

WENDY'S/ARBY'S GROUP, INC.
Form 10-K
March 13, 2009
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2008

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

WENDY'S/ARBY'S GROUP, 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.)

1155 Perimeter Center West, Atlanta,
Georgia

30338

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (678) 514-4100

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which
Registered

Class A Common Stock, \$.10 par value

New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes No

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer S m a l l e r r e p o r t i n g
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common equity held by non-affiliates of the registrant as of June 29, 2008 was approximately \$414,171,684. As of February 27, 2009, there were 469,236,315 shares of the registrant's Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 28, 2008.

PART 1

Special Note Regarding Forward-Looking Statements and Projections

Effective September 29, 2008, in conjunction with the merger with Wendy's International, Inc. ("Wendy's"), the corporate name of Triarc Companies, Inc. ("Triarc") changed to Wendy's/Arby's Group, Inc. ("Wendy's/Arby's" or, together with its subsidiaries, the "Company" or "we"). This Annual Report on Form 10-K and oral statements made from time to time by representatives of the Company may contain or incorporate by reference certain statements that are not historical facts, including, most importantly, information concerning possible or assumed future results of operations of the Company. Those statements, as well as statements preceded by, followed by, or that include the words "may," "believes," "plans," "expects," "anticipates," or the negation thereof, or similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All statements that address future operating, financial or business performance; strategies or expectations; future synergies, efficiencies or overhead savings; anticipated costs or charges; future capitalization; and anticipated financial impacts of recent or pending transactions are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are based on our expectations at the time such statements are made, speak only as of the dates they are made and are susceptible to a number of risks, uncertainties and other factors. Our actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by our forward-looking statements. For all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act. Many important factors could affect our future results and could cause those results to differ materially from those expressed in, or implied by the forward-looking statements contained herein. Such factors, all of which are difficult or impossible to predict accurately, and many of which are beyond our control, include, but are not limited to, the following:

- competition, including pricing pressures, aggressive marketing and the potential impact of competitors' new unit openings on sales of Wendy's® and Arby's® restaurants;
 - consumers' perceptions of the relative quality, variety, affordability and value of the food products we offer;
- success of operating initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors;
 - development costs, including real estate and construction costs;
 - changes in consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, French fries or other foods or the effects of food-borne illnesses such as "mad cow disease" and avian influenza or "bird flu," and changes in spending patterns and demographic trends, such as the extent to which consumers eat meals away from home;
- certain factors affecting our franchisees, including the business and financial viability of key franchisees, the timely payment of such franchisees' obligations due to us, and the ability of our franchisees to open new restaurants in accordance with their development commitments, including their ability to finance restaurant development and remodels;
 - availability, location and terms of sites for restaurant development by us and our franchisees;
 - delays in opening new restaurants or completing remodels of existing restaurants;
 - the timing and impact of acquisitions and dispositions of restaurants;

- our ability to successfully integrate acquired restaurant operations;
- anticipated or unanticipated restaurant closures by us and our franchisees;
- our ability to identify, attract and retain potential franchisees with sufficient experience and financial resources to develop and operate Wendy's and Arby's restaurants successfully;
- availability of qualified restaurant personnel to us and to our franchisees, and the ability to retain such personnel;
- our ability, if necessary, to secure alternative distribution of supplies of food, equipment and other products to Wendy's and Arby's restaurants at competitive rates and in adequate amounts, and the potential financial impact of any interruptions in such distribution;
- changes in commodity costs (including beef and chicken), labor, supply, fuel, utilities, distribution and other operating costs;
 - availability and cost of insurance;

- adverse weather conditions;
 - availability, terms (including changes in interest rates) and deployment of capital;
- changes in legal or self-regulatory requirements, including franchising laws, accounting standards, payment card industry rules, overtime rules, minimum wage rates, government-mandated health benefits and taxation legislation;
 - the costs, uncertainties and other effects of legal, environmental and administrative proceedings;
- the impact of general economic conditions on consumer spending, including a slower consumer economy particularly in geographic regions that contain a high concentration of Wendy's or Arby's restaurants, and the effects of war or terrorist activities;
- the impact of our continuing investment in series A senior secured notes of Deerfield Capital Corp. following our 2007 corporate restructuring; and
- other risks and uncertainties affecting us and our subsidiaries referred to in this Form 10-K (see especially "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations") and in our other current and periodic filings with the Securities and Exchange Commission.

