

## Risk Factors Comparison 2024-02-22 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Our **nearly** fully franchised business model presents a number of other drawbacks, such as limited influence over ~~franchisees-~~ **franchisee operations**, limited ability to facilitate changes in restaurant ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings, and reliance on franchisees to participate in our strategic initiatives. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we will need the active support of our franchisees if the implementation of these initiatives is to be successful. The failure of franchisees to support our marketing programs and strategic initiatives could adversely affect our ability to implement our business strategy and could materially harm our business, results of operations and financial condition. On occasion we have encountered, and may in the future encounter, challenges in receiving specific financial and operational results from our franchisees in a consistent and timely manner, which can negatively impact our business and operating results. Our competitors that have a significantly higher percentage of company- operated restaurants than we do may have greater influence over their respective restaurant systems and greater ability to implement operational initiatives and business strategies, including their marketing and advertising programs. **As part of our growth strategy, we may decide to increase or decrease the number of Company- owned stores, either by purchasing existing franchised stores or by refranchising existing company- operated stores. Our failure to successfully execute these transactions could have an adverse effect on our operating results and could cause our stock price to decline.** The ability of our franchisees and prospective franchisees to obtain financing for development of new restaurants or reinvestment in existing restaurants depends in part upon financial and economic conditions beyond their control. If our franchisees are unable to obtain financing on acceptable terms or otherwise do not devote sufficient resources to develop new restaurants or reinvest in existing restaurants, our business and financial results could be adversely affected. Also, investments in restaurant remodels and upgrades by franchisees and us may not have the expected results with respect to consumer sentiment, increased traffic or return on investment. ~~Our franchisees are also dependent upon their ability to attract and retain qualified employees in an intensely competitive labor market.~~ Our results are closely tied to the success of independent franchisees, and we have limited influence over their operations. We generate revenues in the form of royalties, fees and other amounts from our franchisees and our operating results are closely tied to their success. However, our franchisees are independent operators and we cannot control many factors that impact the profitability of their restaurants. At times, we have and may in the future provide cash flow support to franchisees by extending loans, advancing cash payments and / or providing rent relief where we have property control. These actions have and may in the future adversely affect our cash flow and financial results. If sales trends or economic conditions worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures; delayed or reduced payments to us of royalties, advertising contributions, rents and, delayed or reduced payments for ~~TH Tim Hortons~~ products and supplies; and an inability for such franchisees to obtain financing to fund development, restaurant remodels or equipment initiatives on acceptable terms or at all. Also, franchisees may not be willing or able to renew their franchise agreements with us due to low sales volumes, high real estate costs, or the failure to secure lease renewals. If our franchisees fail to renew their franchise agreements, our royalty revenues may decrease, which in turn could materially and adversely affect our business and operating results. Franchisees and sub- franchisees may not successfully operate restaurants in a manner consistent with our established procedures, standards and requirements or standards set by applicable law, including sanitation and pest control standards, or data processing, **privacy** and cybersecurity requirements. Any operational shortcoming of a franchise or sub- franchise restaurant is likely to be attributed by guests to the entire brand and may be shared widely through social media, thus damaging the brand's reputation and potentially affecting our revenues and profitability. We may not be able to identify problems and take effective action quickly enough and, as a result, our image and reputation may suffer, and our franchise revenues and results of operations could decline. Labor challenges for franchisees or being liable as a joint employer could adversely affect our business. **Our franchisees are dependent upon their ability to attract and retain qualified employees in an intensely competitive labor market.