



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

PLYMOUTH COUNTY
RETIREMENT ASSOCIATION,
SCOTT HAMPARIAN, EMAD
TADROS, and ZEIAD TADROS,

Plaintiffs,

v.

RESTAURANT BRANDS
INTERNATIONAL INC.,
MATTHEW PERELMAN and
ALEXANDER SLOANE,

Defendants.

C.A. No. 2024-1030-JTL

**PUBLIC VERSION AS FILED
ON OCTOBER 10, 2024**

VERIFIED CLASS ACTION COMPLAINT

Plaintiffs Plymouth County Retirement Association, Scott Hamparian, Emad Tadros, and Zeiad Tadros (together, “Plaintiffs”), on behalf of themselves and similarly situated former stockholders of Carrols Restaurant Group, Inc. (“Carrols” or the “Company”), bring this Verified Class Action Complaint (the “Complaint”) against Restaurant Brands International Inc. (“RBI”) for breach of fiduciary duty as the controlling stockholder of Carrols, and for unjust enrichment, arising out of the acquisition (the “Transaction”) of Carrols by RBI and against directors Matthew Perelman (“Perelman”) and Alexander Sloane (“Sloane”) for breaches of fiduciary in connection with the Transaction. The allegations herein are based on Plaintiffs’

knowledge as to themselves and, as to all other matters, on information and belief, including counsels' investigation, review of publicly available information, and the review of certain books and records produced by Carrols in response to Plaintiffs' demands made under 8 *Del. C.* § 220 (the "Demands") as to all other matters.

NATURE OF THE ACTION

1. This action (the "Action") alleges that RBI abused its control over Carrols, its business decisions, and strategic options to coerce the Special Committee into recommending, and Carrols' stockholders into approving a sale of Carrols to RBI in a take-private transaction at an unfair price. In particular, RBI used its contractual rights as franchisor and preferred stockholder rights to: (i) exercise control over Carrols' business decisions generally (in particular, overriding the preferences of Carrols management concerning how to allocate capital between acquiring new restaurants versus remodeling existing restaurants); and (ii) exercise control over approval of the Transaction. Further, RBI appears to have leveraged its longstanding relationship with Garnett Station Partners ("GSP"), the investment firm co-founded by two conflicted members of the Special Committee, Defendants Perelman and Sloane, to influence the Special Committee's deliberations. This prior relationship was not disclosed to Carrols' stockholders. Thus, because RBI exercised both actual and transaction-specific control, and the stockholder vote was both coerced and uninformed, entire fairness applies to review of the Transaction.

2. Carrols owned and operated Burger King and Popeyes restaurants pursuant to franchisee agreements and other contractual arrangements with RBI. But RBI was not just a franchisor; it also owned Carrols Series D Convertible Preferred Stock that was convertible into 14.6% of Carrols common stock, which entitled it to designate two representatives on the Carrols Board of Directors (the “Board”), and to vote 9,414,580 shares of Carrols common stock on an as-converted basis, yielding an influential 14.6% voting stake in the Company.

3. The terms of the Series D Convertible Preferred Stock and franchise agreements provided RBI with a veto over numerous core Carrols business decisions, including a change in its business model such as whether to allocate capital to the acquisition of new restaurants or to renovate existing restaurants, and any sale of the Company. These veto rights, together with its significant voting rights and Board representation, provided RBI with control over the Company generally and specifically with respect to the Transaction.

4. Historically, Carrols has grown through large-scale acquisitions of new Burger King Restaurants. However, in the fall of 2023, RBI informed Carrols that it intended to submit a proposal to acquire Carrols and that it would neither support a sale of Carrols to any third-party nor support any effort by Carrols to make large acquisitions of new restaurants.

5. In response, the Board formed a Special Committee (the “Special Committee”) to negotiate with Carrols. That Special Committee was not fully disinterested or independent. Instead, it included Perelman and Sloane, who were two principals of Cambridge Franchise Holdings LLC (“Cambridge”). Although Cambridge was the Company’s largest stockholder, it had already entered into agreements with brokers to sell its entire Carrols position over time in the market. As a result, Perelman and Sloane were personally incentivized to agree to a sale transaction and were not interested in a scenario where Carrols remained a standalone Company for the long-term (as opposed to Carrols’ other stockholders, who might be better served by Carrols remaining independent).

6. Further, Perelman and Sloane are also co-founders of the investment firm GSP. GSP and RBI share a longstanding relationship given that several of GSP’s senior executives are RBI alumni and GSP frequently hires RBI executives, which created yet another potential conflict for Perelman and Sloane while serving on the Special Committee, and another source of influence and control for RBI.

7. The Special Committee determined that RBI’s refusal to consent to acquisitions of new restaurants would limit Carrols’ growth prospects. As a result of the coercive actions of RBI to threaten to stifle Carrols’ growth and block any other potential sale, the Special Committee ultimately agreed to sell Carrols to RBI

for \$9.80 per share, or an aggregate enterprise value of \$1 billion, after only four days of negotiations.

8. Then, in the proxy statement soliciting stockholder votes in favor of the Transaction (the “Proxy”), the Company made clear to stockholders that RBI would not support any other strategic transaction and, if stockholders did not approve the Transaction, RBI would not support a return to the Company’s historical growth strategy. As a result, stockholders were also coerced into approving the Transaction.

9. The stockholder vote was also uninformed since the Proxy failed to disclose: (i) Cambridge’s plan to liquidate its entire Carrols position over time (which rendered Perelman and Sloane not disinterested); and (ii) the longstanding relationship between GSP and RBI (which rendered Perelman and Sloane not independent). Instead, the Proxy stated falsely that the “Special Committee of the Carrols Board was comprised solely of independent and disinterested directors.” (emphasis added).

10. Through this Action, Plaintiffs seek to recover damages on behalf of themselves and all other similarly situated former stockholders of Carrols for Defendants’ breaches of fiduciary duty in connection with the Transaction.

PARTIES AND RELEVANT NON-PARTIES

I. PLAINTIFFS

11. **Plaintiff Plymouth County Retirement System** was the beneficial owner of Carrols common stock and held Company stock at all relevant times. It received the Transaction consideration in exchange for all of its shares in connection with the Transaction.

12. **Plaintiff Scott Hamparian** was the beneficial owner of Carrols common stock and held Company stock at all relevant times. He received the Transaction consideration in exchange for all of his Carrols shares in connection with the Transaction.

13. **Plaintiff Emad Tadros** was the beneficial owner of Carrols common stock and held Company stock at all relevant times. He received the Transaction consideration in exchange for all of his Carrols shares in connection with the Transaction.

14. **Plaintiff Zeiad Tadros** was the beneficial owner of Carrols common stock and held Company stock at all relevant times. He received the Transaction consideration in exchange for all of his Carrols shares in connection with the Transaction.

II. DEFENDANTS

15. **Defendant RBI** is a Canadian corporation that serves as the holding company for entities that own and franchise the Tim Hortons, Burger King, Popeyes, and Firehouse Subs restaurant brands. With over 30,000 restaurants worldwide yielding more than \$42 billion in annual revenue, RBI is considered one of the largest operators of fast-food restaurants in the world. RBI indirectly beneficially owned 100 shares of Carrols' Series D Convertible Preferred Stock, which entitled it to vote 9,414,580 shares of Carrols common stock on an as-converted basis, yielding an influential 14.6% voting stake in the Company.

16. **Defendant Perelman** served as a director of RBI from April 2019 through the closing of the Transaction. Perelman co-founded and controlled Cambridge and GSP along with Sloane. Perelman was a member of the Special Committee.

17. **Defendant Sloane** served as a director of RBI from April 2019 through the closing of the Transaction. Sloane co-founded and controlled Cambridge and GSP along with Perelman. Sloane was a member of the Special Committee.

III. RELEVANT NON-PARTIES

18. **Carrols Restaurant Group, Inc.** was one of the largest restaurant companies in the United States and operated restaurants for more than 60 years. Carrols operated two distinct quick service restaurant brands: Burger King and

Popeyes. Prior to the Transaction, Carrols was the largest Burger King franchisee owning 1,022 restaurants spanning 23 states. The Company was incorporated in Delaware, headquartered in Syracuse, New York, and its common stock traded on the NASDAQ Global Market under the ticker “TAST.”

19. **Cambridge** controlled approximately 16.7% of the Company’s voting power as of the record date for the stockholder vote on the Transaction through its ownership of Carrols’ Series C Convertible Preferred Stock (“Series C Preferred Stock”). At the time of the Transaction, Cambridge was already in the middle of what was likely to be a lengthy process to liquidate its holdings of Carrols stock.

