

Burger King -- FDD received 10/7/2009
Item 19: Financial Performance Representations

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This Item includes certain information about (a) gross sales of franchised and BKC-operated BURGER KING Restaurants during the 12-month period ended June 30, 2009 ("Sales Distributions"), and (b) selected cost factors for certain BKC-operated BURGER KING Restaurants during that period ("Cost Factors"). Sales Distributions are provided separately for "Traditional Restaurants," "Non-Traditional Restaurants," and four types of "Fuel Co-Branded Restaurants," as those terms are used for purposes of this Item. Cost Factors are provided only for BKC-owned "Traditional Restaurants." For purposes of this Item, "Non-Traditional Restaurants" include the following types of BURGER KING Restaurants:

- (1) Limited menu in-line facilities;
- (2) Restaurants or food courts at institutional locations (such as airports, military facilities, colleges, schools, office buildings, retail stores, tourist locations, and turnpikes; see Item 1);
- (3) Conversion Restaurant facilities;
- (4) Double drive-thru facilities;
- (5) Mall location facilities; and
- (6) Mobile restaurant units (buses/trailers).

For purposes of this Item, "Traditional Restaurants" are all Restaurants other than those included as "Non-Traditional Restaurants". There were 6,082 Burger King franchised restaurants and 887 BKC-operated Burger King Restaurants during the 12-month period ended June 30, 2009.

The Sales Distributions and Cost Factors presented here do not reflect the sales distributions or cost factors of all the varying facility types or sizes or facility locations.

The Sales Distributions and Cost Factors should be read together with all of the related information about the factual bases and material assumptions underlying them. BKC will make available to you, on reasonable request, data used in preparing the Sales Distributions and Cost Factors, in a form that does not identify any individual franchised Restaurant.

Your individual financial results are likely to differ from the results shown in the Sales Distributions and Cost Factors. In providing the Sales Distributions and Cost Factors, BKC is not making a representation or guarantee that you will or may achieve any level of sales shown in the Sales Distributions or experience costs comparable to those shown in the Cost Factors. BKC does not make any representation or guarantee of future sales, costs, income or profits.

Other than the Sales Distributions and Cost Factors presented in this Item, or as described below in connection with the sale by BKC of a Restaurant, BKC does not furnish, or authorize the furnishing, to prospective Franchisees of any oral or written information of actual, potential, average or projected sales, costs, income or profits of BURGER KING restaurants. If you obtain this information, do not rely on it because it is intended for internal use only by BKC as a basis for BKC's own investment decisions.

You should construct your own pro forma cash flow statement and make your own projections concerning potential sales, operating costs, total capital investment requirements, cash injection, debt, overall potential cash flow, and other financial aspects of operating a BURGER KING Restaurant. You should not rely solely on information provided by BKC, but should conduct your own independent investigation of costs and sales potential for your

proposed Restaurant. You should consult an accountant, attorney and existing BURGER KING Franchisees.

The data used in preparing the Sales Distributions and Cost Factors have been prepared on a basis consistent with generally accepted accounting principles to the extent applicable; BKC has not independently confirmed gross sales reported by Franchisees for Franchisee-owned Restaurants, but has relied on gross sales as reported by Franchisees.

THE REVENUE FIGURES IN THIS ITEM 19 DO NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES, OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR BURGER KING® RESTAURANT. FRANCHISEES OR FORMER FRANCHISEES, LISTED IN THIS DISCLOSURE DOCUMENT, MAY BE ONE SOURCE OF THIS INFORMATION.

Sale of Restaurants Operated by BKC

From time to time BKC may offer certain of its company operated Restaurants for sale. In connection with the sale of a BURGER KING Restaurant operated by BKC, BKC gives the prospective purchaser certain historical financial information for the specific Restaurant(s) being sold. This historical financial information is given only to the potential purchaser of that Restaurant. BKC also provides the prospective purchaser with the name and last known address of each owner of the Restaurant during the 5 years preceding the sale.

