

CHECKERS DRIVE IN RESTAURANTS INC /DE  
Form DEFM14A  
May 08, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A INFORMATION**  
**PROXY STATEMENT PURSUANT TO SECTION 14(A)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/>            | Preliminary Proxy Statement   | <input type="checkbox"/> | <b>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))</b> |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement  |                          |  |
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**CHECKERS DRIVE-IN RESTAURANTS, INC.**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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

**4300 West Cypress Street, Suite 600**

**Tampa, Florida 33607**

May 8, 2006

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Checkers Drive-In Restaurants, Inc. ( Checkers ). The special meeting will be held on June 15, 2006 at 9:00 a.m., Eastern Time, at the Marriott Renaissance Tampa Hotel International Plaza, located at 4200 Columbus Drive, Tampa, Florida.

At the special meeting, you will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of February 16, 2006, by and among Taxi Holdings Corp., Taxi Acquisition Corp., and Checkers, pursuant to which Taxi Acquisition will merge with and into Checkers, with Checkers as the surviving corporation in the merger. Upon completion of the merger, each share of Checkers common stock not held by Checkers, Taxi Holdings or their subsidiaries, or by stockholders who perfect appraisal rights under Delaware law, will be cancelled and converted into the right to receive \$15.00 in cash, without interest. The receipt of cash in exchange for your shares of common stock in the merger will constitute a taxable transaction for U.S. federal income tax purposes.

Our board of directors (with recusal by Mr. Sirois), and the special committee of the board of directors formed to consider strategic alternatives, have each unanimously determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Checkers and our unaffiliated stockholders. Accordingly, the board of directors (with recusal by Mr. Sirois) and the special committee have each unanimously approved the merger agreement. Each of the board of directors and the special committee unanimously recommends that you vote **FOR** the adoption of the merger agreement and the approval of the transactions contemplated thereby at the special meeting and **FOR** the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Your vote is extremely important. We cannot consummate the merger unless holders of a majority of the outstanding shares of our common stock entitled to vote adopt the merger agreement and approve the transactions contemplated thereby. We ask that you either promptly sign, date and return the enclosed proxy card in the envelope provided without delay or promptly submit your proxy by telephone or over the Internet following the instructions on the proxy card, even if you plan to attend the special meeting. Returning your proxy card to us or submitting your proxy by telephone or over the Internet will not prevent you from voting in person at the special meeting if you are present and choose to do so. **If you fail to vote in person or by proxy, or abstain from voting, it will have exactly the same effect as voting against the merger proposal.**

If your shares are held in street name by a brokerage firm, your broker will supply you with a proxy to be returned to the brokerage firm and/or will provide instructions for any other manner in which you can instruct the brokerage firm how to vote your shares. It is important that you instruct the brokerage firm how to vote your shares as quickly as possible so that the brokerage firm may vote your shares. **Failure to instruct your broker to vote your shares will have exactly the same effect as voting against the merger proposal.** If your shares are held in street name by a brokerage firm, you may not vote your shares in person at the special meeting unless you obtain a power of attorney or legal proxy from your broker authorizing you to vote the shares, and you present this power of attorney or proxy at the special meeting.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THIS TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement and the form of the proxy are first being sent to the stockholders on or about May 10, 2006.

Sincerely,

***Brian R. Doster***

Brian R. Doster  
*Secretary*

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

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**May 8, 2006**

Notice is hereby given that a special meeting of the stockholders of Checkers Drive-In Restaurants, Inc., a Delaware corporation, will be held at the Marriott Renaissance Tampa Hotel International Plaza, located at 4200 Columbus Drive, Tampa, Florida, on June 15, 2006 at 9:00 a.m., Eastern Time, for the following purposes:

1. To adopt the Agreement and Plan of Merger, dated as of February 16, 2006, as amended, by and among Taxi Holdings Corp., Taxi Acquisition Corp. and Checkers Drive-In Restaurants, Inc., and to approve the transactions contemplated thereby;
2. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the transactions contemplated thereby; and
3. To transact such other business as may properly come before the special meeting or any adjournment thereof.

None of the proposals to be voted upon at the special meeting is conditioned on the approval of any other proposal.

The board of directors, and the special committee of the board established to consider strategic alternatives, each unanimously recommends that you vote FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Your attention is directed to the proxy statement accompanying this notice for a more complete description of the matters to be acted upon at the special meeting. Stockholders of record at the close of business on May 1, 2006 are entitled to receive notice of and to vote at the special meeting and any adjournment thereof. A list of such stockholders will be available for examination by any stockholder, for any purpose related to the special meeting, during ordinary business hours, at Checkers Drive-In Restaurants, Inc., at 4300 West Cypress Street, Suite 600, Tampa, Florida 33607, during the 10-day period preceding the special meeting.

All stockholders are cordially invited to attend the special meeting. Whether or not you expect to attend, please sign and return the enclosed proxy card promptly in the envelope provided or promptly submit your proxy by telephone or over the Internet following the instructions on the proxy card. You may revoke your proxy and vote in person at the special meeting if you desire. **If you fail to vote in person or by proxy, or abstain from voting, it will have exactly the same effect as voting against the merger proposal.**

If your shares are held in street name by a brokerage firm, your broker will supply you with a proxy to be returned to the brokerage firm and/or will provide instructions for any other manner in which you can instruct the brokerage firm how to vote your shares. It is important that you instruct the brokerage firm how to vote your shares as quickly as possible so that the brokerage firm may vote your shares. **Failure to instruct your broker to vote your shares will have exactly the same effect as voting against the merger proposal.** If your shares are held in street name, you may not vote your shares in person at the special meeting unless you obtain a power of attorney or legal proxy from your broker authorizing you to vote the shares, and you present this power of attorney or proxy at the special meeting.

By order of the Board of Directors,

***Brian R. Doster***

BRIAN R. DOSTER

*Secretary*

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- Annex A Agreement and Plan of Merger, dated as of February 16, 2006, by and among Taxi Holdings Corp., Taxi Acquisition Corp., and Checkers Drive-In Restaurants, Inc.
- Annex B Opinion of Citigroup Global Markets Inc.
- Annex C Letter Agreement, dated February 16, 2006, between Wellspring Capital Partners IV, L.P. and Checkers Drive-In Restaurants, Inc.
- Annex D Section 262 of the Delaware General Corporation Law



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**SUMMARY TERM SHEET**

*This summary term sheet highlights selected information from this proxy statement about the proposed merger and the special meeting and may not contain all of the information that is important to you as a stockholder of Checkers Drive-In Restaurants, Inc. Accordingly, we encourage you to read carefully this entire document and the other documents to which we refer you. References in this proxy statement to Checkers, we, our and us mean, unless the context indicates otherwise, Checkers Drive-In Restaurants, Inc. and its consolidated subsidiaries.*

**The Companies (page 18)**

*Checkers Drive-In Restaurants, Inc.* Checkers Drive-In Restaurants, Inc., a Delaware corporation, together with its wholly owned subsidiaries, is the largest chain of double drive-thru restaurants in the United States. Checkers is a combination of two separate quick-service restaurant chains, Checkers® and Rally's® Hamburgers®. As of March 27, 2006, Checkers had 361 Rally's® restaurants operating in 16 different states and 444 Checkers restaurants operating in 20 different states, the District of Columbia, Mexico and the West Bank. Of the 805 total restaurants as of such date, 212 were operated by Checkers and 593 were operated by franchisees.

*Taxi Holdings Corp.* Taxi Holdings Corp., a Delaware corporation, which we refer to in this proxy statement as Taxi Holdings, was formed by Wellspring Capital Partners IV, L.P., which we refer to in this proxy statement as Wellspring IV, solely for the purpose of effecting the merger and the transactions related to the merger. It has not engaged in any business except in furtherance of this purpose. Wellspring IV is currently the sole stockholder of Taxi Holdings.

*Taxi Acquisition Corp.* Taxi Acquisition Corp., a Delaware corporation and a direct, wholly owned subsidiary of Taxi Holdings, which we refer to in this proxy statement as Taxi Acquisition, was formed by Taxi Holdings solely for the purpose of effecting the merger and the transactions related to the merger. It has not engaged in any business except in furtherance of this purpose.

*Wellspring Capital Partners IV, L.P.* Wellspring Capital Partners, IV L.P., a Delaware limited partnership, is a private investment fund that was formed in 2005. Wellspring IV is managed by Wellspring Capital Management LLC.

*WCM GenPar IV, L.P.* WCM GenPar IV, L.P., a Delaware limited partnership, which we refer to in this proxy statement as WCM LP, is the general partner of Wellspring IV.

*WCM GenPar IV GP, LLC.* WCM GenPar IV GP, LLC, a Delaware limited liability Company, which we refer to in this proxy statement as WCM LLC, is the general partner of WCM LP.

*Wellspring Capital Management LLC.* Wellspring Capital Management LLC, which we refer to in this proxy statement as Wellspring Capital, is a New York-based private equity firm with more than \$2 billion in equity capital under management. The firm takes controlling positions in promising middle-market companies where it can contribute innovative operating and financing strategies and capital. Wellspring Capital's limited partners include some of the largest and most respected institutional investors in the United States, Canada, and Europe.

We refer to Wellspring IV, WCM LP, WCM LLC and Wellspring Capital in this proxy statement collectively as the Wellspring Entities. A diagram illustrating the lines of equity ownership and other control relationships among the Wellspring Entities, Taxi Holdings and Taxi Acquisition is set forth below under Special Factors the Companies.

As newly formed entities, Taxi Holdings and Taxi Acquisition have no assets other than their rights under the merger agreement and the rights of Taxi Holdings under the equity commitment letter described below under Special Factors Financing for the Merger; Source and Amount of Funds Equity Financing. In addition,

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under the terms of the merger agreement, each of Checkers, on the one hand, and Taxi Holdings and Taxi Acquisition, on the other, has agreed that the reimbursement of expenses and the termination fees described below under The Merger Agreement Reimbursement of Expenses; Termination Fee will constitute liquidated damages and, except for the recovery of damages incurred in enforcing such reimbursement and termination fee provisions, will constitute the sole and exclusive remedy of the receiving party for any and all damages arising under or in connection with any breach of any representation, warranty, covenant or agreement on the part of the other party contained in the merger agreement. Wellspring IV has agreed, pursuant to a letter agreement dated February 16, 2006 between Wellspring IV and Checkers, that in the event that Taxi Holdings is required to pay such reimbursement of expenses or termination fees to Checkers, then Wellspring IV will pay or cause Taxi Holdings to pay such amounts to Checkers in accordance with the merger agreement. In the event such amounts become payable under the merger agreement, the only available recourse against Taxi Holdings and Taxi Acquisition may be to pursue Wellspring IV under the February 16, 2006 letter agreement with Checkers.

### **The Special Meeting (page 15)**

*Date, Time and Place.* The special meeting will be held on Thursday, June 15, 2006 at the Marriott Renaissance Tampa Hotel International Plaza, located at 4200 Columbus Drive, Tampa, Florida, at 9:00 a.m., Eastern Time, to consider and vote upon proposals to adopt the merger agreement and to approve the transactions contemplated thereby, to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the adoption of the merger agreement, and to transact other business as may properly come before the special meeting and any adjournment of the special meeting.

*Record Date and Voting Power.* You are entitled to vote if you owned shares of our common stock at the close of business on May 1, 2006, the record date for the special meeting. You will have one vote for each share of our common stock you owned at the close of business on the record date. On the record date, there were 11,501,200 shares of our common stock entitled to be voted at the special meeting.

*Quorum and Vote Required.* A quorum will be present at the special meeting if the holders of a majority of the outstanding shares of our common stock entitled to vote on the record date are represented in person or by proxy. In order to adopt the merger agreement, holders of a majority of the outstanding shares of our common stock entitled to vote must vote in favor of adopting the merger agreement. **As such, if you withhold a vote or abstain from voting on the proposal for the adoption of the merger agreement and the approval of the transactions contemplated thereby, it will have the same effect as a vote AGAINST the proposal.** In order to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement and to approve the transactions contemplated thereby, a majority of the shares voting at the special meeting must vote in favor of such proposal.

*Submitting Your Proxy; Revoking Your Proxy.* After carefully reading and considering the information contained in the proxy statement, you should either complete, date and sign the enclosed proxy card and mail the proxy card in the enclosed return envelope as soon as possible or promptly submit your proxy by telephone or over the Internet following the instructions on the proxy card so that your shares of common stock are represented at the special meeting, even if you plan to attend the special meeting in person. If you elect to submit your proxy by telephone or via the Internet, you will need to provide the control number set forth on the enclosed proxy card upon which you will be provided the option to vote for, against, or abstain with respect to each of the proposals. If no specification is indicated, all of your shares of common stock represented by valid proxies that have been submitted will be voted FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Until your proxy is voted at the special meeting, you can revoke your proxy and change your vote in any of the following ways:

giving written notice of the revocation to Checkers Secretary, Brian R. Doster, at Checkers Drive-In Restaurants, Inc., 4300 West Cypress Street, Suite 600, Tampa, Florida 33607;

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by properly submitting another proxy by mail, telephone or the Internet, with a later date; or

voting in person at the special meeting (if your shares are registered directly on our books and not held through a broker, bank, or other nominee); attendance at the special meeting will not in and of itself constitute a revocation of the proxy.

If you have instructed your broker or other nominee to vote your shares, you must follow the procedures provided by your broker or nominee to change those instructions.

### **Background of the Merger (page 20)**

The section of the proxy statement entitled "Special Factors - Background of the Merger" contains a description of the process that we undertook with respect to exploring strategic alternatives and, eventually, reaching a definitive merger agreement with Taxi Holdings, and includes a discussion of our contacts and discussions with Taxi Holdings and its affiliates, as well as other potential acquirers, that led to that agreement.

### **Structure of the Merger (page 61)**

Subject to the terms and conditions of the merger agreement, Taxi Acquisition will be merged into Checkers, and Checkers will be the surviving entity in the merger. As a result of the merger, Checkers will cease to be a publicly traded company, and Checkers will be owned directly by Taxi Holdings.

### **Merger Consideration (page 61)**

If we complete the merger, each share of our common stock, other than any such share held by Checkers, Taxi Holdings or their subsidiaries, or by stockholders who perfect appraisal rights under Delaware law, will be cancelled and converted into the right to receive \$15.00 in cash, without interest.