20. Founded by Perelman and Sloane, Cambridge is controlled by Perelman and Sloane and their investment firm Garnett Station Partners (“GSP”). Perelman and Sloane are childhood friends who co-founded GSP in 2013. In 2014, Perelman and Sloane founded Cambridge when they partnered with Ray Meeks by purchasing his 23 Burger King franchises. By 2019, Cambridge held 165 Burger King and 55 Popeyes restaurants, and sold the franchises to Carrols in exchange for 7.36 million shares of Carrols common stock, Series C Preferred Stock convertible into shares of Carrols common stock, and the assumption of \$100 million of net debt

from Cambridge. GSP and RBI share a unique relationship given that several of GSP’s senior executives are RBI alumni and GSP frequently hires RBI executives.¹

21. **Jefferies LLC (“Jefferies”)** is an investment bank and a subsidiary of Jefferies Financial Group, Inc. (together with Jefferies LLC, “Jefferies”). Jefferies served as financial advisor to the Carrols Special Committee in connection with the Transaction. Previously, Jefferies served as financial advisor to Fiesta Restaurant Group in its sale to GSP, the investment firm co-founded by Perelman and Sloane.

22. **Thomas B. Curtis (“Curtis”)** has served as a director of the Carrols Board since July 13, 2021. Curtis is the current President of Burger King Corporation Americas (“BKC Americas”), a position he has held since October 2021. According to Curtis’ LinkedIn profile, serving as President of BKC Americas is his primary occupation. As current President of BKC Americas, Curtis reports to RBI’s CEO, Joshua Kobza (“Kobza”). From May 2021 to August 2021, Curtis served as the Chief Operating Officer (“COO”) of BKC Americas.

23. For 2021, 2022, 2023, Curtis earned \$4,856,098, \$4,565,437, and \$5,385,795, respectively, in total compensation from RBI. As of April 12, 2024,

¹ See Pedro Timo, LinkedIn Profile, https://www.linkedin.com/in/pedro-timo-75726717?trk=public_post_feed-actor-name; Felipe Athayde, LinkedIn Profile, <https://www.linkedin.com/in/felipe-athayde-607210b>; Alex Macedo, LinkedIn Profile, <https://www.linkedin.com/in/alex-macedo-8a82661b5>; Fernando Machado, LinkedIn Profile, <https://www.linkedin.com/in/fernando-machado-a87ab2a/>; Nuno Lima, LinkedIn Profile, <https://www.linkedin.com/in/nunoalmeidalima/>.

Curtis owned 27,104 shares of RBI common stock. As a senior RBI executive, Curtis was financially incentivized to approve the merger for RBI. As part of RBI's executive compensation program, Curtis receives annual performance-based bonuses consisting of cash bonuses, restricted stock units ("RSUs") through a "Bonus Swap Program" measured in part by RBI's stock price, comparable sales, net restaurant growth and franchisee profitability, and performance stock units ("PSUs") also measured in part by RBI's stock price. In 2023, Curtis received 14,523 Bonus Matching RSUs and 44,280 PSUs. For 2024, RBI's compensation committee determined to grant Curtis 59,697 PSUs.²

24. **Matthew Dunnigan** ("Dunnigan") served as a director of the Board from February 2018 until April 2024. Dunnigan is the current Chief Financial Officer ("CFO") of RBI and has been RBI's CFO since January 2018. From October 2014 to January 2018, Dunnigan served as RBI's Treasurer.

25. For 2021, 2022, 2023, Dunnigan earned \$5,019,570, \$6,210,013, and \$5,312,196, respectively, in total compensation from RBI. According to Dunnigan's LinkedIn profile, serving as RBI's CFO is his primary occupation. As a senior RBI executive, Dunnigan was financially incentivized to approve the merger for RBI. As

² According to RBI, "[t]he performance metric for the PSUs is based on the relative total shareholder return of our common shares on the NYSE compared to the performance of the S&P 500 for the period from February 23, 2024 (grant date) to February 23, 2027."

part of RBI's executive compensation program, Dunnigan receives annual performance-based bonuses consisting of cash bonuses, RSUs through a "Bonus Swap Program" measured in part by RBI's stock price, comparable sales, net restaurant growth and franchisee profitability, and PSUs also measured in part by RBI's stock price. In 2023, Dunnigan received 14,709 Bonus Matching RSUs and 36,900 PSUs. For 2024, RBI's compensation committee determined to grant Dunnigan 33,165 PSUs.

JURISDICTION

26. This Court has jurisdiction over this Action pursuant to 10 *Del. C.* § 341, which provides that this Court "shall have jurisdiction to hear and determine all matters and causes in equity."

27. As directors and/or officers of the Company, Defendants have consented to the jurisdiction of this Court pursuant to 10 *Del. C.* § 3114.

SUBSTANTIVE ALLEGATIONS

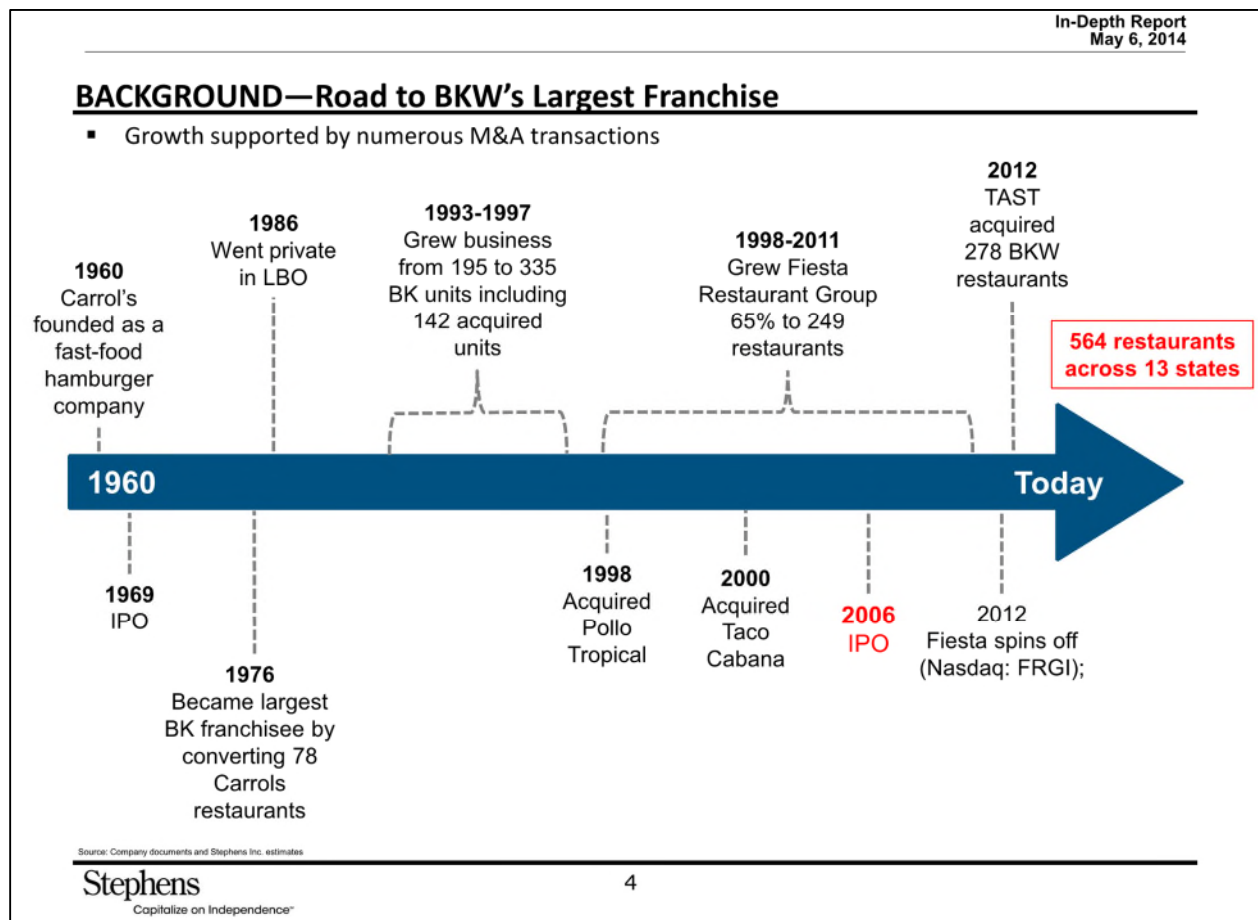
I. CARROLS GROWS RAPIDLY THROUGH ACQUISITIONS

28. Carrols was founded by restaurant investor Herbert N. Slotnik ("Slotnik") in 1960 as a burger and fries drive-in based out of Syracuse, New York. The Carrols burger restaurant chain was a spin-off of the Tastee-Freeze Company, and Carrols was named after the Tastee-Freeze co-owner's daughter, Carol Marantz.

29. Through the 1970s the Carrols franchise grew around the country but competition in the hamburger restaurant space grew competitive. In an interview, Slotnik said wherever a Carrols restaurant would open, Burger King would place one of its stores right next door. Eventually Slotnik determined that if he “couldn't beat Burger King and McDonalds, he might as well join them.”