The following historical financial information is provided on the offered Restaurant(s): (1) 24 months of gross sales of the specific Restaurant (in some cases, the Restaurant may have been operated by a franchisee for part of the 24-month period); and (2) if available, an unaudited operating statement of actual sales and expenses of BKC's own operation of the Restaurant for 13 months or a shorter period. The operating statement is prepared on a basis consistent with generally accepted accounting principles, except for the following:

It excludes depreciation.

It is prepared on a pre-tax basis, except for the labor line, which includes any targeted job tax credits.

Since BKC is primarily a self-insured company, the casualty line may not reflect the fully allocated insurance cost.

ACTUAL SALES ARE OF SPECIFIC COMPANY-OWNED AND OPERATED RESTAURANTS AND FRANCHISED RESTAURANTS AND DO NOT INDICATE THE ACTUAL OR PROBABLE SALES, THAT YOU MAY OR WILL REALIZE. ACTUAL EXPENSES ARE OF SPECIFIC COMPANY-OWNED AND OPERATED RESTAURANTS AND DO NOT REPRESENT THE ACTUAL OR PROBABLE EXPENSES THAT YOU MAY OR WILL INCUR. BKC DOES NOT REPRESENT THAT YOU CAN EXPECT TO GAIN ANY LEVEL OF SALES, EXPENSE, INCOME, OR GROSS OR NET PROFITS.

SALES DISTRIBUTION
"TRADITIONAL" AND "NON-TRADITIONAL" RESTAURANTS
JULY 1, 2008 - JUNE 30, 2009
Percentage of Restaurants at Sales Level (3)

Annual Sales Level - Range	"TRADITIONAL"(1)			"NON-TRADITIONAL"(2)		
	Consolidated	Company	Franchise	Consolidated	Company	Franchise
Above \$1,500,000	24%	23%	24%	19%	21%	19%
\$1,300,000 - \$1,499,999	19%	18%	19%	10%	7%	10%
\$1,100,000 - \$1,299,999	23%	26%	22%	12%	14%	12%
\$900,000 - \$1,099,999	21%	21%	21%	18%	29%	17%
\$700,000 - \$899,999	11%	10%	11%	18%	11%	19%
\$500,000 - \$699,999	2%	2%	3%	16%	18%	16%
\$300,000 - \$499,999	0%	0%	0%	4%	0%	5%
Below \$300,000	0%	0%	0%	3%	0%	3%
Total Restaurants in Sample	6,467	859	5,608	502	28	474

Mean Average Sales	\$1,280,231	\$1,274,663	\$1,281,084	\$1,136,677	\$1,194,869	\$1,133,239
Median Average Sales	\$1,229,663	\$1,232,667	\$1,229,397	\$978,080	\$1,071,227	\$972,620
High Annual Sales		\$2,754,572	\$4,704,425		\$2,558,990	\$5,682,927
Low Annual Sales		\$523,555	\$321,552		\$536,629	\$108,669

The sales levels, sales ranges and median sales shown above reflect the experience of certain franchised and BKC-operated Restaurants and should not be considered as the actual or potential sales that you will realize. BKC does not represent that you can expect to attain any particular sales level.

Notes:

- (1) The information provided in this Sales Distribution is sales information for a total of 6,467 Restaurants treated as "Traditional" Restaurants for purposes of this Item. Of those Restaurants, 5,608 were Franchisee-owned and 859 were BKC-owned as of June 30, 2009. Only those Restaurants with 12 months of actual sales as of June 30, 2009 are reported in this chart.
- (2) The information provided in this Sales Distribution is sales information for a total of 502 Restaurants treated as "Non-Traditional" Restaurants for purposes of this Item. Of those Restaurants, 474 were operated by Franchisees and 28 were operated by BKC as of June 30, 2009. Only those Restaurants with 12 months of actual sales as of June 30, 2009 are reported in this chart.
- (3) Due to rounding percentages may not equal 100%.

