect to the Restaurants:

(i) Seller has not incurred any obligation or liability (absolute or contingent) except current liabilities incurred in the ordinary course of conduct of business and obligations under Contracts entered in the ordinary course of business; and

(ii) Seller has not paid, loaned or advanced any amounts to, or sold, transferred, leased, subleased or licensed any Real Properties or Purchased Assets to, or entered into any agreement or arrangements with, any Affiliate or associate (and any of such transactions shall have been terminated on or before the Closing Date).

SECTION 2.7 Purchased Assets.

(a) Seller owns, and will transfer to Purchaser at Closing, good and marketable title to all of its Purchased Assets and Assumed Contracts free and clear of all Liens and leases. All of the Purchased Assets: (i) are, and on the Closing Date will be, in good operating condition and repair, capable of performing the functions for which such items are currently and normally used, normal wear and tear excepted and are not in need of maintenance or repairs except for ordinary, routine maintenance and repairs; and (ii) except as set forth on Schedule 2.7(a), conform, and on the Closing Date will conform, to the current standards and specifications of Burger King applicable to franchisees of Burger King restaurants under the terms and conditions set forth in the applicable Franchise Agreements, including, without limitation, Burger King's "current image" requirements. On the Closing Date, each Restaurant, together with its related Purchased Assets and Real Property, taken as a whole, will constitute a fully operable "turn-key" Burger King restaurant sufficient to permit Seller to obtain the unconditional consent of Burger King to the transfer of the Restaurants to Purchaser and to permit Purchaser to immediately operate the business at such Restaurant as presently being conducted therein.

(b) Seller will transfer and/or assign to Purchaser at Closing all Warranties, if any, with respect to its Purchased Assets.

SECTION 2.8 Inventory. The Inventory of Seller consists, and at Closing will consist, of items of quality and quantity usable or salable in the ordinary course of business consistent with the current standards and specifications of Burger King applicable to franchisees of Burger King restaurants and shall include current saleable premiums only. At Closing, the Inventory at each Restaurant shall be sufficient for the operation of such Restaurant for at least 48 hours after the Closing Date.

SECTION 2.9 Real Property.

(a) With respect to any Real Properties, Seller has delivered to Purchaser a true and complete copy of all leases, together with all amendments thereto. To the best of Seller's knowledge, each applicable owner of the Real Properties has good and marketable title in fee simple to such real property free and clear of all Liens except as set forth in Schedule 2.9(a). Seller has no knowledge or information of any facts, circumstances or conditions which do or would in any way adversely affect the Real Properties or the operation thereof or business thereon as presently conducted or as intended to be conducted. At or prior to Closing, Seller shall cause to be discharged of record all Liens against Seller or Seller's interest affecting its Real Properties. Each lease associated with the Real Properties is valid and binding in full force and effect and enforceable in accordance with its terms. There are no existing defaults or offsets which any of the applicable landlords has against the enforcement of its lease of the Real Property and neither Seller nor such landlord is in default under the applicable leases for the Real Property, nor have any events under any such leases for the Real Property occurred which, with the giving of notice or passage of time or both, would constitute a default thereunder by either party thereto.

(b) To the best of Seller's knowledge, the Real Properties and all improvements located thereon and the present use thereof comply with, constitute a valid non-conforming use, or are operating pursuant to the provisions of a valid variance under all zoning laws, ordinances and regulations of governmental authorities having jurisdiction thereof and, to the best of Seller's knowledge, the construction, use and operation of the Real Properties by Seller are in substantial compliance with all Laws. On or prior to Closing, Seller shall deliver to Purchaser true and complete copies of each certificate of occupancy for each Restaurant and all amendments thereto to date. In the event Seller is unable to provide copies of said certificates, Seller shall deliver documentation from the appropriate municipalities indicating that such certificates are not required or no longer exist in their records. Except as otherwise set forth on Schedule 2.9(b), the Real Properties and the Restaurants located thereon are in a state of good maintenance and repair and are in good operating condition, normal wear and tear excepted, and (i) there are no material, physical or mechanical defects in any of the Real Properties and or Restaurants, including, without limitation, the structural portions of the Real Properties and Restaurants and the plumbing, heating, air conditioning, electrical, mechanical, life safety and other systems therein and all such systems are in good operating condition and repair (normal wear and tear excepted); (ii) there are no ongoing repairs to the Real Properties or Restaurants located thereon being made by or on behalf of Seller or being made by or on behalf of any landlord; and (iii) the roof of each Restaurant is in good condition and free of leaks. Except as otherwise set forth on Schedule 2.9(b), all necessary occupancy and other certificates and permits, municipal and otherwise, for the lawful use and occupancy of the Real Properties for the purposes for which they are intended and to which they are presently devoted including, without limitation, for the operation of a Burger King restaurant thereon, have been issued and remain valid. There are no pending or threatened actions or proceedings that might prohibit, restrict or impair such use and occupancy or result in the suspension, revocation, impairment, forfeiture or non-renewal of any such certificates or permits. All notes or notices of violation of any Laws, against or affecting any such Real Properties have been complied with. There are no outstanding correcting work orders from any Federal, State, county, municipal or local government, or the owner of the Real Properties or any insurance company with respect to any such Real Properties.

(c) There are no condemnation or eminent domain proceedings of any kind whatsoever or proceedings of any other kind whatsoever for the taking of the whole or any part of the Real Properties for public or quasi-public use pending or, to the knowledge of Seller, threatened against the Real Properties.

(d) The Real Properties and all improvements thereon represent all of the locations at which the Seller conducts business relating to the Restaurants and are, now, and at Closing will be, the only locations where any of the Purchased Assets are or will be located.

(e) All water, sewer, gas, electric, telephone and drainage facilities, and all other utilities required by any Law or by the normal use and operation of the Real Properties and the Restaurants located thereon are installed to the property lines of the respective Real Properties, are connected pursuant to valid permits, are fully operable and are adequate to service the Real Properties and the Restaurants located thereon and to permit full compliance with all Laws and normal utilization of the Real Properties and the Restaurants located thereon.

(f) All licenses, permits, certificates, including, without limitation, proof of dedication, required from all governmental agencies having jurisdiction over the Real Properties, and from any other Persons, for the normal use and operation of the Real Properties and the Restaurants located thereon and to ensure adequate vehicular and pedestrian ingress to and egress from the Real Properties and the

Restaurants located thereon have been obtained. The Easements are valid and binding, in full force and effect and enforceable in accordance with their respective terms.

SECTION 2.10 Franchise Agreements.

(a) Seller has delivered to Purchaser a true, complete and correct copy of the Franchise Agreements and all amendments thereto. Seller owns, and at Closing will transfer to Purchaser, its right, title and interest in the Franchise Agreements, free and clear of all Liens. Subject to the written consent of Burger King, which Seller shall obtain and deliver to Purchaser at or prior to the Closing, Seller has the absolute right and authority to sell, assign, transfer and convey the Franchise Agreements, and Seller does not know or has no reason to know of any event which would give rise to a violation or default under the Franchise Agreements.

(b) Burger King Business Plans, Facility Reports. Prior to Closing Seller shall deliver to Purchaser true and correct copies of all "Facility Inspection Reports or similar documentation (collectively "**BKC Reports**") prepared by Burger King personnel for the past three (3) years relating to the operations, repair and maintenance of the Restaurants.

SECTION 2.11 Employment Arrangements.

(a) Except as required by Law, Seller has no obligation, contingent or otherwise, under any employment agreement, collective bargaining or other labor agreement, any agreement containing severance or termination pay arrangements, retainer or consulting arrangements, or purchase plan or other employee contract or non-terminable (whether with or without penalty) arrangement with respect to any person employed by Seller in connection with the businesses operated at the Restaurants (including but not limited to district managers) (collectively "**Subject Employees**").

(b) Except as set forth on Schedule 2.11(b), within the last five (5) years Seller has not experienced any labor disputes, union organization attempts or any work stoppage due to labor disagreements. Except as set forth on Schedule 2.11(b), (i) Seller is in substantial compliance with all applicable Laws, including all Federal and state labor laws, rules and regulations, respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice; (ii) there is no unfair labor practice, charge or complaint against Seller pending or threatened before the National Labor Relations Board; (iii) there is no labor strike, dispute, request for representation, slowdown or stoppage actually pending or threatened against or affecting Seller; (iv) no question concerning representation has been raised or is threatened respecting the employees of Seller; and (v) no grievance which might have an adverse effect on Seller or the conduct of its business nor any arbitration proceeding arising out of or under collective bargaining agreements is pending and no claims therefor exist.