30. In 1976, Carrols became the largest franchisee of Burger King restaurants by converting all 78 Carrols restaurants to Burger Kings. Through a multi-decade acquisition spree, Carrols remained the largest franchisee of Burger King restaurants at the time the Transaction closed. As illustrated below, following Carrols' conversion of 78 restaurants to Burger Kings, Carrols pursued an aggressive acquisition strategy, purchasing hundreds of Burger King restaurants spanning 23

states:



31. To focus on its Burger King restaurants, Carrols announced in February 2011 that it was divesting its Taco Cabana and Pollo Tropical restaurant brands via a tax-free spin-off. The spin-off of the Taco Cabana and Pollo Tropical brands resulted in the creation of a new publicly traded company called Fiesta Restaurant Group. Upon consummation of the spin-off, Fiesta Restaurant Group operated the Pollo Tropical and Taco Cabana businesses while Carrols continued to own and operate the franchise Burger King restaurants. As a result of the spin-off, Jefferies

became Fiesta's largest stockholder owning 28.1% of Fiesta's common stock. In October 2023, Fiesta was acquired by Authentic Restaurant Brands, an affiliate of GSP in a transaction where Jefferies served as the lead financial advisor to Fiesta.

32. Carrols' acquisition spree continued into the following year. In 2012, Carrols nearly doubled the number of its Burger King franchises—from 296 to 574—with a May 30, 2012 acquisition of 278 company-owned restaurants from Burger King Corporation (now known as RBI) (the "2012 Transaction"). The 2012 Transaction resulted in Carrols becoming the largest Burger King franchisee worldwide. For its part, Burger King became one of Carrols' largest stockholders taking a 28.9% equity interest in the Company via the issuance of Series A Preferred Stock, as described below.

33. Total consideration for the 2012 Transaction included: (a) issuance to Burger King Corporation of Series A Convertible Preferred Stock (which was eventually exchanged for RBI's Series D Convertible Preferred Stock), resulting in Burger King Corporation owning a 28.9% interest in the Company; and (b) total cash payments of \$16.2 million.

34. A major catalyst to Carrols becoming the largest Burger King owner and operator was its special right of first refusal, which Burger King granted to the Company through an operating agreement (the "Operating Agreement") executed on May 30, 2012. Under the Operating Agreement entered into in connection with

the 2012 Transaction, Burger King Corporation assigned to Carrols its right of first refusal (“ROFR”) on franchisee sales of Burger King restaurants in twenty states. The ROFR allowed Carrols to review any sale of a Burger King franchise and step in as the buyer. Additionally, Burger King Corporation granted to Carrols, on a non-exclusive basis, franchise pre-approval to, among other things, acquire restaurants from Burger King franchisees in certain markets until the Company operated 1,000 Burger King restaurants.

35. Thereafter, Carrols continued its aggressive growth-by-acquisition strategy, as illustrated below:

Year	2014	2015	2016	2017	2018
Burger King Restaurants Acquired	123	55	56	64	44
Total Burger King Restaurants Operated	674	705	753	807	849

36. Carrols surpassed the 1,000 Burger King restaurant threshold in 2019 through a transaction (the “Cambridge Transaction”) with Cambridge. In the Cambridge Transaction, Carrols acquired 165 Burger King restaurants, 55 Popeyes restaurants (which also had RBI as the franchisor), and six convenience stores. As consideration for the acquisition, Cambridge received 10,000 shares of Carrols Series C Convertible Preferred Stock that subsequently converted to approximately 14.9 million Company shares of common stock. In connection with receiving Series C Preferred Stock, Cambridge was granted the right to designate two of its executives to the Board: Sloane and Perelman.

37. In connection with the Cambridge Transaction, Burger King Corporation and Carrols further expanded the ROFR granted to the Company under the Operating Agreement and executed an Area Development Agreement (the “ADA”). Under the ADA, Burger King Corporation: (a) assigned to Carrols its right of first refusal under its franchise agreements with franchisees to purchase all of the assets of Burger King restaurants on the same terms proposed between such franchisee and a third party purchaser (the “ADA ROFR”) in 16 states and a limited number of counties in four additional states; and (b) granted Carrols pre-approval to acquire Burger King restaurants until the date that it had acquired more than an aggregate of an additional 500 Burger King restaurants (excluding those restaurants the Company acquired in the Cambridge Acquisition).

38. On January 4, 2021, Carrols and Burger King Corporation entered into an amended and restated Area Development Agreement (the “Amended ADA”) in which Carrols forfeited its ROFR in 16 states. However, under the Amended ADA, Carrols maintained its pre-approval to acquire up to an additional 500 Burger King restaurants in territories in which Carrols already operated.

II. RBI CONTROLLED CARROLS THROUGH NUMEROUS LEVERS

39. In 2014, RBI was formed via a \$12.5 billion merger between Burger King and Canadian coffee shop and restaurant chain Tim Hortons, and later expanded by the 2017 purchase of American fast-food chain Popeyes.

40. Through a series of exchange agreements entered into by Carrols and RBI in November 2018 and December 2022, the Series A Convertible Preferred Stock issued to Burger King in connection with the 2012 Transaction was exchanged for the Series D Convertible Preferred Stock held by RBI at the time of the Transaction.

41. Prior to the Transaction, RBI was able to exert control over Carrols through a series of contractual consent rights arising from its Series D Convertible Preferred Stock and franchise agreements with Carrols.

42. RBI controlled 14.6% of the Company's voting power through its ownership of Series D Convertible Preferred Stock, which were entitled to vote 9,414,580 shares of Carrols common stock on an as-converted basis, yielding an influential 14.6% voting stake in the Company. The Series D Convertible Preferred Stock also gave RBI certain consent rights (collectively, the "Consent Rights"), so long as it owned greater than 10% of the Company's outstanding shares of common stock (on an as-converted basis), with regards to, among other things:

- modifying the Company's organizational documents;
- amending the size of the Board;
- declaring or paying a special cash dividend;
- authorizing or consummating any "Liquidation Event," which the certificate of designation defines to include: (i) any merger or consolidation where pre-transaction stockholders own less than a

majority of the voting securities of the surviving entity; and (ii) the sale distribution, or other disposition of all of substantially all of the Company's assets;

- engaging in any business other than the acquisition and operation of Burger King and Popeyes restaurants; and
- issuing shares of Company common stock in an amount exceeding 35% of the total number of shares of the Company's common stock outstanding immediately prior to the time of such issuance.

43. Moreover, the Series D certificate of designation provided RBI with the right to elect one or two members of the Board as "Class D members," so long as RBI retained 7.5% and 11.5% of the Company's stock, respectively (on an as-converted basis) (the "Board Election Rights"). Prior to the Transaction, RBI appointed two Class D members to the Board (together, the "Class D Directors"): Dunnigan (Chief Financial Officer of RBI) and Curtis (President of Burger King Corporation, a subsidiary of RBI).

44. RBI's operational control over Carrols also stemmed from RBI's franchise agreements with the Company, pursuant to which Carrols operated its Burger King and Popeyes restaurants (collectively, the "Franchise Agreements"). The Franchise Agreements, among other things, required Carrols to make capital expenditures to remodel restaurant locations and provided RBI with a consent right over Carrols' acquisition of additional Burger King or Popeyes restaurants.

45. For instance, according to a template franchise agreement produced in the Demands:

- RBI has a consent right over Carrols' sale or acquisition of Burger King or Popeyes restaurants; and
- Carrols cannot "own, operate or have any interest in any hamburger restaurant business except other franchised Burger King Restaurants."

46. Because these various agreements allowed RBI to veto transactions Carrols management believed were in the best interests of the Company as well as any sale of the Company to a third-party, RBI was able to exert significant control over the process that led to the Transaction.

III. RBI OVERRIDES THE PREFERENCES OF CARROLS' MANAGEMENT CONCERNING HOW TO ALLOCATE CAPITAL

47. The years leading up to the Transaction were a time of significant change at Carrols in terms of its leadership and business strategy.

48. On April 1, 2022, Daniel Accordini retired as Chairman of the Board, CEO, and President of Carrols after a fifty-year career at the Company. On that same day, Paulo Pena ("Pena") joined the Company as its new CEO and President.

49. In the months surrounding these leadership changes at Carrols, RBI developed and, in September 2022 announced, its "Reclaim the Flame" initiative, a multi-year plan focused on remodeling existing restaurants and new advertising investments.

50. In September 2022, RBI announced its “Reclaim the Flame” plan. The Reclaim the Flame plan, which was developed in collaboration between RBI and its Burger King franchisees, was a program whereby RBI committed \$400 million over two years to accelerate sales growth and drive franchisee profitability through investment in pre-existing stores. For their part, franchisees also made a commitment to invest additional capital to improve the advertising and remodeling of their respective stores.

51. On December 31, 2022, Pena tragically and unexpectedly passed away after only nine-months as CEO. In response to Pena’s death, David Harris (“Harris”), the Chairman of Carrols, praised Pena as a visionary leader whose impact on the Company was undeniable. The Board also appointed Anthony Hull, the Company’s CFO, to serve as interim President and CEO.