### **Stock Options (page 61)**

If we complete the merger, except as described below, each option to purchase shares of our common stock, whether or not vested, will be cancelled and the holder of such option will be entitled to receive an amount in cash equal to the product of (1) the amount by which \$15.00 exceeds the applicable per share exercise price of such option, and (2) the number of shares subject to such option, without interest, and less any amount required to be withheld under applicable law. No consideration will be paid in respect of any stock options for which the exercise price equals or exceeds the merger consideration.

Prior to the completion of the merger, Taxi Holdings expects to offer selected members of Checkers management the opportunity to elect, in lieu of canceling their options in exchange for the right to receive the cash consideration described above, to have their options be assumed by Taxi Holdings and replaced by options to purchase shares in Taxi Holdings. None of the members of the board of directors (other than Mr. Sirois), including the members of the special committee, will be offered this opportunity. The terms of any such assumption and exchange of options by Taxi Holdings, the value of any such options and the individuals to be offered the opportunity to participate in such assumption and exchange, have not been determined as of the date of this proxy statement and such matters remain subject to negotiation among the relevant parties prior to the completion of the merger.

### **Certain Effects of the Merger (page 47)**

If the merger agreement is approved and adopted by our stockholders and the other conditions to closing are satisfied, Taxi Acquisition will be merged with and into Checkers, with Checkers being the surviving corporation. Upon completion of the merger, shares of our common stock, other than such shares held by Checkers, Taxi Holdings or their subsidiaries, or by stockholders who perfect appraisal rights under Delaware law, will be cancelled and converted into the right to receive \$15.00 per share in cash, without interest. Following

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the completion of the merger, Checkers will no longer be a public company, and you will cease to have any ownership interest in Checkers and will not participate in any future earnings and growth or losses of Checkers.

**Conditions to the Merger (page 70)**

The obligations of each of Checkers, Taxi Holdings and Taxi Acquisition to complete the merger are subject to the satisfaction or waiver (where permissible), at or prior to the closing of the merger, of the following conditions:

approval and adoption of the merger agreement by the holders of a majority of the then outstanding shares of Checkers common stock;

absence of legal prohibitions to completion of the merger; and

expiration or termination of any waiting period (and any extension thereof) applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

The obligations of Taxi Holdings and Taxi Acquisition to complete the merger are further subject to the satisfaction or waiver at or prior to the closing of certain additional conditions, including the following:

accuracy of Checkers representations and warranties, with only such exceptions as would not, individually or in the aggregate, reasonably be expected to have a material adverse effect;

Checkers performance in all material respects with its obligations under the merger agreement required to be performed by it at or prior to the closing;

absence of any event, circumstance, change or effect that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect;

Taxi Holdings or Taxi Acquisition, as applicable, having received the proceeds of the financing contemplated by the debt and equity commitment letters described below under Special Factors Financing for the Merger; Source and Amount of Funds, or alternative financing, on terms and conditions reasonably acceptable to Taxi Holdings and Taxi Acquisition (we refer to this condition as the financing condition);

receipt of third party consents, other than those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect, on terms reasonably satisfactory to Taxi Holdings and Taxi Acquisition;

the fiscal year 2005 audited financial statements of Checkers and its subsidiaries reflecting net income for such fiscal year, before deducting interest expense, taxes, depreciation and amortization, of no less than \$23.7 million;

there being no legal proceeding or investigation pending seeking to prohibit or restrain, or seeking damages in connection with, the merger or the transactions contemplated by the merger agreement; and

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the aggregate number of shares for which stockholders have properly exercised and perfected appraisal rights under the Delaware General Corporation Law being less than 10% of the total number of shares of Checkers common stock outstanding at the effective time of the merger.

The obligation of Checkers to complete the merger are further subject to the satisfaction or waiver at or prior to the closing of certain additional conditions, including the following:

accuracy of Taxi Holdings and Taxi Acquisition's representations and warranties, with only such exceptions as would not, individually or in the aggregate, reasonably be expected to prevent or materially impede, interfere with, hinder, or delay the consummation by Taxi Holdings and Taxi Acquisition of the transactions contemplated by the merger agreement; and

each of Taxi Holdings and Taxi Acquisition's performance in all material respects with its obligations under the merger agreement required to be performed by it at or prior to the closing.

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**Termination of the Merger Agreement (page 71)**

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, notwithstanding the approval and adoption of the merger agreement by Checkers stockholders (except as otherwise provided below):

by mutual written consent of Taxi Holdings, Taxi Acquisition and Checkers;

by Taxi Holdings or Checkers, if any court or other governmental authority of competent jurisdiction shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the merger and such order, decree, ruling or other action is or shall have become final and non-appealable;

by either Taxi Holdings or Checkers, if the effective time of the merger shall not have occurred on or before August 16, 2006 (which we refer to in this proxy statement as the termination date); provided, that the right to terminate the merger agreement pursuant to this provision would not be available to the party seeking to terminate if any action of such party or the failure of such party to perform any of its obligations under the merger agreement required to be performed at or prior to the effective time of the merger has been the cause of, or resulted in, the failure of the effective time of the merger to occur on or before the termination date and such action or failure to perform constitutes a breach of the merger agreement;

by Checkers, if there shall have been a breach of any representation, warranty, covenant or agreement on the part of Taxi Holdings or Taxi Acquisition contained in the merger agreement such that the conditions with respect to the accuracy of Taxi Holdings and Taxi Acquisition's representations and warranties and their material compliance with their respective obligations under the merger agreement, as described above, would not be satisfied and, in either such case, such breach is not capable of being cured or, if capable of being cured, shall not have been cured prior to the termination date; provided that Checkers would not have the right to terminate the merger agreement pursuant to this provision if Checkers was then in material breach of any of its covenants or agreements contained in the merger agreement;

by Checkers, if prior to the obtaining of the required Checkers stockholder approval:

the Checkers board of directors or the special committee shall have received a superior proposal (as defined in the merger agreement);

Checkers, the Checkers board of directors and the special committee shall have complied in all material respects with Checkers covenants regarding this proxy statement, access to information, the special meeting and the recommendation of the Checkers board of directors and special committee, non-solicitation of competing transactions, and changes in the recommendation of the Checkers board of directors and special committee and decisions to terminate the merger agreement in response to a superior proposal;

on the date of such termination, Checkers enters into a definitive agreement for, or consummates, the transaction contemplated by such superior proposal; and

Taxi Holdings shall have received the termination fee payable by Checkers, as described below;

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by Taxi Holdings, if there shall have been a breach of any representation, warranty, covenant or agreement on the part of Checkers contained in the merger agreement such that the conditions with respect to the accuracy of Checkers representations and warranties and its material compliance with its obligations under the merger agreement, as described above, would not be satisfied and, in either such case, such breach is not capable of being cured or, if capable of being cured, shall not have been cured prior to the termination date; provided that Taxi Holdings would not have the right to terminate the merger agreement pursuant to this provision if Taxi Holdings or Taxi Acquisition is then in material breach of any of its covenants or agreements contained in the merger agreement;

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by Taxi Holdings, if the Checkers board of directors or the special committee shall have changed or withdrawn its recommendation with respect to the merger agreement and the merger, or taken certain other related actions;

by either Taxi Holdings or Checkers, if, upon a vote taken at the special meeting or any postponement or adjournment thereof, the merger agreement shall not have been adopted by the holders of at least a majority in combined voting power of the outstanding shares of Checkers common stock; or

by Taxi Holdings, if Checkers, the Checkers board of directors or the special committee shall have willfully and materially breached any of Checkers covenants regarding this proxy statement, the special meeting and the recommendation of the Checkers board of directors and special committee, non-solicitation of competing transactions, and changes in the recommendation of the Checkers board of directors and special committee and decisions to terminate the merger agreement in response to a superior proposal.

**Reimbursement of Expenses; Termination Fee (page 73)**

Checkers has agreed to reimburse Taxi Holdings for all reasonable out-of-pocket expenses incurred in connection with the merger agreement by or on behalf of Taxi Holdings or its affiliates, or by their prospective financing sources, up to a maximum of \$3.0 million, if:

Taxi Holdings or Checkers exercises its right to terminate the merger agreement in connection with the failure to receive the required Checkers stockholder vote, as described above;

Taxi Holdings exercises its right to terminate the merger agreement based on a breach of the representations, warranties or covenants of Checkers, as described above; or

Taxi Holdings or Checkers exercises its right to terminate the merger agreement following the termination date, as described above. Checkers has further agreed to pay Taxi Holdings a termination fee of \$7.0 million (less any amount previously paid to Taxi Holdings as reimbursement of expenses incurred in connection with the merger agreement, as described above) if:

Checkers exercises its right to terminate the merger agreement to accept a superior proposal;

Taxi Holdings exercises its right to terminate the merger agreement based on the Checkers board of directors or the special committee having changed or withdrawn its recommendation with respect to the merger agreement and the merger, or taken certain other related actions, as described above;

Taxi Holdings exercises its right to terminate the merger agreement based on the willful and material breach of Checkers covenants regarding this proxy statement, the shareholder meeting or competing transactions, as described above; or

each of the following conditions is satisfied:

one of the events resulting in a payment to Taxi Holdings as reimbursement of expenses, as described above, has occurred;



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at the time of termination (or, in the case of termination in connection with the failure to receive the required Checkers stockholder vote, at the time of the special meeting) an acquisition proposal had been publicly disclosed or otherwise communicated to the Checkers board of directors or the special committee; and

within nine months after termination, Checkers enters into an agreement in respect of any Competing Transaction (as defined below) or a Competing Transaction is consummated (provided that, for this purpose, the definition of Competing Transaction is redefined by replacing all references to 20% in that definition with references to 50% ).

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Taxi Holdings has agreed to reimburse Checkers for all reasonable out-of-pocket expenses incurred in connection with the merger agreement by or on behalf of Checkers or its affiliates up to a maximum of \$3.0 million, if:

following satisfaction of all other conditions to the obligations of Taxi Holdings and Taxi Acquisition to consummate the merger (other than those that, by their nature, are to be and will be satisfied at the closing), Taxi Holdings exercises its right not to close the merger based on failure to satisfy the financing condition, as described above; or

Checkers exercises its right to terminate the merger agreement based on a breach of the representations, warranties or covenants of Taxi Holdings or Taxi Acquisition, as described above.

Taxi Holdings has further agreed to pay Checkers a termination fee of \$7.0 million (less any amount previously paid to Checkers as reimbursement of expenses incurred in connection with the merger agreement, as described above), if:

one of the events resulting in a payment to Checkers as reimbursement of expenses, as described above, has occurred; and

within nine months after termination, Checkers has not entered into an agreement in respect of any Competing Transaction or consummated a Competing Transaction (provided that, for this purpose, the definition of Competing Transaction is redefined by replacing all references to 20% in that definition with references to 50% ).

### **Limitation on Liability (page 74)**

Each of Checkers, on the one hand, and Taxi Holdings and Taxi Acquisition, on the other, has agreed that the reimbursement of expenses and the termination fees described above will constitute liquidated damages and, except for the recovery of damages incurred in enforcing such reimbursement and termination fee provisions, will constitute the sole and exclusive remedy of the receiving party for any and all damages arising under or in connection with any breach of any representation, warranty, covenant or agreement on the part of the other party contained in the merger agreement.

### **Wellspring IV Support of Reimbursement and Termination Fee Obligations (page 74)**

Wellspring IV has agreed, pursuant to a letter agreement dated February 16, 2006 between Wellspring IV and Checkers, that in the event that Taxi Holdings is required to reimburse Checkers expenses or pay a termination fee to Checkers pursuant to the merger agreement, in each case as described above under The Merger Agreement Reimbursement of Expenses; Termination Fee, Wellspring IV will pay or cause Taxi Holdings to pay such amounts to Checkers in accordance with the merger agreement. A copy of this letter agreement is attached as Annex C to this proxy statement.

### **Regulatory Matters (page 55)**

Except for the filing of a certificate of merger in Delaware at or before the effective date of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals, including providing notification to the Federal Trade Commission or the Antitrust Division of the U.S. Department of Justice, that would be necessary for the consummation of the merger.

### **Financing for the Merger; Source and Amounts of Funds (page 49)**

Checkers and Taxi Holdings estimate that, based on information available as of the date of this proxy statement, the total amount of funds required to complete the merger and related transactions, repay certain of Checkers existing debt and pay related fees and expenses, will be approximately \$221 million.

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Taxi Holdings expects this amount to be provided through a combination of the proceeds of:

a cash equity investment by Wellspring IV (or Wellspring IV together with its co-investors, which may include members of Checkers management or Wellspring IV's financing sources) in Taxi Holdings, all of which will be contributed to Taxi Acquisition;

cash on Checkers' balance sheet;

a senior secured credit facility, which is described below under Special Factors Financing for the Merger; Source and Amount of Funds Debt Financing ;

a secured subordinated credit facility, which is described below under Special Factors Financing for the Merger; Source and Amount of Funds Debt Financing ; and

sale-leaseback transactions, as described below under Special Factors Financing for the Merger; Source and Amount of Funds Sale-Leaseback Financing, the net proceeds of which would be expected to be used to reduce amounts outstanding under the credit facilities described under Special Factors Financing for the Merger; Source and Amount of Funds Debt Financing.

### **Reasons for the Merger (page 28)**

Our board of directors and the special committee have determined unanimously to recommend the adoption of the merger agreement and the approval of the transactions contemplated thereby based on their respective considerations of a number of factors, which are described in the section of this proxy statement entitled Special Factors Reasons for the Merger.