** The inability of our franchisees to recruit and retain qualified individuals or increased costs to do so, including due to labor market dynamics or increases in legally required wages, may delay openings of new restaurants by our franchisees and could adversely impact existing ~~franchise~~ **franchised** restaurant operations and franchisee profitability, which could slow our growth. ~~If employees become unionized, their or our business could be negatively affected by factors that increase cost costs, decrease flexibility or otherwise disrupt the business - and Responses-responses~~ **Boycotts, protests, work stoppages or other campaigns by labor organizations** at either franchisee or company restaurants ~~become unionized,~~ **and Responses-responses** to labor organizing efforts by our franchisees or us could negatively impact brand perception and our business and financial results. In September ~~2022~~ **2023**, California passed legislation **setting the minimum wage for fast food restaurant employees at \$ 20 per hour effective April 1, 2024 and** establishing a council to set **future wage increases and to make recommendations to state agencies for other** sector- wide **workplace** standards on wages, hours and working conditions related to the health, safety and welfare of fast food restaurant workers; although a voter referendum blocked the new law, the potential referendum challenge is set to be on the ballot in 2024. This law and other labor related laws enacted or currently proposed at the federal, state, provincial or local level could increase our ~~and our~~ franchisees' labor costs and decrease profitability. Joint employer status is a developing area of franchise and labor and employment law that could be subject to changes in legislation, administrative agency interpretation or jurisprudential developments that may increase franchisor liability ~~in the future.~~ In ~~September~~ **October 2022-2023**, the National Labor Relations Board ~~proposed a-~~ **issued its final rule addressing the standard for determining joint- employer status under the National Labor Relations Act. Under**

~~the new rule that would allow~~ **standard, effective February 26, 2024**, a party ~~may asserting~~ **assert** a joint-employment relationship to establish joint-employer status by using evidence of indirect and reserved forms of control bearing on an employee's essential terms and conditions of employment. ~~The rule~~ **If this broader standard were to be adopted, which is likely facing legal challenges, but if it becomes effective in its current form**, we could potentially be liable for unfair labor practices and other violations by franchisees or we could be required to conduct collective bargaining negotiations regarding employees of franchisees, who are independent employers. In such event, our operating costs may increase as a result of required modifications to business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability. Employee claims that are brought against us as a result of joint employer standards and status may also, in addition to legal and financial liability, create negative publicity that could adversely affect our brands and divert financial and management resources. A significant increase in the number of these claims, or an increase in the number of successful claims, could adversely impact our ~~brand~~ **brands'** reputation, which may cause significant harm. Our future growth and profitability will depend on our ability to successfully accelerate international development with strategic partners and joint ventures. We believe that the future growth and profitability of each of our brands will depend on our ability to successfully accelerate international development with ~~strategic~~ **master franchisee and joint venture** partners ~~and joint ventures~~ in new and existing international markets. New markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets. As a result, new restaurants in those markets may have lower average restaurant sales than restaurants in existing markets and may take longer than expected to reach target sales and profit levels or may never do so. We will need to build brand awareness in those new markets we enter through advertising and promotional activity, and those activities may not promote our brands as effectively as intended, if at all. We have adopted a master franchise development model for all of our brands, which in markets with strong growth potential may include participating in ~~strategic~~ joint ventures, to accelerate international growth. These arrangements may give our joint venture ~~partners~~ and / or master ~~franchise franchisees~~ partners the exclusive right to develop and manage our restaurants in a specific country or countries, including, in some cases, the right to sub-franchise. A joint venture ~~partnership~~ involves special risks, including the following: our joint venture partners may have economic, business or legal interests or goals that are inconsistent with those of the joint venture or us, or our joint venture partners may be unable to meet their economic or other obligations and we may be required to fulfill those obligations alone. Our master franchise arrangements present similar risks and uncertainties. We cannot control the actions of our joint venture partners or master franchisees, including any nonperformance, default or bankruptcy of joint venture partners or master franchisees. While sub-franchisees are required to operate their restaurants in accordance with specified operations, safety and health standards, we are not party to the agreements with the sub-franchisees and are dependent upon our master franchisees to enforce these standards with respect to sub-franchised restaurants. As a result, the ultimate success and quality of any sub-franchised restaurant rests with the master franchisee and the sub-franchisee. In addition, the termination of an arrangement with a master franchisee or a lack of expansion by certain master franchisees has and may in the future result in the delay or discontinuation of the development of ~~franchise~~ **franchised** restaurants, or an interruption in the operation of our brand in a particular