AFC ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/12/08 for the Period Ending 10/05/08

Address	5555 GLENRIDGE CONNECTOR, NE, SUITE 300 ATLANTA, GA 30342
Telephone	4044594450
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Industry	Restaurants
Sector	Services
Fiscal Year	12/30

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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 5, 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 000-32369

AFC Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	58-2016606 (IRS Employer Identification No.)
5555 Glenridge Connector, NE, Suite 300 Atlanta, Georgia (Address of principal executive offices)	30342 (Zip code)

(Registrant's telephone number, including area code)
(404) 459-4450

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

Yes ☐ No ☑

As of October 31, 2008 there were 25,295,273 shares of the registrant's common stock, par value $.01 per share, outstanding.

AFC ENTERPRISES, INC.
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PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements
AFC Enterprises, Inc.
Condensed Consolidated Balance Sheets (unaudited)
(In millions, except share data)

	10/05/08	12/30/07
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10.4	$ 5.0
Accounts and current notes receivable, net	12.9	13.1
Assets held for sale	4.4	—
Prepaid income taxes	—	0.5
Other current assets	14.6	16.6
Total current assets	42.3	35.2
Long-term assets:		
Property and equipment, net	26.6	42.4
Goodwill	11.1	11.7
Trademarks and other intangible assets, net	48.3	51.6
Other long-term assets, net	14.6	14.1
Total long-term assets	100.6	119.8
Total assets	$ 142.9	$ 155.0
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 19.9	$ 26.1
Other current liabilities	13.6	14.9
Current debt maturities	13.9	14.0
Total current liabilities	47.4	55.0
Long-term liabilities:		
Long-term debt	117.4	118.8
Deferred credits and other long-term liabilities	18.9	21.5
Total long-term liabilities	136.3	140.3
Commitments and contingencies		
Shareholders' deficit:		
Preferred stock ($.01 par value; 2,500,000 shares authorized; 0 issued and outstanding)	—	—
Common stock ($.01 par value; 150,000,000 shares authorized; 25,291,973 and 27,356,105 shares issued and outstanding at October 5, 2008 and December 30, 2007, respectively)	0.3	0.3
Capital in excess of par value	110.1	127.7
Accumulated deficit	(151.5)	(168.5)
Accumulated other comprehensive income	0.3	0.2
Total shareholders' deficit	(40.8)	(40.3)
Total liabilities and shareholders' deficit	$ 142.9	$ 155.0

See accompanying notes to condensed consolidated financial statements.

AFC Enterprises, Inc.
Condensed Consolidated Statements of Operations (unaudited)
(In millions, except per share data)

	12 Weeks Ended		40 Weeks Ended	
	10/05/08	10/07/07	10/05/08	10/07/07
Revenues:				
Sales by company-operated restaurants	$ 17.4	$ 18.4	$ 62.6	$ 61.0
Franchise revenues	20.0	19.5	65.4	63.7
Other revenues	0.9	1.0	2.9	3.5
Total revenues	38.3	38.9	130.9	128.2
Expenses:				
Restaurant employee, occupancy and other expenses	9.7	9.1	32.9	30.7
Restaurant food, beverages and packaging	5.9	6.3	21.7	20.6
General and administrative expenses	13.3	11.3	42.1	35.7
Depreciation and amortization	1.3	1.6	5.0	5.3
Other expenses (income), net	—	(1.3)	(5.1)	(1.7)
Total expenses	30.2	27.0	96.6	90.6
Operating profit	8.1	11.9	34.3	37.6
Interest expense, net	1.6	2.0	6.3	6.5
Income before income taxes	6.5	9.9	28.0	31.1
Income tax expense	2.5	3.4	11.0	11.6
Net income	$ 4.0	$ 6.5	$ 17.0	$ 19.5
Earnings per common share, basic:	$ 0.16	$ 0.23	$ 0.66	$ 0.67
Earnings per common share, diluted:	$ 0.16	$ 0.23	$ 0.66	$ 0.67
Weighted-average shares outstanding:				
Basic	25.2	28.2	25.7	28.9
Diluted	25.3	28.3	25.8	29.1

See accompanying notes to condensed consolidated financial statements.

AFC Enterprises, Inc.
Condensed Consolidated Statement of Changes in Shareholders' Equity (Deficit) (unaudited)
(In millions, except share data)

	Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Amount				
Balance at December 30, 2007	27,356,105	$ 0.3	$ 127.7	$ (168.5)	$ 0.2	$ (40.3)
Net income				17.0		17.0
Other comprehensive income						
Net change in fair value of interest rate swap agreements, net of tax					0.2	0.2
Derivative gains realized in earnings during the period					(0.1)	(0.1)
Total comprehensive income						17.1
Repurchases and retirement of shares	(2,120,401)	—	(19.0)	—	—	(19.0)
Excess tax liabilities from stock-based compensation	—	—	(0.3)	—	—	(0.3)
Cancellation of shares	(30,731)	—	(0.2)	—	—	(0.2)
Issuance of restricted stock awards, net of forfeitures	87,000	—	—	—	—	
Stock-based payment expense	—	—	1.9	—	—	1.9
Balance at Oct 5, 2008	25,291,973	$ 0.3	$ 110.1	$ (151.5)	$ 0.3	$ (40.8)

See accompanying notes to condensed consolidated financial statements.

AFC Enterprises, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)
(In millions)

	40 Weeks Ended	
	10/05/08	10/07/07
Cash flows provided by (used in) operating activities:		
Net income	$ 17.0	$ 19.5
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5.0	5.3
Asset write-downs	8.4	0.5
Net loss (gain) on sale and disposal of assets	(0.9)	0.1
Gain on insurance recoveries related to asset damages, net	—	(2.6)
Deferred income taxes	(1.0)	0.5
Non-cash interest, net	(0.2)	(0.2)
Provision for credit losses	0.2	0.3
Excess tax benefits from stock-based compensation	—	(1.0)
Stock-based compensation expense	1.9	1.2
Change in operating assets and liabilities:		
Accounts receivable	0.4	0.9
Prepaid income taxes	0.5	7.5
Other operating assets	0.7	—
Accounts payable and other operating liabilities	(8.8)	0.6
Net cash provided by operating activities	23.2	32.6
Cash flows provided by (used in) investing activities:		
Capital expenditures	(2.3)	(5.8)
Proceeds from dispositions of property and equipment	3.8	0.2
Property insurance proceeds	—	4.5
Acquisition of franchised restaurants	—	(0.4)
Proceeds from notes receivable	0.7	0.6
Net cash provided by (used in) investing activities	2.2	(0.9)
Cash flows provided by (used in) financing activities:		
Principal payments — 2005 Credit Facility term loan	(8.9)	(7.0)
Principal payments — other notes	(0.1)	(0.1)
Net borrowings under 2005 revolving credit facility	7.5	—
(Increase) decrease in restricted cash	1.2	(1.1)
Special cash dividend	(0.5)	(0.7)
Proceeds from exercise of employee stock options	—	3.2
Excess tax benefits from stock-based compensation	—	1.0
Share repurchases	(19.0)	(31.6)
Other, net	(0.2)	(0.3)
Net cash (used in) financing activities	(20.0)	(36.6)
Net increase (decrease) in cash and cash equivalents	5.4	(4.9)
Cash and cash equivalents at beginning of year	5.0	6.7
Cash and cash equivalents at end of quarter	$ 10.4	$ 1.8

See accompanying notes to condensed consolidated financial statements

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

1. Description of Business

AFC Enterprises, Inc. ("AFC" or the "Company") develops, operates and franchises quick-service restaurants under the trade name Popeyes ® ("Popeyes"). The Company operates two business segments: franchise operations and company-operated restaurants.