All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We assume no obligation to update any forward-looking statements after the date of this Form 10-K as a result of new information, future events or developments, except as required by federal securities laws. In addition, it is our policy generally not to make any specific projections as to future earnings, and we do not endorse any projections regarding future performance that may be made by third parties.

Item 1. Business.

Introduction

We are the parent company of Wendy's International, Inc. ("Wendy's") and Arby's Restaurant Group, Inc. ("ARG"), which are the franchisors of the Wendy's® and Arby's® restaurant systems. As of December 28, 2008, the Wendy's restaurant system was comprised of 6,630 restaurants, of which 1,406 were owned and operated by the Company. As of December 28, 2008, the Arby's restaurant system was comprised of 3,756 restaurants, of which 1,176 were owned and operated by the Company. References in this Form 10-K to restaurants that we "own" or that are "company-owned" include owned and leased restaurants. Our corporate predecessor was incorporated in Ohio in 1929. We reincorporated in Delaware in June 1994. Effective September 29, 2008, in conjunction with the merger with Wendy's, our corporate name was changed from Triarc Companies, Inc. ("Triarc") to Wendy's/Arby's Group, Inc. Our principal executive offices are located at 1155 Perimeter Center West, Atlanta, Georgia 30338, and our telephone number is (678) 514-4100. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports, as well as our annual proxy statement, available, free of charge, on our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission. Our website address is www.wendysarbys.com. Information contained on our website is not part of this annual report on Form 10-K.

Merger with Wendy's

On September 29, 2008, Triarc and Wendy's completed their previously announced merger (the "Wendy's Merger") in an all-stock transaction in which Wendy's shareholders received 4.25 shares of Wendy's/Arby's Class A common stock (the "Class A Common Stock") for each Wendy's common share owned.

In the Wendy's Merger, approximately 377,000,000 shares of Wendy's/Arby's common stock were issued to Wendy's shareholders. The merger value of approximately \$2.5 billion for financial reporting purposes is based on the 4.25 conversion factor of the Wendy's outstanding shares as well as previously issued restricted stock awards both at a value of \$6.57 per share which represents the average closing market price of Triarc Class A Common Stock two days before and after the merger announcement date of April 24, 2008. Wendy's shareholders held approximately 80%, in the aggregate, of Wendy's/Arby's outstanding common stock immediately following the Wendy's Merger. In addition, effective on the date of the Wendy's Merger, our Class B common stock (the "Class B Common Stock") was converted into Class A Common Stock.

The Wendy's and Arby's brands continue to operate independently, with headquarters in Dublin, Ohio and Atlanta, Georgia, respectively. A consolidated support center is based in Atlanta, Georgia and oversees all public company responsibilities, as well as other shared service functions.

Business Strategy

Our business strategy is focused on growing same-store sales, restaurant margins and operating income at the Wendy's and Arby's brands with improved marketing, menu development, restaurant operations and customer service. We are also focused on effectively managing the integration of our brands and building a shared services organization to achieve significant synergies and efficiencies. Our goal is to produce consolidated revenue and operating income growth with attractive return on investment, resulting in increased shareholder value. We will also continue to evaluate various acquisitions and business combinations in the restaurant industry, which may result in increases in expenditures and related financing activities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Unless circumstances dictate otherwise, it is our policy to publicly announce an acquisition or business combination only after a definitive agreement with respect to such acquisition or business combination has been reached.

On November 1, 2005, Nelson Peltz, our Chairman and former Chief Executive Officer, Peter W. May, our Vice Chairman and former President and Chief Operating Officer, and Edward P. Garden, our Former Vice Chairman and a member of our Board of Directors (collectively, the "Principals"), started a series of equity investment funds (the "Funds") that are separate and distinct from the Company and that are being managed by the Principals and certain other former senior officers and former employees of the Company through a management company (the "Management Company") formed by the Principals. The investment strategy of the Funds is to achieve capital appreciation by investing in equity securities of publicly traded companies and effecting positive change in those companies through active influence and involvement. Before agreeing to acquire more than 50% of the outstanding voting securities of a company in the quick service restaurant industry, the Principals have agreed to offer us such acquisition opportunity, which may result in acquisition opportunities being made available to us from time to time. See Note 27 to the Consolidated Financial Statements for additional information on our agreements with the Management Company.

Fiscal Year

We use a 52/53 week fiscal year convention whereby our fiscal year ends each year on the Sunday that is closest to December 31 of that year. Wendy's used the same fiscal periods for all periods presented in this Form 10-K. Each fiscal year generally is comprised of four 13-week fiscal quarters, although in the years with 53 weeks, including 2009, the fourth quarter represents a 14-week period.