52. On April 13, 2023, the Board appointed Deborah Derby (“Derby”), who had served as a Carrols director since 2018, as permanent President and CEO effective May 1, 2023.³ In the years preceding Derby’s appointment, Carrols had significantly slowed its historically aggressive pace of acquiring new Burger King franchises. Since 2019, Carrols had only acquired a total of 19 new Burger King

³ In connection with her appointment as CEO, Derby received significant grants of restricted stock and performance based restricted stock units, all of which vested in connection with the Transaction. The total value of her unvested restricted stock and restricted stock units at the time of the Transaction was approximately \$15.4 million

restaurants, all in 2021. However, Derby quickly signaled she would like to revert to the Company's historical growth strategy through acquisition.

53. Following Derby's first full quarter as CEO, during an August 10, 2023 earnings call, an analyst noted that Carrols' leverage was "coming down very quickly" and asked if Carrols "could start to look again at buying stores and acquiring stores like had been such a critical part of the model in the past." In response, Derby noted that while the Company's short-term focus was on organic growth, management and the Board were "working on a three-year strategy. **And I believe that obviously you'll see acquisitions as a component of that going forward.**" (emphasis added). As explained above, Carrols required the consent of RBI before acquiring any new Burger King franchises.

54. However, beginning in April 2023 and concluding in November 2023, Carrols and RBI negotiated an agreement related to Reclaim the Flame program pursuant to which Carrols agreed to remodel 64 restaurants between 2023 and 2024 and RBI agreed to contribute toward the cost of remodeling the restaurants. In the fall of 2023, while RBI was "monitor[ing] and evaluat[ing] Carrols' progress in implementing the refreshing and remodeling of its restaurants under the "Reclaim the Flame program," RBI communicated to Carrols its "view that remodeling and upgrading Carrols' existing restaurant portfolio **should be Carrols' priority use of capital in the near term, rather than large acquisitions of new restaurants . . .**

.” (emphasis added). In contrast to Carrols’ prior growth-by-acquisition strategy, RBI conveyed that it was only “prepared to consider any request for its consent to the acquisition of small numbers of restaurants on a case-by-case basis.”

IV. RBI COERCES THE SPECIAL COMMITTEE TO RECOMMEND THE TRANSACTION, AND STOCKHOLDERS TO APPROVE THE TRANSACTION

A. Carrols Begins Exploring Strategic Alternatives

55. In late September 2023, while Carrols was in the midst of implementing the Reclaim the Flame initiatives and management was preparing its new three-year plan, the Board began conversations with potential financial advisors concerning an exploration of strategic alternatives, including a potential sale of the Company. Prior to the first meeting with potential financial advisors, the Class D Directors, whose consent (through RBI) was necessary for any sale of Carrols, were informed of the strategic review process and requested (and were permitted) to participate. The Class D Directors informed the Board that RBI “was not at the time interested in pursuing an acquisition of the company.”

56. Later in the fall of 2023, however, purportedly because RBI “believed that maximizing the long-term value of Carrols and the Burger King brand as a whole would require more rapid refreshing and remodeling of restaurants than Carrols was then prepared to implement, and that reinvestment in the business

should take priority over other uses of cash at that time,” RBI informed Carrols that it intended to evaluate a potential acquisition of Carrols.

57. Accordingly, on November 6, 2023, the Board “determined not to move forward with retaining a financial advisor or exploring a potential sale of Carrols at the time.” In coming to that decision, that Board determined “that there would likely be few, if any, potential buyers for Carrols at the time due to Carrols’ ongoing and substantial remodel investment requirements and [RBI’s] contractual consent rights over the acquisition of additional Burger King or Popeyes franchise locations and restaurants outside the Burger King or Popeyes brands going forward.” The Board also believed it would be “beneficial to assess the impact of the anticipated capital expenditures under the Reclaim the Flame Agreement, including its return on investment, and Carrols’ recent strong financial performance”

58. The Board was well aware of “Carrols’ recent strong financial performance” at that time because just three days later, before the market open on November 9, 2023, the Company announced its financial results for the third quarter of 2023, beating expectations including positive traffic growth at Burger King restaurants earlier than management expected.

59. Carrols, which historically did not pay a regular dividend, also announced the initiation of a regular quarterly cash dividend. The only other dividend paid in the Company’s recent history was an August 2021 special dividend.

Although the Series D Convertible Preferred Stock certificate of designation required RBI's consent before Carrols could pay a special cash dividend, it did not require RBI's consent to pay regular cash dividends. The institution of a regular dividend ran contrary to RBI's belief that Carrols should use its capital to remodel existing restaurants.

60. KeyBanc observed that Carrols "release[d] strong 3Q23 results that included Burger King SSS [same-store sales] growth of 8.1%, outperforming the Burger King U.S. system by 150 bps during the period." KeyBanc continued: "Carrols's results offer another piece of evidence that Burger King's four-wall profitability is moving in the right direction and increases our confidence that BK U.S. will achieve store-level EBITDA targets (e.g., \$175K/store) sooner than expected."

61. In response, Carrols' stock price jumped 22.7%, from a closing price of \$6.22 per share on November 8, 2023 to a closing price of \$7.63 per share on November 9, 2023.

B. RBI Seeks to Acquire Carrols Before Its Stock Price Rises Further

62. On December 3, 2023, RBI sent a letter to Carrols stating that it was "exploring a possible proposal to combine" the companies.

63. Sometime prior to sending the December 3, 2023 letter, however, Patrick Doyle ("Doyle"), RBI's Executive Chairman, had scheduled a meeting on

December 6, 2023 with Perelman and Sloane, members of the Board and managing principals of Cambridge, Carrol's largest stockholder with ~16% of Carrols' voting power. As noted above, RBI and GSP have a longstanding relationship given that several of GSP's senior executives are RBI alumni and GSP frequently hires RBI executives.

64. On December 5, 2023, Perelman and Sloane informed Harris, Chairman of the Board, about their meeting scheduled with Doyle for the next day. Perelman and Sloane "determined to not cancel the meeting in the interest of continuing a good working relationship between [RBI], Carrols and [Cambridge] if no transaction were to occur," but they purportedly "confirmed" with Harris that they would not discuss a potential transaction between Carrols and RBI. The wording of this disclosure suggests that Harris requested Perelman and Sloane cancel their meeting with RBI, but they refused.

65. On December 6, 2023, Perelman and Sloane met with Doyle at the GSP offices (*i.e.*, the private equity firm that Perelman and Sloane control). Joshua Kobza, RBI's Chief Executive Officer, also joined the meeting. At this meeting, Cambridge's and RBI's representatives likely discussed Cambridge's intention to exit its Carrols's investment as discussed below.

66. On December 10, 2023, the Board held a special meeting, with members of Carrols' senior management team and representatives of Milbank LLP

(“Milbank”), “anticipated counsel to a special committee of the Carrols Board” in attendance. Neither the proxy nor the Board minutes or materials provide any information about how Milbank became the anticipated counsel to the Special Committee or who invited them to join this Board meeting.

67. The Board determined to form the Special Committee to negotiate with RBI in connection with a potential transaction, and appointed Harris (as chairperson), Perelman, Hannah Craven, and Lawrence Hyatt as its members. Despite Cambridge’s interest in liquidating its entire Carrols’ position, and GSP’s longstanding relationships with RBI, Perelman purportedly “confirmed that he/Cambridge would not have interests in a potential transaction that different from those of other stockholders of Carrols.”

68. The Special Committee met later on December 10, 2023. As was pre-ordained, the Special Committee decided to retain Milbank and its legal advisor, and it also discussed selecting and engaging a financial advisor. The Special Committee noted that the full Board—including the Class D Directors—had met with six financial advisors in late September 2023, including Jefferies. Although the full Board had already narrowed the field of potential financial advisors for the Special Committee down to six, ultimately, the Special Committee “determined that there were no additional financial advisors beyond the six investment banks” that were of interest to the Special Committee.

69. On December 15, 2023, the Board held a special meeting and decided to add Sloane and John Smith to the Special Committee, supposedly because “having all of the independent directors of Carrols serve on the Special Committee would improve the efficiency of the Special Committee’s evaluation process.” Again, despite Cambridge’s divergent interests, and GSP’s longstanding relationship with RBI,, Sloane purportedly “confirmed that he/Cambridge would not have interests in a potential transaction that different from those of other stockholders of Carrols.”

70. Neither Perelman nor Sloane should have served on the Special Committee. First, GSP’s longstanding relationship with RBI created a source of potential conflict for Perelman and Sloane. Second, Cambridge had no intention of remaining a long-term Carrols stockholder and was in the process of slowly liquidating its Carrols shares. This created a source of conflict with Carrols’ stockholders, who might be better served by Carrols remaining independent.

71. For example, in or around June 2023, Cambridge exercised its rights under its Registration Rights Agreement to cause Carrols to register for resale all of its 14,814,815 Carrols shares, which represented 27.2% of the Company’s outstanding shares at the time. Then Cambridge entered into a series of agreements to begin selling shares:

- On August 18, 2023, Cambridge entered into a Master Forward Confirmation Agreement (“First Master Forward Confirmation Agreement”) with a broker to sell up to the maximum number of shares

permitted by Rule 144 of the Securities Act of 1933 (“Rule 144”). On September 14, 2023, Cambridge sold 407,060 shares pursuant to the First Master Forward Agreement for \$2,834,033.13, or \$6.96 per share. This left 3,285,622 shares out of the maximum authorized under the First Forward Confirmation Agreement unsold.