2. Significant Accounting Policies

Significant Accounting Policies. The Company's significant accounting policies are presented in Note 2 to the Company's consolidated financial statements for the fiscal year ended December 30, 2007, which are contained in the Company's 2007 Annual Report on Form 10-K. The significant accounting policies that are most critical and aid in fully understanding and evaluating the reported financial results include the following:

Basis of Presentation. The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. Accordingly, certain information required by generally accepted accounting principles in the United States for complete financial statements is not included. The condensed consolidated balance sheet data as of December 30, 2007 that is presented herein was derived from the Company's audited consolidated financial statements for the fiscal year then ended. The condensed consolidated financial statements have not been audited by the Company's independent registered public accountants, but in the opinion of management, they contain all adjustments necessary for a fair presentation of the Company's financial condition and results of operations for the interim periods presented. Interim period operating results are not necessarily indicative of the results expected for the full fiscal year. The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 30, 2007 ("2007 Form 10-K").

Use of Estimates . The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, asset impairments, contingencies and income taxes.

Assets Held For Sale and Company-Operated Restaurant Impairments. In the first quarter of 2008, the Company commenced a process to identify experienced and qualified operators to enter into long-term franchising agreements and to purchase certain of its company-operated restaurant assets. During the second quarter of 2008, the Company's Board of Directors authorized the negotiation of definitive agreements for the re-franchising and sale of 25 company-operated restaurant assets in Atlanta, Georgia. As a result, the Company recognized an impairment charge of $6.0 million during the second quarter of 2008 which represents the excess of the carrying values of the property and equipment, goodwill and other intangible assets associated with the restaurants over their estimated fair values, less cost to sell. The impairment charge is recorded as a component of "Other expenses (income), net" in the condensed consolidated statements of operations for the forty weeks ended October 5, 2008. During the third quarter of 2008, the Company completed the re-franchising and sale of 11 company-operated restaurants in Atlanta, Georgia for net proceeds of $3.5 million from the sale of assets and new franchise and development agreements. The Company continues to negotiate definitive agreements for the remaining 14 company-operated restaurants in Atlanta, Georgia. The Company expects that the re-franchising and sale of the assets will be completed by the end of the first quarter of 2009. The adjusted carrying value of the remaining Atlanta restaurant assets as of October 5, 2008 was $4.4 million and is classified as "Assets held for sale" on the condensed consolidated balance sheet.

Prior to the filing of the Company's second quarter 2008 Form 10-Q, the Company's Board of Directors further authorized the negotiation of a definitive agreement for the re-franchising and sale of four company-operated restaurant assets in Nashville, Tennessee. As a result, the Company recognized an impairment charge of $2.1 million in the second quarter of 2008 which represents the excess of the carrying values of the property and equipment, goodwill and other intangible assets associated with the restaurants over their estimated fair values, less cost to sell. The impairment charge is recorded as a component of "Other expenses (income), net" in the condensed consolidated statements of operations for the forty weeks ended October 5, 2008. The Company continues to seek qualified operators to re-franchise the four company-operated restaurants in Nashville, Tennessee. The Company is unable to estimate the timing of this future re-franchising transaction. The adjusted carrying value of the Nashville restaurant assets of $1.3 million is classified as a component of "Property and equipment, net" in the condensed consolidated balance sheet as of October 5, 2008.

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

Advertising Fund. The Company maintains a cooperative advertising fund that receives contributions from the Company and from its franchisees, based upon a percentage of restaurant sales, as required by their franchise agreements. This fund is used exclusively for marketing of the Popeyes brand. The Company acts as an agent for the franchisees with regards to the use of their contributions to the fund.

In the Company's condensed consolidated financial statements, the advertising fund is accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 45, *Accounting for Franchise Fee Revenue*. Contributions received and expenses of the advertising fund are excluded from the Company's condensed consolidated statements of operations. The balance sheet components of the fund are consolidated by line item in the Company's condensed consolidated balance sheets with the exception of (1) cash, which is restricted as to use and included as a component of "Other current assets" and (2) the net fund balance, which is included in the Company's condensed consolidated balance sheets as a component of "Accounts payable." The net fund balance was approximately $6.7 million at October 5, 2008 and $5.8 million at December 30, 2007.

Amounts associated with the advertising fund included in the condensed consolidated balance sheets at October 5, 2008 and December 30, 2007 were as follows:

(in millions)	10/05/08	12/30/07
Accounts and current notes receivable, net	$ 3.8	$ 3.7
Other current assets	9.6	11.4
	$ 13.4	$ 15.1
Accounts Payable:		
Accounts payable	$ 6.7	$ 9.3
Net fund balance	6.7	5.8
	$ 13.4	$ 15.1

Recently Adopted Accounting Pronouncements. In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157, as issued, were effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* , which allows entities to defer the effective date of SFAS No. 157, for one year, for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted SFAS No. 157 as of December 31, 2007 and elected the deferral for non-financial assets and liabilities. The effect of adopting this standard was not significant. We currently anticipate that full adoption in 2009 will not materially impact the Company's results of operations or financial condition.

SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market
- Level 2 — inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability
- Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

As of October 5, 2008, the Company's financial assets that are measured at fair value on a recurring basis consisted of $9.8 million of short-term investments (Level 1) recorded in "Cash and cash equivalents" and an interest rate swap agreement with a market value of $0.6 million (Level 2) recorded in "Other long-term assets, net". The Company has no financial liabilities which are measured at fair value on a recurring basis.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value with changes in the fair value recognized in earnings. The statement's objective is to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without applying complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect to begin reporting any financial assets or liabilities at fair value upon adoption of SFAS 159; therefore the standard did not have any effect on the consolidated financial statements.