(c) Schedule 2.11(c) sets forth a true and complete list of (i) the names of all manager and assistant managers employed by Seller at the Restaurants as of the date hereof, including both salaried and hourly managers, the date such individuals were first employed by Seller, how long such individuals have been at the particular Restaurants and the salary or hourly wage payable to such persons; (ii) the names of all other persons employed by Seller at the Restaurants as of the date hereof, and the salary or hourly wage payable to each such person; and (iii) the total number of vacation days earned and/or accrued by all persons employed by Seller and the total monetary value of such accrued vacation for all such persons ("**Accrued Vacation Pay**"). As of the Closing, Seller shall have terminated all Subject Restaurant Employees and no additional payments shall be due and owing to any Subject Restaurant Employee with respect to any period prior to and including the Closing Date (except for any amount claimed by any Subject Restaurant

Employee but which has being denied or contested by the Seller in good faith, which shall be an Excluded Liability) or amounts that Seller shall be obligated to pay (including, without limitation, payments relating to such employees' Accrued Vacation). Seller has complied with all requirements of the Worker Adjustment and Retraining Notification Act of 1988 and has not incurred, nor is reasonably expected to incur, any Losses under such Act.

(d) Except as set forth on Schedule 2.11(d): (1) no charge against Seller or any of the employees of the Restaurants is pending before the Equal Employment Opportunity Commission, the National Labor Relations Board, or any other Governmental Authority responsible for the prevention of unlawful employment practices related to the Restaurants; (2) no actions relating to employment or loss of employment from Seller, directly or indirectly, are pending in any Governmental Authority and no such Actions have been threatened against Seller related to the Restaurants; and (3) no notice of intent of any Governmental Authority responsible for the enforcement of labor or employment regulations to conduct an investigation has been received, and no such investigation is in progress.

(e) Each of the employees at the Restaurants is employed at will and may be terminated at any time by Seller without the payment of any severance or other penalty and without any requirement that any advance notice be given in connection with such termination.

(f) The Accrued Vacation has been earned and accrued in the ordinary course of Seller's business consistent with past practices.

(g) Seller is not, and has not been, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, "**Union**"), and there is not, and has not been, any Union representing or purporting to represent any employee of Seller, and no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. There has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor disruption or dispute affecting Seller or any employees of the Business. Seller has no duty to bargain with any Union.

SECTION 2.12 Contracts and Arrangements.

(a) Except for the Franchise Agreements, leases for the Real Properties, Easements, and Assumed Contracts, all other Seller Contracts are capable of being, and will be, terminated as of the Closing Date at Seller's sole cost and expense. Seller has no other Contract relating to the Restaurants, Purchased Assets or Real Properties, that will survive the Closing including, without limiting the generality of the foregoing, any (i) Contract for the purchase or sale of Inventory; (ii) Contract for the purchase or sale of supplies, services or other items; (iii) Contract for the purchase, sale or lease of any Restaurant Equipment; (iv) Franchise Agreement or license agreement; and (v) employment or consulting agreement or pension, disability, profit sharing, bonus, incentive, insurance, retirement or other employee benefit agreement.

(b) Seller has not given any power of attorney (revocable or irrevocable) to any Person for any purpose whatsoever.

SECTION 2.13 Litigation, Compliance with Laws and Consents.

(a) Except as set forth on Schedule 2.13(a), there are no suits, grievances, complaints, charges, inquiries, proceedings, hearings, demands, notices, demand letters, claims, actions, causes of action or investigations before any court, tribunal, governmental or regulatory authority or any other Person (each

an "**Action**" and, collectively, "**Actions**") now pending, or, to the knowledge of Seller, in prospect or threatened against, Seller or any of its respective officers, directors or partners, at law or in equity, whether or not fully covered by insurance, in connection with the Purchased Assets, Real Properties, leases for the Real Properties, Assumed Contracts, Restaurants, business, affairs or assets of Seller.

(b) Seller at all times during the past has been, and at Closing, will be, in substantial compliance in all respects with all laws (whether statutory or otherwise) rules, regulations, orders, ordinances, judgments, injunctions, demands, or decrees of any governmental authority (Federal, state, local or otherwise) (collectively "**Laws**") applicable to its employees, business, affairs, properties or assets. Neither Seller, nor any officer, director or authorized agent of Seller is in default with respect to, and has not been charged or to its knowledge threatened with, nor is under investigation with respect to any violation of any Laws relating to any aspect of its business, affairs, properties or assets including, but not limited to, the Restaurants, Purchased Assets, Real Properties, leases for the Real Properties or Assumed Contracts.

(c) Set forth on Schedule 2.13(c) hereto is a list of all licenses, permits, approvals, permissions, qualifications, consents and other authorizations (collectively "**Licenses**") which are required to be obtained in connection with the ownership, use or operation of the Restaurants, the Purchased Assets or Real Properties ("**Required Licenses**"). Except as set forth on Schedule 2.13(c), Seller has obtained each of the Required Licenses and each such Required License is, and on the Closing Date will be, validly issued and in full force and effect and there are not now, and at Closing shall not be, any Actions pending, and to Seller's knowledge, any Actions in prospect or threatened, challenging the Required Licenses.

SECTION 2.14 Environmental Matters. Except as set forth in Schedule 2.14 annexed hereto: (i) Seller has obtained all Licenses which are required under any Environmental Laws; (ii) to the best of Seller's knowledge, Seller is in substantial compliance with all terms and conditions of the Required Licenses and is also in substantial compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Laws or code, plan, order, decree or judgment relating to public health and safety and pollution or protection of the environment or any notice or demand letter issued, entered, promulgated or approved thereunder; (iii) there are no civil, criminal or administrative Actions pending, or to Seller's knowledge threatened, against Seller relating in any way to any Environmental Law or any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder; and (iv) Seller does not know or have any reason to know of and Seller has not received any notice of any facts, events or conditions which would interfere with or prevent continued compliance with, or give rise to any common law or legal liability under any Environmental Law.

SECTION 2.15 Insurance Policies. Seller has maintained with financially sound and reputable insurers insurance with respect to its properties and business against loss or damage of the kinds customarily insured against, including, but not limited to fire, liability, workers' compensation or vehicular by reputable companies in the same or similar business, of such types and in such amounts (with such deductible amounts) as is customary for such companies under similar circumstances. All of the applicable insurance policies are valid and enforceable and in full force and effect and will be continued in full force and effect up to and including the Closing Date.

SECTION 2.16 Tax Returns. Seller has filed all Federal income tax returns and all state and local income, franchise and sales tax returns and all real property tax returns and any other tax return which was required to be filed as of the date of this Agreement, and will timely file or obtain extensions of time to file all returns which were not required to be filed prior to the date hereof. As of the date hereof, no taxes are past due, no tax liabilities have been assessed or proposed which remain unpaid and all current payroll taxes

have been paid. Seller is not aware of any basis upon which any assessment of additional Federal, state or local income or other taxes could be made, and Seller has not signed any extension agreement with the Internal Revenue Service or any other governmental agency or given waiver of a statute of limitations with respect to the payment of taxes for periods for which the statute of limitations has not expired. Seller shall be liable for all tax liabilities in connection with the operation of the Restaurants, the Purchased Assets, the Real Properties, the Easements and Assumed Contracts, which cover periods prior to the Closing Date. Seller shall be liable for all transfer, sales and similar tax liabilities, if any, in connection with the assignment of the leases for the Real Properties and Assumed Contracts, and the transfer of any rights under the Easements. All taxes which Seller is required by law to withhold or collect have been duly withheld or collected and to the extent required have been paid over to the proper governmental authorities on a timely basis or reflected as an obligation on the current Financial Statements of the Seller. Seller is not a "foreign person" as that term is used in Treasury regulation Section 1.1445-2.

SECTION 2.17 Adverse Restrictions. Seller is not subject to any charter, by-law, Lien, lease, agreement, instrument, order, judgment or decree, or any other restriction of any kind or character, or, any law (currently in existence or adopted on or before the Closing Date), rule or regulation, which now is or in the future could be burdensome or which could affect materially adversely the Restaurants or the business conducted therein, Purchased Assets, Real Properties or the lease for the Real Properties, the Easements or Assumed Contracts. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereunder and thereby will not result in the violation or breach of, default or the creation of any Lien under any of the aforesaid.