Business Segments

We operate in two business segments, Wendy's and Arby's. See Note 30 of the Financial Statements and Supplementary Data included in Item 8 herein, for financial information attributable to our business segments.

The Wendy's Restaurant System

Wendy's was incorporated in 1969 under the laws of the State of Ohio. Wendy's and its subsidiaries are collectively referred to herein as "Wendy's." Wendy's is the 3rd largest restaurant franchising system specializing in the hamburger sandwich segment of the quick service restaurant industry. According to Nation's Restaurant News, Wendy's is the 4th largest quick service restaurant chain in the United States.

Overview

Wendy's is primarily engaged in the business of operating, developing and franchising a system of distinctive quick-service restaurants serving high quality food. At December 28, 2008, there were 6,630 Wendy's restaurants in

operation in the United States and in 21 foreign countries and U. S. territories. Of these restaurants, 1,406 were operated by Wendy's and 5,224 by a total of 469 franchisees. See "Item 2. Properties" for a listing of the number of Company-owned and franchised locations in the United States and in foreign countries and U.S. territories.

The revenues from our restaurant business are derived from four principal sources: (1) sales at company-owned restaurants; (2) sales of bakery items and kid's meal promotional items to franchisees (3) franchise royalties received from all Wendy's franchised restaurants; and (4) up-front franchise fees from restaurant operators for each new unit opened

Wendy's Restaurants

During 2008, Wendy's opened 15 new restaurants and closed 16 generally underperforming restaurants. In addition, Wendy's disposed of 7 existing restaurants to its franchisees. During 2008, Wendy's franchisees opened 82 new restaurants and closed 96 generally underperforming restaurants. You should read the information contained in "Item 1A. Risk Factors—Our restaurant business is significantly dependent on new restaurant openings, which may be affected by factors beyond our control."

The following table sets forth the number of Wendy's restaurants at the beginning and end of each year from 2006 to 2008:

	2008	2007	2006
Restaurants open at beginning of period	6,645	6,673	6,746
Restaurants opened during period	97	92	122
Restaurants closed during period	(112)	(120)	(195)
Restaurants open at end of period	6,630	6,645	6,673

During the period from January 2, 2006, through December 28, 2008, 311 Wendy's restaurants were opened and 427 generally underperforming Wendy's restaurants were closed.

Operations

Each Wendy's restaurant offers a relatively standard menu featuring hamburgers and filet of chicken breast sandwiches and wraps, which are prepared to order with the customer's choice of condiments. Wendy's menu also includes chicken nuggets, chili, baked and French fried potatoes, freshly prepared salads, soft drinks, milk, Frosty™ desserts, floats and kids meals. In addition, the restaurants sell a variety of promotional products on a limited basis.

Wendy's strives to maintain quality and uniformity throughout all restaurants by publishing detailed specifications for food products, preparation and service, by continual in-service training of employees, restaurant reviews and by field visits from Wendy's supervisors. In the case of franchisees, field visits are made by Wendy's personnel who review operations, including quality, service and cleanliness and make recommendations to assist in compliance with Wendy's specifications.

Generally, Wendy's does not sell food or supplies, other than sandwich buns and kids' meal toys, to its franchisees. However, Wendy's has arranged for volume purchases of many food and supply products. Under the purchasing arrangements, independent distributors purchase certain products directly from approved suppliers and then store and sell them to local company and franchised restaurants. These programs help assure availability of products and provide quantity discounts, quality control and efficient distribution. These advantages are available both to Wendy's and to its franchisees.

The New Bakery Co. of Ohio, Inc. ("Bakery"), a wholly-owned subsidiary of Wendy's, is a producer of buns for some Wendy's restaurants, and to a lesser extent for outside parties. At December 28, 2008, the Bakery supplied 666 restaurants operated by Wendy's and 2,377 restaurants operated by franchisees. The Bakery also manufactures and sells some products to customers in the grocery and food service businesses.

See Note 30 of the Financial Statements and Supplementary Data included in Item 8 herein, for financial information attributable to certain geographical areas.

Raw Materials

Wendy's and its franchisees have not experienced any material shortages of food, equipment, fixtures or other products that are necessary to maintain restaurant operations. Wendy's anticipates no such shortages of products and believes that alternate suppliers are available.