market or markets. We may not be able to find another operator to resume development activities in such market or markets. Any such delay, discontinuation or interruption could materially and adversely affect our business and operating results. Risks ~~the Risks related to Information Technology~~ **The** personal information that we ~~gather~~ **collect may be vulnerable to breach, theft, or fail to comply with privacy loss that could adversely affect our reputation, results of operations, and financial condition** data protection laws and regulations, we could be subject to civil and criminal penalties, suffer reputational harm and incur substantial costs. In the ordinary course of our business, we collect, process, transmit, ~~disclose~~, and retain personal information regarding our employees and their families, our franchisees and their employees, vendors, contractors, and ~~guests~~ **(consumers)**, which can include social security numbers, social insurance numbers, banking and tax identification information, health care information ~~for employees~~, and credit card information) and our franchisees collect similar information. In recent years we expanded our development and management of our brands' mobile apps, online ordering platforms, and in-restaurant kiosks and ~~home market loyalty programs~~ **started to provide point-of-sale software**. While our deployment of such technology facilitates our primary goals of generating incremental sales and improving operations at our franchisees' restaurants as **well** Related to our Indebtedness Our ~~substantial~~ leverage and obligations to service our debt could adversely affect our business. As of December 31, ~~2022~~ **2023**, we had aggregate outstanding indebtedness of \$ 13, ~~045~~ **043** million, including senior secured term loan facilities in an aggregate principal amount of \$ 6, ~~440~~ **450** million, senior secured first lien notes in an aggregate principal amount of \$ 2, 800 million and senior secured second lien notes in an aggregate principal amount of \$ 3, 650 million. Subject to restrictions set forth in these instruments, we may also incur significant additional indebtedness in the future, some of which may be secured debt. This may have the effect of increasing our total leverage. Our substantial leverage could have important potential consequences, including, but not limited to: • increasing our vulnerability to, and reducing our flexibility to respond to, changes in our business and general adverse economic and industry conditions; • requiring the dedication of a substantial portion of our cash flow from operations to our debt service, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research, dividends, share repurchases or other corporate purposes; • increasing our vulnerability to a downgrade of our credit rating, which could adversely affect our cost of funds, liquidity and access to capital markets; • placing us at a competitive disadvantage ~~as compared to certain of our~~ competitors who are not as highly leveraged; • restricting us from making strategic acquisitions or causing us to make non-strategic divestitures; • exposing us to the risk of increased interest rates for variable interest rate borrowings under our credit facilities; ~~the discontinuation of the London Interbank Offered Rate ("LIBOR") after June 2023 and the replacement with an alternative reference rate may adversely impact our interest rates and our interest rate hedging strategy;~~ • making it more difficult for us to repay, refinance or satisfy our obligations with respect to our debt; • limiting our ability to borrow additional funds in the future and increasing the cost of any such borrowing; • **imposing**

**restrictive covenants that may hinder our ability to finance future operations and capital needs or to pursue certain business opportunities and activities, and which, in the event of non-compliance without cure or waiver, could result in an event of default and the acceleration of the applicable debt and any debt subject to cross-acceleration; • requiring repayment or an offer to repurchase in the event of a change of control that may delay or prevent such change of control;** and • exposing us to risks related to fluctuations in foreign currency as we earn profits in a variety of currencies around the world and substantially all of our debt is denominated in U. S. dollars. If we are unable to generate sufficient cash flow to pay indebtedness and other funding needs or refinance our indebtedness on favorable terms, or at all, our financial condition may be materially adversely affected. ~~Our indebtedness limits our ability to take certain actions and could delay or prevent a future change of control. The terms of our indebtedness include a number of restrictive covenants that, among other things, limit our ability to incur additional indebtedness or guarantee or prepay indebtedness; pay dividends on, repurchase or make distributions in respect of capital stock; make investments or acquisitions; create liens or use assets as security in other transactions; consolidate, merge, sell or otherwise dispose of substantially all of our or our subsidiaries' assets; make intercompany transactions; and enter into transactions with affiliates. These limitations may hinder our ability to finance future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these covenants and restrictions may be affected by events beyond our control. A breach of the covenants under our indebtedness could result in an event of default under the applicable agreement allowing the debt holders to accelerate repayment of such debt as well as any other debt to which a cross-acceleration or cross-default provision applies. In addition, default under our senior secured credit facilities would also permit the lenders thereunder to terminate all other commitments to extend additional credit thereunder, including under the revolver. Similarly, in the event of a change of control, pursuant to the terms of our indebtedness, we may be required to repay our credit facilities, or offer to repurchase the senior secured first lien and second lien notes as well as future indebtedness. Such current and future terms could have the effect of delaying or preventing a future change of control or may discourage a potential acquirer from proposing or completing a transaction that may otherwise have presented a premium to our shareholders.