Recent Accounting Pronouncements That the Company Has Not Yet Adopted. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 amends and expands the disclosure requirements in SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* . SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, the year beginning December 29, 2008 for the Company. The implementation of this statement will not have a material impact on the consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

3. Other Current Assets

(in millions)	10/05/08	12/30/07
Restricted cash	$ 8.1	$ 9.3
Other current assets of the advertising fund	1.5	2.1
Prepaid insurance	0.5	1.7
Deferred tax assets	1.9	1.9
Prepaid expenses and other current assets	2.6	1.6
	$ 14.6	$ 16.6

The restricted cash balances at October 5, 2008 and December 30, 2007 are primarily associated with the cooperative advertising fund.

4. Other Current Liabilities

(in millions)	10/05/08	12/30/07
Accrued wages, bonuses and severances	$ 2.5	$ 1.9
Accrued income taxes payable and income tax reserves	6.7	6.2
Accrued interest	0.2	2.2
Other	4.2	4.6
	$ 13.6	$ 14.9

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

5. Long-Term Debt and Other Borrowings

(in millions)	10/05/08	12/30/07
2005 Credit Facility:		
Revolving credit facility	$ 12.5	$ 5.0
Term loan	114.2	123.1
Capital lease obligations	1.6	1.6
Other notes	3.0	3.1
	131.3	132.8
Less current portion	13.9	14.0
	$ 117.4	$ 118.8

2005 Credit Facility. The 2005 Credit Facility is secured by a first priority security interest in substantially all of the Company's assets. The 2005 Credit Facility contains financial and other covenants, including covenants requiring the Company to maintain various financial ratios, limiting its ability to incur additional indebtedness, restricting the amount of capital expenditures, restricting the payment of cash dividends, and limiting the amount of debt which can be loaned to the Company's franchisees or guaranteed on their behalf. This facility also limits the Company's ability to engage in mergers or acquisitions, sell certain assets, repurchase its stock and enter into certain lease transactions. The 2005 Credit Facility includes customary events of default including, but not limited to, the failure to pay any interest, principal or fees when due, the failure to perform certain covenant agreements, inaccurate or false representations or warranties, insolvency or bankruptcy, change of control, the occurrence of certain ERISA events and judgment defaults. As of October 5, 2008, the Company was in compliance with the financial and other covenants of the 2005 Credit Facility.

As of October 5, 2008, the Company had loans outstanding under its revolving credit facility totaling $12.5 million. Under the terms of the revolving credit facility, the Company may obtain other short-term borrowings of up to $10.0 million and letters of credit up to $25.0 million. Collectively, these other borrowings and letters of credit may not exceed the amount of unused borrowings under the 2005 Credit Facility. As of October 5, 2008 the Company had $2.1 million of outstanding letters of credit. Availability for short-term borrowings under the revolving credit facility was $45.4 million.

Interest Rate Swap Agreement. The 2005 Credit Facility bears interest based upon alternate indices plus an applicable margin as specified in the facility. Effective May 12, 2005, the Company entered into two interest rate swap agreements with a combined notional amount of $130.0 million. Effective December 29, 2006, the Company reduced the notional amounts of the combined agreements to $110.0 million. The agreements terminated on June 30, 2008. The effect of the agreements was to limit the interest rate exposure on a portion of the 2005 Credit Facility to a fixed rate of 6.4%.

Effective for the period June 30, 2008 through June 30, 2010, the Company entered into an interest rate swap agreement with a notional amount of $100.0 million. Pursuant to this agreement, the Company pays a fixed rate of interest and receives a floating rate of interest. The effect of the agreement is to limit the interest rate exposure on a portion of the Term B loan debt outstanding under the 2005 Credit Facility to a fixed rate of 4.87%. At October 5, 2008, the fair value of this agreement was approximately $0.6 million and was recorded as a component of "Other long-term assets, net. " The changes in fair value are recognized in accumulated other comprehensive income in the accompanying condensed consolidated balance sheets. This agreement is accounted for as an effective cash flow hedge. As of October 5, 2008, the Company's weighted average interest rate for all outstanding indebtedness under the 2005 Credit Facility, including the effect of the interest rate swap agreement, was approximately 5.0%.

During the forty week periods ended October 5, 2008 and October 7, 2007, the net interest (expense) income associated with these agreements was $(0.1) million and $1.2 million, respectively. During the twelve week periods ended October 5, 2008 and October 7, 2007 the net interest income associated with these agreements was $0.1 million and $0.3 million, respectively.

6. Shareholders' Deficit

Effective July 22, 2002, and as subsequently amended and expanded, the Company's board of directors approved a share repurchase program of up to $215.0 million. The program, which is not subject to a fixed time limit, allows the Company to repurchase shares of the Company's common stock from time to time.

On March 13, 2008, the Company repurchased approximately two million shares of its common stock under an accelerated share repurchase agreement (the "ASR") with a financial institution. The ASR was completed during the second quarter of 2008. The Company paid a cash adjustment of $2.3 million for a final purchase price of $17.4 million. The repurchased shares have been retired. During the forty week period ended October 5, 2008, the Company repurchased and retired an additional 164,730 shares of common stock for approximately $1.6 million,

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

all of which was repurchased during the first quarter. The Company did not repurchase any of its common stock during the twelve week period ended October 5, 2008. During the twelve and forty week periods ended October 7, 2007, the Company repurchased and retired 815,740 and 1,862,431 shares of common stock for approximately $12.4 million and $31.6 million, respectively.

As of October 5, 2008, the remaining value of shares that may be repurchased under the Company's current share repurchase program was approximately $39.0 million. Pursuant to the terms of its Credit Facility, the Company is subject to a repurchase limit of approximately $19.3 million for the remainder of fiscal 2008.

The following table presents the components of comprehensive income for the twelve and forty week periods ended October 5, 2008 and October 7, 2007.

