TRIARC COMPANIES INC
Form 10-Q
August 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 1, 2007

OR

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

For the transition period from ______________ to _______________

Commission file number: 1-2207

TRIARC COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	38-0471180
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
280 Park Avenue, New York, New York	10017
(Address of principal executive offices)	(Zip Code)

(212) 451-3000
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

There were 28,882,238 shares of the registrant's Class A Common Stock and 63,879,317 shares of the registrant's Class B Common Stock outstanding as of July 31, 2007.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

TRIARC COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 2006 (
ASSETS	
Current assets:	
Cash and cash equivalents	$ 148,15
Restricted cash equivalents	9,05
Short-term investments not pledged as collateral	113,95
Short-term investments pledged as collateral	8,16
Investment settlements receivable	16,59
Accounts and notes receivable	43,42
Inventories	10,01
Deferred income tax benefit	18,41
Prepaid expenses and other current assets	23,98
Total current assets	391,77
Restricted cash equivalents	1,93
Investments	60,19
Properties	488,48
Goodwill	521,05
Other intangible assets	70,92
Deferred income tax benefit	-
Other deferred costs and other assets	26,08
	$ 1,560,44
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Notes payable	$ 4,56
Current portion of long-term debt	18,11
Accounts payable	48,59
Accrued expenses and other current liabilities	150,04
Current liabilities relating to discontinued operations	9,25
Deferred compensation payable to related parties	-
Total current liabilities	230,57
Long-term debt	701,91
Deferred income	11,56

Deferred compensation payable to related parties	35,67
Deferred income taxes	15,53
Minority interests in consolidated subsidiaries	14,22
Other liabilities	73,14
Stockholders' equity:	
Class A common stock	2,95
Class B common stock	6,36
Additional paid-in capital	311,60
Retained earnings	185,72
Common stock held in treasury	(43,69
Accumulated other comprehensive income	14,85
Total stockholders' equity	477,81
	$ 1,560,44

(A) Derived, reclassified and restated from the audited consolidated financial statements as of December 31, 2006.

See accompanying notes to condensed consolidated financial statements.

TRIARC COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	July 2, 2006	July 1, 2007
	(In Thousands Except	
		(Unaudi
Revenues:		
Net sales	$ 270,555	$ 278,572
Royalties and franchise and related fees	21,234	21,408
Asset management and related fees	15,828	16,841
	307,617	316,821
Costs and expenses:		
Cost of sales, excluding depreciation and amortization	194,017	204,887
Cost of services, excluding depreciation and amortization	5,910	6,308
Advertising and promotions	19,842	20,658
General and administrative, excluding depreciation and amortization	58,345	55,975
Depreciation and amortization, excluding amortization of deferred financing costs	14,703	18,404
Facilities relocation and corporate restructuring	775	79,044
Loss on settlement of unfavorable franchise rights	658	--
	294,250	385,276
Operating profit (loss)	13,367	(68,455)
Interest expense	(38,246)	(15,286)

Loss on early extinguishments of debt	(933)	--
Investment income, net	30,796	17,625
Gain on sale of unconsolidated business	--	2,561
Other income, net	3,699	597
Income (loss) from continuing operations before income taxes and minority interests	8,683	(62,958)
(Provision for) benefit from income taxes	(2,705)	36,002
Minority interests in income of consolidated subsidiaries	(2,608)	(1,067)
Income (loss) from continuing operations	3,370	(28,023)
Loss from discontinued operations, net of income taxes:		
Loss from operations	(139)	--
Loss on disposal	--	--
Loss from discontinued operations	(139)	--
Net income (loss)	$ 3,231	$ (28,023)
Basic and diluted income (loss) from continuing operations and net income (loss) per share of Class A common stock and Class B common stock	$ .04	$ (.30)

See accompanying notes to condensed consolidated financial statements.

TRIARC COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	--- Jul 20 --
Cash flows from continuing operating activities:	
Net loss	$ (9,
Adjustments to reconcile net loss to net cash provided by (used in) continuing operating activities:	
Facilities relocation and corporate restructuring, net provision (payments)	(3,
Depreciation and amortization of properties	23,
Amortization of other intangible assets and certain other items	4,
Amortization of deferred financing costs and original issue discount	1,
Write-off of previously unamortized deferred financing costs on early extinguishments of debt	4,

Share-based compensation provision	7,
Receipt of deferred vendor incentive, net of amount recognized	11,
Minority interests in income of consolidated subsidiaries	5,
Straight-line rent accrual	3,
Deferred compensation provision	1,
Loss from discontinued operations	
Operating investment adjustments, net (see below)	(549,
Deferred income tax benefit	(4,
Payment of withholding taxes related to share-based compensation	(1,
Gain on sale of unconsolidated business	(2,
Unfavorable lease liability recognized	(2,
Equity in undistributed earnings of investees	(1,
Charge for common stock issued to induce effective conversions of convertible notes	3,
Other, net	(1,
Changes in operating assets and liabilities:	
Decrease in accounts and notes receivables	10,
Decrease in inventories	2,
Decrease in prepaid expenses and other current assets	
Decrease in accounts payable and accrued expenses and other current liabilities	(24,
Net cash provided by (used in) continuing operating activities (A)	(519,
Cash flows from continuing investing activities:	
Capital expenditures	(33,
Cost of business acquisitions, less cash acquired	(1,
Investment activities, net (see below)	603,
Proceeds from dispositions of assets	4,
Other, net	(
Net cash provided by (used in) continuing investing activities	573,
Cash flows from continuing financing activities:	
Dividends paid	(28,
Repayments of long-term debt and notes payable	(55,
Net contributions from (distributions to) minority interests in consolidated subsidiaries	3,
Deferred financing costs	
Proceeds from issuance of long-term debt and a note payable	10,
Proceeds from exercises of stock options	5,
Net cash used in continuing financing activities	(64,
Net cash used in continuing operations	(11,
Net cash used in discontinued operations:	
Operating activities	(
Investing activities	(
	(
Net decrease in cash and cash equivalents	(12,
Cash and cash equivalents at beginning of period	202,
Cash and cash equivalents at end of period	$ 190,

TRIARC COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	July 2006
Detail of cash flows related to investments:	
Operating investment adjustments, net:	
Proceeds from sales of trading securities and net settlements of trading derivatives	$ 4,079,
Cost of trading securities purchased	(4,623,
Net recognized (gains) losses from trading securities, derivatives and short positions in securities	3,
Other net recognized gains, net of other than temporary losses	(7,
Other	(
	$ (549,
Investing investment activities, net:	
Proceeds from sales and maturities of available-for-sale securities and other investments	$ 137,
Cost of available-for-sale securities and other investments purchased	(68,
Proceeds from securities sold short	6,968,
Payments to cover short positions in securities	(6,219,
Proceeds from sales of repurchase agreements, net	523,
Increase in restricted cash collateralizing securities obligations or held for investment	(737,
	$ 603,

(A) Net cash used in continuing operating activities and continuing investing activities for the six months ended July 2, 2006 reflects the significant net purchases of trading securities and net settlements of trading derivatives, which were principally funded by net proceeds from securities sold short and net proceeds from sales of repurchase agreements. Of these activities, $544,542,000 of the net purchases of trading securities and net settlements of trading derivatives and $753,753,000 of the net proceeds from securities sold short and sales of repurchase agreements were transacted through an investment fund, Deerfield Opportunities Fund, LLC (the "Opportunities Fund"), which employed leverage in its trading activities and which, through September 29, 2006, was consolidated in these condensed consolidated financial statements. As of September 29, 2006, Triarc Companies, Inc. (collectively with its subsidiaries, the "Company") effectively redeemed its investment in the Opportunities Fund, which in turn had liquidated substantially all of its investment positions subsequent to July 2, 2006. Accordingly, the Company does not have any cash flows associated with the Opportunities Fund for the six months ended July

1, 2007. Under accounting principles generally accepted in the United States of America, the net purchases of trading securities and the net settlements of trading derivatives must be reported in continuing operating activities, while the net proceeds from securities sold short and the net sales of repurchase agreements are reported in continuing investing activities.