### **Recommendation of the Special Committee (page 32)**

The special committee of our board of directors, comprised solely of independent directors, has unanimously determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Checkers and our unaffiliated stockholders and has approved the merger agreement and has recommended to the board of directors the approval of the merger and the merger agreement. **The special committee unanimously recommends that you vote FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby at the special meeting and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.**

### **Recommendation of the Board of Directors (page 32)**

Our board of directors (with recusal by Mr. Sirois) has unanimously determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Checkers and our unaffiliated stockholders. **Accordingly, the board of directors (with recusal by Mr. Sirois) has unanimously approved the merger agreement. The board of directors unanimously recommends that you vote FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby at the special meeting and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.**

### **Opinion of the Special Committee's Financial Advisor (page 32)**

In connection with the merger, the special committee received a written opinion, dated February 16, 2006, from the special committee's financial advisor, Citigroup Global Markets Inc., which we refer to in this proxy statement as Citigroup, as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of Checkers' common stock (other than members of the management of Checkers who have entered or may enter into arrangements with Taxi Holdings or its affiliates relating to employment or an equity ownership in Taxi Holdings or its affiliates). We sometimes refer to these members of management, together with their respective affiliates, as management participants. The full text of Citigroup's written opinion is attached to this proxy statement as Annex B. We encourage you to read this



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opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **Citigroup's opinion was provided to the special committee in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration to holders of Checkers' common stock (other than the management participants). Citigroup's opinion does not address any other terms, aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger.**

### **Position of the Executive Officers Regarding the Fairness of the Merger (page 41)**

Each of Keith E. Sirois, S. Patric Plumley, Steve Cohen, Adam Noyes, Richard Turer, Ron Levondosky, and Brian R. Doster, each of whom is an executive officer of Checkers and may become a management participant, believes that the merger is fair to our unaffiliated stockholders. See **Special Factors' Position of the Executive Officers Regarding the Fairness of the Merger** for a discussion of the factors considered by each of such executive officers in considering the fairness of the merger to such stockholders.

### **Position of Taxi Holdings, Taxi Acquisition and the Wellspring Entities Regarding the Fairness of the Merger (page 44)**

Taxi Holdings, Taxi Acquisition and the Wellspring Entities believe that the merger is fair to our unaffiliated stockholders. See **Special Factors' Position of Taxi Holdings, Taxi Acquisition and the Wellspring Entities Regarding the Fairness of the Merger** for a discussion of the factors considered by Taxi Holdings, Taxi Acquisition and the Wellspring Entities in considering the fairness of the merger to such stockholders.

### **Interests of Checkers' Directors and Executive Officers in the Merger (page 55)**

When considering our board of directors' and the special committee's unanimous recommendations that Checkers' stockholders vote in favor of the adoption of the merger agreement and approval of the transactions contemplated thereby, you should be aware that some directors and executive officers of Checkers may have interests in the merger that may be different from, or in addition to, the interests of Checkers' unaffiliated stockholders. See **Special Factors' Interests of Checkers' Directors and Executive Officers in the Merger** for a description of such interests that may be different from, or in addition to, the interest of Checkers' unaffiliated stockholders.

Our board of directors and the special committee knew about these additional interests, and considered them, among other matters, when it approved the merger agreement and determined that the merger and the merger agreement are advisable and are fair to, and in the best interests of, Checkers and our unaffiliated stockholders.

### **Dissenter's Right of Appraisal (page 58)**

Holders of our common stock who do not wish to accept the \$15.00 per share cash consideration payable pursuant to the merger agreement may seek, under Delaware law, appraisal of the fair value of their shares by the Delaware Court of Chancery. The fair value, which would be exclusive of any value arising from the accomplishment or expectation of the merger, could be more or less than, or the same as, the merger consideration of \$15.00 per share. This right of appraisal is subject to a number of restrictions and requirements. Generally, in order to exercise appraisal rights, among other things you:

- (a) must not vote your shares in favor of adoption of the merger agreement;
- (b) must make and deliver to us a written demand for appraisal in compliance with Delaware law before the vote on the adoption of the merger agreement; and
- (c) must continuously hold your shares of record from the date of making the written demand for appraisal through the effectiveness of the merger and otherwise comply with the procedures under Delaware law for exercising appraisal rights.

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Because a proxy submitted without instructions to vote **AGAINST** or **ABSTAIN** with respect to the proposal to adopt the merger agreement will, unless revoked, be voted for the adoption of the merger agreement, the submission of a proxy without instruction to vote **AGAINST** or **ABSTAIN** with respect to the proposal to adopt the merger agreement will result in the loss of your appraisal rights. If you hold shares in the name of a broker or other nominee, you must instruct your broker or nominee to take the steps necessary to enable you to exercise your appraisal rights. If you or your nominee fails to follow all of the steps required by the statute, you will lose your right of appraisal.

Annex D to this proxy statement sets forth the Delaware statute relating to your right of appraisal. This proxy statement constitutes the notice required by Delaware law concerning the appraisal rights of our common stockholders.

Under the merger agreement, Taxi Holdings is not required to complete the merger if holders of 10% or more of our outstanding common stock as of the effective date of the merger demand appraisal of their shares in accordance with Delaware law.

### **Material United States Federal Income Tax Consequences (page 53)**

The receipt of cash in the merger by holders of our common stock will be a taxable transaction for United States federal income tax purposes (and may also be a taxable transaction under applicable state, local, foreign and other tax laws). For federal income tax purposes, a holder of shares of our common stock generally will recognize gain or loss equal to the difference between (1) the amount of cash received in exchange for such shares and (2) the holder's adjusted tax basis in such shares. Please refer to the section entitled **Material United States Federal Income Tax Consequences** of this proxy statement for a more detailed explanation of the material federal income tax consequences of the merger. **We urge you to consult your own tax advisors to determine the particular tax consequences to you (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for our common stock.**

### **Litigation Challenging the Merger (page 57)**

On March 3, 2006, Checkers was notified that a state court civil action, *Pipefitters Local No. 636 Defined Benefit Plan v. Checkers Drive-In Restaurants, Inc et. al.* Case No. 06-CA-001825, had been filed against Checkers and its directors in the Hillsborough County, Florida Circuit Court.

The complaint alleges that each of the directors of Checkers individually breached the fiduciary duties owing to the Checkers stockholders by voting to approve the merger agreement and alleges that Checkers aided and abetted such alleged breach of fiduciary duties. The complaint seeks, among other relief, the court's designation of class action status, a declaration that entry into the merger agreement was in breach of the defendants' fiduciary duties and therefore was unlawful and unenforceable, and entry of an order enjoining the defendants from taking further action to consummate the proposed merger. The board of directors is of the unanimous belief that the action is without merit, and intends for Checkers and the directors to vigorously defend against it.

On April 7, 2006, a Notice of Voluntary Dismissal Without Prejudice was filed by counsel for Pipefitters Local No. 636 Defined Benefit Plan in Hillsborough County, Florida Circuit Court, dismissing without prejudice its action against Checkers. Checkers did not pay any consideration or compensation to plaintiff or its counsel in connection with such dismissal.

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER**

The following questions and answers briefly address some commonly asked questions regarding the proposed merger and the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder of Checkers. Please refer to the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement and the other documents we refer to in this proxy statement.

**Q. What matters will we vote on at the special meeting?**

A. You will vote on the following proposals:

to adopt the merger agreement and approve the transactions contemplated thereby;

to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the transactions contemplated thereby; and

to transact such other business as may properly come before the special meeting or any adjournment of the special meeting.

None of the proposals to be acted upon at the special meeting is conditioned upon the approval of any other proposal.

**Q. How does Checkers board of directors and the special committee recommend I vote on the proposals?**

A. Checkers board of directors and the special committee recommend that you vote:

**FOR** the adoption of the merger agreement and approval of the transactions contemplated thereby; and

**FOR** the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

**Q. What are the required votes for the proposals?**

A. In order to adopt the merger agreement and approve the transaction contemplated thereby, holders of a majority of the outstanding shares of Checkers common stock entitled to vote must vote in favor of the merger agreement proposal. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, requires the favorable vote of a majority of the votes cast at the special meeting, in person or by proxy. Each share of Checkers common stock is entitled to one vote.

**Q. Who may attend the special meeting?**

A.

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All stockholders of Checkers who owned shares on May 1, 2006, the record date for the special meeting, may attend. Just communicate your intention to attend when submitting your proxy and bring the admission ticket included in this proxy statement with you to the special meeting.

Please note that the admission ticket will be required in order to obtain admission to the special meeting. Accordingly, the admission ticket should not be returned with your proxy card. If your shares are held in a brokerage account, you will also need to bring a copy of your brokerage account statement (which you can obtain from your broker) reflecting your stock ownership as of May 1, 2006.

**Q. Who may vote at the special meeting?**

A. Only holders of record of Checkers common stock as of the close of business on May 1, 2006 may vote at the special meeting. As of May 1, 2006, Checkers had 11,501,200 outstanding shares of common stock entitled to vote.

**Q. If my shares are held in street name by my broker, will my broker vote my shares for me?**

A. Yes, but your broker will only be permitted to vote your shares of Checkers common stock if you instruct your broker how to vote. You should follow the procedures provided to you by your broker regarding how to instruct your broker to vote your shares. Failure to instruct your broker to vote your shares will have exactly the same effect as voting against adoption of the merger proposal.



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**Q. What does it mean if I get more than one proxy card?**

- A. If your shares are registered in multiple accounts with one or more brokers and/or Checkers transfer agent, you will receive more than one proxy card. If you are submitting your proxy by completing and returning your proxy card, please complete and return each of the proxy cards you receive to ensure that all of your shares are voted.

**Q. What is a quorum ?**

- A. A quorum, for purposes of the special meeting, means a majority of the shares of Checkers common stock outstanding on the record date. This quorum of Checkers shares must be present at the special meeting, in person or by proxy, in order for the special meeting to be held. Shares present by proxy will be counted as present for purposes of determining the presence of a quorum even if the proxy does not have authority to vote on all matters.

**Q. What happens if I withhold my vote or abstain from voting?**

- A. If you withhold a vote or abstain from voting on the proposal relating to the approval of the merger agreement, it will have the same effect as a vote AGAINST the proposal because holders of a majority of the outstanding shares of Checkers common stock entitled to vote must vote in favor of the proposal in order for it to be approved. For the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, abstentions will have no effect on the outcome, since an abstention is not a vote cast.

**Q. Will my shares be voted if I do not provide my proxy?**

- A. Under stock market rules currently in effect, brokerage firms and nominees have the authority to vote their customers' unvoted shares on certain routine matters if the customers have not furnished voting instructions within a specified period prior to the special meeting. However, the approval of the merger agreement and the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, are not considered routine matters and hence brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to approval of the merger agreement or the proposal to adjourn the special meeting. If you hold your shares directly in your own name, they will not be counted as shares present for the purposes of establishing a quorum or be voted if you do not provide a proxy or attend the special meeting and vote the shares yourself.

Broker non-votes occur when shares held by a broker are not voted with respect to a proposal because (1) the broker has not received voting instructions from the beneficial owner of the shares, and (2) the broker lacks the authority to vote the shares at the broker's discretion. Broker non-votes will have no effect on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies because broker non-votes will not be considered votes cast, but will be counted as shares present and entitled to vote for the purposes of determining the presence of a quorum. However, with regard to the approval of the merger agreement, the shares represented by broker non-votes will also be considered present at the special meeting for the purposes of determining a quorum, but will have the same effect as a vote AGAINST the proposal because holders of a majority of the outstanding shares of Checkers common stock entitled to vote must vote in favor of the merger agreement proposal in order for it to be approved.

**Q. If I have given a proxy, may I change my vote?**

- A. Yes. Until your proxy is voted at the special meeting, you can revoke your proxy and change your vote in any of the following ways:

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giving written notice of the revocation to Checkers Secretary, Brian R. Doster, at Checkers Drive-In Restaurants, Inc., 4300 West Cypress Street, Suite 600, Tampa, Florida 33607;

by properly submitting another proxy by mail, telephone or the Internet, with a later date; or

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voting in person at the special meeting (if your shares are registered directly on our books and not held through a broker, bank, or other nominee).

If you have instructed a broker to vote your shares, the above-described options for changing your vote do not apply; instead, you must follow the instructions received from your broker to change your vote.

Your attendance at the special meeting will not in and of itself constitute a revocation of the proxy.

### **Q. What should I do now?**

- A. After carefully reading and considering the information contained in this proxy statement, including the appendices, please authorize your shares of Checkers common stock to be voted by either marking, signing and dating the enclosed proxy card and returning it in the postage prepaid envelope provided as soon as possible or promptly submitting your proxy by telephone or over the Internet following the instructions on the proxy card. Do NOT enclose or return your stock certificates with the proxy card.

### **Q. What happens if I sell my shares of Checkers common stock before the special meeting?**

- A. The record date for the special meeting is May 1, 2006, which is earlier than the date of the special meeting. If you held your shares of Checkers common stock on the record date for the special meeting, you will retain your right to vote at the special meeting. If you transfer your shares of Checkers common stock after the record date for the special meeting but prior to the date on which the merger is completed, you will lose the right to receive the merger consideration for the shares of Checkers common stock you have sold. The right to receive the merger consideration will pass to the person who owns your shares of Checkers common stock when the merger is completed.

### **Q. When do you expect to complete the merger?**

- A. We are working toward completing the merger as quickly as possible. We currently expect to complete the merger as soon as possible after the special meeting and after all the conditions to the merger, including antitrust regulatory approval, are satisfied or waived. In order to complete the merger, we must obtain stockholder approval and satisfy all other closing conditions under the merger agreement. See the section of this proxy statement entitled "The Merger Agreement - Conditions to the Completion of the Merger."

### **Q. What happens to Checkers if the merger agreement is not adopted?**

- A. If the merger agreement is not adopted, the merger will not be consummated and the Checkers stockholders will not receive any payment for their shares. Checkers will remain an independent public company, and Checkers would be anticipated to be operated by management in a manner similar to that in which it is being operated today. See "The Special Factors - Certain Effects on Checkers if the Merger is Not Completed."

### **Q. After the meeting, how can I determine whether the proposal to adopt the merger agreement has been approved by the Checkers stockholders?**

- A. Promptly after the special meeting, Checkers anticipates that it will issue a press release announcing whether the proposal to adopt the merger agreement has been approved by holders of sufficient number of outstanding shares of Checkers common stock.

**Q. Should I send in my stock certificates now?**

- A. No. After we complete the merger, you will receive written instructions informing you how to send in your stock certificates in order to receive the merger consideration. You will receive your cash payment as soon as practicable after receipt of the stock certificates representing the shares of Checkers common stock that you own, together with the completed documents requested in the instructions. *PLEASE DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY CARD.*

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**Q. Where can I find more information about Checkers?**

- A. We file periodic reports and other information with the Securities and Exchange Commission, which we refer to as the SEC. This information is available at the SEC's public reference facilities, and at the Internet site maintained by the SEC at <http://www.sec.gov>. For a more detailed description of the information available, please see the section of this proxy statement entitled "Where You Can Find Additional Information."