	12 Weeks Ended		40 Weeks Ended	
(in millions)	10/05/08	10/07/07	10/05/08	10/07/07
Net income	$ 4.0	$ 6.5	$ 17.0	$ 19.5
Net change in fair value of interest rate swap agreements, net of tax	(0.6)	(0.3)	0.2	(0.5)
Derivative gains realized in earnings during the period	—	—	(0.1)	(0.2)
Total comprehensive income	$ 3.4	$ 6.2	17.1	$ 18.8

7. Other Expenses (Income), Net

	12 Weeks Ended		40 Weeks Ended	
(in millions)	10/05/08	10/07/07	10/05/08	10/07/07
Net recoveries of directors and officers liability insurance claims	$ —	$ —	$ (12.9)	$ 0.1
Impairments and disposals of fixed assets	0.1	—	8.4	0.6
Gain on insurance recoveries related to asset damage	—	(0.8)	—	(2.6)
Income from business interruption insurance recoveries	—	(0.5)	—	(0.5)
Other hurricane costs and related insurance recoveries, net	0.1	—	0.1	0.3
Costs related to restaurant closures	—	—	—	0.3
Net gain on sale of assets	(0.1)	—	(0.9)	(0.2)
Other	(0.1)	—	0.2	0.3
	$ —	$ (1.3)	$ (5.1)	$ (1.7)

In September 2007, a federal court in Atlanta returned a favorable decision in a lawsuit by the Company against a former insurance carrier that provided primary liability coverage for its directors and officers. The Company was awarded $20 million in damages (representing the full liability of the policy) and approximately $4 million in pre-judgment interest. After payment of settlement amounts to the counterparties to certain joint settlement agreements, legal expenses and fees, the Company received $12.3 million during the twelve week period ended July 13, 2008. During the first quarter of 2008, the Company received $0.6 million in net proceeds from the settlement of other insurance claims related to directors and officers liability policies. Total related recoveries received during the forty weeks ended October 5, 2008 were $12.9 million.

During the second quarter of 2008, the Company recognized $8.1 in impairment charges associated with the re-franchising of company-operated restaurants in Atlanta, Georgia and Nashville, Tennessee. See Note 2 for further discussion of impairment charges related to company-operated restaurants.

8. Legal Matters

The Company is a defendant in various legal proceedings arising in the ordinary course of business, including claims resulting from "slip and fall" accidents, employment-related claims, claims from guests or employees alleging illness, injury or other food quality, health or operational concerns and claims related to franchise matters. The Company has established adequate reserves to provide for the defense and settlement of such matters. The Company's management believes their ultimate resolution will not have a material adverse effect on the Company's financial condition or its results of operations.

On April 30, 2003, the Company received an informal, nonpublic inquiry from the staff of the SEC requesting voluntary production of documents and other information. The requests, for documents and information, to which the Company has responded, relate primarily to the Company's announcement on March 24, 2003 indicating it would restate its financial statements for fiscal year 2001 and the first three quarters of 2002. On December 14, 2004, the SEC issued an order authorizing a formal investigation with respect to these matters. The Company has cooperated with the SEC in these inquiries.

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

9. Interest Expense, Net

(in millions)	12 Weeks Ended 10/05/08	12 Weeks Ended 10/07/07	40 Weeks Ended 10/05/08	40 Weeks Ended 10/07/07
Interest on debt	$ 1.5	$ 2.1	$ 6.3	$ 6.8
Amortization and write-offs of debt issuance costs	0.2	0.1	0.5	0.5
Other debt related charges	0.2	0.1	0.5	0.3
Interest income	(0.3)	(0.3)	(1.0)	(1.1)
	$ 1.6	$ 2.0	$ 6.3	$ 6.5

During the forty weeks ended October 5, 2008 and October 7, 2007, total payments made for interest were approximately $8.6 million and $6.8 million, respectively.

See Note 5 for a discussion of the 2005 Credit Facility.

10. Income Taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* . FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The amount of unrecognized tax benefits was approximately $4.7 million as of October 5, 2008 of which approximately $1.1 million, if recognized, would affect the effective income tax rate.

The Company recognizes interest and penalties related to uncertain tax positions as a component of its income tax expense. As of October 5, 2008, the Company has approximately $0.9 million of accrued interest and penalties related to uncertain tax positions.

The Company files income tax returns in the United States and various state jurisdictions. The U.S. federal tax years 2004 through 2007 are open to audit, with 2004 and 2005 currently under examination. The Company has recorded unrecognized tax benefits of approximately $0.8 million related to the period being examined. In general, the state tax years open to audit range from 2003 through 2007.

The Company has unrecognized tax benefits of approximately $0.8 million, which the Company would recognize within the next twelve months if the statute of limitations were to expire.

The Company's effective tax rate associated with continuing operations for the twelve week periods ended October 5, 2008 and October 7, 2007 was 38.5% and 34.3%, respectively. The Company's effective tax rate associated with continuing operations for the forty week periods ended October 5, 2008 and October 7, 2007 was 39.3% and 37.3% respectively. The prior year's effective tax rates benefited from the reversal of tax reserves due to the expiration of the statutes of limitation. Had the statute of limitations not expired during the prior year, the effective tax rates for the twelve and forty-week periods ended October 7, 2007 would have been 37.7% and 38.4%, respectively. The effective tax rate for the forty weeks ended October 5, 2008 was unfavorably impacted by 0.8% associated with the impairment of non-deductible goodwill. Other differences between the effective tax rates and the statutory tax rates are principally attributable to adjustments to estimated tax reserves, permanent differences and inter-period allocations.

11. Components of Earnings Per Common Share Computation

(in millions)	12 Weeks Ended 10/05/08	12 Weeks Ended 10/07/07	40 Weeks Ended 10/05/08	40 Weeks Ended 10/07/07
Numerators for earnings per share computation:				
Net Income	$ 4.0	$ 6.5	$ 17.0	$ 19.5
Denominator for basic earnings per share - weighted average shares	25.2	28.2	25.7	28.9
Dilutive employee stock options	0.1	0.1	0.1	0.2
Denominator for diluted earnings per share	25.3	28.3	25.8	29.1

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12. Segment Information

The Company's reportable business segments are its franchise operations and its company-operated restaurants.

(in millions)	Franchise Operations	Company-Operated Restaurants	Corporate	Total
Twelve weeks ended 10/05/08				
Total revenues	$ 20.9	$ 17.4	$ —	$ 38.3
Operating profit (loss) before allocation	13.0	0.3	(5.2)	8.1
Corporate overhead allocations (b)	(4.7)	(0.5)	5.2	—
Operating profit (loss) (c)	$ 8.3	$ (0.2)	$ —	$ 8.1
Depreciation and amortization	$ 0.4	$ 0.9	$ —	$ 1.3
Capital expenditures	$ —	$ 0.4	$ —	$ 0.4
Twelve weeks ended 10/07/07				
Total revenues	$ 20.5	$ 18.4	$ —	$ 38.9
Operating profit (loss) before allocation	14.7	2.2	(5.0)	11.9
Corporate overhead allocations (b)	(4.4)	(0.6)	5.0	—
Operating profit (loss)	$ 10.3	$ 1.6	$ —	$ 11.9
Depreciation and amortization	$ 0.4	$ 1.2	$ —	$ 1.6
Capital expenditures	$ 0.2	$ 0.7	$ —	$ 0.9
Forty weeks ended 10/05/08				
Total revenues	$ 68.3	$ 62.6	$ —	$ 130.9
Operating profit (loss) before allocation (a)	45.7	(6.4)	(5.0)	34.3
Corporate overhead allocations (b)	(15.7)	(2.0)	17.7	—
Operating profit (loss) (c)	$ 30.0	$ (8.4)	$ 12.7	$ 34.3
Depreciation and amortization	$ 1.3	$ 3.7	$ —	$ 5.0
Capital expenditures	$ 0.1	$ 2.2	$ —	$ 2.3
Forty weeks ended 10/07/07				
Total revenues	$ 67.2	$ 61.0	$ —	$ 128.2
Operating profit (loss) before allocation	49.4	5.3	(17.1)	37.6
Corporate overhead allocations (b)	(14.6)	(2.1)	16.7	—
Operating profit (loss)	$ 34.8	$ 3.2	$ (0.4)	$ 37.6
Depreciation and amortization	$ 1.5	$ 3.8	$ —	$ 5.3
Capital expenditures	$ 0.2	$ 5.6	$ —	$ 5.8