- On September 14, 2023, Cambridge entered into a second Master Forward Confirmation Agreement (“Second Master Forward Confirmation Agreement”) with a broker to sell up to the lesser of (i) 3,285,622 shares; and (ii) the maximum number of shares permitted by Rule 144. On January 12, 2024, Cambridge sold 2,005,309 shares pursuant to the Second Master Forward Agreement for \$15,037,611.66, or \$7.50 per share.
- On November 13, 2023, Cambridge entered into a third Master Forward Confirmation Agreement (“Third Master Forward Confirmation Agreement”) and an “Open Market Sale Agreement” with Jefferies to sell up to the remaining 14,407,755 Carrols shares owned by Cambridge. Cambridge agreed to pay Jefferies a 3% commission in connection with any stock sales. Pursuant to the Third Master Forward Confirmation Agreement. On December 3, 2023, Cambridge sold 1,960,136 shares pursuant to the Third Master Forward Confirmation Agreement for \$14,206,085.66, or \$7.25 per share.

72. As a result of these agreements, Cambridge sold nearly 30% of its Carrol shares in the three months leading up to the signing of the Transaction and signaled an intention to completely liquidate its position. Because Cambridge was actively seeking to sell its Carrols shares, it did have different interests in a potential transaction than public stockholders. As explained herein, the decision faced by Carrols and its stockholders was to sell Carrols to RBI or to operate in the long-term as a standalone business. However, Cambridge was only interested in one of these options, a sale to RBI.

73. A quick sale of Carrols would allow Cambridge to sell its shares in one block at some premium, however small, to the market price instead of through slow drips over time that would continue to depress the market price due to its significant selling volume. This conflict was recognized by Bank of America, one of the investment banks interviewed by the Board in the Fall of 2023 as a potential financial advisor. According to Bank of America, one of the benefits of a sale of Carrols was that it would “Assist [GSP] with a Monetization of its Stake.” Without a sale, Bank of America estimated that GSP would either have to accept a 10-15% discount and sell its shares in a block trade or slowly sell its shares into the market over approximately two months and still accept a minimal discount.

74. The Special Committee’s only recourse in its negotiations with RBI, had it not otherwise been coerced, would have been its ability to say no. These separate interests meant Cambridge had every reason to say yes and no reason to say no. As a result, Perelman and Sloane, Cambridge’s representatives, should not have been permitted to serve on the Special Committee. Additionally, the Proxy never disclosed Cambridge’s unique interest in liquidating its entire position.

75. Later on December 15, 2023, the Special Committee held a meeting and decided to request that Jefferies make a presentation to the Committee so that the Special Committee could determine whether to retain Jefferies as a financial advisor. The Special Committee selected Jefferies instead of Bank of America

because, unlike Bank of America, Jefferies purportedly had not disclosed any recent engagements with RBI. However, Jefferies was previously the largest shareholder of Fiesta and served as a lead financial advisor to Fiesta in connection with its sale to GSP, the investment firm co-founded by Perelman and Sloane.

76. On December 21, 2023, the Special Committee met to receive a presentation from Jefferies. Jefferies told the Special Committee that although it had not performed work for RBI in the past two years, it did have “some relationships with representatives of RBI.” It told the Committee that it would later provide a disclosure statement discussing the extent of its relationships with the Company and its affiliates as well as its recent work helping Cambridge liquidate its Carrols stock. It provided that conflict disclosure on January 15, 2024. The disclosure stated that Jefferies had received \$1 million in connection with its Open Market Sale Agreement with Cambridge, but provided no information on its relationships with representatives of RBI.

77. In its presentation Jefferies noted that RBI might have been interested in acquiring Carrols so that it could “control the amount and timing of the capital invested in restaurants and what gets implemented from an operational perspective under the Reclaim the Flame campaign.” Jefferies highlighted that the Special Committee’s “ability to reject a transaction is key negotiation leverage.” However,

Jefferies also informed the Special Committee that given RBI's consent rights, it could block any sale to a third-party or any alternative transaction.

78. After its presentation, the Special Committee determined to retain Jefferies as its financial advisor.

79. On January 8, 2024, Jefferies and the Special Committee entered into an engagement letter. Despite the importance of the Special Committee's ability to say no to any deal, the engagement letter entitled Jefferies to a \$2 million fee upon the provision of a fairness opinion and 1.2% of the overall Transaction value (minus the previous \$2 million opinion fee) upon closing. As a result, Jefferies would receive \$12.3 million for its work in connection with the Merger.

C. RBI Leverages its Operational Control to Coerce Carrols into the Transaction

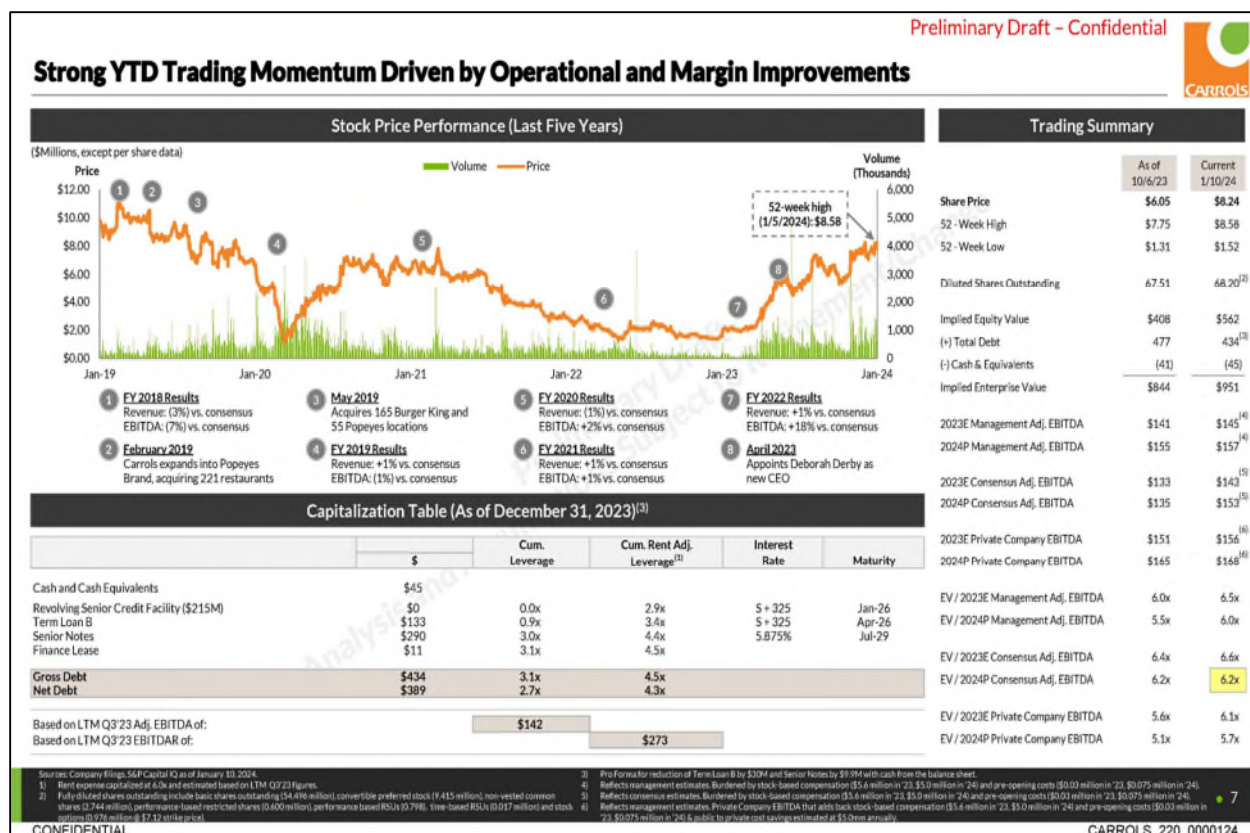
80. On January 8, 2024, Carrols reported its preliminary sales results for the fourth quarter and full year 2023. The Company outperformed its previously announced guidance for each period. The stock price closed up 1.92% on January 8, 2024, closed up another 3.26% on January 9, 2024, and closed up another 1.46% on January 10, 2024.

81. On January 11, 2024, faced with a rising stock price, RBI submitted its first proposal to acquire the Company for \$8.75 per share, a mere 6% premium to the \$8.24 closing price of Carrols' stock on January 10, 2024. RBI indicated that it

“was not interested in alternative transactions such as block trades, partial acquisitions or rolling our equity stake into another transaction.” RBI also noted that regardless of whether the parties reached an agreement, the Company would have to spend hundreds of millions of dollars “to accelerate the portfolio’s remodel pace to align to Burger King’s need to have a modern and competitive asset base in the coming years.”