**Q. Who can help answer my questions?**

- A. If you have questions about the special meeting or the merger after reading this proxy statement, you should contact us at Checkers Drive-In Restaurants, Inc., 4300 West Cypress Street, Suite 600, Tampa, Florida 33607, Attn: Corporate Secretary or call us at (813) 283-7000. You may also contact our proxy solicitor, Innisfree M & A Incorporated, at 501 Madison Avenue, 20<sup>th</sup> Floor, New York, NY 10022 or call them at (212) 750-5833.

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**THE SPECIAL MEETING OF STOCKHOLDERS**

We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting.

**Date, Time and Place**

We will hold the special meeting in the Marriott Renaissance Tampa Hotel International Plaza, located at 4200 Columbus Drive, Tampa, Florida, on June 15, 2006 at 9:00 a.m., Eastern Time.

**Purpose of the Special Meeting**

At the special meeting, we will ask holders of our common stock to consider and vote on the following proposals:

to adopt the merger agreement and approve the transactions contemplated thereby;

to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement and approve the transactions contemplated thereby; and

to transact such other business as may properly come before the special meeting or any adjournment of the special meeting.

Our board of directors (with recusal by Mr. Sirois) and the special committee have each unanimously determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Checkers and our unaffiliated stockholders. **Accordingly, the board of directors (with recusal by Mr. Sirois) and the special committee have each unanimously approved the merger agreement. Each of the board of directors and the special committee unanimously recommends that you vote FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby at the special meeting and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.**

**Record Date, Shares Entitled to Vote and Quorum**

Only holders of record of our common stock at the close of business on May 1, 2006, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting. On the record date, 11,501,200 shares of our common stock were issued and outstanding and held by approximately 5,000 holders of record. A quorum will be present at the special meeting if the holders of a majority of the outstanding shares of our common stock entitled to vote on the record date are represented in person or by proxy. Each holder of Checkers common stock is entitled to one vote for each share held of record on the record date.

**Vote Required**

In order to adopt the merger agreement and approve the transactions contemplated thereby, holders of at least a majority of the outstanding shares of Checkers common stock entitled to vote must vote in favor of adopting the merger agreement and approving the transactions, although the terms of the merger agreement do not require a majority of outstanding shares held by unaffiliated stockholders to be voted in favor of such proposal. As such, if you withhold a vote or abstain from voting on the proposal relating to the adoption of the merger agreement, it will have the same effect as a vote AGAINST the proposal. As of the record date, our directors as a group (excluding Keith E. Sirois) and executive officers as a group, owned and were entitled to vote 374,238 shares and 25,583 shares, respectively, of our common stock, which represent approximately 3.3% and 0.2%, respectively, of the total common stock outstanding on that date. Each of our directors and executive

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officers has indicated that he intends to vote in favor of adoption of the merger agreement and approval of the transactions contemplated thereby and for the approval of the adjournment, if necessary or appropriate, of the special meeting, but, in each case, has no obligation to do so. Assuming that the directors, as a group, and executive officers, as a group, vote in favor of adoption of the merger agreement, other stockholders holding at least 5,350,780 shares of our common stock, representing over 46.5% of all shares outstanding, must vote in favor of the proposals in order for them to be adopted.

Approval of the proposal to adjourn the special meeting, if necessary or appropriate, requires the favorable vote of a majority of the votes cast at the special meeting, in person or by proxy. For the proposal to adjourn the special meeting, abstentions will have no effect on the outcome, since an abstention is not a vote cast.

Under stock market rules currently in effect, brokerage firms and nominees have the authority to vote their customers' unvoted shares on certain routine matters if the customers have not furnished voting instructions within a specified period prior to the special meeting. However, the proposal to adopt the merger agreement and the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, are not considered routine matters and hence brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to the proposal to adopt the merger agreement or the proposal to adjourn the special meeting. If you hold your shares directly in your own name, they will not be counted as shares present for the purposes of establishing a quorum or be voted if you do not provide a proxy or attend the special meeting and vote the shares yourself. Failure to instruct your broker to vote your shares will have exactly the same effect as voting against adoption of the merger proposal.

Broker non-votes occur when shares held by a broker are not voted with respect to a proposal because (1) the broker has not received voting instructions from the beneficial owner of the shares, and (2) the broker lacks the authority to vote the shares at the broker's discretion. Broker non-votes will have no effect on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies because broker non-votes will not be considered votes cast, but will be counted as shares present and entitled to vote for the purposes of determining the presence of a quorum. However, with regard to the adoption of the merger agreement, the shares represented by broker non-votes will also be considered present at the special meeting for the purposes of determining a quorum, but will have the same effect as a vote AGAINST the proposal because holders of a majority of the outstanding shares of Checkers' common stock entitled to vote must vote in favor of the merger agreement proposal in order for it to be approved.

## **Voting of Proxies**

All shares represented by properly submitted proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holders. Properly submitted proxies that do not contain voting instructions will be voted FOR adoption of the merger agreement and approval of the transactions contemplated thereby and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate.

We do not expect that any matter other than the proposal to adopt the merger agreement and to adjourn the special meeting, if necessary or appropriate, will be brought before the special meeting. If, however, our board of directors properly presents other matters, the person named as proxy will vote in accordance with his judgment as to matters that he believes to be in the best interests of the stockholders. A proxy in the accompanying form or properly submitted by telephone or over the Internet will give authority to Peter C. O'Hara and Keith E. Sirois to vote on such matters at their respective discretion and they intend to do so in accordance with their respective best judgment on any such matter.

## **Revocability of Proxies**

The grant of a proxy on the enclosed form of proxy or submission of proxy by telephone or over the Internet pursuant to the instructions on the proxy card does not preclude a stockholder from voting in person at the special

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meeting. Until your proxy is voted at the special meeting, you can revoke your proxy and change your vote in any of the following ways:

giving written notice of the revocation to Checkers Secretary, Brian R. Doster, at Checkers Drive-In Restaurants, Inc., 4300 West Cypress Street, Suite 600, Tampa, Florida 33607;

by properly submitting another proxy by mail, telephone or the Internet, with a later date; or

voting in person at the special meeting (if your shares are registered directly on our books and not held through a broker, bank, or other nominee).

If you have instructed a broker to vote your shares, the above-described options for changing your vote do not apply; instead, you must follow the instructions received from your broker to change your vote.

Your attendance at the special meeting will not in and of itself constitute a revocation of the proxy.

**Solicitation of Proxies**

Pursuant to the merger agreement, the parties to the merger agreement will bear their respective expenses incurred in connection with soliciting proxies in the form included with this proxy statement, including the cost of preparing and filing material in connection with the solicitation. In addition to the use of the mail, our directors, executive officers and employees may solicit proxies personally or by telephone. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders. We have retained the firm of Innisfree M&A Incorporated to assist in the solicitation of proxies for a base fee of \$12,000, plus reasonable out-of-pocket expenses.

**You should not send your stock certificates with your proxy.** A letter of transmittal with instructions for the surrender of our common stock certificates will be mailed to our stockholders promptly after the consummation of the merger.



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**SPECIAL FACTORS**

**The Companies**

**Checkers Drive-In Restaurants, Inc.** Checkers Drive-In Restaurants, Inc., a Delaware corporation, together with its wholly owned subsidiaries is the largest chain of double drive-thru restaurants in the United States. Checkers is a combination of two separate quick-service restaurant chains, Checkers® and Rally's Hamburgers® (Rally's). As of March 27, 2006, Checkers had 361 Rally's restaurants operating in 16 different states and 444 Checkers restaurants operating in 20 different states, the District of Columbia, Mexico and the West Bank. Of the 805 total restaurants as of such date, 212 were operated by Checkers and 593 were operated by franchisees.

Checkers Drive-In Restaurants, Inc. maintains its principal executive offices at 4300 West Cypress Street, Suite 600, Tampa, Florida 33607, telephone (813) 283-7000. For additional information with respect to Checkers Drive-In Restaurants, Inc., see the documents specified under the section entitled "Where You Can Find Additional Information."

**Taxi Holdings Corp.** Taxi Holdings Corp., a Delaware corporation, which we refer to in this proxy statement as Taxi Holdings, was formed by Wellspring Capital Partners IV, L.P., which we refer to in this proxy statement as Wellspring IV, solely for the purpose of effecting the merger and the transactions related to the merger. It has not engaged in any business except in furtherance of this purpose. Taxi Holdings maintains its principal executive offices c/o Wellspring Capital Management LLC at 390 Park Avenue, New York, New York, 10022-4608, telephone (212) 318-9800. Wellspring IV is currently the sole stockholder of Taxi Holdings.

**Taxi Acquisition Corp.** Taxi Acquisition Corp., a Delaware corporation and a direct, wholly owned subsidiary of Taxi Holdings, which we refer to in this proxy statement as Taxi Acquisition, was formed by Taxi Holdings solely for the purpose of effecting the merger and the transactions related to the merger. It has not engaged in any business except in furtherance of this purpose. Taxi Acquisition maintains its principal executive offices c/o Wellspring Capital Management LLC at 390 Park Avenue, New York, New York, 10022-4608, telephone (212) 318-9800.

**Wellspring Capital Partners IV, L.P.** Wellspring Capital Partners, IV L.P., a Delaware limited partnership, is a private investment fund that was formed in 2005. Wellspring IV is managed by Wellspring Capital Management LLC. Wellspring IV maintains its principal executive offices c/o Wellspring Capital Management LLC at 390 Park Avenue, New York, New York, 10022-4608, telephone (212) 318-9800.

**WCM GenPar IV, L.P.** WCM GenPar IV, L.P., a Delaware limited partnership, which we refer in this Proxy Statement to as WCM LP, is the general partner of Wellspring IV. WCM LP maintains its principal executive offices c/o Wellspring Capital Management LLC at 390 Park Avenue, New York, New York, 10022-4608, telephone (212) 318-9800.

**WCM GenPar IV GP, LLC.** WCM GenPar IV GP, LLC, a Delaware limited liability Company, which we refer to in this Proxy Statement as WCM LLC, is the general partner of WCM LP. WCM LLC maintains its principal executive offices c/o Wellspring Capital Management LLC at 390 Park Avenue, New York, New York, 10022-4608, telephone (212) 318-9800.

**Wellspring Capital Management LLC.** Wellspring Capital Management LLC, which we refer to in this proxy statement as Wellspring Capital, is a New York-based private equity firm with more than \$2 billion in equity capital under management. The firm takes controlling positions in promising middle-market companies where it can contribute innovative operating and financing strategies and capital. Wellspring Capital's limited partners include some of the largest and most respected institutional investors in the United States, Canada, and Europe. Wellspring Capital Management LLC maintains its principal executive offices at 390 Park Avenue, New York, New York, 10022-4608, telephone (212) 318-9800.

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We refer to Wellspring IV, WCM LP, WCM LLC and Wellspring Capital in this proxy statement collectively as the Wellspring Entities. The following diagram illustrates the lines of equity ownership and other control relationships among the Wellspring Entities, Taxi Holdings and Taxi Acquisition.

As newly formed entities, Taxi Holdings and Taxi Acquisition have no assets other than their rights under the merger agreement and the rights of Taxi Holdings under the equity commitment letter described below under Special Factors Financing for the Merger; Source and Amount of Funds Equity Financing. In addition, under the terms of the merger agreement, each of Checkers, on the one hand, and Taxi Holdings and Taxi Acquisition, on the other, has agreed that the reimbursement of expenses and the termination fees described below under The Merger Agreement Reimbursement of Expenses; Termination Fee will constitute liquidated damages and, except for the recovery of damages incurred in enforcing such reimbursement and termination fee provisions, will constitute the sole and exclusive remedy of the receiving party for any and all damages arising under or in connection with any breach of any representation, warranty, covenant or agreement on the part of the other party contained in the merger agreement. Wellspring IV has agreed, pursuant to a letter agreement dated February 16, 2006 between Wellspring IV and Checkers, that in the event that Taxi Holdings is required to pay such reimbursement of expenses or termination fees to Checkers, then Wellspring IV will pay or cause Taxi Holdings to pay such amounts to Checkers in accordance with the merger agreement. In the event such amounts

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become payable under the merger agreement, the only available recourse against Taxi Holdings and Taxi Acquisition may be to pursue Wellspring IV under the February 16, 2006 letter agreement with Checkers.

### **Background of the Merger**

In early 2005, in the course of its ongoing evaluation of the financial and strategic position of Checkers, Checkers' board of directors became concerned that the market value of Checkers' common stock historically had not fully reflected the value of Checkers. Over five years following Checkers' merger with Rally's, the board of directors had concluded that, despite the belief of the board that Checkers had demonstrated favorable operating results and industry peer recognition, and despite prior initiatives, including stock repurchases, internal unit growth initiatives, and existing unit acquisitions, intended to increase value for stockholders, Checkers' stock was still perceived as lagging relative to the market value of the stock of Checkers' market peers.

On February 23, 2005, a meeting of the board of directors was held which Citigroup was invited to attend to discuss, among other things, Checkers' financial and market performance. At this meeting, the board of directors discussed the current economic environment impacting the restaurant industry, potential future developments within the industry as well as the financial and market performance of Checkers and other companies in the quick service restaurants sector. The board discussed possible strategic alternatives to enhance stockholder value that could be considered by a subcommittee of the board of directors, such as a sale of Checkers, acquisitions, commencing payment of regular dividends or the making of a special dividend and/or significant share repurchases. The board continued to discuss strategies to enhance stockholder value during the course of February and March 2005.

At a meeting of the board of directors held on March 29, 2005, the board of directors determined the scope of the purpose of, and formed, a special committee to explore potential strategic opportunities available to Checkers. Board members Peter O. Hara, Burt Sugarman and David Gotterer were appointed as the members of the special committee.

During the month of April and into early May 2005, the special committee conducted a process to select firms to serve as the special committee's outside legal counsel and independent financial advisor. At a meeting of the board of directors held on May 11, 2005, and based on the recommendation of the special committee, the board of directors authorized the retention of Thelen Reid & Priest LLP, which we refer to in this proxy statement as TRP, as legal counsel, and Citigroup, as financial advisor, to the special committee. On May 16, 2005, Checkers issued a press release announcing the formation of the special committee and the retention of TRP and Citigroup as the special committee's advisors to assist the special committee in identifying and evaluating various strategic alternatives that could enhance stockholder value. The release indicated that the board of directors believed that Checkers' then current stock price was not representative of the financial performance of Checkers. The closing price of Checkers' common stock on May 13, 2005, the last trading day prior to the issuance of this press release, was \$12.00 per share.