Sales Distributions for Fuel Co-Branded Restaurants

Basis for Presentation

The Sales Distributions for Fuel Co-Branded BURGER KING Restaurants present certain information about annual gross sales of Fuel Co-Branded Restaurants during the 12 months ended June 30, 2009. For purposes of this presentation, a "Fuel Co-Branded Restaurant" is a BURGER KING Restaurant attached to a branded gas station, other than truck stops and gas stations at travel plazas on interstate highways. In many instances, a convenience store is also located at the Co-Branded Restaurant. Separate Sales Distributions are given for four categories of Fuel Co-Branded Restaurants, distinguished by size and seating capacity. These four categories are as follows:

<u>Category</u>	<u>Approximate Size / Seating Capacity</u>
"Full Size"	2300 square feet and larger; seats 70-130
"Large In-Line"	1500 - 2300 square feet; seats 40-70
"Small In-Line"	1200 - 1500 square feet; seats 30-40
"Kiosk"	200 - 1200 square feet; seats 0 - 30

The Sales Distribution for each category reflects the gross sales of all Restaurants in that category that were open for the full 12 months ended June 30, 2009. All Fuel Co-Branded Restaurants whose gross sales are reflected in the Sales Distributions are franchised Restaurants, and gross sales reflect gross sales as reported by the Franchisees. Such reported gross sales have not been independently verified by BKC.

Sales Distributions
Fuel Co-Branded Restaurants
July 1, 2008 - June 30, 2009 (1)

Annual Sales Level-Range	FULL SIZE		LARGE IN-LINE	
	Number of Franchised Restaurants	Percentage of Total	Number of Franchised Restaurants	Percentage of Total
\$1,500,000 and above	15	14%	7	6%
\$1,300,000 - \$1,499,999	15	14%	7	6%
\$1,100,000-\$1,299,999	31	30%	18	17%
\$900,000 - \$1,099,999	15	14%	21	19%
\$700,000 - \$899,999	20	19%	38	35%
\$500,000 - \$699,999	7	7%	15	14%
Below \$500,000	1	1%	3	3%
Total Restaurants in Sample	104	100%	109	100%
Mean Average Sales	\$ 1,136,686		\$ 964,384	
Median Sales	\$ 1,128,337		\$ 890,416	
High Annual Sales	\$ 2,096,591		\$ 2,140,893	
Low Annual Sales	\$ 439,344		\$ 78,085	

(1) Due to rounding percentages may not equal 100%.

**Sales Distributions
Fuel Co-Branded Restaurants
July 1, 2008 - June 30, 2009 (1)**

Annual Sales Level-Range	SMALL IN-LINE		KIOSK	
	Number of Franchised Restaurants	Percentage of Total	Number of Franchised Restaurants	Percentage of Total
\$1,500,000 and above	0	0%	0	0%
\$1,300,000 - \$1,499,999	0	0%	3	15%
\$1,100,000-\$1,299,999	3	18%	1	5%
\$900,000 - \$1,099,999	3	18%	4	20%
\$700,000 - \$899,999	2	12%	7	35%
\$500,000 - \$699,999	7	41%	3	15%
Below \$500,000	2	12%	2	10%
Total Restaurants in Sample	17	100%	20	100%
Mean Average Sales	\$ 789,360		\$ 882,641	
Median Sales	\$ 689,643		\$ 836,555	
High Annual Sales	\$ 1,187,045		\$ 1,450,431	
Low Annual Sales	\$ 437,172		\$ 376,460	

(1) Due to rounding percentages may not equal 100%.

Sales Distributions
New Free Standing Restaurant Openings
July 1, 2004 – June 30, 2008

During the fiscal year ended June 30, 2008, 86 Traditional Freestanding BURGER KING restaurants were opened by franchisees and BKC in the United States (the “Newest Restaurants”). These Newest Restaurants had all been opened for at least 12 months as of June 30, 2009. The FY09 average restaurant sales (“ARS”) for the Newest Restaurants was \$1,227,640. Of these Newest Restaurants, 40 (or 47%) were above the average. The FY09 ARS for these Newest Restaurants is 4.1% lower than the FY09 ARS for all US Traditional BURGER KING restaurants open for at least 12 months as of June 30, 2009. The standard deviation¹ of the average is \$332,633.