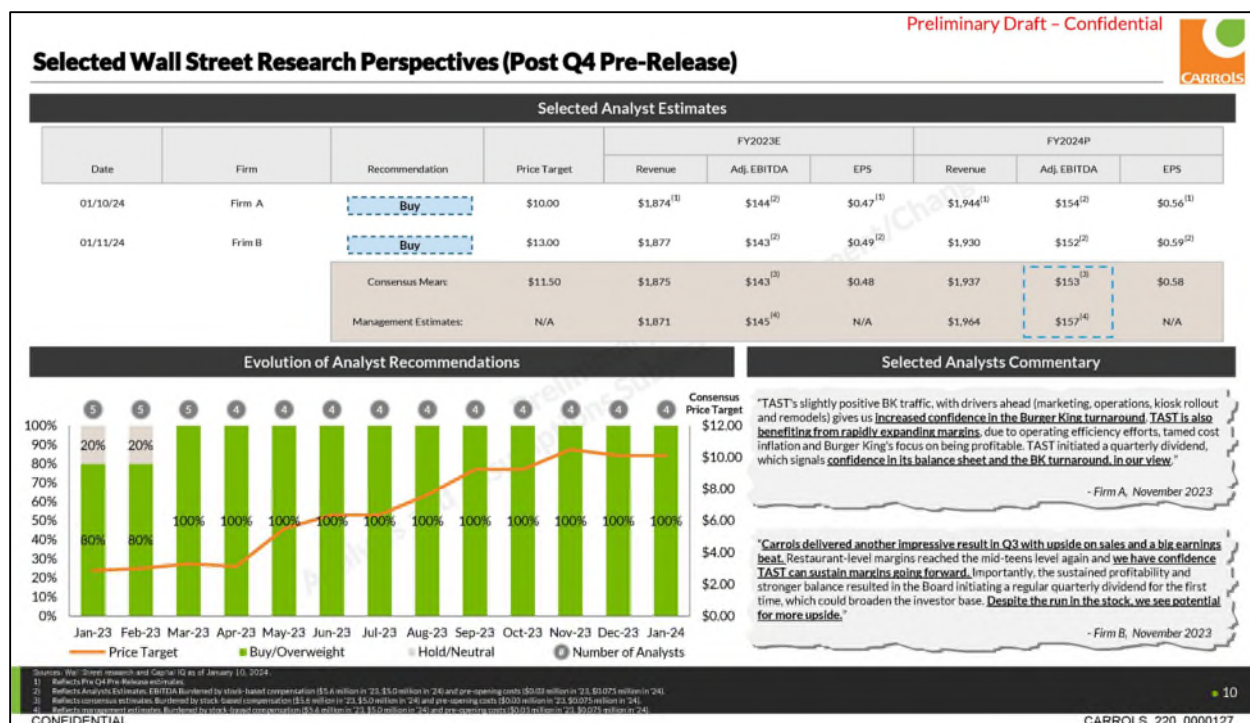
82. Given RBI’s consent rights, this meant the Special Committee had two choices: (i) sell to RBI; or (ii) remain a standalone Company where RBI would stifle its growth and not allow Carrols to expend capital to acquire new restaurants. Moreover, RBI insisted its offer would expire in less than five days at 5:00 AM on January 16, 2024, giving the Special Committee little time to consider its options.

83. The Special Committee met later on January 11, 2024 to discuss RBI’s offer. The Special Committee discussed with Jefferies the Company’s “strong recent performance,” as illustrated by the slide below:

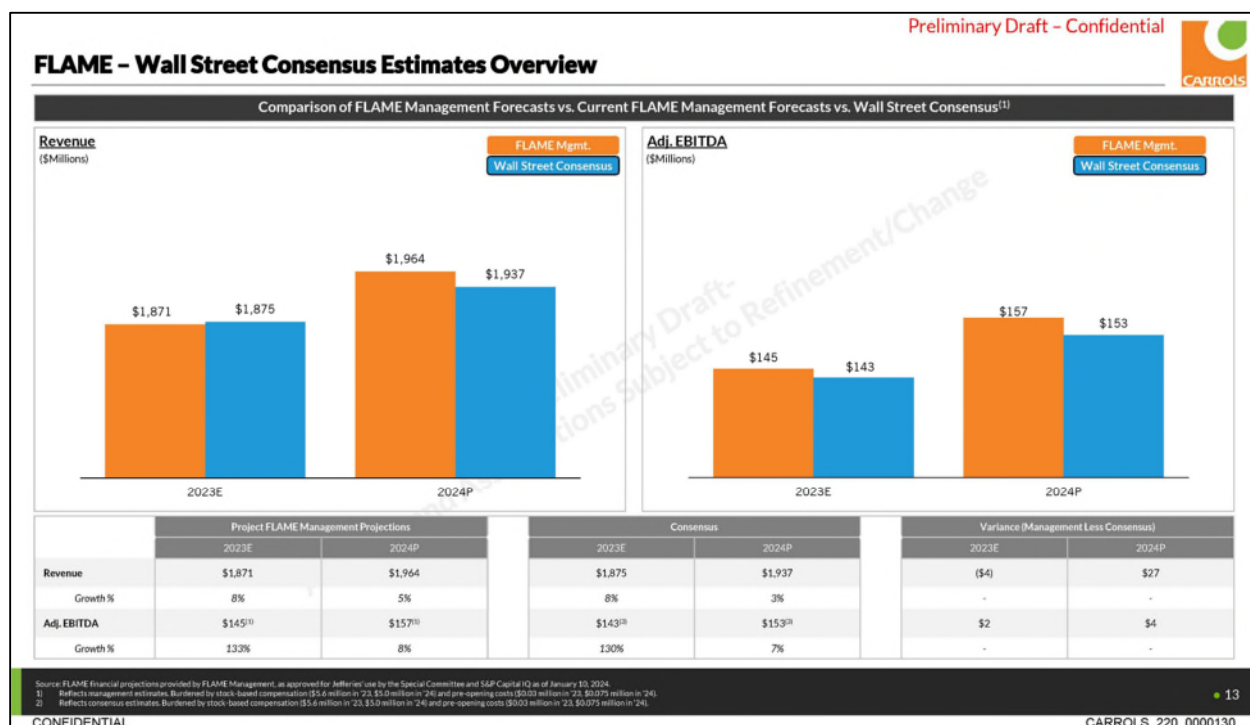


84. Therefore, the “Special Committee noted that it believed the then current price of Carrols Common Stock, rather than an average of the historical trading prices, was a more relevant reference point for assessing a potential M&A premium.”

85. Moreover, the Special Committee was informed that Wall Street analysts had target prices for the Company’s stock of up to \$13 per share, following Carrols’ strong financial performance announced on January 8, 2024:



86. Additionally, the Company's own forecasts exceeded Wall Street expectations, indicating that those price targets were overly conservative:



87. Nevertheless, the Special Committee noted “the challenges to pursuing an alternative transaction due to RBI’s consent rights under the Certificate of Designation of Series D Convertible Preferred Stock,” as well as “the extensive franchisee/franchisor relationship with [RBI]” and “the requirements for Carrols to obtain consent from [RBI] to acquire additional Burger King or Popeyes franchise locations or engage in another line of business.” At the end of the meeting, the Special Committee directed Jefferies to inform RBI it would need to increase its proposed purchase price.

88. On January 12, 2024, RBI indicated to Jefferies that RBI “was willing to consider a higher purchase price than the proposed price of \$8.75 per share, but that [RBI] would not offer a price per share in the range of \$10.00 or more.”

89. On January 13, 2024, RBI revised its proposal to acquire the Company for \$9.20 per share, an approximately 9% premium to the \$8.42 closing price of Carrols’ stock on January 12, 2024.

90. The Special Committee met later on January 13, 2024 to discuss RBI’s revised offer. Jefferies noted that “RBI would not offer a per share price in the range of \$10.00 or more.” “The Special Committee also discussed its belief, based on [RBI’s] previously expressed view that Carrols’ priority use of capital in the near term should be the remodeling and upgrading of Carrols’ existing restaurant portfolio, **that [RBI] was unlikely to consent to a significant number of**

acquisitions of additional Burger King or Popeyes franchise locations, which the Special Committee believe would likely limit Carrols' growth prospects."⁴

(emphasis added).

91. Recognizing the severity of RBI's threat and despite knowing that RBI expressed a willingness to pay up to \$10 per share for Carrols, the Special Committee decided to provide a counteroffer of \$9.80 per share.

92. On January 14, 2024, RBI revised its proposal to acquire the Company to \$9.55 per share, an approximately 13% premium to the \$8.42 closing price of Carrols' stock on January 12, 2024. Later that day, RBI reiterated that \$9.55 per share was its best and final offer.

93. The next day, on January 15, 2024, the Special Committee met for the final time. While discussing the option of whether to "terminate discussions with [RBI] and engage in an auction process" the Special Committee concluded that because of RBI's "consistent refusal to waive its Series D Consent Right and consent rights under other agreements in connection with an alternative acquisition agreement for a superior proposal" a sale to RBI was in the Company and

⁴ According to Bank of America, this is consistent with a widespread knowledge in the industry that RBI has been reluctant to allow large franchisees to get bigger as it is seeking a more diversified franchisee base composed of smaller groups.

stockholders' best interests. Immediately after the meeting ended, the Board approved the Transaction. The parties' negotiations lasted a total of four days.