SECTION 2.18 Brokers. No broker, finder or selling agent has had a part in bringing about any of the transactions contemplated by this Agreement or the other Transaction Documents (including, but not limited to, the assignment of the Real Properties) and no commission or other fee is due to any party in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

SECTION 2.20 Material Information. The Financial Statements, this Agreement, the other Transaction Documents and any exhibit, schedule, certificate, or other information, representation, warranty or other document furnished or to be furnished by Seller to Purchaser pursuant to or in connection with any of the foregoing, do not (i) contain, nor will the same contain, any untrue statement of a material fact; or (ii) omit, nor will the same omit, or fail to state, a material fact required to be stated herein or therein or which is necessary to make the statements herein or therein not misleading.

SECTION 2.21 Other Franchise Development Competition.

(a) Except as set forth in Schedule 2.21(a), Seller has not received any notification from Burger King, and is not otherwise aware of any planned or proposed new development of Burger King restaurants by other franchisees anywhere within the "Restricted Area" (as defined in Section 8.1(a)(i)).

(b) Except as set forth on Schedule 2.21(b), Seller, has no knowledge of any planned or proposed new development of competing restaurants (such as McDonald's, Wendy's, Taco Bell and Subway) anywhere within the "Restricted Area" which, upon opening, could reasonably be expected to cause a decrease in the sales of any Restaurant of greater than five (5%) percent.

SECTION 2.22 Continuing Representations. The representations and warranties of Seller herein contained shall be materially true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents, warrants, covenants and agrees to and with Seller that:

SECTION 3.1 Organization and Corporate Power. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has full power and authority to execute and deliver this Agreement and the other Transaction Documents to be executed and delivered by Purchaser pursuant hereto or in connection herewith and to consummate the transactions contemplated hereby and thereby.

SECTION 3.2 Certificate of Incorporation and By-Laws. Copies of the Articles of Organization of Purchaser and all amendments thereto to date, as certified by the Secretary of Purchaser, have heretofore been delivered to Seller, and are complete and correct as of the date of this Agreement and will be complete and correct as of the Closing Date. Purchaser is not in default in the performance, observance or fulfillment of any of the terms or conditions of its Certificate of Incorporation or By-Laws.

SECTION 3.3 Due Authorization. All requisite authorizations for the execution, delivery, performance and satisfaction of this Agreement and the other Transaction Documents by Purchaser have been duly obtained. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been or will be at the time of Closing duly authorized by the Member of Purchaser and no other corporate acts or proceedings on the part of Purchaser are necessary to authorize the execution and delivery of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby. This Agreement and each of the other Transaction Documents, upon execution and delivery by Purchaser, will be the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforcement thereof may be limited by Bankruptcy Laws and subject to the general principles of equity affecting the right to specific performance and injunctive relief.

SECTION 3.4 No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents by Purchaser and the consummation by Purchaser of the transactions contemplated hereby and thereby will not (a) violate its Articles of Organization or Operating Agreement; (b) violate or conflict with or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any agreement, indenture, instrument or understanding to which Purchaser is a party or by which it is bound; (c) violate any judgment, decree, law, rule or regulation to which Purchaser is a party or by which it is bound; (d) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any agreement or commitment to which Purchaser is a party or by which Purchaser is subject or bound; or (e) result in any suspension, revocation, impairment, forfeiture or non-renewal of any license, qualification, authorization or approval applicable to Purchaser.

SECTION 3.5 Consents. Except for the consent of Purchaser's senior lender and any filings that Purchaser may be required to make with the Securities and Exchange Commission, Purchaser is not required to obtain any consents, approvals or other authorizations or to make any filing with any governmental authority or agency or any other Person in connection with the execution, delivery and consummation of this Agreement and other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

SECTION 3.6 Brokers. No broker, finder or selling agent has had a part in bringing about any of the transactions contemplated by this Agreement or the other Transaction Documents (including, but not

limited to, the assignment of the leases) and no commission or other fee is due to any party in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

SECTION 3.7 Material Information. This Agreement, the other Transaction Documents and any exhibit, schedule, certificate or other information representation, warranty or other document furnished or to be furnished by Purchaser to Seller do not (a) contain, nor will the same contain, any untrue statement of a material fact; or (b) omit, nor will the same omit, or fail to state, a material fact required to be stated herein or therein or which is necessary to make the statements herein or therein not misleading.

SECTION 3.8 Continuing Representations. The representations and warranties of Purchaser herein contained shall be materially true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date.

ARTICLE IV COVENANTS OF THE PARTIES

SECTION 4.1 Access to Records and Properties Prior to the Closing Date. Between the date of this Agreement and the Closing Date, Seller shall give Purchaser, its directors, officers, employees, accountants, counsel and other representatives and agents ("**Representatives**") reasonable access to the premises, properties, employee records, books, financial statements, Contracts, and records of Seller relating to the Restaurants, the Purchased Assets, Real Properties, the Easements and Assumed Contracts, and shall furnish Purchaser with such financial and operating data and other information with respect to the business and properties of Seller as Purchaser shall from time to time reasonably request for such purposes as Purchaser shall require and pertaining to its acquisition of the Restaurants. Any such investigation or examination shall be conducted at reasonable times and upon reasonable notice to Seller. Purchaser shall: (i) be solely responsible for all costs associated with the conduct of its investigations and examinations; (ii) upon completion of its investigations and examinations immediately repair and restore the Real Property to its condition existing immediately prior to the conduct of its investigations and examinations; and (iii) indemnify, defend and hold Seller harmless from and against all liabilities, claims, damages, actions, or losses (threatened or incurred) to the Real Property or anyone on the Property or around the Property as a result of the negligence of the Purchaser, or any of Purchaser's agents, in performing the investigations and examinations. Notwithstanding inspections, audits or other studies undertaken by or on behalf of Purchaser hereunder or any other due diligence investigation undertaken by or on behalf of Purchaser, Seller shall not be relieved in any way of responsibility for their warranties, representations and covenants set forth in this Agreement.

SECTION 4.2 Operation of the Business of Seller.

(a) Between the date of this Agreement and the Closing Date, Seller shall conduct the operation of the Restaurants in the ordinary and usual course of business, consistent with past practices and will use its best efforts to preserve intact the present business organization with respect to the Restaurants, to keep available the services of its officers and employees, and to maintain satisfactory relationships with landlords, franchisors, dealers, licensors, licensees, suppliers, contractors, distributors, customers and others having business relations with it and the Restaurants and will maintain the Restaurants, Real Properties, and Purchased Assets in a condition conducive to the operation of the business currently carried on therein.

(b) Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or with the prior written consent of Purchaser, Seller will not:

(i) keep and maintain its books of account and records other than in accordance with generally accepted accounting principles consistent with past practices;

(ii) amend or restate the leases for the Real Properties, the Franchise Agreements or any Assumed Contract or other material Contract;

(iii) (A) Increase in any manner the compensation of any of the employees at any of the Restaurants other than in the ordinary course of business, consistent with past practices; (B) pay or agree to pay any pension, retirement allowance or other employee benefit not required or permitted by any Plan, whether past or present; or (C) commit itself in relation to the Restaurants, the employees at the Restaurants or the Real Properties, to any new or renewed Plan with or for the benefit of any Person, or to amend any of such Plans or any of such agreements in existence on the date hereof;

(iv) Permit any of its insurance policies to be canceled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies are in full force and effect providing coverage, in form, substance and amount equal to or greater than the coverage under those canceled, terminated or lapsed for substantially similar premiums;

(v) Enter into any other Contracts whether written or oral which, individually or in the aggregate, would be material to the Restaurants, Purchased Assets, Real Properties, the Easements or the Assumed Contracts, except Contracts for the purchase, sale or lease of goods or services in the ordinary course of business consistent with past practice and not in excess of current requirements, or otherwise make any material change in the conduct of the businesses or operations of Seller;

(vi) Take any action which would result in any of the representations or warranties contained in this Agreement or the other Transaction Documents not being true at and as of the time immediately after such action at and as of the Closing Date, or impair Seller's ability to perform any of the covenants contained in this Agreement or other Transaction Documents or which would have a materially adverse impact on the transactions contemplated by this Agreement or the Transaction Documents;

(vii) Operate the Restaurants or otherwise engage in any practices which would materially adversely affect sales at the Restaurants; or

(viii) Agree (in writing or otherwise) to do any of the foregoing.

(c) From and after the date hereof, Seller or any of its Affiliates will not remove any management personnel (manager and assistant managers) from the Restaurants or relocate such management personnel to any other restaurants owned or operated by Seller or its Affiliates.