On May 18, 2005, the board of directors met with the special committee and Citigroup. Citigroup reviewed, among other things, preliminary financial analyses of Checkers based on selected publicly traded companies, selected merger and acquisition transactions, a selected leveraged buyout scenario and Checkers' future cash flows based on internal estimates of Checkers' management. The board discussed with Citigroup possible strategic alternatives available to Checkers, including continuing on the company's present course, recapitalizing the company to finance significant share repurchases, pursuing acquisitions, or selling the company. At this meeting, the board of directors instructed the special committee to explore the company's strategic alternatives and to make a recommendation to the full board of directors concerning any such transaction.

The members of the special committee subsequently discussed certain strategic alternatives potentially available to Checkers. After considering various strategies available to Checkers, and in light of the limited number of potential strategic candidates of sufficient size that could be acquired by Checkers, the historical market price of Checkers' stock that would limit the equity capital that would be available to Checkers in such

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acquisition, the potentially adverse effect that significant share repurchases could have on the market value of Checkers' common stock in light of its trading volume, and the increasing rate of interest for debt financing that would be available to Checkers, the special committee concluded that a sale of the company represented the most favorable alternative. Following the meeting, the special committee notified Citigroup of its determination and instructed Citigroup to assist the special committee in exploring a possible sale or merger transaction of Checkers and authorized Citigroup to identify, and solicit initial indications of interest from, potential buyers.

By late June 2005, 54 potential buyers were identified, of which 48 were financial buyers and six were strategic buyers. Wellspring was not one of the entities contacted at that time. On July 7, 2005, the special committee authorized distributing a confidential information memorandum to potential buyers, together with a letter inviting such buyers to submit preliminary, non-binding indications of interest. By August 15, 2005, 30 of the potential buyers which had been contacted entered into confidentiality agreements with Checkers and received the confidential memorandum. These parties consisted of 28 financial buyers and two strategic buyers. Three of these parties, consisting of two financial buyers and a franchisee of Checkers, submitted preliminary indications of interest.

On August 17, 2005, the special committee held a meeting, together with its financial advisor, to receive an update on the sale process. Citigroup reviewed with the special committee the three preliminary indications of interest that had been received. Citigroup also updated information relating to selected publicly traded companies, and updated the list of selected transactions, previously reviewed with the special committee and the board of directors. The special committee noted that the franchisee which had submitted a preliminary indication of interest had not indicated how it proposed to finance the equity component of its proposal. After discussion, the special committee authorized its representatives to enter into the due diligence phase of the sale process with the two financial bidders (which we refer to in this proxy statement as, respectively, Bidder X and Bidder Y) that had submitted preliminary indications of interest. The special committee instructed its representatives to inform the franchisee that it would need to provide additional information regarding its discussions with equity partners before it could proceed with due diligence. This bidder subsequently withdrew from the process.

At a meeting held by the special committee on September 6, 2005, the special committee decided to recommend to the compensation committee of the board of directors that, upon the closing of a sale transaction, Keith Sirois, the President and a director of Checkers, receive a transactional bonus of \$100,000 if the transaction price exceeded \$16 per share, a bonus of \$150,000 if the price exceeded \$17 per share, and a bonus of \$250,000 if the price exceeded \$18 per share. Such recommendation, which was made prior to management presentations during the due diligence presentation, reflected the significant incremental value to stockholders each such additional benchmark would provide relative to the corresponding amount of the bonus and the additional effort that would be required of Mr. Sirois in connection with the sale process.

On October 3, 2005, another franchisee of Checkers submitted a preliminary indication of interest which included an aggregate proposed purchase price for Checkers and limited information as to how such franchisee would fund such purchase price. The franchisee was requested to resubmit its bid with a per share purchase price as well as additional information regarding its proposed financing. On October 14, 2005, the franchisee's potential equity partner sent a brief letter confirming that it had prior discussions with the franchisee and supported the franchisee's October 3rd preliminary indication of interest. The letter from the potential equity partner, however, did not reflect the additional information that had been requested regarding the proposed financing for a transaction. On October 20, 2005, the franchisee submitted a revised preliminary indication of interest, again without complete information previously requested regarding its financing. Despite a final request for additional information, this franchisee did not subsequently provide any additional information regarding its ability to finance a transaction.

During the due diligence review period, which occurred between mid-September 2005 and mid-October 2005, Bidder X and Bidder Y participated in meetings with Checkers' management and site visits and were given access to an electronic data room. Thereafter, Bidder X submitted a revised preliminary indication of interest at a per share purchase price of \$14.00. Bidder Y withdrew from the process as a result of its perception of Checkers' business and growth prospects, business strategies, and ability to attract higher-tier franchisees.

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On October 19, 2005, the special committee again met, together with the special committee's financial advisor, to discuss the sale process. Citigroup updated the special committee on the status of the sale process and also updated information relating to selected publicly traded companies, and updated the list of selected transactions, previously reviewed with the board of directors and the special committee. The special committee was informed that Bidder X had provided an indication of interest to acquire Checkers for a purchase price of \$14.00 per share, that Bidder Y had withdrawn from the process, and that the franchisee had not responded to requests for additional information concerning its proposed financing for a transaction. After discussion, the special committee decided to engage in further discussions with Bidder X concerning its proposal and instructed its representatives to inform Bidder X that \$14.00 per share was not acceptable. After further discussions between representatives of the special committee and Bidder X, representatives of Bidder X informed representatives of the special committee that it would consider increasing its proposal to \$14.50 per share if it were granted a period of exclusivity to negotiate the terms of a transaction. In its proposal seeking exclusivity, Bidder X proposed to acquire Checkers' outstanding shares of common stock for \$14.50 per share payable in cash, based upon the information then available to Bidder X and subject to its satisfactory completion of confirmatory due diligence and negotiation of mutually acceptable definitive agreements.

On October 27, 2005, the special committee met to consider the terms of an exclusivity agreement that had been proposed by Bidder X. The proposed agreement contemplated a 30-day exclusivity period which could be extended to December 16 if, prior to the end of the 30-day period, Bidder X confirmed its valuation of \$14.50 per share in cash and delivered financing commitments and a draft acquisition agreement. The proposed exclusivity agreement also provided that, in the event that Checkers received a superior proposal from a third party and entered into a competing transaction during the negotiation period, Checkers would be obligated to reimburse Bidder X for up to \$1.0 million of its expenses related to a transaction with Checkers. After discussion, the special committee determined to request that the full board of directors authorize the special committee to proceed with negotiations with Bidder X with respect to the proposed exclusivity agreement.

At a meeting held on November 3, 2005, the board of directors received an update on the discussions concerning Bidder X's request for exclusivity. Also at this meeting, Citigroup updated information relating to selected publicly traded companies, and updated the list of selected transactions, previously reviewed with the board of directors and the special committee. After discussion, the board of directors approved the exclusivity arrangement with Bidder X so long as Bidder X's proposed purchase price remained at \$14.50 per share (subject only to a material adverse change in Checkers), Bidder X delivered satisfactory financing commitments and any definitive acquisition agreement with Bidder X provided Bidder X with only a limited ability to terminate the transaction.

On November 8, 2005, Checkers entered into the exclusivity agreement with Bidder X, after which Bidder X proceeded to perform confirmatory due diligence.

At the end of the exclusivity period on December 8, 2005, Bidder X informed representatives of the special committee that, after having conducted further due diligence, it had revised its views on, among other things, Checkers' leverage capacity and had determined that it would need to reduce its proposed purchase price to \$13.00 per share. During subsequent discussions between representatives of the special committee and Bidder X, representatives of Bidder X verbally indicated that it might be willing to increase its offer to \$14.00 per share.

On December 9, 2005, the special committee, together with its legal and financial advisors, met to discuss Bidder X's reduced offer. The special committee also discussed the risks to, and the timing for, consummating a transaction with Bidder X. Although the special committee recognized that Checkers' then current stock price (which, as of that date, was \$14.76 per share) may have reflected, in part, market speculation regarding a possible sale transaction, the special committee rejected Bidder X's reduced offer and recommended a meeting of the full board of directors to review Bidder X's revised proposal and to determine the future course of the sale process. The special committee also considered how Checkers might realize long-term value in the event negotiations with Bidder X were terminated by rededicating management's efforts on new unit and same store sales growth for Checkers, the results of which efforts, in the view of the special committee, could take a significant amount of time to realize.

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On Saturday, December 10, 2005, the board of directors met to discuss the status of negotiations with Bidder X. After discussion, the board of directors instructed Citigroup to inform Bidder X that it would need to increase its proposed purchase price to \$14.50 per share. The board of directors determined that, if Bidder X did not agree to an increased purchase price by Sunday evening, then Checkers would issue a press release announcing the termination of the sale process and Checkers' focus on rededicating management's efforts on new unit and same store sales growth for Checkers. Over the weekend, in accordance with the board of directors' instructions, representatives of Citigroup sought an increase in Bidder X's proposed purchase price but, by Sunday evening, had not received any response from Bidder X.

Prior to the opening of trading on the securities markets on Monday morning, December 12, 2005, Mr. Sirois contacted Mr. O'Hara, Chairman of the special committee and also Chairman of the board of directors, to request that a management team, consisting of Mr. Sirois and other company executives, be provided with the opportunity to submit a proposal to purchase Checkers. In light of Mr. Sirois' request, the press release regarding termination of the sale process was not issued and Mr. O'Hara called a full board of directors meeting for later that day to discuss this request.

At the meeting of the full board of directors convened, together with the special committee's outside legal counsel, during the afternoon of December 12th, Mr. Sirois informed the board that he and other members of management were interested in making a proposal now that no third party proposals were under consideration. Mr. Sirois also informed the board of directors that he believed he could find financing sources that would be receptive to financing a bid at \$14.50 per share and requested three weeks to make arrangements with financing partners for a proposal. Mr. Sirois and all other members of management who had attended the meeting were then excused from the meeting. TRP then reviewed with the board the directors' fiduciary duties in connection with a proposed sale of Checkers to members of management. After discussion, the board of directors decided to continue the sale process and to provide the management group with the opportunity, until January 6, 2006, to submit a proposal.

Following the December 12, 2005 board meeting, Mr. Sirois engaged Morgan Keegan & Company, Inc., which we refer to in this proxy statement as Morgan Keegan, to assist the management group in identifying equity sponsors for an acquisition of Checkers.

On December 17, 2005, Gary Lieberthal, a director, advised Mr. O'Hara that a private equity firm in which Mr. Lieberthal served as a limited partner might be interested in participating in the financing for the proposal being arranged by members of the management group. On December 19, 2005, the special committee met to discuss the possible participation of this private equity firm in such financing. The special committee determined that the private equity firm could participate in financing a proposal arranged by the management group so long as Mr. Lieberthal did not communicate to the private equity firm any non-public information concerning Checkers disclosed to him in his capacity as a director of Checkers and Mr. Lieberthal recused himself from all board deliberations of any management group proposal. Checkers entered into a confidentiality agreement with the private equity firm the following day.

On January 5, 2006, a representative of Morgan Keegan and a representative of Wellspring Capital spoke regarding the possibility of Wellspring Capital participating in an acquisition of Checkers. The Morgan Keegan representative advised Wellspring Capital that, to be considered, Wellspring Capital would have to be in a position to submit a binding proposal for the acquisition of Checkers, with a proposed purchase price of between \$14.50 and \$15.00, within approximately three weeks. Representatives of Morgan Keegan, the management group and Wellspring Capital had a number of informal conversations over the next several days regarding a potential transaction.

On January 6, 2006, Mr. Sirois, on behalf of the management group, met with members of the special committee. The special committee's legal and financial advisors also were present at this meeting. At the meeting, Mr. Sirois distributed indications of interest from potential providers of financing for an acquisition of Checkers, which included two potential equity financing sources (one of which was the private equity firm

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identified by Mr. Lieberthal) and one potential provider of debt financing. Wellspring Capital had not yet submitted an indication of interest at this time. Mr. Sirois described the status of negotiations between the management group and such financing sources and indicated that he expected binding letters of intent from such financing sources within three weeks. Mr. Sirois then was excused from the meeting. In the meeting, Mr. Sugarman objected to extending the sale process. Mr. Sugarman noted that the sale process had been open and continuing for more than six months during which any interested party, including the management group, was permitted to submit a proposal. Mr. Sugarman also noted that terminating the sale process would not necessarily preclude the board of directors from considering any future acquisition proposals, including a proposal from the management group. Mr. O Hara, however, noted that the sale process had been conducted in a deliberate manner and that the management group had waited in seeking an opportunity to make a proposal only after it appeared that other parties were no longer actively pursuing a transaction. After discussion, the special committee requested that Citigroup contact, and thereafter update the special committee regarding, the potential financing sources identified by the management group, and recommended that the full board of directors also meet to consider the management group's progress and the future direction of the sale process.

On January 9, 2006, the special committee met, together with its legal and financial advisors. Citigroup reviewed with the special committee the indications of interest received by the management group from potential financing sources, its discussions with these parties regarding the status of their discussions with the management group and the amount of time that the management group indicated would be required to obtain financing commitments. The special committee then proceeded to discuss in greater detail these indications of interest and the timing for a transaction involving the management group.

Immediately following the January 9th special committee meeting, the full board of directors convened a meeting. Mr. Sirois opened the meeting with a presentation on the management group's process for pursuing an acquisition of Checkers, including the status of the financing commitments sought by the management group. He informed the board of directors that he expected final financing commitments within 30 days and requested additional time to coordinate the proposal and to negotiate with other possible equity and debt partners. Mr. Sirois then was excused from the meeting. Mr. Lieberthal also was excused from the meeting. The board of directors discussed the feasibility of a potential acquisition of Checkers by the management group and possible transaction prices. The board of directors decided to provide the management group with an additional 30 days (until February 9th) to make a definitive proposal so long as the per share purchase price was appropriate relative to Checkers' stock price during the period prior to execution of a definitive agreement for a transaction, and directed the special committee to communicate this to the management group.

At a meeting of the special committee held on January 11, 2006, the special committee discussed, and approved, providing the management group with an extension until February 9, 2006 to present a final proposal so long as the purchase price was appropriate relative to Checkers' stock price and the management group did not risk further delay by seeking other equity or debt partners significantly beyond those currently in discussions with the management group. The special committee also decided that, if the management group were to request exclusivity, it would not be granted unless preliminary terms satisfactory to the special committee were set. After the meeting, Mr. O Hara contacted Mr. Sirois to inform him of the special committee's conditions, which Mr. Sirois accepted.