(a) Operating profit (loss) from Company-operated restaurants for the forty week period ended October 5, 2008 included $8.1 in impairment charges associated with the re-franchising of company-operated restaurants in Atlanta, Georgia and Nashville, Tennessee. The impairment charge included a write-off of $0.6 million of goodwill previously allocated to company-operated restaurants. Goodwill allocated to company-operated restaurants as of October 5, 2008 was $2.2 million. See Note 2 for further discussion of impairment charges related to company-operated restaurants during the forty week period ended October 5, 2008.

AFC Enterprises, Inc.
Notes to Condensed Consolidated Financial Statements

(b) Corporate overhead allocations include costs directly related to the operation of each segment and estimated charges based upon each segment's relative contribution to the Company's operations.

(c) Operating profit (loss) from the Company's Corporate segment during the forty week period ended October 5, 2008 include $12.9 million in settlements of insurance claims related to directors and officers liability policies with its former insurers. For a discussion of litigation related proceeds during the forty week period ended October 5, 2008, see Note 7.

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

The following discussion and analysis for AFC Enterprises, Inc. ("AFC" or "the Company") should be read in conjunction with our condensed consolidated financial statements included in Part 1, Item 1 of this quarterly report and in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2007.

Nature of Business

We develop, operate and franchise quick-service restaurants under the trade name Popeyes ® ("Popeyes"). The Company operates two business segments: franchise operations and company-operated restaurants.

As of October 5, 2008, we operated and franchised 1,905 Popeyes restaurants in 44 states, the District of Columbia, Puerto Rico, Guam and 25 foreign countries.

POPEYES®

Total Operating Restaurants as of:	10/05/08	12/30/07
Domestic:		
Company-Operated	56	65
Franchised	1,515	1,518
International:		
Franchised	334	322
Total	1,905	1,905

Our Business Strategy

Our new business strategy, announced during the first quarter of 2008, capitalizes on our strengths as a highly franchised restaurant system. This business model provides a diversified earnings stream, with low capital spending demands. It efficiently produces and retains cash flows which are available for use in enhancing our shareholder value.

We continue to operate in a challenging economic environment. Lack of liquidity in the credit markets, volatile commodity costs, intense competition with respect to value pricing and market share, and declines in consumer confidence and retail spending are among the factors impacting our industry. To address these challenges, our strategic plan continues to focus on the four pillars below which we believe are proven strategies for growing a high performance restaurant chain.

- **Build the Popeyes Brand** — by offering franchisees a distinctive brand and menu with clear competitive advantages.
- **Run Great Restaurants** — by strengthening restaurant operations and improving the Popeyes guest experience.
- **Strengthen Unit Economics** — by growing revenue, identifying cost savings to improve food, labor and overhead efficiencies in the restaurant, and delivering solid returns to our franchisees.
- **Align People and Resources to Deliver Results** — by making investments in brand building, operational tools and people.

Accordingly, we remain committed to our new strategic plan which includes menu expansion to address three new permanent menu platforms — value, portable and lunches. These three new menu platforms, launched in the September-November timeframe, are designed to drive traffic during lunch, snack and late night dayparts as well as gain share in the boneless chicken and sandwich segments. In October, we put in place new menu boards throughout the Popeyes domestic system which feature our core bone-in chicken as well as these three new menu platforms.

In conjunction with our expanded menu platforms, the Company shifted the majority of Popeyes' media advertising funds to new national cable advertising during this quarter. This decision was taken in partnership with our franchisees. The Company agreed to invest $2.0 million in additional advertising fund dollars in 2008. The majority of Popeyes' franchisees agreed to contribute an additional 1 percent of their restaurants' sales to the Popeyes' advertising fund during the same period. As a result, Popeyes' television media weight will more than double, evidence of Popeyes' commitment to grow guest traffic and market share in these slow economic times.

We are also partnering with our franchisees to improve our guest experience using metric-based tools launched during the current year. And, we are implementing initiatives to improve restaurant level profitability.

Management Overview of 2008 Operating Results (Third Quarter)

Our third quarter of 2008 results and highlights include the following:

- We reported net income of $4.0 million, or diluted earnings per common share of $0.16.
- Total system-wide sales were flat as compared to the third quarter of 2007.
- Total domestic same-store sales decreased by 2.8% and international same-store sales increased by 7.4%, resulting in a global same-store sales decrease of 1.9%.
- The Popeyes system opened 28 new restaurants, offset by 24 permanent closings.
- Popeyes' new national cable advertising strategy was launched in support of new value, portable and lunch menu items. The first media flight (which fell in the third quarter) introduced our $1.49 Big Deals value sandwiches and wraps and attracted guests to both lunch and snack dayparts.
- We made $2.8 million in debt repayments under our 2005 Credit Facility. The Company's cash balance at the end of the third quarter was $10.4 million.

A summary of our financial results and key operational metrics is presented below.

(Dollars in millions)	12 Weeks Ended 10/05/08	12 Weeks Ended 10/07/07	40 Weeks Ended 10/05/08	40 Weeks Ended 10/07/07
Sales by company-operated restaurants	$ 17.4	$ 18.4	$ 62.6	$ 61.0
Franchise revenues (a)	20.0	19.5	65.4	63.7
Other revenues	0.9	1.0	2.9	3.5
Total revenues	$ 38.3	$ 38.9	$ 130.9	$ 128.2
Operating profit	$ 8.1	$ 11.9	$ 34.3	$ 37.6
Net income	$ 4.0	$ 6.5	$ 17.0	$ 19.5
Global system-wide sales growth:	0.0%	2.8%	1.0%	2.4%
Same-store sales growth (decline) (b):				
Company-operated restaurant segment	(6.1)%	(10.5)%	(5.5)%	(7.9)%
Domestic franchised restaurants	(2.6)%	(1.5)%	(1.9)%	(2.3)%
Total domestic (company-operated and franchised restaurants)	(2.8)%	(1.9)%	(2.1)%	(2.6)%
International franchised restaurants	7.4%	0.5%	4.1%	0.8%
Total global system	(1.9)%	(1.7)%	(1.5)%	(2.2)%
Company operated restaurants (all domestic):				
Restaurants at beginning of period	67	61	65	56
New restaurant openings	—	—	1	2
Unit conversions, net	(11)	—	(11)	1
Permanent closings	—	(2)	—	(3)
Temporary closings, net of re-openings	—	2	1	5
Restaurants at the end of third quarter	56	61	56	61
Franchised restaurants (domestic and international):				
Restaurants at beginning of period	1,834	1,817	1,840	1,822
New restaurant openings	28	32	96	83
Unit conversions, net	11	—	11	(1)
Permanent closings	(24)	(28)	(88)	(85)
Temporary closings, net of re-openings	—	(1)	(10)	1
Restaurants at the end of third quarter	1,849	1,820	1,849	1,820
Total system restaurants	1,905	1,881	1,905	1,881