See accompanying notes to condensed consolidated financial statements.

TRIARC COMPANIES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
July 1, 2007
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements (the "Financial Statements") of Triarc Companies, Inc. ("Triarc" and, together with its subsidiaries, the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC") and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of the Company, however, the Financial Statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations as of and for the three-month and six-month periods and its cash flows for the six-month periods, set forth in the following paragraph. The results of operations for the three-month and six-month periods ended July 1, 2007 are not necessarily indicative of the results to be expected for the full 2007 fiscal year. In that regard, the pending sale of a significant subsidiary described in Note 3, among other matters, would impact the results for the second half of the 2007 fiscal year whereas significant corporate restructuring charges described in Note 6 affected the 2007 first half and, to a lesser extent, are expected to affect the 2007 second half. These Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the "Form 10-K").

The Company reports on a fiscal year basis consisting of 52 or 53 weeks ending on the Sunday closest to December 31. However, Deerfield & Company LLC ("Deerfield"), in which the Company owns a 63.6% capital interest (see Note 3), Deerfield Opportunities Fund, LLC (the "Opportunities Fund"), in which the Company owned a 73.7% capital interest prior to the effective redemption of its investment on September 29, 2006, and DM Fund, LLC (the "DM Fund"), in which the Company owned a 67% capital interest prior to the redemption of its investment on December 31, 2006, report or reported on a calendar year basis ending on December 31. The Company's first half of fiscal 2006 commenced on January 2, 2006 and ended on July 2, 2006, with its second quarter commencing on April 3, 2006, except that Deerfield, the Opportunities Fund and DM Fund are included on a calendar-period basis. The Company's first half of fiscal 2007 commenced on January 1, 2007 and ended on July 1, 2007, with its second quarter commencing on April 2, 2007, except that Deerfield is included on a calendar-period basis. The periods from April 3, 2006 to July 2, 2006 and January 2, 2006 to July 2, 2006 are referred to herein as the three-month and six-month periods ended July 2, 2006, respectively. The periods from April 2, 2007 to July 1, 2007 and January 1, 2007 to July 1, 2007 are referred to herein as the three-month and six-month periods ended July 1, 2007, respectively. Each quarter contained 13 weeks and each half contained 26 weeks. The effect of including Deerfield, the Opportunities Fund and the DM Fund, as applicable, in the Financial Statements on a calendar-period basis, instead of the Company's fiscal-period basis, was not material to the Company's condensed consolidated financial position or results of operations. All references to quarters, six-month periods, halves, quarter-end(s) and six-month period end(s) herein relate to fiscal periods rather than calendar periods, except with respect to Deerfield, the Opportunities Fund and the DM Fund as disclosed above.

The Company's consolidated financial statements include the accounts of Triarc and its subsidiaries, including the Opportunities Fund through the Company's effective redemption of its investment on September 29, 2006 and the DM Fund through the Company's redemption of its investment on December 31, 2006. The Company no longer consolidates the accounts of the Opportunities Fund and the DM Fund subsequent to September 29, 2006 and December 31, 2006, respectively.

Certain amounts included in the accompanying prior periods' condensed consolidated financial statements have been reclassified either to report the results of operations and cash flows of two restaurants closed during the fourth quarter of 2006 as discontinued operations (see Note 8) or to conform with the current periods' presentation. In addition, the Financial Statements have been restated, as applicable, for the adoption of FASB Staff Position No. AUG-AIR-1, "Accounting for Planned Major Maintenance Activities" (see Note 2).

The effect of this restatement, as well as the adjustment to the beginning balance of retained earnings upon the adoption of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" effective January 1, 2007 (see Note 2), is reflected in the following summary of the changes in retained earnings from December 31, 2006 through July 1, 2007 (in thousands):

Balance as reported at December 31, 2006..	
Cumulative effect of change in accounting for planned major aircraft maintenance activ	
Balance as adjusted at December 31, 2006..	
Cumulative effect of change in accounting for uncertainty in income taxes............	

Balance as adjusted at January 1, 2007	
Net loss	
Cash dividends	
Accrued dividends on nonvested restricted stock	
Balance at July 1, 2007	

(2) Changes in Accounting Principles

Effective January 1, 2007, the Company adopted the provisions of FASB Staff Position No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities" ("FSP AIR-1"). As a result, the Company now accounts for scheduled major aircraft maintenance overhauls in accordance with the direct expensing method under which the actual cost of such overhauls is recognized as expense in the period it is incurred. Previously, the Company accounted for scheduled major maintenance activities in accordance with the accrue-in-advance method under which the estimated cost of such overhauls was recognized as expense in periods through the scheduled date of the respective overhaul with any difference between estimated and actual cost recorded in results from operations at the time of the actual overhaul. In accordance with FSP AIR-1, the Company accounted for the adoption of the direct expensing method retroactively with the cumulative effect of the change in accounting method as of January 2, 2006 of $2,774,000 increasing retained earnings as of that date, which is the beginning of the earliest period presented. The effect of this adoption on the Company's accompanying condensed consolidated balance sheet as of December 31, 2006 is to reverse accruals for aircraft overhaul maintenance aggregating $4,955,000 and related income tax benefits of $1,784,000, with the net effect of $3,171,000 increasing retained earnings as of that date. The Company's consolidated results of operations for the three-month and six-month periods ended July 2, 2006 have been restated. For the three-month period ended July 2, 2006, the restatement resulted in an increase in pretax income of $218,000, or $139,000 net of income taxes, representing an increase in basic income per share of class A common stock and diluted income per share of class A and class B common stock of $.01 and an effect of less than $.01 on basic income per share of class B common stock. For the six-month period ended July 2, 2006, the restatement resulted in a decrease in pretax loss of $435,000, or $278,000 net of income taxes, representing a reduction in basic and diluted loss per share of class A common stock and class B common stock of $.01. The pretax adjustments of $218,000 and $435,000 were reported as reductions of "General and administrative, excluding depreciation and amortization" expense in the accompanying condensed consolidated statements of operations for the three-month and six-month periods ended July 2, 2006, respectively.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). As a result, the Company now measures income tax uncertainties in accordance with a two-step process of evaluating a tax position. The Company first determines if it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is then measured as the largest amount that has a greater than fifty percent likelihood of being realized upon effective settlement. In accordance with this method, as of January 1, 2007 the Company recognized an increase in its reserves for uncertain income tax positions of $4,820,000 and an increase in its liability for interest and penalties related to uncertain income tax positions of $734,000, both partially offset by an increase in its deferred income tax benefit of $3,200,000 and a reduction in the tax related liabilities of discontinued operations of $79,000, with the net effect of $2,275,000 decreasing retained earnings as of that date.

In conjunction with the adoption of FIN 48, the Company recognized $480,000 and $966,000 of interest related to uncertain income tax positions during the three-month and six-month periods ended July 1, 2007, respectively, included in "Interest expense" in the accompanying condensed consolidated statements of operations. The Company has approximately $1,956,000 and $2,922,000 of accrued interest and penalties at January 1, 2007 and July 1, 2007, respectively, associated with its reserves for uncertain income tax positions. The accrued interest at July 1, 2007 consists of $506,000 included in "Accrued expenses and other current liabilities" and $2,416,000 included in "Other liabilities" in the accompanying condensed consolidated balance sheet.

The statute of limitations for examination by the Internal Revenue Service (the "IRS") of the Company's Federal income tax return for the year ended December 29, 2002 expired during 2006 and years prior thereto are no longer subject to examination. The Company's Federal income tax returns for years subsequent to December 29, 2002 are not currently under examination by the IRS although some of its state income tax returns are currently under examination. The Company has received notices of proposed tax adjustments aggregating $6,424,000 million in connection with certain of these state income tax returns principally relating to discontinued operations. However, the Company is contesting these proposed adjustments and, accordingly, cannot determine the ultimate amount of any resulting tax liability or any related interest and penalties.

At January 1, 2007 and July 1, 2007, the Company had $13,157,000 and $13,812,000, respectively, of reserves for uncertain income tax positions related to continuing operations, all of which would affect the Company's effective income tax rate if they are not utilized. The Company does not currently anticipate that total reserves for uncertain income tax positions will significantly change as a result of the settlement of income tax audits and the expiration of statute of limitations for examining the Company's income tax returns prior to July 2, 2008.