Also on January 11, 2006, Wellspring Capital sent a letter to Mr. Sirois, expressing its interest in Checkers. In the letter, Wellspring Capital confirmed its understanding that any successful transaction would require a per share purchase price of between \$14.50 to \$15.00 and its need for a three-week period to complete its due diligence in order to deliver to the special committee a binding, non-contingent offer and definitive financing commitments.

On January 13, 2006, the special committee received and discussed the January 11, 2006 letter from Wellspring Capital to Mr. Sirois. After discussion, including discussion of Mr. Sugarman's concern regarding the extension of the sale process, the special committee decided to permit Wellspring Capital to participate in the sale process. Wellspring Capital executed a confidentiality agreement with Checkers later that day.

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On January 16, 2006, representatives of Wellspring Capital met with Mr. Sirois and S. Patric Plumley, Senior Vice President and Chief Financial Officer and Treasurer of Checkers, to discuss the possibility of Wellspring Capital or its affiliate pursuing an acquisition of Checkers.

On January 17, 2006, Messrs. Sirois and Plumley conducted a due diligence management presentation for representatives of Wellspring Capital. Representatives of Morgan Keegan also attended this meeting. Representatives of Wellspring Capital attended a follow-up diligence meeting with Checkers management on January 19, 2006. During the period prior to the execution of a final merger agreement, representatives of the Wellspring parties, Checkers management and their respective representatives had numerous, immaterial conversations in connection with the due diligence process to request supplemental diligence materials and obtain clarifications with respect to information previously provided.

On January 20, 2006, Messrs. Sirois and Plumley and a representative of Morgan Keegan attended a meeting at the offices of Wellspring Capital to discuss a potential acquisition of Checkers and to be introduced to some of the members of the Wellspring Capital team.

The management group subsequently requested that the special committee extend the February 9th deadline for the submission of the management group's final proposal. On January 24, 2006, the special committee considered the management group's request and decided not to extend the date, in part because the date previously had been extended and the special committee believed that the process needed to be resolved.

Between January 20, 2006 and January 24, 2006, representatives of Wellspring Capital, the management group and their respective advisors negotiated the terms of a letter agreement regarding the submission of a bid by an affiliate of Wellspring Capital for the acquisition of Checkers. On January 24, 2006, Wellspring Capital entered into a letter agreement with Messrs. Sirois and Plumley pursuant to which Wellspring Capital agreed, subject to completion of due diligence and receipt of financing commitments, to submit by February 8, 2006 a proposal for the acquisition of Checkers for no less than \$14.50 per share. Pursuant to the letter agreement, Wellspring Capital agreed that it would execute employment agreements with members of senior management of Checkers on terms no less favorable than their existing arrangements with Checkers. Wellspring Capital also agreed that it would set aside a market portion of the common stock of the Wellspring Capital affiliate that acquired Checkers for management equity participation and for a management option plan. The letter agreement did not address the specific members of senior management to be provided with such employment agreements, the terms of any such equity participation or option plan, or the timing for reaching agreements with respect to such matters. Also pursuant to the letter agreement, Messrs. Sirois and Plumley agreed, solely in their individual capacities and subject to their fiduciary duties to Checkers and its stockholders, that prior to February 8, 2006 they would not participate in any competing proposal to acquire Checkers.

Later on January 24, 2006, Wellspring Capital agreed orally with Morgan Keegan that, following, and subject to, the successful acquisition of Checkers by an affiliate of Wellspring Capital, Wellspring Capital would cause Checkers to pay Morgan Keegan's fees for its services to the management group.

On January 25, 2006, a letter was sent on behalf of the special committee to Mr. Sirois indicating that any offer by the management group would need to be received by 5:00 p.m. on February 9th, together with financing commitment letters and a markup of the form of merger agreement prepared by TRP, and that no further extensions would be given.

On January 26, 2006, representatives of Wellspring Capital held a conference call with members of the management group and their advisors to discuss the process for submitting an acquisition proposal to the special committee.

On January 31 and February 1, 2006, representatives of Wellspring Capital and its prospective financing sources held due diligence meetings with representatives of Checkers at Checkers' offices in Tampa, Florida.



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On February 6, 2006, the special committee received an acquisition proposal from Wellspring Capital and Taxi Holdings, which contemplated the acquisition by Taxi Holdings of all outstanding shares of Checkers common stock for \$14.75 per share in cash. Attached to this proposal were (1) an executed markup of the form of merger agreement prepared by TRP, subject to disclosure schedules acceptable to Wellspring Capital, (2) an equity commitment letter from Wellspring IV, (3) a debt commitment letter from Guggenheim Corporate Financing, LLC, which we refer to in this proxy statement as Guggenheim, and (4) a letter from Mr. Sirois expressing his support for the proposal. The proposal also included a form of exclusivity letter, which contemplated an exclusive negotiating period through 5:00 p.m. on February 17, 2006 for entering into a definitive merger agreement.

Also on February 6, 2006, Messrs. Sirois and Plumley agreed to extend their exclusivity obligations under the January 24, 2006 letter agreement with Wellspring Capital until February 17, 2006.

On February 8, 2006, the special committee, together with its legal and financial advisors, met to discuss the draft merger agreement as revised by the Wellspring parties. Representatives of TRP highlighted for the special committee several significant revisions reflected in the markup of the merger agreement that would likely be viewed by the special committee as threshold points. These threshold points included additional closing conditions included in the draft merger agreement relating to Checkers 2005 EBITDA and Taxi Holdings financing, limitations on Checkers ability to terminate the merger agreement in favor of a superior proposal and modifications to the scope and amount of termination fees that would be payable upon termination of the merger agreement. TRP also reviewed the terms of the financing commitment letters included with the proposal. Citigroup then reviewed the financing structure proposed by the Wellspring parties based upon the commitment letters. The special committee also discussed the timing of the transaction. The special committee determined that, prior to engaging in negotiations, the Wellspring parties would need to address the threshold points outlined by TRP and their willingness to increase the per share purchase price above \$14.75. Another issue considered by the special committee to be of primary importance was the need for a financially capable Wellspring Capital affiliate to stand behind Taxi Holdings obligations under the merger agreement with respect to any termination fee or expense reimbursement.

Later on February 8, 2006, representatives of TRP called representatives of Paul, Weiss, Rifkind, Wharton & Garrison LLP, which we refer to in this proxy statement as Paul, Weiss, counsel to the Wellspring parties, to raise the threshold points previously discussed by the special committee and requested a prompt response from the Wellspring parties.

On February 9, 2006, representatives of the Wellspring parties and Mr. Sirois discussed the special committee's response to the Wellspring parties proposal. Later on February 9th, Paul, Weiss called TRP to discuss the Wellspring parties position on the points raised by TRP on February 8. On that call, the Paul, Weiss representatives indicated that the Wellspring parties had agreed to increase the per share purchase price to \$14.80, to reduce the maximum termination fee payable by Checkers from \$8.0 million to \$7.0 million, to consider a reverse break-up fee and expense reimbursement obligation that would be payable by Taxi Holdings under certain circumstances and supported by a Wellspring Capital affiliate, and to consider granting greater flexibility to the Checkers board and special committee to entertain unsolicited competing proposals. Paul, Weiss informed TRP that the Wellspring parties were not willing, however, to agree to permit Checkers to terminate the merger agreement in order to accept a superior proposal prior to approval of the merger agreement by Checkers stockholders.

Later in the day on February 9th, at a meeting of the special committee, TRP informed the special committee of the Wellspring parties responses to the threshold points previously discussed by the special committee. After further discussion, the special committee voted to proceed with negotiations, and enter into the exclusivity agreement, with the Wellspring parties, with Mr. Sugarman objecting to the granting of exclusivity to Wellspring.

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Between February 9 and February 14, 2006, the Wellspring parties and Checkers, through their respective representatives, negotiated the terms of a definitive merger agreement. On February 12, 2006, TRP sent to Paul, Weiss a revised draft merger agreement and, on February 13, 2006, representatives of Paul, Weiss and TRP held a conference call to resolve issues raised by the TRP draft. Later that day, Paul, Weiss sent a further revised draft of the merger agreement to TRP.

On February 14, 2006, representatives of the Wellspring parties spoke separately with Mr. Sirois and with representatives of Citigroup regarding the remaining issues with respect to the merger agreement. In those conversations, representatives of the Wellspring parties requested that the special committee's representatives provide a list of all remaining outstanding issues.

On February 15, 2006, representatives of Citigroup, in accordance with the directives of the special committee, sent to the Wellspring parties a list of open issues. These issues included, among other points, requests for an increase in the merger consideration to \$15.00 per share, increased flexibility for the Checkers board and special committee to respond to unsolicited competing proposals, a right for Checkers to terminate the merger agreement in order to accept a superior proposal prior to approval of the merger agreement by Checkers' stockholders, provisions for a reverse termination fee and expense reimbursement in amounts mirroring Checkers' termination fee and expense reimbursement obligations, and the deletion of Taxi Holdings' right not to close the merger if stockholders exercised dissenters' appraisal rights in respect of more than five percent of the outstanding Checkers' common stock.

Over the course of February 15 and 16, 2006, representatives of the Wellspring parties, Checkers and their respective advisors negotiated to resolve the remaining open points. On February 16, 2006, Paul, Weiss sent to TRP a revised draft of the merger agreement, reflecting merger consideration of \$15.00 per share, increased flexibility for the Checkers board and special committee to respond to unsolicited competing proposals, a right to terminate the merger agreement in order to accept a superior proposal prior to approval of the merger agreement by Checkers' stockholders, provisions for a reverse termination fee and expense reimbursement in amounts that would mirror Checkers' termination fee and expense reimbursement obligations, and a revised closing condition for exercises of appraisal rights that increased the threshold for Taxi Holdings' closing condition from five percent to ten percent of outstanding shares.

On February 16, 2006, the special committee, together with its legal and financial advisors, met to review the proposed sale of Checkers to Taxi Holdings. Prior to the meeting, each member of the special committee had received a draft of the proposed merger agreement, a copy of Citigroup's financial presentation and other related materials. TRP reviewed with the special committee material legal points in the proposed merger agreement and reviewed the directors' fiduciary duties in connection with the proposed transaction. Citigroup reviewed with the special committee its financial analysis of the merger consideration and rendered to the special committee an oral opinion, which was confirmed by the delivery of a written opinion later that day, to the effect that, as of the date of its opinion and based on and subject to the matters described in its opinion, the \$15.00 per share merger consideration was fair, from a financial point of view, to the holders of Checkers' common stock (other than the management participants).

After an extensive discussion, in which the members of the special committee, together with legal counsel, discussed potential risks and benefits of the merger transaction, the size of the proposed termination fee as compared to similar transactions and related matters, the special committee unanimously approved a motion recommending that the full board of directors approve the merger agreement and the merger.

Later in the day on February 16th, the full board of directors also met to consider the transaction. Prior to the meeting, each director had received a draft of the proposed merger agreement, a copy of Citigroup's financial presentation provided to the special committee and other related materials. At the inception of the meeting, Mr. Sirois was recused. Mr. Lieberthal participated in the meeting after confirming that the private equity firm in which he serves as a limited partner had determined not to participate in the transaction. Citigroup reviewed with the board of directors its financial analysis of the merger consideration as presented to the special committee earlier in the day. The board also was informed that Citigroup had rendered an oral opinion to the special

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committee, which would be confirmed by the delivery of a written opinion later that day, as to the fairness, from a financial point of view, of the \$15.00 per share merger consideration to be received by the holders of Checkers common stock (other than the management participants). In addition, TRP reviewed the final changes in the merger agreement from the draft previously distributed to the directors and explained the principal provisions of Taxi Holdings commitment letters and the directors fiduciary duties in connection with the proposed sale to Taxi Holdings.

The board discussed the risks associated with the transaction, such as the conditions to fund under the commitment letters, the minimum EBITDA condition, the appraisal rights condition and other closing conditions. Mr. Sirois then was asked to rejoin the meeting and was requested to inform the board of the extent of management's involvement with the Wellspring parties, including any agreements with respect to future equity participation or employment. Mr. Sirois stated that, while he expected members of management to be given the opportunity to receive equity interest in Taxi Holdings after completion of the merger, no definitive agreements had been reached with respect to such interests. In addition, Mr. Sirois informed the board that the Wellspring parties had agreed that any existing employment agreements between the management participants and Checkers would be honored after the completion of the merger. Mr. Sirois and the Citigroup representatives were then excused from the meeting. A discussion thereafter ensued as to whether there were other ways to maximize value for Checkers stockholders. Based upon the prior factors considered by the special committee and the board with respect to Checkers and its business, the board determined that the proposed merger was the best current opportunity to realize such value. After further discussion, the board of directors (other than Mr. Sirois who had been recused) unanimously declared the merger and the merger agreement advisable, fair to and in the best interests of Checkers stockholders, approved the merger and the merger agreement, and resolved to recommend that Checkers stockholders adopt the merger agreement and approve the merger.

Following the board of directors meeting, Mr. O Hara informed a representative of the Wellspring parties that Checkers board of directors had approved the merger agreement. Later that night, the definitive merger agreement was executed.

On February 17, 2006, prior to the opening of the trading markets, Checkers issued a press release announcing the execution of the merger agreement with Taxi Holdings.

## **Reasons for the Merger**

The special committee of the board of directors has at all times been composed of independent directors who are neither officers nor employees of any of the parties to the merger agreement. Furthermore, the members of the special committee have no financial interest in the proposed merger different from Checkers stockholders generally other than for the fact that members of the special committee (a) hold unvested stock options, which will be cancelled and cashed out as part of the merger in the same manner as vested stock options and (b) will be entitled to the indemnification and officer and director liability insurance coverage under the terms of the merger agreement described below under The Merger Agreement Principal Covenants Director and Officer Indemnification and Insurance.

The special committee, with the assistance of its own legal and financial advisors, evaluated and negotiated the merger proposal, including the terms and conditions of the merger agreement, with Taxi Holdings and its advisors. The special committee unanimously determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Checkers and our unaffiliated stockholders and the consideration to be paid for each share of Checkers common stock in connection with the merger is fair to our unaffiliated stockholders.

Based, in part, on the unanimous recommendation of the special committee, the board of directors (with recusal by Mr. Sirois) of Checkers determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Checkers and our unaffiliated stockholders and the consideration to be paid for each share of Checkers common stock in connection with the merger is fair to our unaffiliated stockholders. The board of directors and the special committee each recommended that Checkers stockholders adopt the merger agreement and approve the transactions contemplated thereby.