A total of 176 Traditional Freestanding BURGER KING Restaurants were opened by BKC and our franchisees in the United States between July 1, 2004 and June 30, 2008 (the “New Restaurants”). The FY09 ARS for these New Restaurants for the 12-month period ended June 30, 2009 was \$1,297,333. Of these restaurants, 76 (or 43%) had sales above that average. The FY09 ARS for these New Restaurants is 1.3% higher than the FY09 ARS for all US Traditional BURGER KING restaurants open for at least 12 months as of June 30, 2009. The standard deviation of the average is \$374,046.

The gross sales average shown above reflects the experience of certain franchised and BKC-operated Restaurants and should not be considered as the actual or potential sales that you will realize. BKC does not represent that you can expect to attain any particular sales level and you should not make any such assumption.

¹ Standard deviation is the most common method for describing how dispersed or spread out around the mean average a group of data points are. The standard deviations for these sales numbers is high because some of the restaurants had uncommonly high ARS.

**Sales Distributions
Scrape and Rebuilds¹
July 1, 2003 – June 30, 2008**

During the fiscal year ended June 30, 2008, 8 BURGER KING BKL Restaurants were scraped and rebuilt in the United States (“FY08 Scrape and Rebuilds”). As of June 30, 2009, these FY08 Scrape and Rebuilds had all been operating for at least 12 months after their scrape and rebuild was completed. When comparing the sales of these restaurants in the 12 months prior to the scrape and rebuild to the sales of these restaurant in the 12 months after the scrape and rebuild, the average sales increase has been 23.7%. Of these restaurants, 6 (or 75%) had a sales increase higher than that average. Of these 8 restaurants, the increases were .5%, 10.9%, 25%, 26.8%, 26.9%, 31.3%, 33.2%, and 34.6% respectively.

A total of 31 BURGER KING BKL Restaurants were scraped and rebuilt in the United States between July 1, 2003 and June 30, 2008 (the “Scrape and Rebuild Restaurants”). As of June 30, 2009, these Scrape and Rebuilds had all been operating for at least 12 months after their scrape and their rebuild was completed. When comparing the sales of these restaurants in the 12 months prior to the scrape and rebuild to the sales of these restaurant in the 12 months after the scrape and rebuild, the average sales increase has been 32%. Of these restaurants, 14 (or 45%) had a sales increase higher than that average.

¹ A scrape and rebuild is a major remodeling done on a BURGER KING restaurant, typically when it is being successored for a new 20 year franchise term. The restaurant may be scraped to the bare wall or torn down and repositioned on the site before it is remodeled.

**Sales Distributions
Remodels¹
July 1, 2003 – June 30, 2008**

During the fiscal year ended June 30, 2008, 10 BURGER KING BKL restaurants were remodeled in the United States (“FY08 Remodels”). As of June 30, 2009, these FY08 Remodels had all been operating for at least 12 months after their remodel was completed. When comparing the sales of these restaurants in the 12 months prior to the remodel to the sales of these restaurants in the 12 months after the remodel, the average sales increase has been 11.64%. Of these restaurants, 4 (or 40%) had a sales increase higher than that average.

A total of 66 BURGER KING BKL Restaurants were remodeled in the United States between July 1, 2003 and June 30, 2008 (the “Remodel Restaurants”). As of June 30, 2009, these Remodel Restaurants had all been operating for at least 12 months after their remodel was completed. When comparing the sales of these restaurants in the 12 months prior to the remodel to the sales of these restaurants in the 12 months after the remodel, the average sales increase has been 14.6%. Of these restaurants, 24 (or 36%) had a sales increase higher than that average.

¹ A Remodel for purposes of this disclosure is defined as any BURGER KING restaurant remodeling project that costs more than \$200,000 but is not a scrape and rebuild project (see Scrape and Rebuild above).

Comparable Sales¹
July 1, 2007-June 30, 2009

At the end of the fiscal year ending June 30, 2008, comparable sales at BURGER KING restaurants in the U.S. were positive 5.6% when compared to the prior fiscal year ending June 30, 2007. Of the 7,146 restaurants included in the comparison, 3,543 or 49.6% had comparable sales equal to or above the system average. At the end of the fiscal year ended June 30, 2009, comparable sales at BURGER KING restaurants in the U.S. were positive 0.2% when compared to the prior fiscal year ending June 30, 2008. Of the 7,069 restaurants included in the comparison 3,529 or 49.9% had comparable sales equal to or above the system average.