(3) Pending Deerfield Sale

On April 19, 2007, the Company entered into a definitive agreement whereby Deerfield Triarc Capital Corp. (the "REIT"), a real estate investment trust managed by Deerfield, will acquire Deerfield (the "Pending Deerfield Sale"). Deerfield represents substantially all of the Company's asset management business segment (see Note 12). At July 1, 2007, the Company owned 2.6% of the REIT and accounts for its investment in the REIT in accordance with the equity method. The total consideration to be received by the Company and the other members of Deerfield was valued at approximately $300,000,000 as of April 19, 2007, consisting principally of $145,000,000 in cash, 9,635,000 shares of the REIT, which had a market value of approximately $145,000,000 based upon the average of the closing prices of the REIT common stock for the ten trading days prior to April 19, 2007 (the "REIT Average Stock Price") of $15.05 per share, the distribution of 330,000 shares of the REIT currently owned by Deerfield to the selling members, which had a market value based upon the REIT Average Stock Price of approximately $5,000,000 and cash distributions from Deerfield to the selling members. The consideration to be received by the Company and other members of Deerfield is subject to adjustment under certain circumstances, including a deduction for any amount outstanding under the revolving note of Deerfield, which is $2,000,000 as of July 1, 2007. Based on the REIT Average Stock Price of $15.05, the Company would receive minimum consideration of approximately $170,000,000 before expenses and amounts to be held in escrow for its capital interest of 63.6% and its profits interest of at least 52.3% in Deerfield. However, at July 1, 2007, the market price of the REIT common stock was $14.63 per share and as of July 31, 2007 it had declined to $10.97 per share and has continued to decline subsequent to that date. The total consideration that the Company will receive, including the number of shares it will receive in the REIT, is dependent upon Triarc's profits interest in Deerfield and the actual price of the REIT common stock at the time of closing. A portion of the consideration, in the form of approximately 2,500,000 shares of the REIT issuable in the transaction, will be deposited into an escrow account to be used to satisfy any indemnification claims related to Deerfield and will not be reflected as consideration until released from escrow. The Pending Deerfield Sale is subject to customary closing conditions, including as of July 1, 2007, approval by the REIT stockholders, the finalization of funding under a financing commitment received by the REIT for the cash portion of the sales price and a registration statement covering resale of the REIT shares to be received by the Company being declared effective by the SEC. On August 9, 2007, the REIT stockholders approved the Pending Deerfield Sale. The sale is currently expected to close on August 14, 2007 and the Company currently expects the sale will result in significantly lower proceeds than the approximate $300,000,000 set forth above as a result of the decline in the market price of the REIT common stock previously disclosed.

Two of Deerfield's executives, one of whom is a former director of the Company, in the aggregate currently hold approximately one-third of the capital interests and profit interests in Deerfield. Those executives have rights (the "Put Rights") under Deerfield's existing operating agreement to require the Company to acquire, for cash, a substantial portion of their interests in Deerfield under certain circumstances. In that regard, the Put Right of one of those executives can be exercised upon the sale of Deerfield and in May 2007 that executive gave notice exercising his right to require the Company to purchase his approximate one-quarter interests in Deerfield concurrent with the closing of the Pending Deerfield Sale (the "Put Exercise"). Since this executive has the right to be paid in cash, the amount to be paid to such executive is not affected by any change in the common stock price of the REIT subsequent to April 19, 2007 and is currently estimated to be between $70,000,000 and $75,000,000. The Company, however, would receive a combination of cash and shares issued by the REIT for such interests upon the sale of Deerfield of which a portion of the shares will be held in escrow. Subsequent to the closing of the Pending Deerfield Sale and assuming the Company receives all of the shares held in escrow for which the Company is entitled, and the additional shares to be received from the sale of the Deerfield interests to be acquired under the Put Exercise, the Company expects that it will own approximately 15% of the REIT, including 1,000,000 shares of the REIT, or approximately 2%, that are currently held in deferred compensation trusts that will be distributed to two former executives of the Company during the second half of 2007 (see Note 10).

The results of operations of Deerfield have been included in the accompanying condensed consolidated financial statements for the three-month and six-month periods ended July 2, 2006 and July 1, 2007 and will continue to be reported in the Company's results of operations through the date of the Pending Deerfield Sale. The Company does not anticipate that Deerfield will be reported as a discontinued operation since the Company will have significant continuing involvement in the operations of Deerfield after the sale through the significant number of REIT shares that it will own subsequent to the closing of the Pending Deerfield Sale.

Summary financial data for Deerfield, which, as discussed above, represents substantially all of the Company's asset management business, as of and for the six months ended July 1, 2007 is as follows (in thousands):

Total assets............................	$ 128,508
Revenues................................	32,719
Operating profit........................	4,001
Income from continuing operations before income taxes and minority interests.....	3,268

(4) Comprehensive Income (Loss)

The following is a summary of the components of comprehensive income (loss), net of income taxes and minority interests (in thousands):

	Three Months Ended	
	July 2, 2006	July 1, 2007
Net income (loss)	$ 3,231	$ (28,023)
Net unrealized gains (losses), including reclassification of prior period unrealized losses (gains), on available-for-sale securities (see below)	871	1,936
Net unrealized gains on cash flow hedges (see below)	1,149	1,062
Net change in currency translation adjustment	(39)	223
Comprehensive income (loss)	$ 5,212	$ (24,802)

The following is a summary of the components of the net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss) (in thousands):

	Three Months Ended	
	July 2, 2006	July 1, 2007
Unrealized holding gains arising during the period	$ 3,178	$ 4,560
Reclassifications of prior period unrealized holding (gains) losses into net income or loss	(547)	(690)
Unrealized holding gain arising from the reclassification of an investment previously accounted for under the equity method to an available-for-sale investment	--	550
Equity in change in unrealized holding losses arising during the period	(1,338)	(1,479)
	1,293	2,941
Income tax (provision) benefit	(492)	(1,069)
Minority interests in change in unrealized holding gains and losses of a consolidated subsidiary	70	64
	$ 871	$ 1,936

The following is a summary of the components of the net unrealized gains on cash flow hedges included in other comprehensive income (loss) (in thousands):

	Three Months Ended	
	July 2, 2006	July 1, 2007
Unrealized holding gains arising during the period	$ 1,471	$ 981
Reclassifications of prior period unrealized holding gains into net income or loss	(316)	(512)
Equity in change in unrealized holding gains arising during the period	727	1,213
	1,882	1,682
Income tax provision	(733)	(620)
	$ 1,149	$ 1,062

(5) Income (Loss) Per Share

Basic income (loss) per share has been computed by dividing the allocated income or loss for the Company's class A common stock (the "Class A Common Stock" or "Class A Common Shares") and the Company's class B common stock (the "Class B Common Stock" or "Class B Common Shares") by the weighted average number of shares of each class. Both factors are presented in the tables below. Net income for the three-month period ended July 2, 2006 was allocated between the Class A Common Stock and Class B Common Stock based on the actual dividend payment ratio. Net loss for the six-month period ended July 2, 2006 and the three-month and six-month periods ended July 1, 2007 was allocated equally among each share of Class A Common Stock and Class B Common Stock, resulting in the same loss per share for each class for each of these respective periods.