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### ***Substantive Factors***

In reaching their respective determinations, the special committee and the board of directors considered a number of substantive factors and potential benefits of the merger, including those discussed below, each of which they believed supported their respective decisions.

The special committee's determination that, based on historical and current information concerning our business, financial performance and condition, franchise growth rate, competitive position, and economic and historical performance, an acquisition of Checkers by a third party, as opposed to other strategic alternatives or remaining as a stand-alone, publicly traded company, would maximize stockholder value.

The current and historical market prices of Checkers' common stock, including the fact that the merger consideration of \$15.00 per share represents a 25% premium over the closing stock price of \$12.00 on the last trading day prior to Checkers' public announcement on May 16, 2005 that it was exploring strategic alternatives, although such merger consideration represented a 1% discount from the closing stock price of \$15.16 on the last trading day prior to Checkers' public announcement on February 17, 2006 that it had executed a merger agreement with Taxi Holdings and Taxi Acquisition.

The fact that, prior to entering into the merger agreement, the special committee had undertaken an extensive process designed to solicit competitive bids, as described under "Background to the Merger."

\$15.00 per share was higher than the final proposed purchase price submitted by the last third party bidder in the competitive bid process initiated by the special committee prior to such party subsequently withdrawing from the bidding process. The special committee believed that it was unlikely that any other person would be willing to enter into a binding agreement at a price higher than \$15.00.

\$15.00 per share represented an increase from Taxi Holdings' original proposed price of \$14.75 per share. The special committee believed that \$15.00 per share represented the highest price that Taxi Holdings was willing to pay and the highest price reasonably available for Checkers' shares.

The fact that the merger consideration will be all cash, which provides liquidity and certainty of value to our stockholders.

The fact that under certain circumstances described under "The Merger Agreement - Reimbursement of Expenses; Termination Fee," Taxi Holdings may be required to reimburse up to \$3.0 million of Checkers' expenses incurred in connection with the merger agreement or pay a termination fee of \$7.0 million (including any previous payment for expense reimbursement) if Taxi Holdings exercises its right not to complete the merger based on the failure to obtain financing on terms reasonably acceptable to Taxi Holdings and Taxi Acquisition.

The opinion, dated February 16, 2006, of Citigroup to the special committee as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of Checkers' common stock (other than the management participants), as more fully described below under the section entitled "Opinion of the Special Committee's Financial Advisor."

The ability of the special committee or the board of directors, under the terms of the merger agreement, to terminate the merger agreement if the special committee or the board determines in good faith that any unsolicited proposal constitutes a superior proposal, subject to payment to Taxi Holdings of a termination fee of \$7.0 million (less any amount of reimbursement of Taxi Holdings' and Taxi Acquisition's expenses previously paid by Checkers), in accordance with the terms of the merger agreement.

The other terms and conditions of the merger agreement, including the cash price, the ability to consider unsolicited offers, the ability of Checkers to terminate the merger agreement in certain circumstances,

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the fact that the representations and warranties of Checkers are subject to a customary material adverse effect standard, and the limited closing conditions.

The belief of the special committee, after consultation with its legal and financial advisors, that the termination fee was within the range of termination fees observed in similar transactions and should not unduly discourage other possible buyers from offering acquisition proposals that are more favorable than the transactions contemplated by the merger agreement.

The agreement by Wellspring IV that, in the event that Taxi Holdings is required to reimburse Checkers' expenses or pay a termination fee to Checkers pursuant to the merger agreement, Wellspring IV will pay or cause Taxi Holdings to pay such amounts to Checkers in accordance with the merger agreement.

### ***Procedural Factors***

The special committee and the board of directors also considered a number of factors relating to the procedural safeguards involved in the negotiation of the merger, including those discussed below, each of which they believed supported their respective decisions and provided assurance of fairness of the merger to the unaffiliated stockholders.

The fact that the board of directors appointed the special committee:

which consisted entirely of directors who are not officers of Checkers or affiliated with Taxi Holdings or its investors;

which consisted entirely of directors with no financial interest in the proposed merger different from Checkers' stockholders generally other than for the fact that members of the special committee (a) hold unvested stock options, which will be cancelled and cashed out as part of the merger in the same manner as vested stock options, and (b) will be entitled to the indemnification and officer and director liability insurance coverage under the terms of the merger agreement described below under "The Merger Agreement - Principal Covenants - Director and Officer Indemnification and Insurance";

which was given exclusive authority to, among other things, consider, negotiate and evaluate the terms of any proposed transaction, including the merger; and

which retained its own legal and financial advisors with experience in transactions similar to the merger to assist the special committee in the negotiations with Taxi Holdings.

The fact that, prior to entering into the merger agreement, the special committee engaged in a competitive bid process over a period of more than nine months aimed at maximizing stockholder value, which included the solicitation of indications of interest from 54 potential acquirers, the delivery of corporate and financial information to 30 potential acquirers that signed a confidentiality agreement with Checkers, the receipt and response to inquiries from three potential acquirers, and the receipt and evaluation of indications of interest from one potential acquirer, which subsequently lowered its offering price and withdrew from the bidding process. See "Background of the Merger."

The fact that merger consideration of \$15.00 per share and other terms and conditions of the merger agreement resulted from extensive negotiations between Taxi Holdings and its advisors and the special committee and its advisors.

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The requirement that the merger agreement be adopted by the affirmative vote of the holders of at least a majority of the outstanding shares of Checkers common stock entitled to vote. As of May 1, 2006, 96.5% of the outstanding shares of Checkers common stock were held by unaffiliated stockholders and 99.8% of the outstanding shares of Checkers common stock were held by stockholders other than the executive officers.

The fact that Checkers stockholders have the right to demand appraisal of their shares in accordance with the procedures established by Delaware law. See Appraisal or Dissenters Rights.

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### ***Potential Negative Factors***

The special committee and the board of directors also considered and balanced against the potential benefits of the merger a variety of risks and other potentially negative factors concerning the merger but determined that these factors were outweighed by the benefits of the factors supporting the merger. These potentially negative factors included the following:

the risk that the merger might not be completed in a timely manner or at all, including the risk that the merger will not occur if the financing condition described below is not satisfied;

the fact that the funding of the financing contemplated by the debt and equity commitment letters issued to Taxi Holdings, or alternative financing, on terms and conditions reasonably acceptable to Taxi Holdings, is a condition to Taxi Holdings' and Taxi Acquisition's obligation to complete the merger;

the interests of Checkers' executive officers and directors in the merger (see "Interests of Checkers' Directors and Executive Officers in the Merger");

the fact that Checkers will no longer exist as an independent, publicly traded company;

the fact that, following the merger, Checkers will not be subject to the provisions of the Sarbanes-Oxley Act of 2002 or certain provisions of the Securities and Exchange Act of 1934, such as requirements to file periodic reports and requirements preventing insiders from taking short-swing profits, although, immediately following the merger, Taxi Holdings will be the sole stockholder of Checkers;

the fact that Checkers' current stockholders (other than the management participants) will not participate in any future earnings or growth of Checkers and will not benefit from any appreciation in its value or otherwise have any rights or benefits as a stockholder of Checkers;

the fact that Checkers was entering into a merger agreement with newly formed entities with essentially no assets and, accordingly, that Checkers' recourse for a breach by Taxi Holdings or Taxi Acquisition of the merger agreement is to seek recovery of the termination fee or expense reimbursement, as applicable, under the letter agreement with Wellspring IV;

the restrictions on the conduct of Checkers' business prior to completion of the merger, which may delay or prevent Checkers from undertaking business opportunities that may arise pending completion of the merger;

the fact that the merger consideration consists of cash and will therefore be taxable to Checkers' stockholders for U.S. federal income tax purposes;

the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Checkers and the requirement that Checkers pay Taxi Holdings a \$7.0 million termination fee (less any amount of reimbursement of Taxi Holdings' and Taxi Acquisition's expenses previously paid by Checkers) in order for the board of directors to accept a superior proposal; and



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the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to complete the merger.

In analyzing the transaction, the special committee and the board of directors, with the assistance of the special committee's financial advisor, considered the going concern value of Checkers. Neither the special committee nor the board of directors considered liquidation value as a factor because Checkers is a viable going concern business, and the liquidation value was not deemed relevant to a determination as to whether the merger and the merger consideration are fair to our stockholders. Further, neither the special committee nor the board of directors considered the net book value a material indicator of the value of Checkers because the net book value, as an indication of only the historical costs, was deemed to understate Checkers' value as a going concern.

After considering these factors, the special committee and the board of directors concluded that the positive factors relating to the merger outweighed the negative factors. Because of the variety of factors considered, the

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special committee and the board of directors did not find it practicable to quantify or otherwise assign relative weights to, and did not make specific assessments of, the specific factors considered in reaching their respective determinations. The respective determinations of the special committee and the board of directors were made after consideration of all of the factors taken together.

### **Provisions for Unaffiliated Stockholders**

No provisions were made in connection with the merger to grant unaffiliated stockholders access to our corporate files or those of Taxi Holdings or its affiliates or to obtain counsel, separate representatives, financial advisors, or appraisal services at our expense or at the expense of Taxi Holdings or its affiliates. No appraisal services were retained on behalf of the unaffiliated stockholders. In addition, in order to adopt the merger agreement and approve the transactions contemplated thereby, holders of a majority of the outstanding shares of Checkers common stock entitled to vote must vote in favor of adopting the merger agreement, irrespective of whether a majority of outstanding shares of Checkers common stock entitled to vote held by unaffiliated stockholders are voted in favor of adopting the merger agreement.

### **Recommendation of the Special Committee**

The special committee of our board of directors, which is comprised solely of independent directors, after due consideration unanimously:

determined that the merger represented the most favorable alternative reasonably available to Checkers and our unaffiliated stockholders;

determined that the merger agreement and the merger are advisable and are fair to, and in the best interests of, Checkers and our unaffiliated stockholders; and

recommended to the board of directors the approval of the merger agreement and the approval of the merger.

The special committee unanimously recommends that you vote FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby at the special meeting and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

### **Recommendation of the Board of Directors**

After careful consideration, the board of directors (with recusal by Mr. Siroris) has determined that the merger agreement and the merger are advisable and are fair to, and in the best interests of, Checkers and our unaffiliated stockholders and has approved the merger agreement and the merger. The board of directors unanimously recommends that you vote FOR the adoption of the merger agreement and the approval of the transactions contemplated thereby at the special meeting and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

### **Opinion of the Special Committee's Financial Advisor**

The special committee has retained Citigroup as its financial advisor in connection with the merger. In connection with this engagement, the special committee requested that Citigroup evaluate the fairness, from a financial point of view, of the merger consideration to be received by holders of Checkers common stock (other than the management participants). On February 16, 2006, at a meeting of the special committee held to evaluate the merger, Citigroup rendered to the special committee an oral opinion, which was confirmed by delivery of a written opinion dated the same date, to the effect that, as of that date and based on and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of Checkers common stock (other than the management participants).

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The full text of Citigroup's written opinion, dated February 16, 2006, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. Holders of Checkers' common stock are encouraged to read Citigroup's opinion carefully in its entirety. Citigroup's opinion was provided to the special committee in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration to holders of Checkers' common stock (other than the management participants). Citigroup's opinion does not address any other terms, aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger.

In arriving at its opinion, Citigroup:

reviewed a draft dated February 16, 2006 of the merger agreement;

held discussions with certain senior officers, directors and other representatives and advisors of Checkers and certain senior officers and other representatives of Wellspring Capital concerning Checkers' business, operations and prospects;

examined certain publicly available business and financial information relating to Checkers;

examined certain financial forecasts and other information and data relating to Checkers which were provided to or otherwise discussed with Citigroup by Checkers' management, including sensitivities to the financial forecasts and other information and data reviewed with the special committee to take into account, among other things, Checkers' actual financial performance for the fiscal year ended 2005 relative to budgeted estimates prepared by Checkers' management for that fiscal year;

reviewed the financial terms of the merger as described in the merger agreement in relation to, among other things, current and historical market prices and trading volumes of Checkers' common stock, historical and projected earnings and other operating data of Checkers and the capitalization and financial condition of Checkers;

analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Checkers;

considered, to the extent publicly available, the financial terms of certain other transactions which Citigroup considered relevant in evaluating the merger; and

conducted other analyses and examinations and considered other financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without assuming any responsibility for independent verification, on the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and on the assurances of Checkers' management that it was not aware of any relevant information that was omitted or remained undisclosed to Citigroup. With respect to financial forecasts and other information and data relating to Checkers provided to or otherwise reviewed by or discussed with Citigroup, Citigroup assumed, with the special committee's consent, that the forecasts and other information and data, as sensitized, reflected reasonable estimates and judgments as to the future financial performance of Checkers. Citigroup assumed, with the special committee's consent, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement, and in compliance with all applicable laws and that, in the course of obtaining the necessary regulatory or third party approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Checkers or the merger. Representatives of the special committee advised Citigroup, and Citigroup also assumed, with

the special committee's consent, that the final terms of the merger agreement would not vary materially from those set forth in the draft Citigroup reviewed.

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Citigroup did not make, and it was not provided with, an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise, of Checkers, and Citigroup did not make any physical inspection of the properties or assets of Checkers. In connection with Citigroup's engagement and at the direction of the special committee, Citigroup was requested to approach, and Citigroup held discussions with, third parties to solicit indications of interest in the possible acquisition of Checkers. Citigroup's opinion does not address any terms or other aspects or implications of the merger (other than the merger consideration to the extent expressly specified in the opinion). Citigroup expressed no view as to, and its opinion does not address, Checkers' underlying business decision to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for Checkers or the effect of any other transaction in which Checkers might engage. Citigroup's opinion was necessarily based on information available to Citigroup, and financial, stock market and other conditions and circumstances existing and disclosed to Citigroup, as of the date of its opinion. Except as described above, the special committee imposed no other instructions or limitations on Citigroup with respect to the investigations made or procedures followed by Citigroup in rendering its opinion.

In preparing its opinion, Citigroup performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying Citigroup's opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Citigroup arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Citigroup believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Citigroup considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Checkers. No company, business or transaction used in those analyses as a comparison is identical to Checkers or the merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in Citigroup's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Citigroup's analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the merger was determined through negotiations between the special committee and the Wellspring parties and the decision to enter into the merger was solely that of the special committee and the board of directors. Citigroup's opinion was only one of many factors considered by the special committee in its evaluation of the merger and should not be viewed as determinative of the views of the special committee, the board of directors or Checkers' management with respect to the merger or the merger consideration.