(d) From the date hereof and up to and including the Closing Date, Seller shall use its best efforts to maintain and retain at a minimum one (1) Restaurant Manager position and two (2) Assistant Restaurant Manager positions per Restaurant.

(e) From the date hereof and up to and including the Closing Date, Seller shall:

(i) maintain all agreements and accounts with suppliers, licensors, licensees, advertisers, distributors, vendors and others having business dealings with or providing services to the Restaurants including, but not limited to trash and garbage removal, snow and ice removal, landscaping and lawn care, utilities, telephone service, internet service, repairs and maintenance, grease removal, and billboard

and highway sign agreements and Seller shall not terminate any such agreements or accounts without the Purchaser's prior written consent not to be unreasonably withheld;

(ii) assist with and provide reasonable cooperation in the orderly transition of all such agreements, business dealings and services to Purchaser;

(iii) provide reasonable cooperation in obtaining the assignment of any of the Assumed Contracts provided that the same are capable of assignment with or without consent; and

(iv) provide reasonable cooperation in developing transitional plans and arrangements, as may be required, to effect the transition of the Restaurants and related POS, inventory and supporting information systems.

SECTION 4.3 Supplements to Disclosures. Prior to the Closing Date, Seller will promptly supplement or amend the information set forth herein and in the Schedules and Exhibits referred to herein with respect to any material matter hereafter arising which, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described herein or in a Schedule or Exhibit or which is necessary to correct any material information herein or in a Schedule or Exhibit or in any representation and warranty, which has been rendered inaccurate thereby.

SECTION 4.4 No Other Asset Sales. From the date hereof until the Closing Date, Seller shall not, directly or indirectly and whether by means of a sale of assets, sale of stock, merger or otherwise:

(a) sell, transfer, assign or dispose of, or offer to, or enter into any Contract to sell, transfer assign or dispose, of the Purchased Assets or any interest therein, except for normal operations in the ordinary course of business; or

(b) encourage, initiate or solicit any inquiries or proposals by, or engage in any discussions or negotiations with, or furnish any non-public information to any Person concerning any other sale of the Purchased Assets and Seller shall promptly communicate to Purchaser the substance of any inquiry or proposal concerning any such transaction which may be received.

SECTION 4.5 Regulatory Filings and Consents. From the date hereof until the Closing Date, each of the parties hereto shall furnish to the other party hereto such necessary information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings or submissions to any governmental agency and Seller and Purchaser shall use their best efforts to obtain all Licenses and Required Consents from third parties necessary to consummate the transactions contemplated by this Agreement and the other Transaction Documents. Each party shall furnish to the other copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between Purchaser, Seller, or any of their respective Representatives and agents, on the one hand, and any government agency or authority or third party, on the other hand, with respect to this Agreement and the other Transaction Documents and transactions contemplated hereby and thereby.

SECTION 4.6 Announcements; Confidentiality.

(a) From the date of this Agreement until Closing, except as required by Law or as otherwise provided herein, no announcement of the existence or terms of this Agreement or the other Transaction Documents or the transactions contemplated hereby and thereby shall be made publicly or to

the employees or customers of Seller, by any party to this Agreement or any of its respective Representatives without the advance written approval of the other party.

(b) A certain Confidentiality Agreement dated October 3, 2013, has been entered into by and between Purchaser and Seller (the "**Confidentiality Agreement**"). Seller and Purchaser acknowledge and agree that the Confidentiality Agreement remains in full force and effect and, in addition, covenants and agrees to keep confidential, in accordance with the provisions of the Confidentiality Agreement, information provided by such other party pursuant to this Agreement and the Confidentiality Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this Section 4.6(b) shall nonetheless continue in full force and effect. At Closing, the Confidentiality Agreement shall remain in full force and effect, other than with respect to Purchaser's obligations relating to the Restaurants and Purchased Assets, which shall terminate at such time.

SECTION 4.7 Limitation of Seller, Actions After Closing. From and after the Closing and thereafter so long as the provisions of Article VII are still applicable, Seller shall not, without the prior written consent of Purchaser: (i) engage in any business which would adversely affect the value of the Purchased Assets or the businesses operated at the Restaurants; or (ii) take any other action or fail to take any action, or allow the occurrence of any event, with respect to Seller's assets, including without limitation, the Real Properties, which could be reasonably expected to materially and adversely affect the value thereof.

SECTION 4.8 Bulk Sales. ***Not Applicable***

SECTION 4.9 Financial Statements and Reports. Between the date hereof and the Closing Date, Seller shall deliver to Purchaser:

(a) within five (5) business days after the end of each calendar week, a written statement, certified by Seller, of the Gross Sales of each Restaurant for that week; and

(b) within five (5) business days of their availability, such financial statements relating to each Restaurant as may be prepared by Seller, which shall be prepared on a basis consistent with past practices.

SECTION 4.10 Environmental Matters.

(a) Purchaser shall, at its sole cost and expense, obtain current "Phase I" environmental site assessments (hereinafter "**Phase I's**") for each of the Real Properties within forty-five (45) days after the Effective Date, which shall be conducted by a reputable, licensed environmental services company (the "**Environmental Company**"). The Phase I's shall be prepared by the Environmental Company so that they may be relied upon by both Seller and Purchaser.

(b) In the event any of the Phase I's shall recommend that a "Phase II" environmental site assessment (hereinafter "**Phase II's**") be performed, or shall disclose any environmental conditions which Purchaser, in its sole discretion reasonably exercised, believes should be investigated further, Purchaser, at its sole cost and expense and conditioned upon obtaining the consent of Seller, shall cause Phase II's for each Real Property so affected to be performed by the Environmental Company. In connection with any such Phase II Purchaser shall: (i) be solely responsible for all costs associated with the Phase II; (ii) upon completion of the Phase II immediately repair and restore the Real Property to its condition existing immediately prior to the Phase II; and (iii) indemnify, defend and hold Seller harmless from and against all liabilities, claims, damages, actions, or losses (threatened or incurred) to the Real Property or anyone on the

Property or around the Property as a result of the negligence of the Purchaser, or any of Purchaser's agents, in performing the Phase II.

(c) In the event that a Phase I or a Phase II shall identify a Real Property which is affected by an environmental condition which requires abatement or remediation or is otherwise subject to a Recognized Environmental Condition (an "**Environmentally Damaged Restaurant**") or if Seller does not authorize the conduct of a Phase II that Purchaser reasonably believes should be conducted, Purchaser shall have the option, to be exercised within ten (10) days of receipt of such Phase I or Phase II, to elect to have the Environmentally Damaged Restaurant and the Real Property upon which such Restaurant is located, and all other Purchased Assets relating to such Restaurant, withdrawn from this transaction, whereupon the purchase price for the Purchased Assets shall be reduced by an amount (referred to herein as the "**Damage Credit**") which shall be determined by Purchaser and Seller by taking into account the sales, profitability and location of such Restaurant, as well as any other relevant material facts or factors related to the value of such Restaurant, the Purchased Assets related thereto or the Real Property upon which it is located. In the event Purchaser and Seller are unable to agree upon the Damage Credit, such dispute shall be submitted to arbitration before a single Arbitrator under the rules of the American Arbitration Association located in Chicago, Illinois.

SECTION 4.11 Employee Benefit Matters.

(a) Seller shall pay to any and all liabilities with respect to any wages, vacation, severance or sick pay, and payroll taxes thereon, or any rights under any stock option, bonus or other incentive arrangements of its respective employees which shall have accrued or been earned by the Subject Employees as of the Closing Date and not paid by Seller. For the purposes hereof, such accrued liabilities shall be determined as if Seller does not terminate the employment of their respective employees on the Closing Date.

(b) Seller shall assume full responsibility and liability for offering and providing "continuation coverage" to any employee of Seller, and to "qualified beneficiaries" of any employee of Seller or to any qualified beneficiary who incurs a multiple qualifying event after the Closing Date provided that the employee or "qualified beneficiary" incurs a "qualifying event" prior to the Closing Date. The continuation coverage shall be provided under a group health plan of Seller or an affiliate of Seller. The type of coverage shall be that described in Section 4980B(f)(2)(A) of the Code. The continuation coverage shall be provided for the period described in Section 4980B(f)(2)(A) of the Code. "Continuation coverage", "qualified beneficiaries", and "qualifying event" have the meanings given such terms under Section 4980B of the Code. Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any "Damages" (as defined in Section 7.2(a) below) arising out of Seller's failure to offer the continuation coverage described herein.