Trademarks and Service Marks

Wendy's has registered certain trademarks and service marks in the United States Patent and Trademark Office and in international jurisdictions, some of which include Wendy's, Old Fashioned Hamburgers® and Quality Is Our Recipe®. Wendy's believes that these and other related marks are of material importance to its business. Domestic trademarks and service marks expire at various times from 2009 to 2018, while international trademarks and service marks have various durations of 10 to 15 years. Wendy's generally intends to renew trademarks and service marks that are scheduled to expire.

Wendy's entered into an Assignment of Rights Agreement with the company's founder, R. David Thomas, and his wife dated as of November 5, 2000 (the "Assignment"). Wendy's had used Mr. Thomas, who was Senior Chairman of the Board until his death on January 8, 2002, as a spokesperson and focal point for its products and services for many years. With the efforts and attributes of Mr. Thomas, Wendy's has, through its extensive investment in the advertising and promotional use of Mr. Thomas' name, likeness, image, voice, caricature, endorsement rights and photographs (the "Thomas Persona"), made the Thomas Persona well known in the U.S. and throughout North America and a valuable asset for both Wendy's and Mr. Thomas' estate. Under the terms of the Assignment, Wendy's acquired the entire right, title, interest and ownership in and to the Thomas Persona, including the sole and exclusive right to commercially use the Thomas Persona.

Seasonality

Wendy's restaurant operations are moderately seasonal. Wendy's average restaurant sales are normally higher during the summer months than during the winter months. Because the business is moderately seasonal, results for any quarter are not necessarily indicative of the results that may be achieved for any other quarter or for the full fiscal year.

Competition

Each Wendy's restaurant is in competition with other food service operations within the same geographical area. The quick-service restaurant segment is highly competitive. Wendy's competes with other restaurant companies and food outlets, primarily through the quality, variety, convenience, price and value perception of food products offered. The number and location of units, quality and speed of service, attractiveness of facilities, effectiveness of marketing and new product development by Wendy's and its competitors are also important factors. The price charged for each menu item may vary from market to market (and within markets) depending on competitive pricing and the local cost structure.

Wendy's competitive position is differentiated by a focus on quality, its use of fresh, never frozen ground beef in North America and certain other countries, its unique and diverse menu, promotional products, its wide choice of condiments and the atmosphere and decor of its restaurants.

Quality Assurance

Wendy's Quality Assurance program is designed to verify that the food products supplied to our restaurants are processed in a safe, sanitary environment and in compliance with our food safety and quality standards. Wendy's Quality Assurance personnel conduct multiple on-site sanitation and production audits throughout the year at all of our core menu product processing facilities, which includes beef, poultry, pork, buns, french fries, Frosty™ dessert ingredients, and produce. Animal welfare audits are also conducted every year at all beef, poultry, and pork facilities to confirm compliance to our required animal welfare and handling policies and procedures. In addition to our facility audit program, weekly samples of beef, poultry, and other core menu products from our distribution centers are randomly sampled and analyzed by a third party laboratory to test conformance to our quality specifications. Each year, Wendy's representatives conduct unannounced inspections of all company and franchise restaurants to test conformance to our sanitation, food safety, and operational requirements. Wendy's has the right to terminate franchise agreements if franchisees fail to comply with quality standards.

Acquisitions and Dispositions of Wendy's Restaurants

Wendy's has from time to time acquired the interests of and sold Wendy's restaurants to franchisees, and it is anticipated that the company may have opportunities for such transactions in the future. Wendy's generally retains a right of first refusal in connection with any proposed sale of a franchisee's interest. Wendy's will continue to sell and acquire restaurants in the future where prudent.

International Operations

Wendy's has 138 company owned and 235 franchised restaurants in Canada and 352 franchised restaurants in 20 other countries and U.S. territories. Wendy's is evaluating further expansion into other international markets. Wendy's has granted development rights for the countries and U. S. territories listed under Item 2 of this Form 10-K.

Franchised Restaurants

As of December 28, 2008, Wendy's franchisees operated 5,224 Wendy's restaurants in 50 states, Canada and 20 other countries and U. S. territories.

The rights and obligations governing the majority of franchised restaurants operating in the United States are set forth in the Wendy's Unit Franchise Agreement. This document provides the franchisee the right to construct, own and operate a Wendy's restaurant upon a site accepted by Wendy's and to use the Wendy's system in connection with the operation of the restaurant at that site. The Unit Franchise Agreement provides for a 20-year term and a 10-year renewal subject to certain conditions. Wendy's has in the past franchised under different agreements on a multi-unit basis; however, Wendy's now generally grants new Wendy's franchises on a unit-by-unit basis.