¹ Comparable Sales for purposes of this disclosure is determined by comparing the average restaurant sales from one fiscal year to prior fiscal year and using only restaurants that were open at least one full year as of June 30, 2008 with respect to the 2007 - 2008 comparison and as of June 30, 2009 with respect to the 2008 - 2009 comparison.

**CERTAIN REPRESENTATIVE COST FACTORS FOR
BKC-OPERATED TRADITIONAL RESTAURANTS
JULY 1, 2008 - JUNE 30, 2009**

<u>TYPE OF EXPENSE/COST¹</u>	<u>FIXED COST</u>	<u>VARIABLE COST AS % OF GROSS SALES</u>
Food & Paper	\$ -	32.1%
Labor Including Fringe Benefits ²	\$ 196,986	15.4%
Repair & Maintenance (Building & Equipment) ³	\$ 18,732	0.8%
Utilities ⁴	\$ 28,297	2.9%
Other Expenses ⁵	\$ 26,462	2.1%
Insurance	\$ 16,107	N/A
Property Taxes	\$ 17,563	N/A
Royalty	N/A	N/A
Advertising	N/A	4.7%

BASIS OF PRESENTATION

The financial information provided in this Cost Factor table is based upon regression analysis of certain actual operating costs for the 12-month period ended June 30, 2009, experienced by 840 "Traditional Restaurants" that were open and operated by BKC for those 12 months. Restaurants sold or acquired by BKC during that time period and Restaurants that were closed for any time during that period are not included in the sample on which the analysis was performed.

Dollar amounts are given in the "Fixed Cost" column for those items with a significant fixed cost component. Variable costs are shown as a representative percentage of gross sales. Certain expense items for which information is provided have both a fixed cost and variable cost component as reflected by the regression analysis.

THESE COST FACTORS ARE BASED UPON THE EXPERIENCE OF BKC-OPERATED TRADITIONAL RESTAURANTS AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR POTENTIAL COSTS THAT YOU OR ANY FRANCHISEE WILL INCUR FOR THESE TYPES OF EXPENSES.

EXPLANATORY NOTES

1. **These are not the only costs or expenses of operating a BURGER KING Restaurant.** Other types of expenses that you will incur include, rent or other occupancy expense (including property taxes); insurance expense; legal and accounting expense; miscellaneous expenses such as operating supplies, uniforms, cleaning expense, laundry and linens, cash shortages, non-capital parts and supplies; non-cash expenses including depreciation and amortization; income taxes; advertising expense; and royalties. As discussed in Item 6 of this Disclosure Document, a Franchisee must pay BKC an advertising contribution based on gross sales, and may incur other advertising expenses, including investment spending contributions. Additional advertising expenditures typically range from 0.5% to 2.0% of gross sales in addition to the required advertising fund contribution. Item 6 of this Disclosure Document also discusses the royalty payable to BKC by Franchisees. In developing your projections, you should make appropriate allowances for these and other expenses.
2. **Labor and Fringe Benefits:** This item includes wages and fringe benefits for salaried Restaurant managers and hourly workers. Labor expense is affected by staffing levels and the level of fringe benefits provided to employees, and by labor market conditions in the areas of the Restaurants and by mandated minimum wage levels. **It does not include wages and fringe benefits for non-restaurant personnel.** Franchisees

who elect to provide more limited fringe benefits to employees and who are more conservative in staffing levels may experience lower costs. Franchisees operating in areas with tighter labor markets may experience higher costs.

3. **Repair & Maintenance:** The cost of repairs and maintenance of the Restaurant building and equipment can vary with the age and condition of the building. This does not include costs of improvements or remodeling that may be required from time to time.
4. **Utilities:** This includes telephone, broadband services, water, gas, electricity and hauling of waste. These costs vary depending upon the region, area and/or government jurisdictions in which the Restaurant is located.
5. **Other Expenses:** This includes controllables, taxes and licensing fees, as well as POS related items. These costs vary depending upon the region, area and/or government jurisdictions in which the Restaurant is located.

[END OF ITEM 19]