SECTION 4.12 Access to Restaurants Prior to Closing. From the Effective Date and from time to time thereafter and until the Closing, Seller shall give Purchaser and its Representatives access to the Restaurants for the purposes of facilitating Purchaser's conversion of the POS systems and other operational equipment. Such access by Purchaser shall be upon reasonable prior notice and Purchaser agrees to use best efforts to conduct said activities in such manner so as not to unreasonably interfere with the operation of Seller's business. To the extent there is storage space available at the Restaurants and the same shall not cause undue burden on Seller, Purchaser may also, at its sole risk, store its POS and related equipment at the Restaurants.

SECTION 4.13 No Solicitation. During the term of this Agreement, the Seller and any related party or parties acting through or on behalf of Seller shall not (i) solicit, initiate or encourage any inquiries, proposals or offers from any Person for, or enter into any discussions or agreements with any Person with respect to, the acquisition of any interest in the Purchased Assets (an “**Acquisition Transaction**”), (ii) furnish or cause to be furnished any non-public information concerning the business and operations of Seller with respect to the Purchased Assets to any Person (other than any of the parties hereto and their officers, directors, employees, consultants and agents) or (iii) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any Person to do or seek any of the foregoing. The Seller shall promptly notify the Purchaser of any inquiry or proposal received by the Seller with respect to any such Acquisition Transaction. On the Effective Date Seller and Stockholders shall immediately terminate any and all existing discussion, communications or negotiations with any Person other than Purchaser with respect to the Purchased Assets.

SECTION 4.15 Utilities and Contracts. Seller shall terminate all of the Restaurants’ utility accounts effective as of the Closing Date and shall provide such reasonable cooperation, as requested by Purchaser, to establish new utility accounts at the Restaurants in the name of the Purchaser. For the avoidance of doubt, in no event will Seller be required to transfer any utility accounts and/or related deposits to Purchaser.

SECTION 4.16 Termination of Employees. The Seller shall terminate each employee at all Restaurants effective as of the Closing. Seller shall bear any and all obligations and liability under the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. resulting from employment losses pursuant to this Section 4.16. Prior to the Closing, the timing of which shall be jointly agreed to by Seller and Purchaser, Purchaser may contact and make arrangements with any or all of the Subject Restaurant Employees, in the presence of representatives of the Seller, for the purpose of securing their employment by Purchaser immediately after the Closing and for the purpose of ensuring the continuity of the Restaurants after the Closing.

ARTICLE V

CONDITIONS TO OBLIGATIONS OF PARTIES

SECTION 5.1 Conditions to the Obligations of Seller and Purchaser. The obligations of Purchaser and Seller to consummate the transactions contemplated by the Transaction Documents are subject to the satisfaction at or prior to the Closing of the following conditions, except to the extent that any such condition may have been waived in writing by both Seller and Purchaser at or prior to the Closing:

(a) Impediments to Closing. No Actions shall have been instituted or shall be pending or threatened which questions the validity or legality of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and which could reasonably be expected to damage materially the Purchased Assets or Restaurants if the transactions contemplated hereby or thereby are consummated. No injunction, decree or order shall be in effect prohibiting consummation of the transactions contemplated by this Agreement or the other Transaction Documents or which would make the consummation of such transactions unlawful and no Actions shall have been instituted and remain pending to restrain or prohibit the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 5.2 Conditions to the Obligations of Seller. The obligations of Seller to consummate the transactions contemplated hereby and by the other Transaction Documents are subject to the satisfaction at or prior to the Closing of the following conditions, except to the extent that any such condition may have been waived in writing by Seller at or prior to the Closing:

(a) Representations, Warranties and Performance. The representations, warranties, covenants and agreements of Purchaser contained in this Agreement and the other Transaction Documents or otherwise made in writing by it or on its behalf pursuant hereto or otherwise made in connection with the transactions contemplated hereby or thereby shall be true and correct at and as of the Closing Date, with the same force and effect as if made at and as of the Closing Date; the Purchaser shall have performed or complied with all agreements and conditions required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date; and Seller shall have received a certificate to the foregoing effect dated the Closing Date in form reasonably satisfactory to Seller signed by an officer of Purchaser.

(b) Governing Instruments. Seller shall have received a certificate, dated the Closing Date, of the Secretary or Assistant Secretary of Purchaser certifying, among other things, that attached or appended to such certificate (i) is a true and correct copy of its Certificate of Incorporation and all amendments, if any, thereto as of the date thereof; (ii) is a true and correct copy of its By-Laws; (iii) is a true copy of all corporate actions taken by it, including resolutions of its board of directors authorizing the execution and delivery of this Agreement and each other Transaction Document to be delivered by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby; and (iv) are the names, the signatures of its duly elected or appointed officers who are authorized to execute and deliver this Agreement, and any certificate, document or other instrument in connection herewith.

(c) Payment of Purchase Price. Purchaser shall have tendered to Seller the Purchase Price payable at Closing in accordance with Section 1.2(a).

(d) Required Consents. Seller shall have received all of the Required Consents in form and content satisfactory to Seller in its sole discretion.

(e) Other Documents. Purchaser shall have delivered to Seller the Consent, Assignment and Assumption of Real Property Leases, the Leases, and each Assumed Contract;

(f) Certificates. Certificates dated no earlier than thirty (30) days prior to the Closing Date, from appropriate authorities in the State of its jurisdiction of incorporation, as to the good standing of Purchaser;

(g) Receipt of Inducement Payment. Seller shall have received, on or before the Closing, the Inducement Payment from Burger King in the amount of Two Million One Hundred Thousand and 00/100 Dollars (\$2,100,000.00).

(h) Closing of Concurrent Sales. The transactions between Heartland Indiana LLC, Heartland Illinois Food Corp. and Purchaser referenced on Schedule 5.2(h) attached hereto and made a part hereof (the “**Concurrent Transactions**”) shall have been closed simultaneous to and in conjunction with the Closing.

SECTION 5.3 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated hereby and by the other Transaction Documents are subject to the satisfaction at or prior to the Closing of the following additional conditions, except to the extent that any such condition may have been waived in writing by Purchaser at or prior to the Closing:

(a) Representations, Warranties and Covenants. The representations, warranties, covenants and agreements of Seller contained in this Agreement and the other Transaction Documents, or

otherwise made in writing by it or on its behalf pursuant hereto or otherwise made in connection with the transactions contemplated hereby or thereby shall be materially true and correct at and as of the Closing Date with the same force and effect as though made on and as of the Closing Date; Seller shall have performed or complied with all agreements and conditions required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date; and Purchaser shall have received certificates to the foregoing effect dated the Closing Date in form reasonably satisfactory to Purchaser signed by the an officer of Seller.

(b) Governing Instruments, etc. Purchaser shall have received a certificate, dated the Closing Date, of the Secretary or Assistant Secretary of Seller certifying, among other things, that attached or appended to such certificate (i) is a true and correct copy of each Governing Instrument and all amendments if any thereto as of the date thereof; (ii) is a true copy of all corporate actions taken by it, including resolutions of its board of directors and shareholders authorizing the execution and delivery of this Agreement and each other Transaction Document to be delivered by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby; and (iii) are the names and signatures of its duly elected or appointed officers who are authorized to execute and deliver this Agreement and any certificate, document or other instrument in connection herewith.

(c) Instruments of Transfer. Seller shall have delivered to Purchaser a bill of sale and assignment ("**Bill of Sale**") substantially in the form annexed as Exhibit "F" hereto and made a part hereof, the Leases, the Consent, Assignment and Assumption of Real Property Leases, and any other documents of transfer which Purchaser reasonably shall request in order to evidence and effectuate the sale and assignment to Purchaser of the Purchased Assets, the Real Properties, the Assumed Contracts and the consummation of all other transactions contemplated by this Agreement and the other Transaction Documents.

(d) Consents. Seller shall have obtained, and delivered to Purchaser, copies of the Required Consents applicable to it in form and substance satisfactory to Purchaser.

(e) No Material Adverse Change. There shall have been no material adverse change, nor any events which could have a material adverse change, in the business, operations, prospects or financial or other condition of any Restaurant or in the respective Purchased Assets or Real Properties from the date hereof to the Closing Date (the "**Interim Period**").

(f) Environmental Due Diligence. Purchaser shall have completed its environmental due diligence of the Restaurants, Real Property and Purchased Assets and have received results which are satisfactory to Purchaser in its sole discretion.