~~ Following the occurrence of either an event of default or change of control, we may not have sufficient resources to repurchase, repay or redeem our obligations, as applicable, and we may not be able to obtain additional financing to satisfy these obligations on terms favorable to us or at all. Also, if we were unable to repay the amounts due under our secured indebtedness, the holders of such indebtedness could proceed against the collateral that secures such indebtedness. In the event our creditors accelerate the repayment of our secured indebtedness, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

**Risks Related to Taxation** Unanticipated tax liabilities could adversely affect the taxes we pay and our profitability. We are subject to income and other taxes in Canada, the United States, and numerous foreign jurisdictions. A taxation authority may disagree with certain of our views, including, for example, the allocation of profits by tax jurisdiction, and the deductibility of our interest expense, and may take the position that material income tax liabilities, interest, penalties, or other amounts are payable by us, in which case, we expect to contest such assessment. Contesting such an assessment may be lengthy and costly and, if we were unsuccessful, the implications could be materially adverse to us and affect our effective income tax rate and / or operating income. From time to time, we are subject to additional state and local income tax audits, international income tax audits and sales, franchise and value-added tax audits. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The Canada Revenue Agency (the "CRA"), the U. S. Internal Revenue Service (the "IRS") and / or foreign tax authorities may not agree with our interpretation of the tax aspects of reorganizations, initiatives, transactions, or any related matters associated therewith that we have undertaken. The results of a tax audit or related litigation could result in us not being in a position to take advantage of the effective income tax rates and the level of benefits that we anticipated to achieve as a result of corporate reorganizations, initiatives and transactions, and the implications could have a material adverse effect on our effective income tax rate, income tax provision, net income (loss) or cash flows in the period or periods for which that determination is made. RBI and Partnership may be treated as U. S. corporations for U. S. federal income tax purposes, which could subject us and Partnership to substantial additional U. S. taxes. Because RBI and Partnership are organized under the laws of Canada, we are classified as foreign entities (and, therefore, non-U. S. tax residents) under general rules of U. S. federal income taxation that an entity is considered a tax resident in the jurisdiction of its organization or incorporation. Even so, the IRS may assert that we should be treated as a U. S. corporation (and, therefore, a U. S. tax resident) for U. S. federal income tax purposes pursuant to complex rules under Section 7874 of the U. S. Internal Revenue Code of 1986, as amended (~~the Code~~). In addition, a retroactive or prospective change to U. S. tax laws in this area could adversely impact this classification. If we were to be treated as a U. S. corporation for federal tax purposes, we could be subject to substantially greater U. S. tax liability than currently contemplated as a non-U. S. corporation. Future changes to Canadian, U. S. and other foreign tax laws, including future regulations and other interpretive guidance of such tax laws, could materially affect RBI and / or Partnership, and adversely affect their anticipated financial positions and results. Our effective tax rate, cash taxes and financial results could be adversely impacted by changes in applicable tax laws (including regulatory, administrative, and judicial interpretations and guidance relating to such laws) in the jurisdictions in which we operate. The 2021 Canadian Federal Budget proposed various tax law changes, including a new limitation on the deductibility of interest and similar expenses; revised draft legislation was released on November 3-21, 2022-2023, deferring the with a proposed effective date to for taxation years beginning on or after October 1, 2023. **The proposed rules have not yet been enacted.** In general, the draft legislation proposes to limit the deductibility of interest and other financing-related expenses to the extent that such expenses, net of interest and financing-related income, exceed a fixed ratio of the entity's tax EBITDA, with a specified carry-back limit and an indefinite carry-forward limit. The proposed rules and their application are complex and could materially increase our future income taxes if enacted, adversely impacting our effective tax rate and financial results.