(a) Franchise revenues are principally comprised of royalty payments from franchisees that are based upon franchisee sales. While franchisee sales are not recorded as revenue by the Company, we believe they are important in understanding the Company's financial performance as these sales are indicative of the Company's performance, given the Company's strategic focus on growing its overall business through franchising. For the third quarter of 2008 and 2007, franchisee sales, as reported by the franchisees, were approximately $386.6 million and $385.8 million, respectively.

(b) Same-store sales statistics exclude temporarily and permanently closed restaurants. New restaurants are included in the computation of same-store sales after they have been open for 65 weeks. Unit conversions are included immediately upon conversion.

In reviewing our operating results, we believe the following table can be helpful. The table presents selected revenues and expenses as a percentage of total revenues (or as a percentage of a corresponding revenue line item).

	12 Weeks Ended		40 Weeks Ended	
	10/05/2008	10/07/2007	10/05/2008	10/07/2007
Revenues:				
Sales by company-operated restaurants	46%	47%	48%	47%
Franchise revenues	52%	50%	50%	50%
Other revenues	2%	3%	2%	3%
Total revenues	100%	100%	100%	100%
Expenses:				
Restaurant employee, occupancy and other expenses (a)	56%	49%	53%	50%
Restaurant food, beverages and packaging (a)	34%	34%	35%	34%
General and administrative expenses	35%	29%	32%	28%
Depreciation and amortization	3%	4%	4%	4%
Other expenses (income), net	0%	(3)%	(4)%	(1)%
Total expenses	79%	69%	74%	71%
Operating profit	21%	31%	26%	29%
Interest expense, net	4%	5%	5%	5%
Income before income taxes	17%	26%	21%	24%
Income tax expense	7%	9%	8%	9%
Net Income	10%	17%	13%	15%

(a) Expressed as a percentage of sales by company-operated restaurants.

2008 Same-Store Sales — Third Quarter

Total domestic same-store sales decreased 2.8% in the third quarter of 2008, as compared to the same period in 2007. By business segment, domestic same-store sales decreased 2.6% for our domestic franchised restaurants and decreased 6.1% for our company-operated restaurants. Traffic trends improved due to the successful introduction of the new Big Deal value sandwiches, and average ticket went down as the Company continued to promote more and stronger value propositions to its customers.

Our international same-store sales increased 7.4% during the third quarter of 2008 due primarily to continued strong same-store sales in the Middle East which also benefited from the Islamic holiday of Eid, marking the end of the fasting period of Ramadan, occurring during our third quarter of 2008. The holiday of Eid occurred during our fourth quarter in 2007. Additionally, Latin America and Canada experienced strong same-store sales partially offset by negative performance for the quarter in Mexico. Our international franchisees face similar economic conditions to the U.S. including high commodity costs. They are responding with similar strategies: raising prices where necessary due to commodity costs and offering strong value in promotion events.

Looking Forward to the Remainder of 2008

The Company expects total domestic same-store sales for fiscal 2008 to be at the lower-end of negative 1.0 to 2.0 percent, consistent with previous guidance. The Company also expects global new restaurant openings for 2008 to remain in the range of 115-130 and expects its closure rate to be similar to the past few years. Net openings are expected to be consistent with previous guidance of 5-15 units.

The Company expects its full year earnings to be $0.75-$0.77 per diluted share, consistent with previous guidance.

With the commitment the Company has made to invest $2.0 million in 2008 in national cable advertising and $0.3 million in new menu board development, general and administrative expenses as a percentage of system-wide sales are expected to be approximately 3.3 percent for fiscal year 2008. The Company's general and administrative expenses remain among the lowest percentage in the industry.

Consistent with the Company's strategic initiative to re-franchise company-operated restaurants, the Company completed the re-franchising and sale of 11 restaurants in the Atlanta market. The Company received $3.5 million in cash proceeds from the sale of assets and fees associated with new franchise and development agreements. The Company is in negotiation to re-franchise the remaining 14 company-operated restaurants in the Atlanta market and expects the transaction will be completed by the end of the first quarter of 2009. The Company continues to seek qualified operators to re-franchise the four company-operated restaurants in Nashville, Tennessee. The Company is unable to estimate the timing of this future re-franchising transaction.

Due to the challenging economic times, the Company has chosen to postpone the re-franchising of its Memphis and New Orleans restaurants until we are more certain we can realize acceptable and appropriate values for these restaurants. These 37 restaurants maintain high average unit sales volumes.

Comparisons of the Third Quarter for 2008 and 2007

Sales by Company-Operated Restaurants

Sales by company-operated restaurants were $17.4 million in the third quarter of 2008, a $1.0 million decrease from the third quarter of 2007. The decrease was primarily due to:

- a $1.2 million decrease due to the re-franchising and sale on September 8, 2008 of 11 company-operated restaurants in our Atlanta, Georgia market, and
- a $1.0 million decrease due to a 6.1% decrease in same-store sales in the third quarter of 2008,

partially offset by:

- a net $1.2 million increase due primarily to the opening of new company-operated restaurants and the timing and duration of temporary restaurant closures occurring during 2008 and 2007.

Franchise Revenues

Franchise revenues have three basic components: (1) ongoing royalty fees that are based on a percentage of franchisee sales; (2) franchise fees associated with new unit openings and renewals; and (3) development fees associated with the agreement pursuant to which a franchisee may develop new restaurants in a given market (usually paid at the inception of the agreement and recognized as revenue as restaurants are actually opened or the development right is terminated). Royalty revenues are the largest component of franchise revenues, generally constituting more than 90% of franchise revenues.