(g) Due Diligence. Purchaser shall have completed its own due diligence investigation of the operation of the business and the Purchase Assets, the Leases and the Real Property, including but not limited to, environmental audits, title review and examination, tax and accounting, financial data, required permits and third party consents, equipment, buildings and structures, easements and restrictions, the results of which shall have been deemed satisfactory in the sole discretion of Purchaser and its Representatives.

(h) Other Documents. Seller shall have delivered to Purchaser:

(i) each Assumed Contract;

(ii) the Easement Assignments;

(iii) certificates dated no earlier than thirty (30) days prior to the Closing Date, from appropriate authorities in the State of its jurisdiction of incorporation, as to the good standing of Seller;

(vii) all other documents, instruments and agreements required to be delivered by Seller to Purchaser pursuant to this Agreement and the other Transaction Documents.

(i) Senior Lender's Consent. Purchaser shall have received, if necessary, the written consent of its senior lender to the transactions contemplated hereby.

ARTICLE VI DAMAGE OR DESTRUCTION

SECTION 6.1 Damage to or Destruction of Restaurants. If prior to the Closing Date, any of the Restaurants (hereafter referred to as a "**Damaged Restaurant**") incurs substantial damage or is destroyed by fire or other casualty (whether or not such destruction is covered by insurance) Purchaser shall have the option, to be exercised within ten (10) days of receipt of notice from Seller, to: (i) require the Seller to promptly repair, rebuild and/or replace such Damaged Restaurant at Seller's sole cost and expense; (ii) elect to have the Damaged Restaurants and the Real Property upon which such Restaurant is located, and all other Purchased Assets relating to such Restaurants, withdrawn from this transaction, whereupon the Purchase Price shall be reduced by an amount equal to the Damage Credit or (iii) remove the Damaged Restaurants from this Agreement whereupon a Damage Credit will be applied to the Purchase Price calculated as set forth in Section 4.10(c). In the event Purchaser and Seller are unable to agree upon the Damage Credit, such dispute shall be submitted to arbitration under the rules of the American Arbitration Association in Chicago, Illinois. In the event Purchaser elects to require the Seller to rebuild and/or replace such Restaurant, the Closing shall occur pursuant to this Agreement except a portion of the purchase price equal to the Damage Credit shall be held in escrow by the attorneys for Purchaser pending completion of the repair and/or restoration of the Damaged Restaurant. In the event such restoration or repair is not completed within one hundred eighty (180) days after the date Purchaser has elected to have the Seller proceed with the repair and/or restoration, Purchaser shall have an additional option to withdraw the Damaged Restaurant from this transaction, exercisable within thirty (30) days from the date Purchaser's additional option shall arise, whereupon the Damage Credit shall immediately be paid to Purchaser.

SECTION 6.2 Notification of Damage or Destruction. Seller shall notify Purchaser of any destruction or damage to any of the Real Properties or Purchased Assets within forty eight (48) hours after becoming aware of the casualty.

ARTICLE VII INDEMNIFICATION

SECTION 7.1 Survival of Representations. The representations and warranties contained in Sections 2.1, 2.3, 2.6, 2.7, 2.9, 2.14, 16, 2.18, 3.1, 3.3 and 3.6 hereof (the "**Transactional Reps**") will survive the Closing and continue in full force and effect thereafter until thirty (30) days following the end of the applicable statute of limitations. All other representations and warranties in this Agreement will survive the Closing and continue in full force and effect thereafter for a period of twelve (12) months and will thereupon expire together with any right to indemnification for breach thereof. All covenants and agreements shall survive the Closing indefinitely (except for those covenants and agreements required to be performed at or prior to the Closing, which covenants and agreements shall not survive the Closing).

SECTION 7.2 Agreement to Indemnify. Subject to the conditions of this Article VII:

(a) Purchaser hereby agrees to indemnify, defend and hold harmless Seller from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties and reasonable attorney's fees, costs and disbursements and expenses (collectively, "**Damages**"), asserted against, resulting to, imposed upon or incurred by Seller and its officers, directors and shareholders directly or indirectly, arising out of or resulting from (i) a breach of any representation, warranty, covenant or agreement of Purchaser contained in or made pursuant to this Agreement (including but not limited to enforcement of this Article VII), the other Transaction Documents or the transactions contemplated hereby or thereby or any facts or circumstances constituting such a breach; (ii) any indebtedness, obligation or liability assumed by Purchaser pursuant to Section 1.4(b) hereof; and (iii) the operation, use or ownership of the Restaurants, Purchased Assets, Real Properties, the Easements and Assumed Contracts, during, or which have otherwise accrued from or otherwise relate to, the period of time after the Closing Date; and

(b) Seller hereby agrees to indemnify, defend and hold harmless Purchaser and its officers, directors and shareholders from and against all Damages asserted against or incurred by Purchaser or such officers, directors and shareholders, directly or indirectly, arising out of or resulting from (i) a breach of any representation, warranty, covenant or agreement of Seller contained in or made pursuant to this Agreement (including but not limited to enforcement of this Article VII, the other Transaction Documents or any facts or circumstances constituting such a breach; (ii) any indebtedness, obligations or liabilities of Seller including, but not limited to, any liability or obligation set forth in Section 1.4(a), and the tax liabilities set forth in Section 2.17 other than those expressly assumed by Purchaser hereunder; (iii) a breach of or otherwise arising under any Environmental Law (whether now or hereafter in effect), to the extent the same arises out of any condition or state of facts or otherwise relates to the period of time commencing on the date of possession by the Seller of the Real Property in question and ending on the Closing Date; (iv) the operation, use or ownership of the Restaurants, Purchased Assets, Real Properties, Real Properties, the Easements and Assumed Contracts during, or which have otherwise accrued from or otherwise relate to the period of time prior to the Closing Date; (v) Seller's failure to pay and discharge all claims of creditors which may be asserted against Purchaser by reason of Purchaser's waiver of compliance by Seller of the Bulk Sales Laws; and (vi) any claims made with respect to any Plan.

SECTION 7.3 Conditions of Indemnification. The obligations and liabilities of an indemnifying party under Section 7.2 with respect to Damages for which it must indemnify another party hereunder (collectively, the "**Indemnified Claims**") shall be subject to the following terms and conditions:

(a) The indemnified party shall give the indemnifying party notice of any such Indemnified Claim which notice shall set forth in reasonable detail the basis for and amount of the Indemnified Claim, and the circumstances giving rise thereto. If the Indemnified Claim is a third-party claim, the notice must contain a copy of any papers served on the indemnified party.

(b) If the Indemnified Claim is not a third-party claim, unless within thirty (30) days of receipt by the indemnifying party of notice of the Indemnified Claim the indemnifying party sends written notice to the indemnified party disputing the facts giving rise to the Indemnified Claim or the amount of Damages stated in the notice, the Damages stated in the notice shall become due and payable upon the expiration of such thirty (30) day period. If, however, the indemnifying party disputes the facts, giving rise to the Indemnified Claim or the amount of Damages stated in the notice within such thirty (30) day period

and the dispute cannot be resolved within the following ninety (90) days, the dispute shall be submitted to arbitration under the rules of the American Arbitration Association in Chicago, Illinois.

(c) If the Indemnified Claim is a third-party claim, the indemnifying party may undertake the defense thereof at its own expense by representatives of its own choosing reasonably satisfactory to the indemnified party and will consult with the indemnified party concerning such defense during the course thereof. If the indemnifying party, within thirty (30) days after receipt of notice of any Indemnified Claim (or such shorter period as is necessary to prevent prejudice to the indemnified party, if such thirty (30) day period would prejudice the rights of the indemnified party), fails to defend, the indemnified party (upon further notice to the indemnifying party) will have the right to undertake the defense, compromise or settlement of such Indemnified Claim on behalf of and for the account and risk of and at the expense of the indemnifying party. In addition, if there is a reasonable probability that a third-party Indemnified Claim may materially and adversely affect an indemnified party, the indemnified party shall have the right, at its own cost and expense, to defend, compromise or settle such Indemnified Claim.

(d) Anything in this Section 7.3 to the contrary notwithstanding, neither the indemnifying party nor the indemnified party, as the case may be, may settle or compromise any Indemnified Claim or consent to entry of any judgment in respect thereof, without the written consent of the other, which consent shall not be unreasonably withheld or delayed.