**On November 21, The Inflation Reduction Act of 2022-2023, Canada released revised, proposed legislation ("IRA") in the**

U. S. contains provisions that were effective **would impose a 2 % equity buyback tax for net equity repurchase transactions that occur on or after January 1, 2023-2024**, however, this legislation has including a 15 % corporate alternative minimum tax based on adjusted financial statement income. While we do not **yet been** currently expect the IRA to have a material impact on our financial statements, we will continue to evaluate its effect as further guidance becomes available. In addition, the U. S. Treasury has broad authority to issue regulations and interpretative guidance with respect to existing and new tax laws that may significantly impact how such laws are applied. A number of currently contemplated tax law changes if enacted could materially adversely affect our effective income tax rate, cash taxes and financial results. The Organization for Economic Cooperation and Development (“ OECD ”), the European Union (“ EU ”) and many countries (including countries in which we operate ) have committed to enacting substantial changes to numerous long- standing tax ~~principals-~~ **principles** impacting how large multinational enterprises are taxed in an effort to limit perceived base erosion and profit shifting incentives, including a 15 % global minimum tax applied on a country- by- country basis, likely applicable to periods beginning on or after December 31, 2023. The OECD has issued model rules with respect to various aspects of such proposed changes and ongoing public consultation with additional guidance expected. **On November 21, 2023, Canada released initial draft enabling legislation with respect to aspects of such OECD model rules.** The ~~implementation-enactment~~ , timing and many details regarding such potential tax law changes remain uncertain as **Canada and other** individual countries evaluate and pursue their respective approaches to enacting the principles underlying such model rules. ~~Such global tax developments could materially~~ **Certain countries in which we operate have enacted legislation (with subsequent guidance and details expected to follow) to adopt the “ Pillar Two ” framework effective for periods beginning on or after January 1, 2024, including Switzerland, which will** increase our future ~~income-taxes if enacted~~, adversely impacting our effective tax rate and financial results. **We** ~~Risks related to Information Technology~~ The personal..... at our franchisees’ restaurants as well **will continue to evaluate the potential impact on future periods of the “ Pillar Two ” framework** as additional customer-awareness **guidance is released** and **other individual countries adopt** interest in our brands, such **enabling** deployment also means that we are collecting and entrusted with additional personal information about our customers. In Canada, we have been the subject of government investigation and purported class action lawsuits based on the use of certain geolocation data for TH mobile app users. Negative publicity regarding these matters or future concerns could adversely affect our reputation and our brands. Some of this personal information is also held and managed by our franchisees, including master franchisees, and certain of our vendors, and in these cases the franchisee or vendor is responsible for complying with local laws (including applicable data privacy laws) and adequately securing the data. A third- party may be able to circumvent the security and business controls that we, our vendors, our franchisees, or our franchisees’ vendors use to limit access and use of personal information, which could result in a breach of employee, consumer, or franchisee privacy. A major breach, theft, or loss of the personal information described above that is held by us, our vendors, our franchisees, or our franchisees’ vendors could adversely affect our reputation and restaurant operations as well as result in substantial fines, penalties, indemnification claims, and potential litigation against us which could negatively impact our results of operations and financial condition. We are subject to risks related with non-compliance of privacy and data protection laws and regulations. For example, under the European Union’s General Data Protection Regulation (“ GDPR ”), companies must meet certain requirements regarding the handling of personal data or face penalties of up to 4 % of worldwide revenue. Furthermore, the collection and safeguarding of personal information has increasingly attracted enhanced scrutiny from the general public in the United States and Canada, which has resulted in additional actual and proposed legislative **legislation** and regulatory rules at the federal, provincial and state levels (e. g., the California Privacy Rights Act of 2020, Canada’s Bill C- 11 and Quebec’s Bill- 64). These regulations as well as their interpretation and criteria for enforcement, continue to be subject to frequent change, and there may be other jurisdictions that propose or enact new or emerging data privacy requirements in the future. As a result of such legislative and regulatory rules, we may be required to notify the owners of the personal information of any data breaches, which could harm our reputation and financial results, as well as subject us to litigation or actions by regulatory authorities. Furthermore, media or other reports of existing or perceived security vulnerabilities in our systems or those of our franchisees or vendors, or misuse of personal data, even if no breach has been attempted or has occurred, has and in the future may lead to investigations and litigation and may adversely impact our brand, reputation, and business. Significant capital investments and other expenditures could be required to remedy a breach and prevent future problems, including costs associated with additional security technologies, personnel, experts, and credit monitoring services for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations during the period in which they are incurred. The techniques and sophistication used to conduct cyber- attacks and breaches, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. Accordingly, our efforts and expenditures to prevent future cyber- attacks or breaches may not be successful. Information technology system failures or interruptions or breaches of our network security may interrupt our operations, cause reputational harm, subject us to increased operating costs and expose us to litigation. We rely heavily on our computer systems and network infrastructure across operations including, but not limited to, point- of- sale processing at our restaurants, as well as the systems of our third- party vendors to whom we outsource certain administrative functions. Despite our implementation of security measures, all of our technology systems (including those of our vendors) are vulnerable to damage, disruption or failures due to physical theft, fire, power loss, telecommunications failure, or other catastrophic events, as well as from problems with transitioning to upgraded or replacement systems, internal and external security breaches, denial of service attacks, viruses, worms, and other disruptive problems caused by hackers. If any of our or our vendors’ technology systems were to fail or become subject to ransomware and we were unable to recover in a timely way, we could experience an interruption in our operations. Furthermore, if unauthorized access to or use of our or our vendors’ systems were to occur, data related to our proprietary information could be compromised. The occurrence of any of these incidents could have a material adverse effect on our future financial condition and results of operations. To the