Franchise revenues were $20.0 million in the third quarter of 2008, a $0.5 million increase from the third quarter of 2007. The increase was due primarily to a net $0.7 million increase in royalties and fees, primarily from new franchised restaurants and termination fees realized during the third quarter of 2008, partially offset by a 2.6% decrease in domestic franchise same-store sales.

Other Revenues

Other revenues are principally composed of rental income associated with properties leased or subleased to franchisees. Other revenues were $0.9 million in the third quarter of 2008, a $0.1 million decrease from the third quarter of 2007, primarily as a result of a reduction in the number of leased and subleased properties.

Restaurant Employee, Occupancy and Other Expenses

Restaurant employee, occupancy and other expenses were $9.7 million in the third quarter of 2008, a $0.6 million increase from the third quarter of 2007. Restaurant employee, occupancy and other expenses were approximately 56% and 49% of sales from company-operated restaurants in the third quarter of 2008 and 2007, respectively. Restaurant employee, occupancy and other expenses benefited in the third quarter of 2007 from a credit for business interruption insurance recoveries of $0.4 million, or 2.3% of sales from company-operated restaurants. The remaining increase as a percentage of sales from company-operated restaurants was primarily associated with additional managers, higher utility expenses resulting from elevated third quarter fuel costs and other operating expenses.

Restaurant Food, Beverages and Packaging

Restaurant food, beverages and packaging costs were $5.9 million in the third quarter of 2008, a $0.4 million decrease from the third quarter of 2007. Restaurant food, beverages and packaging costs were approximately 34% percent of sales from company-operated restaurants in the third quarter of both 2008 and 2007.

General and Administrative Expenses

General and administrative expenses were $13.3 million in the third quarter of 2008, a $2.0 million increase from the third quarter of 2007. The increase was primarily due to:

- a $1.3 million increase due to marketing and menu initiatives, primarily national cable advertising, and
- a $0.3 million increase due to higher personnel related costs, relocation and stock-based employee compensation, and
- a $0.4 million increase due to other net general and administrative costs.

General and administrative expenses were approximately 35% and 29% of total revenues in the third quarter of 2008 and 2007, respectively. General and administrative expenses were approximately 3.3% and 2.8% of system-wide sales in the third quarter of 2008 and 2007, respectively.

Depreciation and Amortization

Depreciation and amortization was $1.3 million in the third quarter of 2008, a $0.3 million decrease from the third quarter of 2007. This decrease is primarily due to the reclassification of certain company-operated restaurant assets as “Assets held for sale”, resulting in the discontinuation of related depreciation. See Note 2 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Other Expenses (Income), Net

There were no Other expenses (income), net in the third quarter of 2008 and $1.3 million of income in the third quarter of 2007. The income generated in 2007 resulted primarily from a net gain on insurance recoveries for claims related to Hurricane Katrina. A schedule of the components of other expenses (income), net can be found at Note 7 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Interest Expense, Net

Interest expense, net was $1.6 million in the third quarter of 2008, a $0.4 million decrease from the comparable period in 2007. A schedule of the components of interest expense, net can be found at Note 9 to our condensed consolidated financial statements included at Part 1, Item 1 to this quarterly report.

Income Tax Expense

Income tax expense was $2.5 million in the third quarter of 2008 as compared to $3.4 million in the third quarter of 2007. Our effective tax rate in the third quarters of 2008 and 2007 was 38.5% and 34.3%, respectively. The prior year’s effective tax rate benefited from the reversal of tax reserves due to the expiration of statutes of limitation. Had the statute not expired during the prior year, the effective tax rate for the third quarters of 2007 would have been 37.7%. Other differences between the effective tax rate and the statutory tax rate are principally attributable to estimated tax reserves, other permanent differences and inter-period allocations.

Comparisons of the Forty Weeks Ended October 5, 2008 and October 7, 2007

Sales by Company-Operated Restaurants

Sales by company-operated restaurants were $62.6 million in the forty weeks ended October 5, 2008, a $1.6 million increase from the comparable period in 2007. The increase was primarily due to:

- a $3.2 million increase due to the opening of new company-operated restaurants and the acquisition of one restaurant during the second quarter of 2007 which was previously owned by a franchisee, and
- a net $2.7 million increase due primarily to the timing and duration of temporary restaurant closures during both the forty weeks of 2008 and 2007,

partially offset by:

- a $3.1 million decrease due to a 5.5% decrease in same-store sales in the forty weeks ended October 5, 2008, and

- a $1.2 million decrease due to the re-franchising and sale on September 8, 2008 of 11 company-operated restaurants in our Atlanta, Georgia market.

Franchise Revenues

Franchise revenues were $65.4 million in the forty weeks ended October 5, 2008, a $1.7 million increase from the comparable period in 2007. The increase was due primarily to a net $2.5 million increase in royalties and fees, primarily from new franchised restaurants and termination fees realized during the third quarter of 2008, partially offset by a 1.9% decrease in domestic franchise same-store sales.

Other Revenues

Other revenues were $2.9 million in the forty weeks ended October 5, 2008, a $0.6 million decrease from the comparable period in 2007, primarily as a result of a reduction in the number of leased or subleased properties.

Restaurant Employee, Occupancy and Other Expenses

Restaurant employee, occupancy and other expenses were $32.9 million in the forty weeks ended October 5, 2008, a $2.2 million increase from the comparable period in 2007. Restaurant employee, occupancy and other expenses were 53% and 50% of sales from company-operated restaurants in the first forty weeks of 2008 and 2007, respectively. Restaurant employee, occupancy and other expenses benefited in the comparable period of 2007 from a credit for business interruption insurance recoveries of $0.4 million, or 0.7% of sales from company-operated restaurants. The remaining increase as a percentage of sales from company-operated restaurants was primarily associated with additional managers, higher utility expenses resulting from elevated third quarter fuel costs and other operating expenses.

Restaurant Food, Beverages and Packaging

Restaurant food, beverages and packaging costs were $21.7 million in the forty weeks ended October 5, 2008, a $1.1 million increase from the comparable period in 2007. Restaurant food, beverages and packaging costs were 35% and 34% of sales from company-operated restaurants in the first forty weeks of 2008 and 2007, respectively, increasing primarily due to higher costs for poultry, wheat, shortening and other commodities.

General and Administrative Expenses

General and administrative expenses were $42.1 million in the forty weeks ended October 5, 2008, a $6.4 million increase from the comparable period of 2007. The increase was primarily due to:

- a $2.7 million increase due to marketing and menu initiatives including national cable advertising, product research and other non-recurring costs, and
- a $2.5 million increase due to higher personnel related costs, relocation and stock-based employee compensation, and
- a $1.2 million increase due to travel, professional fees and other net general and administrative costs.

General and administrative expenses were approximately 32% and 28% of total revenues in the first forty weeks of 2008 and 2007, respectively. General and administrative expenses were approximately 3.1% and 2.7% of system-wide sales in the first forty weeks of 2008 and 2007, respectively.