The Wendy's Unit Franchise Agreement requires that the franchisee pay a royalty of 4% of gross sales, as defined in the agreement, from the operation of the restaurant. The agreement also typically requires that the franchisee pay Wendy's a technical assistance fee. In the United States, the standard technical assistance fee required under a newly executed Unit Franchise Agreement is currently \$25,000 for each restaurant.

The technical assistance fee is used to defray some of the costs to Wendy's in providing technical assistance in the development of the Wendy's restaurant, initial training of franchisees or their operator and in providing other assistance associated with the opening of the Wendy's restaurant. In certain limited instances (like the regranting of franchise rights or the relocation of an existing restaurant), Wendy's may charge a reduced technical assistance fee or may waive the technical assistance fee. Wendy's does not select or employ personnel on behalf of franchisees.

Wendy's currently does not offer any financing arrangements to franchisees seeking to build new franchised units. However, Wendy's had previously made such financing available to qualified franchisees and Wendy's had guaranteed payment on a portion of the loans made by third-party lenders to those franchisees.

See "Management Discussion and Analysis – Liquidity and Capital Resources – Guarantees and Other Contingencies" in Item 7 herein, for further information regarding guaranty obligations.

Wendy's Restaurants of Canada, Inc. ("WROC"), a wholly owned subsidiary of Wendy's, holds master franchise rights for Canada. The rights and obligations governing the majority of franchised restaurants operating in Canada are set forth in a Single Unit Sub-Franchise Agreement. This document provides the franchisee the right to construct, own and operate a Wendy's restaurant upon a site accepted by WROC and to use the Wendy's system in connection with the operation of the restaurant at that site. The Single Unit Sub-Franchise Agreement provides for a 20-year term and a 10-year renewal subject to certain conditions. The sub-franchisee pays to WROC a monthly royalty of 4% of gross sales, as defined in the agreement, from the operation of the restaurant or C\$1,000, whichever is greater. The agreement also typically requires that the franchisee pay WROC a technical assistance fee. The standard technical assistance fee is currently C\$35,000 for each restaurant.

The rights and obligations governing franchisees who wish to develop outside the United States and Canada are currently contained in the Franchise Agreement and Services Agreement (the "International Agreements"). The International Agreements may be for an initial term of 10 years or 20 years depending on the country and a 10-year renewal, subject to certain conditions. The term will expire with expiration of the term of the lease for the restaurant site, if shorter. The International Agreements license the franchisee to use the Wendy's trademarks and know-how in the operation of a Wendy's restaurant at a specified location. Upon execution of the International Agreements, the franchisee is required to pay a technical assistance fee. The current technical assistance fee is US\$30,000 for each restaurant. Currently, the franchisee is required to pay a monthly royalty equal to 2% of the monthly gross sales of the restaurant, as defined in the International Agreements, or US\$1,000, whichever is greater, and a monthly service fee equal to 2% of the monthly gross sales of the restaurant. In certain foreign markets, Wendy's and the franchisee may sign a development agreement under which the franchisee undertakes to develop a specified number of new Wendy's restaurants based on a negotiated schedule. Wendy's may agree to modify the technical assistance and/or the monthly fees conditioned on the franchisee meeting its annual development obligations.

See Note 7 and Note 26 of the Financial Statements and Supplementary Data included in Item 8 herein, and the information under "Management's Discussion and Analysis" in Item 7 herein, for further information regarding reserves, commitments and contingencies involving franchisees.

Advertising and Promotions

Wendy's participates in two national advertising funds established to collect and administer funds contributed for use in advertising through television, radio, newspapers, the Internet and a variety of promotional campaigns. Separate national advertising funds are administered for Wendy's U.S and Canadian locations. Contributions to the national advertising funds are required to be made from both company-owned and franchised restaurants and are based on a percent of restaurant retail sales. In addition to the contributions to the national advertising funds, Wendy's requires additional contributions to be made for both company-owned and franchised restaurants based on a percent of

restaurant retail sales for the purpose of local and regional advertising programs. Required franchisee contributions to the national advertising funds and for local and regional advertising programs are governed by the Wendy's Unit Franchise Agreement. Required contributions by company-owned restaurants for advertising and promotional programs are at the same percent of retail sales as franchised restaurants within the Wendy's system. Currently the contribution rate for U.S. and Canadian restaurants is generally 3% of retail sales for national advertising and 1% of retail sales for local and regional advertising.

See Note 29 of the Financial Statements and Supplementary Data included in Item 8 herein, for further information regarding advertising.