Diluted income per share for the three-month period ended July 2, 2006 has been computed by dividing the allocated income for the Class A Common Stock and Class B Common Stock by the weighted average number of shares of each class plus the potential common share effects on each class of (1) dilutive stock options, computed using the treasury stock method, and (2) contingently issuable performance-based restricted shares of Class A Common Stock and Class B Common Stock (the "Restricted Shares") for which vesting was dependent upon the Company's Class B Common Stock meeting certain market price targets and that would have been issuable based on the market price of the Company's Class B Common Stock as of July 2, 2006, both as presented in the table below. The shares used to calculate diluted income per share for the three-month period ended July 2, 2006 exclude any effect of the Company's 5% convertible notes due 2023 (the "Convertible Notes") which would have been antidilutive since the after-tax interest on the Convertible Notes per share of Class A Common Stock and Class B Common Stock obtainable on conversion exceeded the reported basic income from continuing operations per share. Diluted loss per share for the six-month period ended July 2, 2006 and the three-month and six-month periods ended July 1, 2007 was the same as basic loss per share for each share of the Class A Common Stock and Class B Common Stock since the Company reported a loss from continuing operations and, therefore, the effect of all potentially dilutive securities on the loss from continuing operations per share would have been antidilutive. The basic and diluted loss from discontinued operations per share for the three-month and six-month periods ended July 2, 2006 and the six-month period ended July 1, 2007 was less than $.01 and, therefore, such effect is not presented on the condensed consolidated statements of operations. In addition, the reported diluted and basic income per share are the same for each respective class of common stock for the three-month period ended July 2, 2006 since the difference is less than $.01.

In February 2006, $165,776,000 of the Convertible Notes were effectively converted into 4,144,000 and 8,289,000 shares of the Company's Class A Common Stock and Class B Common Stock, respectively, and, in May and June 2006, an additional $1,604,000 of the Convertible Notes were converted, for which 25,000 and 50,000 shares of the Company's Class A Common Stock and Class B Common Stock, respectively, were issued as of July 2, 2006 and 15,000 and 30,000 shares of the Company's Class A Common Stock and Class B Common Stock, respectively, were issued subsequent to July 2, 2006, as disclosed in Note 7. The weighted average effect of these shares is included in the basic and diluted income (loss) per share calculations from the dates of their issuance.

The only Company securities as of July 1, 2007 that could dilute basic income per share for periods subsequent to July 1, 2007 are (1) outstanding stock options which can be exercised into 459,000 shares and 4,971,000 shares of the Company's Class A Common Stock and Class B Common Stock, respectively, (2) 193,000 nonvested restricted Class B Common Shares which were granted in 2007 and vest over three years, (3) 33,000 contingently issuable performance-based restricted shares of the Company's Class B Common Stock which were granted in 2007 and (4) $2,100,000 of remaining Convertible Notes which are convertible into 52,000 shares and 105,000 shares of the Company's Class A Common Stock and Class B Common Stock, respectively.

Income (loss) per share has been computed by allocating the income or loss as follows (in thousands):

	Three Months Ended		
	July 2, 2006	July 1, 2007	Ju 2
Class A Common Stock:			
Continuing operations	$ 1,031	$ (8,749)	$
Discontinued operations	(42)	--	
Net income (loss)	$ 989	$ (8,749)	$
Class B Common Stock:			
Continuing operations	$ 2,339	$ (19,274)	$
Discontinued operations	(97)	--	
Net income (loss)	$ 2,242	$ (19,274)	$

The number of shares used to calculate basic and diluted income (loss) per share were as follows (in thousands):

	Three Months Ended		
	July 2,	July 1,	J

	2006	2007
Class A Common Stock:		
Basic weighted average shares outstanding..............	27,622	28,821
Dilutive effect of stock options..................	867	--
Contingently issuable Restricted Shares............	94	--
Diluted shares..	28,583	28,821
Class B Common Stock:		
Basic weighted average shares outstanding..............	59,939	63,490
Dilutive effect of stock options..................	2,418	--
Contingently issuable Restricted Shares............	459	--
Diluted shares..	62,816	63,490

(6) Facilities Relocation and Corporate Restructuring

The facilities relocation and corporate restructuring charges for the six-month period ended July 2, 2006 consisted of $578,000 related to the Company's restaurant business segment and $1,000,000 of general corporate charges. The charges for the six-month period ended July 1, 2007 consist of $254,000 related to the Company's restaurant business segment and $79,193,000 of general corporate charges. The charges in the restaurant segment in each period principally related to additional charges associated with the Company combining its existing restaurant operations with those of the RTM Restaurant Group ("RTM") following the acquisition of RTM in July 2005, including relocating the corporate office of the restaurant group from Fort Lauderdale, Florida to new offices in Atlanta, Georgia. The general corporate charge for the six-month period ended July 2, 2006 relates to the Company's decision in December 2005 not to relocate Triarc's corporate offices from New York City to Rye Brook, New York and represents an adjustment to the previously estimated costs resulting from an increase in the estimated marketing time needed to sublease the space. The Company incurred and recognized additional facilities relocation and corporate restructuring charges during the remainder of fiscal 2006 as described in more detail in Note 18 to the consolidated financial statements contained in the Form 10-K.

The general corporate charge for the six-month period ended July 1, 2007 principally related to the ongoing transfer of substantially all of Triarc's senior executive responsibilities to the Arby's Restaurant Group executive team in Atlanta, Georgia (the "Corporate Restructuring"). In April 2007, the Company announced that in light of the Pending Deerfield Sale, it will be closing its New York headquarters and combining its corporate operations with its restaurant operations in Atlanta, Georgia, which is expected to be completed in early 2008. Accordingly, to facilitate this transition, the Company entered into negotiated contractual settlements (the "Contractual Settlements") with its Chairman, who was also the then Chief Executive Officer, and its Vice Chairman, who was also the then President and Chief Operating Officer, (the "Executives") evidencing the termination of their employment agreements and providing for their resignation as executive officers as of June 29, 2007 (the "Separation Date"). Under the terms of the Contractual Settlements, the Chairman and former Chief Executive Officer is entitled to a payment consisting of cash and investments with a fair value of $50,289,000 as of July 1, 2007 and the Vice Chairman and former President and Chief Operating Officer is entitled to a payment consisting of cash and investments with a fair value of $25,144,000 as of July 1, 2007, both subject to applicable withholding taxes. The Company has funded the payment obligations to the Executives, net of applicable withholding taxes, by the transfer of cash and investments to deferred compensation trusts (the "2007 Trusts") held by the Company (see Note 10 for detailed disclosure of the 2007 Trusts). The general corporate charge of $79,193,000 reflects the payment entitlements under the Contractual Settlements, as well as severance due to another former executive, excluding incentive compensation relating to the six-month period ended July 1, 2007 and including applicable employer payroll taxes. The Company expects to incur additional severance and incentive compensation of approximately $7,500,000 with respect to other New York headquarters' executives and employees during the second half of 2007 and early 2008, as well as an anticipated loss of approximately $850,000 on properties and other assets at its New York headquarters, principally reflecting assets for which the appraised value was less than book value, sold subsequent to July 1, 2007 to an affiliate of the Executives (see Note 10), all as part of the Corporate Restructuring. In addition, the Company expects to incur a $2,000,000 severance charge relating to its asset management business segment with respect to the chief executive officer of Deerfield upon completion of the Pending Deerfield Sale.

The components of the facilities relocation and corporate restructuring charges and an analysis of activity in the facilities relocation and corporate restructuring accrual during the six-month periods ended July 2, 2006 and July 1, 2007 are as follows (in thousands):

	Six Months Ended July 2, 2006			
	Balance January 1, 2006	Provisions (Reductions)	Payments	Bala July 200
Restaurant Business Segment:				
Cash obligations:				
Severance and retention incentive compensation...	$ 3,812	$ 730	$ (2,874)	$ 1,6
Employee relocation costs......................	1,544	(146)(a)	(610)	7
Office relocation costs........................	260	(33)(a)	(114)	1
Lease termination costs........................	774	27	(258)	5
Total restaurant business segment............	6,390	578	(3,856)	3,1
General Corporate:				
Cash obligations:				
Lease termination costs........................	1,535	1,000	(754)	1,7
	$ 7,925	$ 1,578	$ (4,610)	$ 4,8

	Six Months Ende July 1, 2007			
	Balance December 31, 2006	Provisions	Payments	Balanc July 1 2007 (
Restaurant Business Segment:				

Cash obligations:				
Severance and retention incentive compensation...	$ 340	$ --	$ (200)	$ 14
Employee relocation costs.......................	134	254(a)	(47)	34
Office relocation costs.........................	45	--	(28)	1
Lease termination costs.........................	302	--	(258)	4
	821	254	(533)	54
Non-cash charges (c):				
Compensation expense from modified stock awards................................	--	--	--	-
Loss on disposal of properties..................	--	--	--	-
	--	--	--	-
Total restaurant business segment.........	821	254	(533)	54
Asset Management Business Segment:				
Cash obligations:				
Severance.......................................	--	--	--	-
General Corporate:				
Cash obligations:				
Severance and retention incentive compensation...	--	79,193	--	79,19
Non-cash charges (c):				
Loss on sale of properties and other assets......	--	--	--	-
	$ 821	$ 79,447	$ (533)	$ 79,73

(a) Reflects change in estimate of total cost to be incurred.