94. On January 16, 2024, the parties executed the Transaction documents and announced the deal prior to market opening.

95. On May 17, 2024, the Transaction closed.

V. THE TRANSACTION IS UNFAIR TO CARROLS' MINORITY STOCKHOLDERS

96. RBI used its franchise agreements and preferred stockholder rights to: (i) exercise actual control over Carrols' business decisions (in particular, overriding the preferences of Carrols management concerning how to allocate capital between acquiring new restaurants and remodeling existing restaurants); and (ii) coerce the Special Committee into recommending the Transaction, and Carrols' stockholders into approving the Transaction. Thus, entire fairness applies. Both the price and process of the Transaction were unfair to the Company's minority stockholders.

A. The Special Committee and Carrols' Stockholders Were Wrongfully Coerced Into Supporting the Transaction Via an Unfair Process

97. As explained above, as of January 13, 2024, the Special Committee "believ[ed] based on [RBI]'s previously expressed view that Carrols' priority use of capital in the near term should be the remodeling and upgrading [] Carrols' existing restaurant portfolio, that [RBI] was unlikely to consent to a significant number

of acquisitions of additional Burger King or Popeyes franchise locations, which the Special Committee believed would likely limit Carrols' growth prospects."

(emphasis added).

98. On January 15, 2024, just *four days* after RBI's submitted its initial offer and one day prior to RBI's unilaterally imposed deadline, Carrols agreed to the \$9.55 per share consideration. As featured at pages 33 through 35 of the Proxy under the section titled "Reasons for the Merger," the Proxy states the following:

Among the potential risks of staying independent identified by the Special Committee were consideration of **(1) Carrols' ability to sustain growth and to manage infrastructure to support such growth, (2) Carrols' ability to introduce new franchise locations successfully and to make enhancements to customer experience, (3) Carrols' and the Burger King and Popeyes brands' ability to navigate the competitive industry landscape and to maintain or improve share within its industry, (4) the fact that Parent's consent, as franchisor, would be required in order for Carrols to acquire additional Burger King franchise locations and the likelihood that Parent may not permit Carrols to acquire a significant number of additional Burger King franchise locations, which the Special Committee believed would limit Carrols' growth prospects** (emphasis added).

99. Thus, by the plain language of Carrols' Proxy, a reasonable Carrols stockholder would believe that if the Special Committee, Board, and unaffiliated stockholders refused to vote in favor of the Transaction, then RBI would prevent Carrols from acquiring future Burger King and Popeyes restaurants, thereby stifling its growth.

100. Accordingly, the Company's unaffiliated stockholders reasonably believed that they faced the Hobson's choice of either (a) supporting the unfair Transaction with RBI or (b) voting down the Transaction and owning shares of a company with limited growth prospects. Thus, Carrols' stockholders were coerced into voting in favor of the Transaction.

101. For the same reasons, the Special Committee was coerced into recommending the Transaction. Even if the Special Committee had not been coerced, the Special Committee was not comprised of fully disinterested directors. As discussed herein, Cambridge representatives, Perelman and Sloane, were dual fiduciaries with beneficiaries whose interests diverged since Carrols' shareholders might be better served by Carrols remaining independent whereas Cambridge's unique interest in liquidating its shares motivated it to agree to a Transaction with RBI and not consider a standalone option. Thus, as Special Committee members, they were economically incentivized by Cambridge's interests to say yes to RBI. Moreover, the Proxy materially mislead stockholders by claiming Perelman and Sloane were disinterested and independent and did not have interests different from other stockholders. As the Proxy states, "the Special Committee of the Carrols Board was comprised *solely* of independent and disinterested directors." That statement was false since Cambridge had a unique interest in liquidating its entire position, and GSP had a longstanding relationship with RBI.

B. The Unfair Process Led To An Unfair Price

102. RBI's exercise of control resulted in the \$9.55 per share sale price, which is unfair for multiple reasons.

103. *First*, the \$9.55 per share consideration was reached at a time when Carrols' stock price did not yet reflect the potential of its capital investments in the "Reclaim the Flame" initiative.

104. The timing of RBI's initial outreach and entry into the Transaction with Carrols is highly suspect, since it came at a time of significant transition in the management of the Company and RBI's plans for the future, and RBI timed its offer near a low point in the Company's trading price.

105. Moreover, RBI moved to acquire the Company shortly after the Company hired its third CEO in little over a year. In the months surrounding these leadership changes at Carrols, RBI developed and, in September 2022 announced, its "Reclaim the Flame" initiative, a multi-year plan focused on remodeling existing restaurants and new advertising investments. While RBI wanted the Company to invest its capital in remodeling its existing restaurants to the exclusion of significant acquisitions of new restaurants, Carrols new CEO told analysts management was working on a new three-year plan that would include a return to the Company's historical use of acquisitions to fuel growth.

106. In the “fall of 2023,” *while* RBI and Carrols were negotiating for the remodel and because RBI believed “that reinvestment in the should take priority over other uses of cash at that time,” RBI’s “representatives informed representatives of Carrols that Parent planned to evaluate whether [RBI] was interested in pursuing a potential acquisition of Carrols.” On November 9, 2023, Carrols publicly announced that it reached an agreement with affiliates of RBI for the 64-restaurant remodel under the “Reclaim the Flame” initiative.

107. Approximately one month later, on December 3, 2023, RBI sent a letter to Carrols indicating it was “exploring a possible proposal to combine” with Carrols. Indeed, the close proximity in time between (a) Carrols’ agreement to invest capital into remodeling 64 of its restaurants and (b) RBI informing Carrols weeks later that it was interested in exploring an acquisition, suggests that RBI timed its bid to acquire Carrols well before Carrols unlocked the full value of its remodel investment.

108. *Second*, the Transaction consideration does not appear to accurately reflect Carrols’ true intrinsic value as the Company’s stock price did not yet reflect its planned remodeling investments. For example, and as previously alleged, RBI admits publicly that “remodeling and upgrading existing restaurants was critical for maximizing the value of Carrols’ business.” Furthermore, after the Transaction was announced, RBI told analysts that it planned to use Carrols’ operating cash flows “to

fund a rapid acceleration of remodels over the next five years, and then resell a vast majority of the restaurants to franchisees at a market price.” As RBI noted in its initial offer letter, Carrols would have had to make these investments regardless of whether it agreed to the Transaction. But now, only RBI will enjoy the benefits of this growth.

109. *Third*, the \$9.55 per share consideration was the byproduct of Jefferies’ flawed analyses which, when corrected, further highlights the unfairness of the Transaction consideration. For example, in its discounted cash flow analysis (“DCF”), when calculating Carrols’ cost of equity, Jefferies used a 7.17% *historical* equity risk premium instead of using a *supply side* equity risk premium of 6.22%. Using a historical risk premium to calculate Carrols’ cost of equity is inconsistent with Delaware law.⁵ Also inconsistent with Delaware law, Jefferies improperly included a 1.18% equity size premium⁶ to Carrols’ cost of equity calculation instead

⁵ See *In re Orchard Enterprises, Inc.*, 2012 WL 2923305, at *19 (Del. Ch. July 18, 2012) (“Orchard has not provided me with a persuasive reason to revisit the supply-side versus historical equity risk premium debate. I therefore find that the Ibbotson Yearbook’s supply-side equity risk premium . . . is an appropriate metric to be applied in valuing Orchard under the CAPM.”); *Gearreald v. Just Care, Inc.*, 2012 WL 1569818, at *10 (Del. Ch. Apr. 30, 2012) (“having been provided with no persuasive substantive financial reason as to why the application of a supply side equity risk premium would be inappropriate in this case, I find that the supply side equity risk premium . . . is the appropriate metric”).

⁶ *Id.* at *10 (“an equity size premium generally is added to the company’s cost of equity in the valuation of smaller companies to account for the higher rate of return demanded by investors to compensate for the greater risk associated with small company equity”); see also *HBK Master Fund L.P. v. Pivotal Software, Inc.*, 2023 WL 10405169, at *38 (Del.

of excluding entirely.⁷ With an equity value of \$574 million at the time the Transaction was publicly announced, Carrols cannot be considered a small or microcap company. Applying a size premium increased Carrols' cost of equity, resulting in an increase in the discount rate Jefferies used in its DCF, resulting in lowering the value of Carrols.

110. Lastly, the lower half of the illustrative range in Jefferies' DCF is based on a 20% debt to total capitalization ratio derived from Carrols' peers in the industry. However, Carrols' actual debt to total capitalization ratio is 40%. Relying on Carrols peers' debt to total capitalization ratio, instead of using Carrols' actual debt to total capitalization ratio, suppresses the lower end values of the illustrative range to give the unreasonable appearance that the \$9.55 per share consideration is fair.

111. Had Jefferies (a) utilized a *supply side* equity risk premium of 6.22% and (b) excluded the 1.18% equity size premium, Jefferies' DCF would have assumed a lower, more reasonable cost of equity, resulting in per share values far exceeding the \$9.55 per share Transaction consideration.