The Arby's Restaurant System

Arby's is the largest restaurant franchising system specializing in the roast beef sandwich segment of the quick service restaurant industry. According to Nation's Restaurant News, Arby's is the 2nd largest sandwich chain restaurant in the United States. We acquired our company-owned Arby's restaurants principally through the acquisitions of Sybra, Inc. in December 2002 and the RTM Restaurant Group in July 2005. We increase the number of our company-owned restaurants from time to time through acquisitions as well as the development and construction of new restaurants. There are over 3,700 Arby's restaurants in the United States and Canada.

As of December 28, 2008, there were 1,176 company-owned Arby's restaurants and 2,580 Arby's restaurants owned by 468 franchisees. Of the 2,580 franchisee-owned restaurants, 2,457 operated within the United States and 123 operated outside the United States, principally in Canada.

ARG also owns the T.J. Cinnamons® concept, which consists of gourmet cinnamon rolls, gourmet coffees and other related products. As of December 28, 2008, there were a total of 144 T.J. Cinnamons outlets, 132 of which are multi-branded with domestic Arby's restaurants.

In addition to various slow-roasted roast beef sandwiches, Arby's offers an extensive menu of chicken, turkey and ham sandwiches, snack items and salads. In 2001, Arby's introduced its Market Fresh® line of premium sandwiches on a nationwide basis. Since its introduction, the Arby's Market Fresh line has grown to include fresh salads made with premium ingredients. Arby's also offers Market Fresh wrap sandwiches inside a tortilla wrap. In 2007, Arby's added Toasted Subs to its sandwich selections, which is Arby's largest menu expansion since the 2001 introduction of its Market Fresh line. Arby's initial lineup of Toasted Sub offerings included four varieties on toasted ciabatta rolls: the French Dip & Swiss, the Philly Beef, the Classic Italian and the Turkey Bacon Club. Additional varieties of the Toasted Subs are offered on a limited time basis.

Overview

As the franchisor of the Arby's restaurant system, ARG, through its subsidiaries, owns and licenses the right to use the Arby's brand name and trademarks in the operation of Arby's restaurants. ARG provides Arby's franchisees with services designed to increase both the revenue and profitability of their Arby's restaurants. The most important of these services are providing strategic leadership for the brand, product development, quality control, operational training and counseling regarding site selection.

The revenues from our restaurant business are derived from three principal sources: (1) sales at company-owned restaurants; (2) franchise royalties received from all Arby's franchised restaurants; and (3) up-front franchise fees from restaurant operators for each new unit opened.

Arby's Restaurants

Arby's opened its first restaurant in Boardman, Ohio in 1964. As of December 28, 2008, ARG and Arby's franchisees operated Arby's restaurants in 48 states, and four foreign countries. See "Item 2. Properties" for a listing of the number of Company-owned and franchised locations in the United States and in foreign countries.

Arby's restaurants in the United States and Canada typically range in size from 2,500 square feet to 3,000 square feet, and almost all of the freestanding system-wide restaurants feature drive-thru windows. Restaurants typically have a manager, at least one assistant manager and as many as 30 full and part-time employees. Staffing levels, which vary during the day, tend to be heaviest during the lunch hours.

During 2008, ARG opened 40 new Arby's restaurants and closed 15 generally underperforming Arby's restaurants. In addition, ARG acquired 42 existing Arby's restaurants from its franchisees, including one that was previously operated by ARG under a management agreement. During 2008, Arby's franchisees opened 87 new Arby's restaurants and closed 44 generally underperforming Arby's restaurants. In addition, during 2008, Arby's franchisees closed 52 T.J. Cinnamons outlets located in Arby's units, and franchisees closed an additional six T.J. Cinnamons outlets located outside of Arby's units. As of December 28, 2008, franchisees have committed to open 415 Arby's restaurants over the next ten years. You should read the information contained in "Item 1A. Risk Factors—Our restaurant business is significantly dependent on new restaurant openings, which may be affected by factors beyond our control."

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As of December 28, 2008, Canadian franchisees have committed to open 11 Arby's restaurants over the next ten years. During 2008, five new Arby's units were opened in Canada and six Arby's units in Canada were closed. During 2008, no other Arby's units were opened or closed outside the United States.

The following table sets forth the number of Arby's restaurants at the beginning and end of each year from 2006 to 2008:

	2008	2007	2006
Restaurants open at beginning of period	3,688	3,585	3,506
Restaurants opened during period	127	148	131
Restaurants closed during period			