(b) Balance consists of $41,439,000 reported as current "Deferred compensation payable to related parties" and $38,296,000 included in "Accrued expenses and other current liabilities" in the accompanying condensed consolidated balance sheet as of July 1, 2007.

(c) During the six-month periods ended July 2, 2006 and July 1, 2007 the Company did not incur any non-cash facilities relocation and corporate restructuring charges.

(7) Loss on Early Extinguishments of Debt

The Company recorded losses on early extinguishments of debt aggregating $933,000 and $13,477,000 in the three-month and six-month periods ended July 2, 2006, respectively, consisting of (1) $34,000 and $12,578,000, respectively, related to conversions of the Company's Convertible Notes and (2) in the three-month period ended July 2, 2006, $899,000 related to a prepayment of term loans (the "Term Loans") under the Company's senior secured term loan facility.

In February 2006, an aggregate of $165,776,000 principal amount of the Company's Convertible Notes were effectively converted into an aggregate of 4,144,000 Class A Common Shares and 8,289,000 Class B Common Shares. In order to induce such effective conversion, the Company paid negotiated premiums aggregating $8,694,000 to the converting noteholders consisting of cash of $4,975,000 and 226,000 Class B Common Shares with an aggregate fair value of $3,719,000 based on the closing market price of the Company's Class B Common Stock on the dates of the effective conversions in lieu of cash to certain of those noteholders. In addition, the Company issued an additional 46,000 Class B Common Shares to those noteholders who agreed to receive such shares in lieu of a cash payment for accrued and unpaid interest. In May and June 2006, an additional $1,604,000 principal amount of Convertible Notes were converted, for which 25,000 Class A Common Shares and 50,000 Class B Common Shares were issued prior to July 2, 2006 and 15,000 Class A Common Shares and 30,000 Class B Common Shares were issued subsequent to July 2, 2006. In connection with these conversions and effective conversions of the Convertible Notes, the Company recorded a loss on early extinguishments of debt of $12,578,000 in the six-month period ended July 2, 2006, including $34,000 in the three-month period ended July 2, 2006, consisting of the premiums aggregating $8,694,000 and the write-off of $3,884,000 of related unamortized deferred financing costs, including $34,000 in the three-month period ended July 2, 2006.

During the three-month period ended July 2, 2006 the Company prepaid $45,000,000 principal amount of the Term Loans from excess cash and recorded a loss on early extinguishments of debt of $899,000 representing the write-off of related unamortized deferred financing costs.

(8) Discontinued Operations

During the fourth quarter of 2006, the Company closed two restaurants (the "Restaurant Discontinued Operations") which were opened in 2005 and 2006, and which were reported within the Company's restaurant segment. These two restaurants have been accounted for as discontinued operations in 2006 through their respective dates of closing since (1) their results of operations and cash flows have been eliminated from the Company's ongoing operations as a result of the closings and (2) the Company does not have any significant continuing involvement in the operations of the restaurants after their closings. The accompanying condensed consolidated statements of operations and cash flows have been reclassified to report the results of operations and cash flows of the two closed restaurants as discontinued operations for the three-month and six-month periods ended July 2, 2006.

Prior to 2006 the Company sold (1) the stock of the companies comprising the Company's former premium beverage and soft drink concentrate business segments (collectively, the "Beverage Discontinued Operations") and (2) the stock or the principal assets of the companies comprising the former utility and municipal services and refrigeration business segments (the "SEPSCO Discontinued Operations"). The Beverage and SEPSCO Discontinued Operations have also been accounted for as discontinued operations by the Company.

During the three-month period ended April 1, 2007, the Company recorded additional loss on disposal of the Restaurant Discontinued Operations relating to finalizing the leasing arrangements for the two closed restaurants.

The loss from discontinued operations consisted of the following (in thousands):

	Three Months Ended July 2, 2006	Six -------- July 2, 2006
Net sales	$ 212	$ 329
Loss from operations before benefit from income taxes	(233)	(360
Benefit from income taxes	94	145
	(139)	(215
Loss on disposal of businesses before benefit from income		

taxes...	--	--
Benefit from income taxes.................................	--	--
	--	--
	$ (139)	$ (215

Certain of the Company's state income tax returns that relate to discontinued operations are currently under examination. The Company has received notices of proposed tax adjustments aggregating $6,352,000 in connection with certain of these state income tax returns. However, the Company is contesting these proposed adjustments.

Current liabilities remaining to be liquidated relating to the discontinued operations result from certain obligations not transferred to the respective buyers and consisted of the following (in thousands):

	December 31, 2006
Accrued expenses, including accrued income taxes, of the Beverage Discontinued Operations..	$ 8,496
Liabilities relating to the SEPSCO Discontinued Operations..................	556
Liabilities relating to the Restaurant Discontinued Operations...............	202
	$ 9,254

The Company expects that the liquidation of these remaining liabilities associated with all of these discontinued operations as of July 1, 2007 will not have any material adverse impact on its condensed consolidated financial position or results of operations. To the extent any estimated amounts included in the current liabilities relating to discontinued operations are determined to be in excess of the requirement to liquidate the associated liability, any such excess will be released at that time as a component of gain or loss on disposal of discontinued operations.

(9) Retirement Benefit Plans

The Company maintains two defined benefit plans, the benefits under which were frozen in 1992 and for which the Company has no unrecognized prior service cost. The components of the net periodic pension cost incurred by the Company with respect to these plans are as follows (in thousands):

	Three Months Ended		
	July 2, 2006	July 1, 2007	J
Service cost (consisting entirely of plan administrative			

expenses)	$ 23	$ 23	$
Interest cost	55	55	
Expected return on the plans' assets	(65)	(58)	
Amortization of unrecognized net loss	12	6	
Net periodic pension cost	$ 25	$ 26	$

(10) Transactions with Related Parties

In connection with the Corporate Restructuring disclosed in Note 6, the Company entered into a series of agreements with the Executives and a management company (the "Management Company") formed by the Executives and a director, who is also the former Vice Chairman of the Company, (collectively, the "Principals"). These agreements are described in the paragraphs set forth below.

As disclosed in Note 28 to the consolidated financial statements contained in the Form 10-K, on November 1, 2005 the Principals started a series of equity investment funds (the "Equity Funds") that are separate and distinct from the Company and that are being managed by the Principals and other senior executives of the Company (the "Employees") through the Management Company formed by the Principals. Until June 29, 2007, the Principals and the Employees continued to receive their regular compensation from the Company and the Company made available the services of the Principals and the Employees, as well as certain support services, to the Management Company. Through June 29, 2007 (see below) the Company was reimbursed by the Management Company for the allocable cost of these services. Such allocated costs for the six-month periods ended July 2, 2006 and July 1, 2007 amounted to $1,768,000 and $2,515,000, respectively, and have been recognized as reductions of "General and administrative, excluding depreciation and amortization" expense in the accompanying condensed consolidated statements of operations. The Company was due $10,000 and $1,432,000 as of December 31, 2006 and July 1, 2007, respectively, relating to these services which are included in "Accounts and notes receivable" in the accompanying condensed consolidated balance sheets and were subsequently collected in the respective following month. As discussed further below, effective June 29, 2007 the Principals and nearly all of the Employees became employees of the Management Company and are no longer employed by the Company. The Company has reduced its incentive compensation expense during the six-month period ended July 1, 2007 by $2,700,000 representing the Company's current estimate of the Management Company's allocable portion of the estimated incentive compensation attributable to the Employees for the first six months of 2007. In addition, in July 2007 the Company paid $171,000 to the Management Company representing the accrued vacation of the Employees as of June 29, 2007, the obligation for which was assumed by the Management Company. A special committee comprised of independent members of the Company's board of directors has reviewed these arrangements.