Ch. Aug. 14, 2023)(“To create his high-end WACC, however, Lehn adds a ‘size premium’ to the WACC. A size premium, sometimes called a ‘small cap premium[,]’ is based on the “rationale ... that a small business faces greater overall risk than a larger, more diversified one.”).

⁷ Ibbotson Associates, Cost of Capital Quarterly, <https://leeds-faculty.colorado.edu/bhagat/web/ibbo/costs.htm> (“No [size] premium is added for large-cap companies.”).

112. *Fourth*, at the time the parties agreed to the Transaction, the Company's stock price was artificially depressed because of the massive influx of shares into the market caused by Cambridge's stock sales between September 2023 and January 2024.

CLASS ACTION ALLEGATIONS

113. Plaintiffs repeat each allegation above as if set forth in full herein.

114. Plaintiffs are former holders of Carrols common stock who held Company stock at all relevant times and received the Transaction consideration in exchange for their common stock in connection with the Merger. Plaintiff brings this action individually and as a class action pursuant to Rule 23 on behalf of himself and all other stockholders whose shares of Carrols common stock were exchanged for the Transaction consideration (the "Class"). Excluded from the Class is Defendant and any person, firm, trust, corporation, legal representative, heir, successor, assign, or other entity related to or affiliated with the Defendant and their successors in interest, and any entity in which Defendant have or had a controlling interest as of the closing of the Transaction.

115. The action is properly maintainable as a class action.

116. A class action is superior to other available methods of fair and efficient adjudication of this controversy.

117. The Class is so numerous that joinder of all members is impracticable. As of May 3, 2024, there were approximately 52,621,276 outstanding shares of common stock. Moreover, damages suffered by individual Class members may be small, making it overly expensive and burdensome for individual Class members to pursue redress on their own

118. There are questions of law and fact common to the Class and which predominate over questions affecting any individual member of the Class. The common question include: (i) whether the Defendant owed fiduciary duties to Plaintiffs and the Class; (ii) whether Defendant breached its fiduciary duties to Plaintiffs and the Class; and (iii) the extent of the Class's damages.

119. Plaintiffs' claims and defenses are typical of the claims and defenses of other class members and Plaintiffs have no interests antagonistic or adverse to the interests of other class members. Plaintiffs will fairly and adequately protect the interests of the Class.

120. Plaintiffs are committed to prosecuting this action and have retained competent counsel experienced in litigation of this nature.

121. Defendant has acted in a manner that affects Plaintiffs and all members of the Class alike, thereby making appropriate injunctive relief and/or corresponding declaratory relief with respect to the Class as a whole.

122. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendant; or adjudications with respect to individual members of the Class would, as a practical matter, be dispositive of the interest of other members or substantially impair or impede their ability to protect their interests.

123. Concentrating the litigation of claims in this forum is desirable because the Company was a Delaware corporation, and the litigation involves issues of Delaware common law.

COUNT I

DIRECT CLAIM FOR BREACHES OF FIDUCIARY DUTY AGAINST RBI AS CONTROLLING STOCKHOLDER OF CARROLS

124. Plaintiffs incorporate by reference and realleges all the allegations above as though fully set forth herein.

125. As a controlling stockholder of Carrols, RBI owed Plaintiffs and the Class fiduciary duties of loyalty and care. RBI stood on both sides of the Transaction and was materially interested in the Transaction.

126. By the acts alleged herein, RBI breached its fiduciary duty of loyalty to Carrols's public stockholders. The Transaction was the product of unfair dealing, was initiated, timed, structured, negotiated, approved by the Board and Special

Committee, disclosed to the stockholders, and priced to serve RBI's interests at the expense of Carrols' public stockholders. RBI wielded its position as Carrols's controlling stockholder and Carrols' franchisor, to coerce and prevent the Board and Special Committee from creating negotiating leverage for Carrols and, as a result, extracted buyout terms that were unfair to Plaintiffs and the Class. RBI engaged in a buyout process that was unfair, to the detriment of Plaintiffs and the Class.

127. RBI also breached its fiduciary duties to Carrols public stockholders by disseminating a materially misleading and deficient Proxy, thereby depriving Plaintiffs and Class of the opportunity to cast votes informed by all material information on the Transaction.

128. Plaintiffs and the Class do not have an adequate remedy at law.

COUNT II

DIRECT CLAIM AGAINST RBI FOR UNJUST ENRICHMENT

129. Plaintiffs incorporate by reference and realleges all the allegations above as though fully set forth herein.

130. In the alternative to Count I above, to the extent RBI is determined not to have owed fiduciary duties of care and loyalty to Carrols stockholders, RBI was unjustly enriched.

131. As detailed herein, the Transaction was a result of RBI coercing Carrols Board and Special Committee into agreeing to the Transaction. RBI knowingly

solicited, encouraged, participated and coerced the Board to enter into the unfair Transaction.

132. By its wrongful acts, RBI was unjustly enriched at the expense of, and to the detriment of the Class.

COUNT III

DIRECT CLAIM FOR BREACHES OF FIDUCIARY DUTY AGAINST PERELMAN AND SLOANE

133. Plaintiffs incorporate by reference and realleges all the allegations above as though fully set forth herein.

134. As directors of Carrols, Perelman and Sloane owed Plaintiffs and the Class fiduciary duties of loyalty, good faith, care and candor. Perelman and Sloane were obligated to act in the best interests of Plaintiffs and the Class and to avoid a self-interested transaction in which they placed their own interests above those of Plaintiffs and Class.

135. Perelman's and Sloane's interests diverged from the interests of Plaintiffs and the Class with respect to the Transaction. As principals of GSP and Cambridge, Perelman and Sloane were incentivized to agree to a sale of Carrols so that Cambridge could complete its planned liquidation of its Carrols shares even if a sale was not in the long-term value maximizing interests of Carrols' stockholders.

136. Because they were not interested in the long-term prospects of Carrols, Perelman and Sloane should not have served on the Special Committee, whose primary leverage and role was to reject a transaction it believed was not in the long-term interests of Carrols and its stockholders. Nonetheless, Perelman and Sloane breached their fiduciary duties by serving on the Special Committee and voting in favor of the Transaction. Perelman and Sloane further breached their fiduciary duties by causing the Proxy to falsely claim their interests did not diverge from those of other stockholders with respect to the Transaction.

137. As a result of Perelman's and Sloane's breaches of fiduciary duty, Plaintiffs and the Class have been harmed.

138. Plaintiffs and the Class do not have an adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment in their favor and in favor of the Class as follows:

A. Declaring, finding, and determining that this action is properly maintainable as a class action and certifying Plaintiffs as the Class's representatives and Plaintiffs' counsel as the Class's counsel;

B. Declaring, finding, and determining that the Transaction was entered into in breach of the fiduciary duties by RBI;

C. Declaring, finding, and determining that RBI is liable for unjust enrichment;

D. Declaring, finding, and determining that Perelman and Sloane breached their fiduciary duties;

E. Awarding Plaintiffs and the Class such equitable relief as is appropriate;

F. Awarding damages to Plaintiffs and the Class, plus pre-judgment and post-judgment interest;

G. Awarding Plaintiffs the costs and disbursements of this action, including reasonable allowance of fees and costs for Plaintiffs' attorneys, experts, and accountants; and

H. Granting Plaintiffs such other and further relief as the Court may deem just and proper.

Dated: October 7, 2024

OF COUNSEL:

Jeroen van Kwawegen (*pro hac vice* forthcoming)
Christopher J. Orrico (*pro hac vice* forthcoming)
Shiva Mohan (*pro hac vice* forthcoming)

**BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP**

1251 Avenue of the Americas
New York, NY 10020
(212) 554-1400

D. Seamus Kaskela (*pro hac vice* forthcoming)
Adrienne Bell (*pro hac vice* forthcoming)

KASKELA LAW LLC

18 Campus Boulevard, Suite 100
Newtown Square, PA 19073
(484) 258-1585

Joshua Fruchter (*pro hac vice* forthcoming)

WOHL & FRUCHTER LLP

25 Robert Pitt Drive, Suite 209G
Monsey, NY 10952
(845) 290-6818

John Vielandi (*pro hac vice* forthcoming)

LABATON KELLER SUCHAROW LLP

140 Broadway, 34th Floor
New York, NY 10005
(212) 907-0700

**BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP**

/s/ Gregory V. Varallo

Gregory V. Varallo (Bar No. 2242)
Daniel E. Meyer (Bar No. 6876)
500 Delaware Avenue, Suite 901
Wilmington, DE 19801
(302) 364-3600

ANDREWS & SPRINGER LLC

Peter B. Andrews (Bar No. 4623)
Craig J. Springer (Bar No. 5529)
David Sborz (Bar No. 6203)
Jackson Warren (Bar No. 6957)
4001 Kennett Pike, Suite 250
Wilmington, DE 19807
(302) 504-4957

**LABATON KELLER SUCHAROW
LLP**

Ned Weinberger (Bar No. 5256)
222 Delaware Avenue, Suite 1510
Wilmington, DE 19801
(302) 573-2540

Counsel for Plaintiffs