A copy of Citigroup's written presentation to the special committee has been filed as an exhibit to the Rule 13e-3 Transaction Statement on Schedule 13E-3 filed by Checkers with the Securities and Exchange Commission and also will be available for inspection and copying at Checkers' principal executive offices during regular business hours by any interested stockholder of Checkers or any representative of such stockholder who has been so designated in writing and may be inspected and copied at the office of, and obtained by mail from, the Securities and Exchange Commission. See [Where You Can Find Additional Information](#).

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The following is a summary of the material financial analyses presented to the special committee in connection with Citigroup’s opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Citigroup’s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Citigroup’s financial analyses.**

*Selected Companies Analysis.*

Citigroup reviewed financial and stock market information and public market trading multiples of Checkers and the following nine selected publicly held companies in the quick service restaurant industry:

- McDonald’s Corporation
- YUM! Brands, Inc.
- Wendy’s International, Inc.
- Domino’s Pizza, Inc.
- Sonic Corp.
- Jack in the Box Inc.
- CKE Restaurants, Inc.
- Papa John’s International, Inc.
- The Steak ‘n Shake Company

Citigroup reviewed, among other things, closing stock prices on February 15, 2006 as a multiple of calendar year 2006 estimated earnings per share, commonly referred to as EPS. Citigroup then applied to Checkers’ calendar year 2006 estimated EPS a selected range of calendar year 2006 estimated EPS multiples of 14.0x to 16.0x, which range was derived taking into account the mean calendar year 2006 estimated EPS multiple for the selected companies and the fact that Checkers historically has traded at a lower forward 12 months EPS multiple than the mean multiple for the selected companies for the same period. Estimated financial data for the selected companies were based on research analysts estimates, public filings and other publicly available information. Estimated financial data for Checkers were based on internal estimates of Checkers’ management. This analysis indicated the following approximate implied per share equity reference range for Checkers, as compared to the merger consideration:

<b>Implied Per Share</b>		
<b>Equity Reference Range for Checkers</b>		<b>Merger Consideration</b>
\$12.50	\$14.25	\$15.00

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Using publicly available information, Citigroup reviewed the transaction value multiples paid in the following 20 selected transactions in the U.S. restaurant industry announced since 2001 with transaction values of less than \$250 million:

<b>Acquiror</b>	<b>Target</b>
Sun Capital Partners, Inc.	Garden Fresh Restaurant Corp.
Leonard Green & Partners, L.P.	Claim Jumper Restaurants LLC
Castle Harlan, Inc.	Perkins Family Restaurants, L.P.
Trimaran Capital Partners	Charlie Brown's, Inc.
Charlesbank Capital Partners LLC/Grotech Capital Group	Captain D's Inc.
Management Group	Quality Dining, Inc.
Bob Evans Farms, Inc.	Mimi's Café, Inc.
Fairmont Capital, Inc.	Garden Fresh Restaurant Corp.
Investor Group	Prandium, Inc.
Jack in the Box Inc.	Qdoba Restaurant Corporation
O'Charley's Inc.	Ninety Nine Restaurant & Pub
Castle Harlan, Inc.	Morton's Restaurant Group, Inc.
CKE Restaurants, Inc.	Santa Barbara Restaurant Group, Inc.
Wyndcrest Holdings, LLC	Mexican Restaurants, Inc.
Castle Harlan, Inc. and Bruckmann, Rosser, Sherrill & Co., Inc.	McCormick & Schmick's Seafood Restaurants, Inc.
New World Restaurant Group, Inc.	Einstein/Noah Bagel Corp.
Bruckmann, Rosser, Sherrill & Co., L.L.C./ Bruckmann, Rosser, Sherrill & Co. II, L.P.	Il Fornaio (America) Corporation
Jacobson Partners	Taco Bueno Restaurants, L.P.
Management Group	Uno Restaurant Corporation
Goldner Hawn Johnson & Morrison, Inc. & BancBoston Capital	VICORP Restaurants, Inc.

Citigroup reviewed, among other things, transaction values as a multiple of latest 12 months earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. Citigroup then applied to Checkers' calendar year 2005 EBITDA a selected range of latest 12 months EBITDA multiples of 6.0x to 7.0x, which range was derived taking into account the mean of the latest 12 months EBITDA multiples for the selected transactions for which information was publicly available. Multiples for the selected transactions were based on public filings and publicly available financial information at the time of announcement of the relevant transaction. Financial data for Checkers were based on

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public filings and internal estimates prepared by Checkers management. This analysis indicated the following approximate implied per share equity reference range for Checkers, as compared to the merger consideration:

### Implied Per Share

Equity Reference Range for Checkers	Merger Consideration
\$11.00 - \$13.00	\$15.00



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***Discounted Cash Flow Analysis.***

Citigroup performed a discounted cash flow analysis of Checkers to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that Checkers could generate based on internal estimates of Checkers management for fiscal years 2006 through 2010, referred to as the Management Case. Given Checkers actual performance for the fiscal year ended 2005, which was lower than budgeted estimates prepared by Checkers management for that fiscal year, Citigroup also performed and reviewed with the special committee certain sensitivities to the Management Case, referred to as the Sensitivity Case, to take into account the potential for lower revenue growth and margin expansion, and higher capital expenditures, than reflected in the Management Case. The Sensitivity Case reflected, among other things:

company-operated unit growth and franchise unit growth consistent with Checkers recent actual performance relative to management's budgeted estimates;

annual same store sales growth based on the historical average for selected companies in the quick service restaurant industry over the period 2001 to 2005;

average annual sales per store, or average unit volume, for new company-operated and new franchise-operated stores for which full year sales data was available, and capital investment for new company-operated stores, based on Checkers actual store openings since 2003;

certain store-level costs as a percentage of store sales based on Checkers fiscal year 2005 estimated levels; and

incremental general and administrative costs related to potential personnel and other expenses required for store growth.

Estimated terminal values for Checkers were calculated by applying to Checkers fiscal year 2010 estimated EBITDA a range of EBITDA terminal value multiples of 6.0x to 7.0x, which range of terminal value multiples was derived taking into account Checkers historical EBITDA trading multiples and the implied EBITDA multiples paid for the target companies in the selected transactions referred to above under Precedent Transactions Analysis. The unlevered, after-tax free cash flows and terminal values were then discounted to present value using discount rates ranging from 9.7% to 11.2%, which discount rate range was derived taking into account the estimated weighted average cost of capital for Checkers utilizing selected data of the publicly held companies in the quick service restaurant industry referred to above under Selected Companies Analysis. This analysis indicated the following approximate implied per share equity reference ranges for Checkers under both the Management Case and the Sensitivity Case, as compared to the merger consideration:

<b>Implied Per Share</b>				<b>Merger Consideration</b>
<b>Equity Reference Ranges for Checkers</b>				
<b>Management Case</b>		<b>Sensitivity Case</b>		
\$17.75	\$21.00	\$13.75	\$16.00	\$15.00

**Table of Contents****Leveraged Buyout Analysis.**

Citigroup performed a leveraged buyout analysis to estimate the theoretical purchase price that could be paid by a hypothetical financial buyer in an acquisition of Checkers under the Management Case and the Sensitivity Case described above, taking into account the pro forma leverage structure of Checkers resulting from Wellspring's proposed financing for the merger. Citigroup assumed that a financial buyer would attempt to realize a return on its investment in Checkers' fiscal year 2010. Estimated exit values for Checkers were calculated by applying to Checkers' fiscal year 2010 estimated EBITDA a range of exit value multiples of 6.0x to 7.0x, which range of exit value multiples was derived taking into account Checkers' historical EBITDA trading multiples and the implied EBITDA multiples paid for the target companies in the selected transactions referred to above under Precedent Transactions Analysis. Citigroup then derived a range of theoretical purchase prices based on an assumed required internal rate of return for a financial buyer of approximately 25.0% to 30.0%, which range of percentages was, in Citigroup's professional judgment, generally reflective of the range of required internal rates of return commonly assumed when performing a leveraged buyout analysis. This analysis indicated the following approximate implied per share equity reference ranges for Checkers under both the Management Case and the Sensitivity Case, as compared to the merger consideration:

Implied Per Share Equity Reference Ranges for Checkers		Sensitivity		Merger Consideration
		Management Case	Case	
\$13.75	\$16.00	\$11.50	\$13.00	\$15.00

**Miscellaneous.**

Citigroup has acted as financial advisor to the special committee in connection with the merger. Under the terms of Citigroup's engagement, Checkers has agreed to pay Citigroup for its financial advisory services to the special committee in connection with the merger, a portion of which was payable in connection with the delivery of its opinion, an aggregate fee based on a percentage of the total consideration, including liabilities assumed, payable in the merger. The aggregate fee payable to Citigroup currently is estimated to be approximately \$3.0 million, of which \$2.5 million is contingent upon consummation of the merger. Checkers also has agreed to reimburse Citigroup for reasonable travel and other expenses incurred by Citigroup in performing its services, including reasonable fees and expenses of its legal counsel, and to indemnify Citigroup and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Citigroup and its affiliates in the past have provided services to an affiliate of Wellspring unrelated to the proposed merger, for which services Citigroup and its affiliates have received compensation. In the ordinary course of business, Citigroup and its affiliates may actively trade or hold the securities of Checkers for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in those securities. In addition, Citigroup and its affiliates, including Citigroup Inc. and its affiliates, may maintain relationships with Checkers, Wellspring and their respective affiliates.

The special committee selected Citigroup as its financial advisor in connection with the merger based on Citigroup's reputation and experience. Citigroup is an internationally recognized investment banking firm which regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

**Certain Financial Projections Relating to Checkers**

The projections set forth below were prepared by, and are the responsibility of, Checkers' management and were, in general, prepared solely for internal use in capital budgeting and other management decisions and are subjective in many respects and thus susceptible to interpretations and periodic revision based on actual experience and business developments. Although the projections are presented with numerical specificity, the projections reflect numerous estimates and assumptions relating to the business of Checkers that are inherently

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subject to significant economic, industry and competitive uncertainties, all of which are difficult to predict and many of which are beyond the control of Checkers. Accordingly, there can be no assurance that the estimates and assumptions made in preparing the projections will prove to be accurate, or that the projections will be realized, and actual results may be materially greater or less than those contained in the projections.

Checkers does not, as a matter of course, publicly disclose projections of future revenues, earnings or other financial performance. The projections were not prepared with a view to compliance with published guidelines of the Securities and Exchange Commission, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or generally accepted accounting principles. Neither Grant Thornton LLP nor any registered public accountant has examined or compiled the projections and, accordingly, neither Grant Thornton LLP nor any other registered public accountant expresses an opinion or any other form of assurance or association with respect thereto.

The inclusion of this information in this proxy statement should not be regarded by any stockholder as an indication that the projections will be predictive of actual future results, and the projections should not be relied upon as such. Neither Checkers, Taxi Holdings, Taxi Acquisition, the Wellspring parties nor any of their respective representatives has made or makes any representation to any stockholder regarding the information included in the projections. Checkers does not intend to update or otherwise revise any of the projections included in this proxy statement to reflect circumstances existing after the date when such projections were made or to reflect the occurrence of future events.

The following projected financial data was provided to Checkers special committee and its financial advisor in connection with the proposed merger on January 27, 2006:

	Projected Calendar Year					2005-2010
	2006	2007	2008	2009	2010	CAGR(1)
Restaurant Sales	\$ 182.0	\$ 203.5	\$ 220.3	\$ 237.7	\$ 255.6	8.5%
Franchise Royalty Income	19.4	21.5	24.1	27.1	30.3	11.0%
Franchise Fees / Other Income	1.0	1.4	1.5	1.7	1.8	39.1%
<b>Total Revenues</b>	<b>\$ 202.5</b>	<b>\$ 226.3</b>	<b>\$ 246.0</b>	<b>\$ 266.4</b>	<b>\$ 287.7</b>	<b>9.0%</b>
Restaurant Food and Paper	57.5	64.3	69.6	74.9	80.5	
Restaurant Labor Costs	53.3	59.4	64.1	68.9	73.9	
Restaurant Occupancy Expense	11.7	13.5	14.5	15.6	16.6	
Restaurant Depreciation	9.2	10.1	10.3	10.3	10.2	
Other Restaurant Operating Expenses	22.8	25.4	27.3	29.5	31.4	
General and Administrative	15.3	16.2	16.9	17.6	18.3	
Advertising Expense	10.9	12.2	13.0	13.8	14.6	
Non-Cash Compensation	2.0	2.0	2.0	2.0	2.0	
Other Depreciation	0.7	0.7	0.7	0.7	0.7	
Impairment of Long Lived Assets	0.0	0.0	0.0	0.0	0.0	
Restaurant Retirement Costs	0.1	0.0	0.0	0.0	0.0	
Loss / (Gain) on Market Sales of Fixed Assets	0.4	0.5	0.3	0.3	0.3	
<b>Total Costs and Expenses</b>	<b>\$ 183.9</b>	<b>\$ 204.2</b>	<b>\$ 218.6</b>	<b>\$ 233.5</b>	<b>\$ 248.5</b>	
<b>Operating Income</b>	<b>\$ 18.6</b>	<b>\$ 22.1</b>	<b>\$ 27.3</b>	<b>\$ 32.9</b>	<b>\$ 39.2</b>	<b>21.0%</b>
Interest Income	(\$ 1.4)	(\$ 1.5)	(\$ 2.6)	(\$ 4.8)	(\$ 4.7)	
Interest Expense	1.8	1.3	0.3	0.2	0.2	
<b>Income Before Income Tax Expense</b>	<b>18.2</b>	<b>22.3</b>	<b>29.6</b>	<b>37.5</b>	<b>43.7</b>	
Income Tax Expense	7.0	8.5	11.3	14.2	16.6	
<b>Net Income</b>	<b>\$ 11.2</b>	<b>\$ 13.8</b>	<b>\$ 18.4</b>	<b>\$ 23.2</b>	<b>\$ 27.1</b>	<b>22.3%</b>

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	<b>Projected Calendar Year</b>	<b>2005-2010</b>
	<b>2006</b>	
	<b>2007</b>	
		<b>CAGR(1)</b>