SECTION 7.4 Remedies Cumulative. The remedies provided in this Article VII shall be cumulative and shall not preclude the assertion by any party hereto of any other rights or the seeking of any other remedies against the other parties hereto. Either party may, among its other remedies, offset the amount of any Indemnified Claim which becomes due and payable to it or to its shareholders, officers or directors, against any payments to be made or consideration to be paid to the other pursuant to this Agreement or any of the other Transaction Documents.

SECTION 7.5 Certain Limitations. Payments by an indemnifying party pursuant to Section 7.2 in respect of any Damages shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment actually received by the indemnified party in respect of any such claim, less any related costs and expenses, including the aggregate cost of pursuing any related insurance claims and any related increases in insurance premiums or other chargebacks (it being agreed that neither party shall have any obligation to seek to recover any insurance proceeds in connection with making a claim under this Article VII and that, promptly after the realization of any insurance proceeds, contribution or other similar payment, the Indemnified Party shall reimburse the indemnifying party for such reduction in Damages for which the Indemnified Party was indemnified prior to the realization of reduction of such Damages).

SECTION 7.6 Limitation on Indemnity. None of the Purchaser indemnified parties or the Seller indemnified parties shall be entitled to assert any right to indemnification under Section 7.2 for an individual claim until such claim exceeds One Hundred Thousand Dollars (\$100,000.00). The maximum amount that any of the Purchaser indemnified parties or the Seller indemnified parties, either individually or in the aggregate and whether based upon claims made pursuant to this Agreement and/or in conjunction with the Concurrent Transactions, may recover based upon a claim or claims for indemnification (subject to the threshold limitations set forth above) shall be Two Million Five Hundred Thousand and 00/100 Dollars (\$2,500,000.00).

SECTION 7.7 Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price. In determining

the amount of any indemnification payment for Damages suffered or incurred by an indemnified party, the amount of such Damages shall be (i) increased to take into account any additional tax cost incurred by the indemnified party arising from the receipt of indemnification payments hereunder ("**Tax Costs**") and (ii) decreased to take into account any deduction, credit or other tax benefit actually realized by the indemnified party with respect to such Loss ("**Tax Benefits**"). In computing the amount of any such Tax Cost or Tax Benefit, the indemnified party shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnification payment hereunder or the incurrence or payment of any indemnified Damages. To the extent a Tax Cost or Tax Benefit cannot be determined at the time an indemnity payment would otherwise be due hereunder, the indemnity payment shall be made without taking into account such Tax Cost or Tax Benefit and if and when the Tax Cost or Tax Benefit is actually determined and realized, the parties shall make any payments necessary to cause the indemnity payment to be what it would have been had such Tax Cost or Tax Benefit been determined and realized at the time the indemnity payment was originally made.

ARTICLE VIII COVENANT NOT TO COMPETE

SECTION 8.1 Covenant Not to Compete.

(a) For a period of three (3) years from the Closing Date, Seller and its officers or employees covenant and agree that they shall not, directly or indirectly, individually or collectively for its or their own account or as an employee, officer, director, partner, joint venturer, shareholder, investor, consultant or otherwise:

(i) own, operate, manage, develop, finance or otherwise engage in or have any interest in any quick service hamburger restaurant or other fast food restaurant with a drive-thru or that does not have table service within a five (5) mile radius of any Restaurant is located (the "**Restricted Area**");

(ii) do anything or allow parties within its or their control to do anything which diminishes the value of any of the Restaurants; or

(b) For a period of two (2) years from the Closing Date, Seller and its officers or employees jointly and severally covenant and agree that it/they will not, directly or indirectly, individually or collectively for its/their own account or as an employee, officer, director, partner, joint venturer, shareholder, investor, consultant or otherwise solicit or hire for employment or induce or attempt to influence to terminate their employment with the Purchaser of any executive or management level employees of the Restaurants who are employed by or in any of the Restaurants on the Closing Date.

(c) The provisions of Section 8.1 shall not preclude Seller or any Affiliate of Seller from owning and operating any Burger King restaurant which is owned or operated by Seller or any Affiliate of Seller as of the date of this Agreement.

SECTION 8.2 Geographic Area Reasonable; Reduction of Geographical Area and Time. Seller acknowledges that the restricted period of time and geographical area specified in Section 8.1 hereof are reasonable. Notwithstanding anything herein to the contrary, if the period of time or the geographical area specified under Section 8.1 hereof should be determined to be unreasonable in any judicial proceeding, then the period of time and territory of the restriction shall be reduced so that this Agreement may be enforced in such area and during such period of time as shall be determined to be reasonable.

SECTION 8.3 Effect of Breach. The parties acknowledge that any breach of this Article VIII will cause Purchaser irreparable harm for which there is no adequate remedy at law, and as a result, Purchaser shall be entitled to the issuance by an arbitrator or court of competent jurisdiction of an injunction, restraining order or other equitable relief in favor of itself restraining Seller or any Affiliate as the case may be, from committing or continuing any such violation. Any right to obtain an injunction, restraining order or other equitable relief hereunder shall not be deemed a waiver of any right to assert any other remedy Purchaser may have at law or in equity.

ARTICLE IX TERMINATION

SECTION 9.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) by the mutual written consent of Seller and Purchaser;

(b) by Purchaser by written notice to Seller if: (i) any of the representations and warranties of Seller contained in this Agreement or the Transaction Documents shall fail to be materially true and correct as of the date made and is not cured by Seller within ten (10) days after written notice from Purchaser, or (ii) there shall be a breach by Seller of any covenant or agreement of Seller in this Agreement that is not curable or, if curable, is not cured by Seller within ten (10) days after written notice from Purchaser; or

(c) by Seller by written notice to Purchaser if: (i) any of the representations and warranties of Purchaser contained in Article III shall fail to be materially true and correct as of the date made and is not cured by Purchaser within ten (10) days after written notice from Seller or (ii) there shall be a breach by Purchaser of any of its respective covenants or agreements in this Agreement that is not curable or, if curable, is not cured by Purchaser within ten (10) days after written notice from Seller; or

(d) by Purchaser or Seller in the event that:

(i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited; or

(ii) any Governmental Authority shall have issued an order restraining or enjoining the transactions contemplated by this Agreement, and such order shall have become final and non-appealable; or

(iii) provided that the terminating party is not in default under this Agreement and further provided that the terminating party has not caused or contributed to the delay, the Closing has not occurred on or prior to the ninety (90) days after the Effective Date.

SECTION 9.2 Effect of Termination; Right to Proceed. In the event of the termination of this Agreement in accordance with this Article, written notice thereof shall be given to the other party or parties specifying the provision pursuant to which such termination is made, and this Agreement shall be terminated and become void and have no effect, and there shall be no liability hereunder on the part of Purchaser or Seller, except with respect to any breach of this Agreement by such party prior to termination and subject to the right to seek specific performance. Notwithstanding the foregoing, Sections 4.6 and 10.3, Article X and this Section 9.2, shall survive any termination of this Agreement.

ARTICLE X MISCELLANEOUS

SECTION 10.1 Further Assurances. Each of the parties hereto shall without further consideration execute and deliver to any other party hereto such other instruments of transfer and take such other action as any party may reasonably request to carry out the transactions contemplated by this Agreement and the other Transaction Documents.

SECTION 10.2 Waiver and Amendment. No provisions of this Agreement may be amended, supplemented or waived at any time except by a written instrument executed by the parties hereto, or in the case of a waiver, by the waiving party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

SECTION 10.3 Remedies. In the event of a default under this Agreement or the Transaction Documents, the aggrieved party may proceed to protect and enforce its rights by a suit for damages, a suit in equity, an action at law or other appropriate proceeding, whether for specific performance, or for an injunction against a violation of any terms hereof or thereof or in aid of the exercise of any right, power or remedy granted thereby or by law, equity, statute or otherwise. The foregoing shall include, but shall not be limited to, allowance for recovery by the aggrieved party of all of its fees and expenses and disbursements incurred by it in connection with the transactions contemplated hereby and in the Transaction Documents, including, without limitation, the reasonable fees and expenses of its counsel, accountants, agents and representatives employed by it. No course of dealing and no delay on the part of any party in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such party's rights, powers or remedies. No right, power or remedy conferred hereby shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute, or otherwise.

SECTION 10.4 Expenses. Except as expressly otherwise provided for in this Agreement, all expenses incurred by or on behalf of the parties hereto in connection with the authorization, preparation and consummation of this Agreement and the other Transaction Documents, including without limitation all fees and expenses of agents, representatives, counsel and accountants employed by the parties hereto in connection with the authorization, preparation, execution and consummation of this Agreement, shall be borne solely by the party who shall have incurred the same.