As part of the agreement with the Executives and in connection with the Corporate Restructuring, the Company has entered into a two-year transition services agreement (the "Services Agreement") with the Management Company beginning June 30, 2007 pursuant to which the Management Company will provide the Company with a range of professional and strategic services. Under the Services Agreement, the Company will pay the Management Company $3,000,000 per quarter for the first year of services and $1,750,000 per quarter for the second year of services.

In December 2005, the Company invested $75,000,000 in an account (the "Equities Account") which is managed by the Management Company and co-invests on a parallel basis with the Equity Funds and had a carrying value of $108,559,000 as of July 1, 2007. As part of the agreements with the Executives, in April 2007 the Company entered into an agreement under which the Management Company will continue to manage the Equities Account until at least December 31, 2010, the Company will not withdraw its investment from the Equities Account prior to December 31, 2010 and, beginning January 1, 2008, the Company will pay management and incentive fees to the Management Company in an amount customary for other unaffiliated third party investors with similarly sized investments. In accordance therewith, the amounts held together with any related obligations in the Equities Account as of July 1, 2007 are reported as noncurrent assets and long-term liabilities in the accompanying condensed consolidated balance sheet and principally consist of $69,493,000 included in "Investments" and $39,636,000 included in "Restricted cash equivalents."

Prior to 2006 the Company provided aggregate incentive compensation of $22,500,000 to the Executives which had been invested in two deferred compensation trusts (the "Deferred Compensation Trusts") for their benefit. As of December 31, 2006 the obligation to the Executives related to the Deferred Compensation Trusts was $35,679,000 and was reported as noncurrent "Deferred compensation payable to related parties" in the accompanying condensed consolidated balance sheet. Deferred compensation expense of $1,147,000 and $2,516,000 was recognized in the six-month periods ended July 2, 2006 and July 1, 2007, respectively, for net increases in the fair value of the investments in the Deferred Compensation Trusts. This obligation was settled effective July 1, 2007 as a result of the Executives' resignation and the assets in the Deferred Compensation Trusts were either distributed to the Executives or used to satisfy withholding taxes. In addition, the Company recorded a receivable from the Executives of $801,000 as of July 1, 2007 for the balance of withholding taxes payable on their behalf which was collected later in July 2007. As of the settlement date, the obligation was $38,195,000 which represented the then fair value of the assets held in the Deferred Compensation Trusts. As of December 31, 2006, the assets in the Deferred Compensation Trusts consisted of $13,409,000 included in "Investments," which did not reflect the unrealized net increase in the fair value of the investments of $9,309,000 because the investments were carried under the cost method of accounting, $1,884,000 included in "Cash and cash equivalents" and $11,077,000 included in "Investment settlements receivable" in the accompanying condensed consolidated balance sheet. Under GAAP, the Company was unable to recognize any investment income for unrealized net increases in the fair value of those investments in the Deferred Compensation Trusts that were accounted for under the cost method of accounting. Accordingly, the Company recognized net investment income from investments in the Deferred Compensation Trusts of $141,000 and $8,653,000 in the six-month periods ended July 2, 2006 and July 1, 2007, respectively. The net investment income during the six-month period ended July 2, 2006 consisted of interest income of $158,000 and a $1,000 adjustment to the realized gain from the sale of a cost-method investment in the Deferred Compensation Trust, less investment management fees of $18,000. The net investment income during the six-month period ended July 1, 2007 consisted of $8,449,000 of realized gains almost entirely attributable to the transfer of the investments to the Executives and $222,000 of interest income, less investment management fees of $18,000. Realized gains, interest income and investment management fees are included in "Investment income, net" and deferred compensation expense is included in "General and administrative, excluding depreciation and amortization" expense in the accompanying condensed consolidated statements of operations. The unrealized net increase in the fair value of the investment retained by the Company of $3,154,000 at July 1, 2007 will be recognized when that investment is sold.

On June 29 and July 1, 2007, the Company funded the payment of the obligations due to the Executives under the Contractual Settlements described in Note 6, net of applicable withholding taxes of $33,994,000, in the 2007 Trusts. The payment of the amounts in the 2007 Trusts, including any investment income or less any investment loss, will be made to the Executives after six months following their June 29, 2007 Separation Date. As of July 1, 2007, the aggregate obligation to the Executives related to the 2007 Trusts was $41,439,000 and is reported as "Deferred compensation payable to related parties" classified as a current liability in the accompanying condensed consolidated balance sheet. As of July 1, 2007, the assets in the 2007 Trusts consist of $23,155,000 included in "Short-term investments not pledged as collateral," which had a fair value of $29,545,000, $11,355,000 included in "Cash and cash equivalents" and $539,000 included in "Investment settlements receivable" in the accompanying condensed consolidated balance sheet.

In July 2007, the Company sold substantially all of the properties and other assets it owned and used at its New York headquarters to the Management Company for an aggregate purchase price of $1,808,000, including $140,000 of sales taxes. The assets sold included computers and other electronic equipment and furniture and furnishings. The Company expects to recognize a loss of approximately $850,000 with respect to the assets sold principally reflecting assets for which the appraised value was less than book value.

In July 2007, the Company entered into an agreement under which the Management Company will sublease (the "Sublease") one of the floors of the Company's New York headquarters effective July 1, 2007. Under the terms of the Sublease, the Management Company will pay the Company an amount equal to the rent the Company pays plus a fixed amount reflecting a portion of the increase in the monthly fair market value of the Company's leasehold interest. The Management Company is also responsible for property taxes and the other costs related to the use of the floor. Either the Management Company or the Company may terminate the Sublease upon 60 days notice.

As of June 30, 2007, the Company assigned the lease for a corporate facility to the Management Company such that after that date, other than with respect to the Company's security deposit applicable to the lease, the Company has no further rights or obligations with respect to the lease. The security deposit of $113,000 will remain the property of the Company and, upon the expiration of the lease, is to be returned to the Company in full.

In August 2007, the Company entered into time share agreements whereby the Principals and the Management Company may use the Company's corporate aircraft in exchange for payment of the incremental flight and related costs of such aircraft.

The Company also intends to assign a 25% fractional interest in a helicopter to the Management Company, although the terms of such assignment have not yet been finalized. Pending that assignment, the Management Company has agreed to pay the monthly management fee and other costs related to the fractional interest in the helicopter. It is expected that subsequent to the assignment, the Company will have no further rights or obligations under the terms of the agreements applicable to the fractional interest. The Company does not expect to recognize any material gain or loss upon finalization of this assignment.

All of these agreements with the Executives and the Management Company were negotiated and approved by a special committee of independent members of the Company's board of directors. The special committee was advised by independent outside counsel and worked with the compensation committee and the performance compensation subcommittee of the Company's board of directors and its independent outside counsel and independent compensation consultant.

In addition to the related party transactions related to the Corporate Restructuring previously disclosed, the Company settled a post-closing purchase price adjustment, the amount of which had been in dispute, as provided for in an agreement and plan of merger pursuant to which the Company acquired RTM on July 25, 2005. The sellers of RTM include certain current officers of a subsidiary of the Company and a current director of the Company. The Company has agreed to pay the sellers of RTM an aggregate post-closing purchase price adjustment of $1,600,000, which the Company has reflected as an increase in "Goodwill" with an equal offsetting increase in "Accounts payable" in the accompanying condensed consolidated balance sheet as of July 1, 2007.

The Company continues to have additional related party transactions of the same nature and general magnitude as those described in Note 28 to the consolidated financial statements contained in the Form 10-K.

