



THE MARKET

On average, the restaurant industry reports \$1.3 billion in sales per day. The restaurant industry employs an estimated 12.2 million people, making it the nation's largest employer outside of government. In particular, the Quick-Service Restaurant (QSR) industry is booming. For 2004, QSRs represented over \$30 billion in sales in the United States alone.

With busier, task-filled days, people often eat at the keyboard or dashboard, and drive-thrus meet the needs of these consumers by offering good food fast. Checkers Drive-In Restaurants, Inc. caters to today's on-the-go consumers with two drive-thru lanes, a walk-up window, and outdoor seating. The double drive-thru concept allows Checkers and Rally's to capitalize on the fact that approximately 50 percent of all quick-service food business is drive-thru.

ACHIEVEMENTS

Checkers Drive-In Restaurants, Inc. is the largest double drive-thru restaurant chain in the United States. Checkers develops, produces, owns, operates, and franchises quick-service double drive-thru restaurants under the brand names Checkers® and Rally's®. As the ninth-largest hamburger chain, Checkers/Rally's offers a unique double drive-thru experience. The restaurants are designed to provide fast and efficient automobile-oriented service and appeal to guests of all ages.

Checkers Drive-In Restaurants, Inc. and its franchisees own and operate nearly 800 restaurants, with Checkers® restaurants located primarily in the southeastern United States, and Rally's® restaurants located primarily in the mid-western United States.

Checkers Drive-In Restaurants, Inc. is headquartered in Tampa, Florida, and is publicly traded on the NASDAQ stock market under the symbol CHKR.

HISTORY

Checkers was founded in 1986 in Mobile, Alabama, and it went public in 1991 after first growing into an 85-store chain throughout nine southeastern states. Rally's was founded in Louisville, Kentucky, in 1985. Checkers merged with Rally's Hamburgers, Inc. in August 1999, expanding the chain into the Midwest and out to the West Coast. Checkers and Rally's still offer 99-cent burgers, as they both did 20 years ago.

THE PRODUCT

Checkers/Rally's features a limited menu of high-quality hamburgers, cheeseburgers, bacon cheeseburgers, hot dogs, chicken sandwiches, and specialty seasoned fries. Both concepts offer Coca-Cola® products; old-fashioned, premium milk shakes in a variety of flavors; and fresh-brewed sweet tea. All food is made fresh to order and is sold at value pricing.

Signature full-flavored menu items include the Big Buford®, a double cheeseburger fully dressed with lettuce, tomato, and onion on a sesame seed bun. Other favorites include the quarter-pound Champ® Burger, Screamin' Chicken®, and Deep Sea Double®.

RECENT DEVELOPMENTS

Checkers Drive-In Restaurants, Inc. is "Hot Again" according to the leading restaurant industry trade publication, *Nation's Restaurant News*. In 2005, Checkers was named the Hot! Again concept for its innovation, strategy, and sizzling business performance. The chain's growth and marketing initiatives



are just part of the contributing factors making Checkers/Rally's hot.

Checkers/Rally's is growing, with 129 new franchised units planned to open by 2009. Among company-owned properties, new restaurants have been built and restaurants have been remodeled in New Orleans, Indianapolis, and Jacksonville, Florida.

In 2005, Checkers/Rally's signed on as the Official Burger and Drive-Thru Restaurant of NASCAR® and four International Speedway Corporation® tracks, bringing the brand to a national audience. The company is activating the sponsorship through a variety of programs, including the

Checkers/Rally's NASCAR Nextel Cup Series Double Drive-Thru Challenge pit road service competition. Each week, a local Checkers/Rally's franchisee is given the opportunity to present a check to the NASCAR team with the best pit time. Checkers/Rally's has brought this sponsorship from the national level to its local markets with customized Double Drive-Thru Challenge congratulatory television ads for the first time in NASCAR history. Special NASCAR combo meals are also being offered at participating Checkers/Rally's locations across the country.