SECTION 10.5 Entire Agreement. This Agreement and the other Transaction Documents and the Exhibits and Schedules referred to herein and therein contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior arrangements or understandings with respect thereto.

SECTION 10.6 Definitions. For the purposes of this Agreement:

(i) "**Affiliate**" shall mean, with respect to any Person, any other Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other of such Persons.

(ii) "**Contract**" shall mean any contract, agreement, purchase order, sales order, guaranty, option, mortgage, promissory note, assignment, lease, franchise, commitment, understanding or other binding arrangement, whether written, oral, express or implied.

(iii) "**Control**", with respect to any Person, shall mean the power to direct the management and policies of such Person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with a Contract with one or more other Persons by or through stock ownership, agency or otherwise; and the terms "**controlling**" and "**controlled**" shall have meanings correlative to the foregoing.

(iv) "**Governing Instruments**" shall mean, with respect to any Person, the certificate of incorporation, articles of incorporation, bylaws, code of regulations or other organizational or governing documents howsoever denominated, and any amendments or modifications thereof, of such Person.

(v) "**Gross Sales**" shall have the meaning as set forth in the Burger King Franchise Agreement.

(vi) "**Person**" shall mean an individual, partnership, corporation, joint venture, unincorporated organization, cooperative, or a governmental entity or agency thereof.

SECTION 10.7 Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the Agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

SECTION 10.8 Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein shall be validly given, made or served in writing and delivered personally, sent by facsimile, Federal Express or other reputable overnight courier or sent by certified or registered mail, postage prepaid, return receipt requested, at the addresses set forth below:

(a) if to Purchaser, to:

Carrols LLC
968 James Street
Syracuse, New York 13203-6969
Attention: Daniel T. Accordino, Chief Executive Officer
Facsimile No.: (315) 475-9616

(b) if to Seller, to:

Heartland Midwest LLC
1400 Opus Place, Suite 900
Downers Grove, Illinois 60515
Attention: K. Todd Bartmess, Chief Executive Officer
Facsimile No.: (630) 598-2280

(c) with a copy to:

ROBERGELAW
12775 Horseferry Road, Suite 200
Carmel, Indiana 46032
Attn: Christopher S. Roberge, Esq.
Facsimile No.: (317) 818-5510

or such other address as any party hereto may, from time to time, designate in a written notice given in a like manner (which change of address shall only be effective upon actual receipt of same by the other party). Notices shall be deemed delivered: (i) three (3) days after the date the same is postmarked if sent by registered or certified mail; (ii) on the date the same is delivered personally; and (iii) the next business day after delivery to a national courier service for next business day delivery.

SECTION 10.9 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the heirs, executor, personal representatives, legal representatives, successors and assigns of the parties hereto, and shall not be assignable by either party without the prior written consent of the other party.

SECTION 10.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to New York's conflict of laws rules.

SECTION 10.11 Consent to Jurisdiction; Service of Process. Except with respect to disputes wherein the parties have expressly agreed herein to submit such dispute to arbitration, the parties hereto irrevocably submit exclusively to the jurisdiction of the State Courts in the State of Illinois or the United States Federal Courts sitting in the State of Illinois over any dispute arising out of or relating to this Agreement or any agreement or instrument contemplated hereby or entered into in connection herewith or any of the transactions contemplated hereby or thereby, and each party hereby irrevocably agrees that all claims in respect of such dispute or proceeding shall be heard and determined in such court.

SECTION 10.12 Severability. Whenever possible, each provision in this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 10.13 Counterparts. This Agreement may be executed in one or more counterparts as may be convenient or necessary, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof. Additionally, the parties hereto hereby covenant and agree that, for purposes of facilitating the execution of this Agreement, (a) the signature pages taken from separate individually executed counterparts of this Agreement may be combined to form multiple fully executed counterparts and (b) a facsimile signature, PDF signature, or electronic signature shall be deemed to be an original signature. All executed counterparts of this Agreement shall be deemed to be originals, but all such counterparts taken together shall constitute one and the same agreement.

SECTION 10.14 Arbitration. Whenever this Agreement calls for the submission of any matter to arbitration, the matter shall be determined by binding arbitration before a single arbitrator pursuant to the Expedited Procedures for Commercial Arbitration of the American Arbitration Association (or its successor) and shall be administered by the American Arbitration Association exclusively in the City of Chicago, State of Illinois. The party requesting arbitration ("**Requesting Party**") shall simultaneously give written notice to the other party of the Requesting Party's election to have the issue resolved by binding arbitration and file the appropriate request for arbitration with the American Arbitration Association with applicable filing fees. The time period within which the binding arbitration must be held shall be not more than thirty (30) business days after notice by the Requesting Party for binding arbitration unless: (i) otherwise agreed to in writing by Purchaser and Seller (provided that neither shall be required to consent to such extension); (ii) delayed

by Force Majeure; or (iii) delayed by the American Arbitration Association through no fault, cause, or request of either Purchaser or Seller. The arbitrator shall have no right to compel any party to breach any existing written agreement or obligation. The arbitrator shall only issue written findings and shall award costs and fees to the prevailing party as provided in Section 10.15 of this Agreement. The judgment rendered by the arbitrator may be entered in any court having jurisdiction thereof and shall be final upon Purchaser and Seller. The cost of the arbitrator and legal fees of both parties shall be paid by the non-prevailing party (as determined pursuant to Section 10.15 of this Agreement). Any arbitration proceedings shall be conducted exclusively in the City of Chicago, State of Illinois. This clause shall not preclude the parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

SECTION 10.15 Enforcement. If either party hereto fails to perform its obligations under this Agreement, or if a dispute arises concerning the meaning or interpretation of any provision of this Agreement and any action or steps are taken in furtherance thereof including, but not limited to, the commencement of legal proceedings, lawsuits, arbitration, or other proceedings arising out of, relating to, or based in any way on this Agreement, including without limitation, tort actions and actions for injunctive and declaratory relief, the non-prevailing party in the dispute shall pay any and all actual costs and expenses incurred by the prevailing party in enforcing or establishing its rights hereunder, including, without limitation, all court costs, all fees and costs incurred in any appellate process, and all actual attorney's and paralegal fees. Except as may be agreed by the parties in a settlement agreement, a party shall be considered the prevailing party if (i) it initiated the litigation and obtains the relief sought, either through a judgment or the losing party's voluntary action before trial or judgment, or (ii) it did not initiate the litigation and the party that initiated the action withdraws its action without obtaining the relief sought, or (iii) it did not initiate the litigation and judgment is entered for the non-initiating party whether by way of motion, trial verdict and/or on appeal.

SECTION 10.16 Force Majeure. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, Laws, adverse weather, unusual delay in transportation or other cause without fault and beyond the control of the party obligated (financial inability excepted), then upon written notice to the other party, the performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay; provided, however, the party requiring such delay shall use commercially reasonable efforts to remedy any such cause of delay or cause preventing performance.

(Signature Page to Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Purchase and Sale Agreement to be executed as of the date first written above.

CARROLS LLC

By: /s/ Daniel T. Accordino
Name: Daniel T. Accordino
Title: Chief Executive Officer

HEARTLAND INDIANA LLC

By: /s/ K. Todd Bartmess
Name: K. Todd Bartmess
Title: Chief Executive Officer

CERTIFICATIONS

I, Daniel T. Accordino, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 28, 2014 of Carrols Restaurant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2014

/s/ Daniel T. Accordino

Daniel T. Accordino
Chief Executive Officer

CERTIFICATIONS

I, Paul R. Flanders, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 28, 2014 of Carrols Restaurant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2014

/s/ Paul R. Flanders

Paul R. Flanders

Vice President, Chief Financial Officer and Treasurer

CERTIFICATE PURSUANT TO**18 U.S.C. SECTION 1350,****AS ADOPTED PURSUANT TO****SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Daniel T. Accordino, Chief Executive Officer of Carrols Restaurant Group, Inc. (the “Company”), hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended September 28, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel T. Accordino

Daniel T. Accordino

Chief Executive Officer

November 6, 2014

CERTIFICATE PURSUANT TO**18 U.S.C. SECTION 1350,****AS ADOPTED PURSUANT TO****SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Paul R. Flanders, Vice President, Chief Financial Officer and Treasurer of Carrols Restaurant Group, Inc. (the “Company”), hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended September 28, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul R. Flanders

Paul R. Flanders

Vice President, Chief Financial Officer and Treasurer

November 6, 2014