(11) Legal and Environmental Matters

In 2001, a vacant property owned by Adams Packing Association, Inc. ("Adams"), an inactive subsidiary of the Company, was listed by the United States Environmental Protection Agency on the Comprehensive Environmental Response, Compensation and Liability Information System ("CERCLIS") list of known or suspected contaminated sites. The CERCLIS listing appears to have been based on an allegation that a former tenant of Adams conducted drum recycling operations at the site from some time prior to 1971 until the late 1970s. The business operations of Adams were sold in December 1992. In February 2003, Adams and the Florida Department of Environmental Protection (the "FDEP") agreed to a consent order that provided for development of a work plan for further investigation of the site and limited remediation of the identified contamination. In May 2003, the FDEP approved the work plan submitted by Adams' environmental consultant and during 2004 the work under that plan was completed. Adams submitted its contamination assessment report to the FDEP in March 2004. In August 2004, the FDEP agreed to a monitoring plan consisting of two sampling events which occurred in January and June 2005 and the results were submitted to the FDEP for its review. In November 2005, Adams received a letter from the FDEP identifying certain open issues with respect to the property. The letter did not specify whether any further actions are required to be taken by Adams. Adams sought clarification from the FDEP in order to attempt to resolve this matter. On May 1, 2007, the FDEP sent a letter clarifying their prior correspondence and reiterated the open issues identified in their November 2005 letter. In addition, the FDEP offered Adams the option of voluntarily taking part in a recently adopted state program that could lessen site clean up standards, should such a clean up be required after a mandatory further study and site assessment report. The Company, its consultants and outside counsel are presently reviewing these new options and no decision has been made on a course of action based on the FDEP's offer. Nonetheless, based on provisions made prior to 2006 of $1,667,000 for all of these costs and after taking into consideration various legal defenses available to the Company, including Adams, Adams has provided for its estimate of its remaining liability for completion of this matter.

In addition to the environmental matter described above, the Company is involved in other litigation and claims incidental to its current and prior businesses. Triarc and its subsidiaries have reserves for all of their legal and environmental matters aggregating $800,000 as of July 1, 2007. Although the outcome of such matters cannot be predicted with certainty and some of these matters may be disposed of unfavorably to the Company, based on currently available information, including legal defenses available to Triarc and/or its subsidiaries, and given the aforementioned reserves, the Company does not believe that the outcome of such legal and environmental matters will have a material adverse effect on its condensed consolidated financial position or results of operations.

(12) Business Segments

The Company manages and internally reports its operations as two business segments: (1) the operation and franchising of restaurants ("Restaurants") and (2) asset management ("Asset Management") (see Note 3 regarding the pending sale of substantially all of the Asset Management segment). The Company evaluates segment performance and allocates resources based on each segment's earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA has been computed as operating profit plus depreciation and amortization, excluding amortization of deferred financing costs ("Depreciation and Amortization"). Operating profit (loss) has been computed as revenues less operating expenses. In computing EBITDA and operating profit (loss), interest expense, including amortization of deferred financing costs, and non-operating income and expenses have not been considered. Identifiable assets by segment are those assets used in the Company's operations of each segment. General corporate assets consist primarily of cash and cash equivalents, short-term investments, investment settlements receivable, current or non-current restricted cash equivalents, non-current investments and properties.

The following is a summary of the Company's segment information (in thousands):

	Three Months Ended	
	July 2, 2006	July 1, 2007
Revenues:		
Restaurants	$ 291,789	$ 299,980
Asset Management	15,828	16,841
Consolidated revenues	$ 307,617	$ 316,821
EBITDA:		
Restaurants	$ 39,210	$ 38,911
Asset Management	3,096	3,397
General corporate	(14,236)	(92,359)
Consolidated EBITDA	28,070	(50,051)
Less Depreciation and Amortization:		
Restaurants	12,203	14,850
Asset Management	1,448	2,463
General corporate	1,052	1,091
Consolidated Depreciation and Amortization	14,703	18,404
Operating profit (loss):		
Restaurants	27,007	24,061
Asset Management	1,648	934
General corporate	(15,288)	(93,450)
Consolidated operating profit (loss)	13,367	(68,455)
Interest expense	(38,246)	(15,286)
Loss on early extinguishments of debt	(933)	--
Investment income, net	30,796	17,625
Gain on sale of unconsolidated business	--	2,561
Other income, net	3,699	597
Consolidated income (loss) from continuing operations before income taxes and minority interests	$ 8,683	$ (62,958)

	Decem 2
Identifiable assets:	
Restaurants	$ 1,0
Asset Management	1
General corporate	2
Consolidated total assets	$ 1,5

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Triarc Companies, Inc., which we refer to as Triarc, and its subsidiaries should be read in conjunction with our accompanying condensed consolidated financial statements included elsewhere herein and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which we refer to as the Form 10-K. Item 7 of our Form 10-K describes the application of our critical accounting policies. Certain statements we make under this Item 2 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Special Note Regarding Forward-Looking Statements and Projections" in "Part II - Other Information" preceding "Item 1A."

Introduction and Executive Overview

We currently operate in two business segments. We operate in the restaurant business through our Company-owned and franchised Arby's restaurants and in the asset management business through our 63.6% capital interest in Deerfield & Company LLC, which we refer to as Deerfield. However, in April 2007 we entered into a definitive agreement to sell our entire interest in Deerfield, which we refer to as the Pending Deerfield Sale.

In our restaurant business, we derive revenues in the form of sales by our Company-owned restaurants and from royalties and franchise and related fees. While over 70% of our existing Arby's royalty agreements and all of our new domestic royalty agreements provide for royalties of 4% of franchise revenues, our average royalty rate was 3.6% for the six months ended July 1, 2007. In our asset management business, we derive revenues in the form of asset management and related fees from our management of (1) collateralized debt obligation vehicles, which we refer to as CDOs, and (2) investment funds and private investment accounts, which we refer to as Funds, including Deerfield Triarc Capital Corp., a real estate investment trust, which we refer to as the REIT.

We derive investment income principally from the investment of our excess cash. In that regard, in December 2005 we invested $75.0 million in an account, which we refer to as the Equities Account, which is managed by a management company, which we refer to as the Management Company, formed by our Chairman, who is also our former Chief Executive Officer, and our Vice Chairman, who is also our former President and Chief Operating Officer, whom we refer to as the Executives, and a director, who is also our former Vice Chairman, all of whom we refer to as the Principals. The Equities Account is invested principally in the equity securities, including through derivative instruments, of a limited number of publicly-traded companies. The Equities Account, including cash equivalents, had a fair value of $108.6 million as of July 1, 2007. We had also invested in several funds managed by Deerfield, including Deerfield Opportunities Fund, LLC, which we refer to as the Opportunities Fund, and DM Fund LLC, which we refer to as the DM Fund. Prior to 2006, we invested $100.0 million in the Opportunities Fund and later transferred $4.8 million of that amount to the DM Fund. We redeemed our investments in the Opportunities Fund and the DM Fund effective September 29, 2006 and December 31, 2006, respectively. The Opportunities Fund through September 29, 2006 and the DM Fund through December 31, 2006, were accounted for as consolidated subsidiaries of ours, with minority interests to the extent of participation by investors other than us. The Opportunities Fund was a multi-strategy hedge fund that principally invested in various fixed income securities and their derivatives and employed substantial leverage in its trading activities which significantly impacted our consolidated financial position, results of operations and cash flows. We also have an investment in the REIT. When we refer to Deerfield, we mean only Deerfield & Company, LLC and not the Opportunities Fund, the DM Fund or the REIT.

Our goal is to enhance the value of our Company by increasing the revenues of our restaurant business, which may include through acquisitions, and, until the Pending Deerfield Sale is completed, Deerfield's asset management business. We are continuing to focus on growing the number of restaurants in the Arby's system, adding new menu offerings and implementing operational initiatives targeted at improving service levels and convenience. We continue to grow Deerfield's assets under management by utilizing the value of its historically profitable investment advisory brand and increasing the types of assets under management, thereby increasing Deerfield's asset management fee revenues; although recently the credit markets have experienced reduced liquidity which could materially limit Deerfield's ability to increase assets under management if those conditions were to continue for a prolonged period of time.

We are currently in the process of a corporate restructuring involving the Pending Deerfield Sale and the disposition of certain other non-restaurant net assets. See the discussions of "Facilities Relocation and Corporate Restructuring" under "Results of Operations" and "Pending Deerfield Sale" following "Liquidity and Capital Resources" for a detailed discussion of the corporate restructuring and certain of its impacts on our results of operations and our liquidity and capital resources.