PROMOTION

Checkers Drive-In Restaurants, Inc. is a valued member of the communities it serves. In 2004, Checkers/Rally's conducted a systemwide collectible-cup promotion raising \$100,000 for

You Gotta Eat!

the Cure Autism Now Foundation. At the 2004 Indianapolis 500®, Checkers/Rally's presented actor and Cure Autism Now spokesperson Anthony Edwards with the donation.

In 2004, Checkers also helped its local Florida community. Checkers donated 20,000 burgers, buns, and all condiments to the American Red Cross



Hurricane Charley relief effort to help feed residents of the Florida cities hardest hit by the storms.

Checkers Drive-In Restaurants, Inc. is the Official Burger sponsor of several professional sports teams, including the NFL's™ Indianapolis Colts® and Miami Dolphins®, MLB's™ Tampa Bay Devil Rays®, and the NBA's™ New Orleans Hornets®.

Checkers/Rally's also sponsors collegiate

teams such as the University of Florida Gators®, Florida State University Seminoles®, and the University of Louisville Cardinals®. With each sponsorship, Checkers/Rally's created signature sports combo meals and collectible cups in addition to the value-priced combo meals and limited-time offers that Checkers/Rally's promotes throughout the year.

The chain activates programs to leverage the sponsorships in each market, such as Checkers Tampa-area restaurants giving away free tickets to Devil

Rays games with purchase throughout the summer. For its NFL sponsorships, Checkers/Rally's created special electric football versions of its You Gotta Eat® spots.

As a sponsor of the University of Florida Gators and Florida State University Seminoles, the company contributes funds to both universities' athletic scholarship and food service education-related programs. In the first year of the program, Checkers contributed over \$125,000 through the "Pick Your Champ®" promotion and corporate pledge.

BRAND VALUES

The Checkers/Rally's brand is based on value-priced menu items served fast, fresh, and friendly.

Checkers/Rally's seasoned burgers, thick shakes, and award-winning fries make the brands' slogan "You Gotta Eat!®" undeniable.

In its fifth year, Checkers/Rally's signature You Gotta Eat campaign gives the company a consistent and powerful brand image. The memorable You Gotta Eat campaign combined with sports sponsorships helps raise the brand's visibility on national and regional levels, generating added-value media exposure worth millions, and contributing to the chain's fourth year of positive same-store sales. Today, 85 percent of Checkers/Rally's restaurants are supported by television advertising, and the chain is enjoying its highest brand awareness in company history.

The brand also values guest satisfaction. The management at Checkers/Rally's reinforces the importance of guest satisfaction to every employee, making them "Guest-Obsessed" (a training program designed to enhance the guest experience), from order-taking to delivery. Management is dedicated to rewarding employees for their outstanding performance. Checkers/Rally's offers award-winning incentive and reward programs to all of its employees systemwide, at franchised and company-owned stores. Rewards include new cars, cruises, and diamond rings.

Checkers/Rally's training programs and incentives are best in class, and they are making a real difference at the restaurants. The brand has achieved employee retention rates far better than the industry average, and more than 80 percent of promotions come from within the organization.

THINGS YOU DIDN'T KNOW ABOUT CHECKERS/RALLY'S

- Checkers/Rally's restaurants are 880-square-foot modular buildings that can be built on just half an acre, and they offer a lower start-up cost and faster development than many competitive concepts.
- In a 2004 QSR study, Checkers was ranked as having the overall fastest drive-thru service.
- Checkers/Rally's has awarded more than 70 new cars to top-performing restaurant managers over the past three years.
- There are Checkers/Rally's restaurants in nontraditional locations such as Tampa's Tropicana Field, Hartsfield-Jackson Atlanta International Airport, and the Indianapolis Motor Speedway.
- In 2005, as part of the company's NASCAR and International Speedway Corporation relationships, Checkers/Rally's added four restaurants operating at Daytona International Speedway, Homestead-Miami Speedway, Richmond International Raceway, and Michigan International Speedway.