extent that some of our worldwide reporting systems require or rely on manual processes, it could increase the risk of a breach due to human error. Further, the standards for systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment data at risk, are determined and controlled by the payment card industry, not by us. If someone is able to circumvent our data security measures or those of third parties with whom we do business, including our franchisees, he or she could destroy or steal valuable information or disrupt our operations. Any security breach could expose us to risks of data loss, litigation, liability, and could seriously disrupt our operations. Any resulting negative publicity could significantly harm our reputation and could materially and adversely affect our business and operating results. Finally, we have expended and may need to continue to expend substantial financial and managerial resources to enhance our existing restaurant management systems, financial and management controls, information systems and personnel to accurately capture and reflect the financial and operational activities at our franchise restaurants. On occasion we have encountered, and may in the future encounter, challenges in receiving these results from our franchisees in a consistent and timely manner as a number of our systems and processes are not fully integrated worldwide. To the extent that we are not able to obtain transparency into our operations from our systems and manual estimations and effectively manage the information demands associated with significant growth, it could impair the ability of our management to react quickly to changes in the business or economic environment and our business and operating results could be negatively impacted.

**Risks Related to our Common Shares** 3G RBH owns approximately 29-28% of the combined voting power in RBI, and its interests may conflict with or differ from the interests of the other shareholders. 3G Restaurant Brands Holdings LP (“3G RBH”) currently owns approximately 29-28% of the combined voting power in RBI. So long as 3G RBH continues to directly or indirectly own a significant amount of the voting power, it will continue to be able to strongly influence or effectively control business decisions of RBI. 3G RBH and its principals may have interests that are different from those of other shareholders, and 3G RBH may exercise its voting and other rights in a manner that may be adverse to the interests of such shareholders. In addition, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of RBI, which could cause the market price of our common shares to decline or prevent our shareholders from realizing a premium over the market price for their common shares or Partnership exchangeable units. Canadian laws may have the effect of delaying or preventing a change in control. We are a Canadian entity. The Investment Canada Act requires that a “non-Canadian,” as defined therein, file an application for review with the Minister responsible for the Investment Canada Act and obtain approval of the Minister prior to acquiring control of a Canadian business, where prescribed financial thresholds are exceeded. This may discourage a potential acquirer from proposing or completing a transaction that may otherwise present a premium to shareholders.

**General Risks** The loss of key management personnel or our inability to attract and retain new qualified personnel could hurt our business. We are dependent on the efforts and abilities of our senior management, including the executives managing each of our brands, and our success will also depend on our ability to attract and retain additional qualified employees. Failure to attract personnel sufficiently qualified to execute our strategy, or to retain existing key personnel, could have a material adverse effect on our business. Also, integration of strategic transactions such as the acquisition of Firehouse Subs **and pending acquisition of Carrols,** may divert management’s attention from other initiatives, and effectively executing our growth strategy. We have been, and in the future may be, subject to litigation that could have an adverse effect on our business. We are regularly involved in litigation including related to disputes with franchisees, suppliers, employees, team members, and customers, as well as disputes over our advertising claims about our food and over our intellectual property. See the discussion of Legal Proceedings in Note 17-16, “Commitments and Contingencies,” to the Consolidated Financial Statements included in Item 8 of this Form 10-K. Active and potential disputes with franchisees could damage our brand reputation and our relationships with our broader franchise base. Such litigation may be expensive to defend, harm our reputation and divert resources away from our operations and negatively impact our reported earnings. Also, legal proceedings against a franchisee or its affiliates by third parties, whether in the ordinary course of business or otherwise, may include claims against us by virtue of our relationship with the franchisee. We, or our business partners, may become subject to claims for infringement of intellectual property rights and we may be required to indemnify or defend our business partners from such claims. Should management’s evaluation of our current exposure to legal matters pending against us prove incorrect and **if** such claims are successful, our exposure could exceed expectations and have a material adverse effect on our business, financial condition and results of operations. Although some losses may be covered by insurance, if there are significant losses that are not covered, or there is a delay in receiving insurance proceeds, or the proceeds are insufficient to offset our losses fully, our financial condition or results of operations may be adversely affected.