In recent periods our restaurant business has experienced the following trends:

- Addition of selected higher-priced quality items to menus, which appeal more to adult tastes;

- Increased consumer preference for premium sandwiches with perceived higher levels of freshness, quality and customization along with increased competition in the premium sandwich category which has constrained the pricing of these products;

- Increased price competition, as evidenced by (1) value menu concepts, which offer comparatively lower prices on some menu items, (2) combination meal concepts, which offer a complete meal at an aggregate price lower than the price of the individual food and beverage items, (3) the use of coupons and other price discounting and (4) many recent product promotions focused on the lower price of certain menu items;

- Increased competition among quick service restaurant competitors and other businesses for available development sites, higher development costs associated with those sites and higher borrowing costs in the lending markets typically used to finance new unit development;

- Increased availability to consumers of new product choices, including (1) additional healthy products focused on freshness driven by a greater consumer awareness of nutritional issues, (2) new products that tend to include larger portion sizes and more ingredients and (3) beverage programs which offer a selection of premium non-carbonated beverage choices, including coffee and tea products;

- Competitive pressures from operators outside the quick service restaurant industry, such as the deli sections and in-store cafes of several major grocery store chains, convenience stores and casual dining outlets offering prepared food purchases;

- Generally higher fuel prices, although fluctuating significantly in recent months, which cause a decrease in many consumers' discretionary income and increase our utility costs and the cost of commodities we will purchase under new distribution contracts that become effective in the third quarter of 2007;

- Competitive pressures due to extended hours of operation by many quick service restaurant competitors particularly during the breakfast hours as well as during late night hours;

- Federal, state and local legislative activity, such as minimum wage increases and mandated health and welfare benefits which could continue to result in increased wages and related fringe benefits, including health care and other insurance costs;

- Competitive pressures from an increasing number of franchise opportunities seeking to attract qualified franchisees; and

- Economically weak conditions in the Michigan and Ohio regions where a disproportionate number of our Company-owned restaurants are located.

We experience the effects of these trends directly to the extent they affect the operations of our Company-owned restaurants and indirectly to the extent they affect sales by our franchisees and, accordingly, the royalties and franchise fees we receive from them.

In recent periods, our asset management business has experienced the following trends:

- Increased volatility and widening of interest rate spreads recently experienced by the credit markets triggered by the higher default rates in the subprime mortgage markets which could, for at least the near term, negatively impact our future management and related fees from CDOs, incentive fees from the REIT and the fair value of some of our CDO investments, the extent to which we are unable to predict;

- Growth in the hedge fund market as investors appear to have increased their investment allocations to hedge funds, with particular interest recently in hedge strategies that focus on specific areas of growth in domestic and foreign economies such as oil, commodities, interest rates, equities and other specific areas, although such growth appears to have moderated recently reflecting the recent performance of certain funds and the competitive market;

- Increased demand for securities, although appearing to have moderated just recently, partly due to an increase in the number of hedge funds, resulting in higher purchase prices of certain securities and, during periods of asset liquidation by those hedge funds, potentially lower sales prices, which can negatively impact our returns;

- A flatter yield curve whereby the spread between short-term and long-term interest rates is less than the historic average, resulting in higher funding costs for our securities purchases, which has and can continue to negatively impact our margins within our managed funds, potentially lowering our asset management fees and assets under management;

- Reduced liquidity experienced recently in the credit markets which could materially limit our ability to increase assets under management if such conditions were to continue for a prolonged time, potentially lowering our asset management fees; and

- Increased merger and acquisition activity, resulting in additional risks and opportunities in the credit markets.

Presentation of Financial Information

We report on a fiscal year consisting of 52 or 53 weeks ending on the Sunday closest to December 31. However, Deerfield, the Opportunities Fund and the DM Fund report or reported on a calendar year ending on December 31. Our first half of fiscal 2006 commenced on January 2, 2006 and ended on July 2, 2006, with our second quarter commending on April 3, 2006, except that Deerfield, the Opportunities Fund and DM Fund are included on a calendar-period basis. Our first half of fiscal 2007 commenced on January 1, 2007 and ended on July 1, 2007, with our second quarter commencing on April 2, 2007, except that Deerfield is included on a calendar-period basis. When we refer to the "three months ended July 2, 2006," or the "2006 second quarter," and the "six months ended July 2, 2006" or the "2006 first half," we mean the periods from April 3, 2006 to July 2, 2006 and January 2, 2006 to July 2, 2006, respectivley. When we refer to the "three months ended July 1, 2007," or the "2007 second quarter," and the "six months ended July 1, 2007," or the "2007 first half," we mean the periods from April 2, 2007 to July 1, 2007 and January 1, 2007 to July 1, 2007, respectively. Each quarter contained 13 weeks and each half contained 26 weeks. All references to years, halves and quarters relate to fiscal periods rather than calendar periods, except for Deerfield, the Opportunities Fund and the DM Fund.

Results of Operations

Presented below is a table that summarizes our results of operations and compares the amount and percent of the change (1) between the 2006 second quarter and the 2007 second quarter and (2) between the 2006 first half and the 2007 first half. We consider certain percentage changes between these quarters to be not measurable, or not meaningful, and we refer to these as "n/m." The percentage changes used in the following discussion have been rounded to the nearest whole percent.

	Three Months Ended		Change		Six Months E	
	July 2, 2006	July 1, 2007	Amount	Percent	July 2, 2006	Ju 2
			(In Millions Except Percents			
Revenues:						

Net sales	$ 270.6	$ 278.6	$ 8.0	3 %	$ 529.4	$ 5
Royalties and franchise and related fees	21.2	21.4	0.2	1 %	39.6	
Asset management and related fees	15.8	16.8	1.0	6 %	30.6	
	307.6	316.8	9.2	3 %	599.6	6
Costs and expenses:						
Cost of sales, excluding depreciation and amortization	194.0	204.9	10.9	6 %	386.4	3
Cost of services, excluding depreciation and amortization	5.9	6.3	0.4	7 %	11.4	
Advertising and promotions	19.8	20.7	0.9	5 %	39.9	
General and administrative, excluding depreciation and amortization	58.3	56.0	(2.3)	(4)%	118.4	1
Depreciation and amortization, excluding amortization of deferred financing costs	14.7	18.4	3.7	25 %	28.1	
Facilities relocation and corporate restructuring	0.8	79.0	78.2	n/m	1.6	
Loss on settlement of unfavorable franchise rights	0.7	--	(0.7)	(100)%	0.7	
	294.2	385.3	91.1	31 %	586.5	6
Operating profit (loss)	13.4	(68.5)	(81.9)	n/m	13.1	(
Interest expense	(38.2)	(15.3)	22.9	60 %	(65.6)	(
Loss on early extinguishments of debt	(0.9)	--	0.9	100 %	(13.4)	
Investment income, net	30.7	17.6	(13.1)	(43)%	51.7	
Gain on sale of unconsolidated business	--	2.6	2.6	n/m	2.3	
Other income, net	3.7	0.6	(3.1)	(84)%	5.4	
Income (loss) from continuing operations before income taxes and minority interests	8.7	(63.0)	(71.7)	n/m	(6.5)	(
(Provision for) benefit from income taxes	(2.7)	36.0	38.7	n/m	2.9	
Minority interests in income of consolidated subsidiaries	(2.6)	(1.0)	1.6	62 %	(5.7)	
Income (loss) from continuing operations	3.4	(28.0)	(31.4)	n/m	(9.3)	(
Loss from discontinued operations, net of income taxes:						
Loss from operations	(0.1)	--	0.1	100 %	(0.2)	
Loss on disposal	--	--	--	--	--	
Loss from discontinued operations	(0.1)	--	0.1	100 %	(0.2)	
Net income (loss)	$ 3.3	$ (28.0)	$ (31.3)	n/m	$ (9.5)	$ (

Three Months Ended July 1, 2007 Compared with Three Months Ended July 2, 2006

Net Sales

Our net sales, which were generated entirely from the Company-owned restaurants, increased $8.0 million, or 3%, to $278.6 million for the three months ended July 1, 2007 from $270.6 million for the