Depreciation and Amortization

Depreciation and amortization was $5.0 million in the forty weeks ended October 5, 2008, a $0.3 million decrease from the comparable period in 2007. This decrease is primarily due to the reclassification of certain company-operated restaurant assets as “Assets held for sale”, resulting in the discontinuation of related depreciation. See Note 2 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Other Expenses (Income), Net

Other expenses (income), net were $5.1 million in income in the forty weeks ended October 5, 2008 as compared to an income of $1.7 million in the comparable period of 2007. The income generated in 2008 resulted primarily from recoveries from directors and officers insurance claims and gain on sale of assets partially offset by impairment charges. The income generated in 2007 resulted primarily from a net gain on insurance recoveries for property and equipment damage related to Hurricane Katrina. A schedule of the components of other expenses (income), net can be found at Note 7 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Interest Expense, Net

Interest expense, net was $6.3 million in the forty weeks ended October 5, 2008, a $0.2 million decrease from the comparable period in 2007. A schedule of the components of interest expense, net can be found at Note 9 to our condensed consolidated financial statements included at Part 1, Item 1 to this quarterly report.

Income Tax Expense

In the first forty weeks of 2008, we had an income tax expense of $11.0 million compared to $11.6 million for the comparable period in 2007. Our effective tax rate associated with continuing operations in the first forty weeks of 2008 and 2007 was 39.3% and 37.3% respectively. The prior year's effective tax rate benefited from the reversal of tax reserves due to the expiration of statutes of limitation. Had the statute not expired during the prior year, the effective tax rate for the forty weeks ended October 7, 2007 would have been 38.4%. The effective tax rate for the forty weeks of 2008 was unfavorably impacted by 0.8% associated with the impairment of non-deductible goodwill. Other differences between the effective tax rate and the statutory tax rate are principally attributable to estimated tax reserves, other permanent differences and inter-period allocations.

Liquidity and Capital Resources

We finance our business activities primarily with:

- cash flows generated from our operating activities, and
- borrowings under our 2005 Credit Facility.

Our franchise model provides diverse and reliable cash flows. Net cash provided by operating activities of the Company was $23.2 million and $32.6 million for the forty weeks ended October 5, 2008 and October 7, 2007, respectively. Based upon our generation of cash flow from operations, our existing cash reserves (approximately $10.4 million available as of October 5, 2008), and available borrowings under our 2005 Credit Facility (approximately $45.4 million available as of October 5, 2008), we believe that we will have adequate resources to meet our anticipated future requirements for working capital, including various contractual obligations and expected capital expenditures.

During the third quarter of 2008, the Company completed the sale and re-franchising of 11 company-operated restaurants in Atlanta, Georgia for $3.5 million.

During the forty weeks ended October 5, 2008, we received $12.9 million of litigation related proceeds. See Note 7 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Our cash flows and available borrowings allow us to pursue our growth strategies. Our priorities in the use of available cash are:

- reinvestment in our core business activities that promote the Company's strategic initiatives,
- reduction of debt, and
- repurchase of shares of our common stock.

Our investment in core business activities includes our obligation to maintain our company-operated restaurants and provide marketing plans, and operations support to our franchise system.

Under the terms of the Company's 2005 Credit Facility, as amended, at the end of each fiscal year the Company is subject to mandatory prepayments on term loan borrowings of Consolidated Excess Cash Flow, as defined in the 2005 Credit Facility, less the amount of (1) any voluntary prepayments and (2) the amount by which the revolving loan commitments are permanently reduced in connection with repayments and mandatory prepayments of the revolving loans under the 2005 Credit Facility, when the Company's Total Leverage Ratio equals or exceeds specified amounts, as defined in the 2005 Credit Facility. During the third quarter of 2008, we paid principal on the outstanding term loan of $0.3 million (bringing total principal payments on the term loan to $8.9 million for the forty weeks ended October 5, 2008). During the third quarter, we also paid down the outstanding revolving credit facility in the amount of $2.5 million. As of October 5, 2008, the Company had outstanding borrowings under the revolving credit facility totaling $12.5 million.

The Company did not repurchase any shares of our common stock during the third quarter of 2008.

On March 13, 2008, the Company repurchased approximately two million shares of our common stock under an accelerated share repurchase agreement (the “ASR”) with a financial institution. The ASR was completed during the second quarter of 2008. The Company paid a cash adjustment of $2.3 million for a final purchase price of $17.4 million. The repurchased shares have been retired and constitute authorized but unissued shares. Additionally, during the forty weeks ended October 5, 2008, the Company repurchased and retired approximately 0.2 million shares of common stock for $1.6 million. The Company did not repurchase any shares of our common stock during the third quarter of 2008.

As of October 5, 2008, the remaining value of shares that may be repurchased under the Company’s current share repurchase program was approximately $39.0 million. Pursuant to the terms of the Company’s 2005 Credit Facility, the Company is subject to a repurchase limit of approximately $19.3 million for the remainder of fiscal 2008.

Critical Accounting Policies and Significant Estimates

There have been no material changes to the Company’s critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in the Company’s Annual Report on Form 10-K for fiscal year ended December 30, 2007, except as follows:

Assets Held For Sale and Company-Operated Restaurant Impairments. In the first quarter of 2008, the Company commenced a process to identify experienced and qualified operators to enter into long-term franchising agreements and to purchase certain of its company-operated restaurant assets. During the second quarter of 2008, the Company’s Board of Directors authorized the negotiation of definitive agreements for the re-franchising and sale of 25 company-operated restaurant assets in Atlanta, Georgia. As a result, the Company recognized an impairment charge of $6.0 million during the second quarter of 2008 which represents the excess of the carrying values of the property and equipment, goodwill and other intangible assets associated with the restaurants over their estimated fair values, less cost to sell. The impairment charge is recorded as a component of “Other expenses (income), net” in the condensed consolidated statements of operations for the forty weeks ended October 5, 2008. During the third quarter of 2008, the Company completed the re-franchising and sale of 11 company-operated restaurants in Atlanta, Georgia for net proceeds of $3.5 million from the sale of assets and new franchise and development agreements. The Company continues to negotiate definitive agreements for the remaining 14 company-operated restaurants in Atlanta, Georgia. The Company expects that the re-franchising and sale of the assets will be completed by the end of the first quarter of 2009. The adjusted carrying value of the remaining Atlanta restaurant assets as of October 5, 2008 was $4.4 million and is classified as “Assets held for sale” on the condensed consolidated balance sheet.

Prior to the filing of the Company’s second quarter 2008 Form 10-Q, the Company’s Board of Directors further authorized the negotiation of a definitive agreement for the re-franchising and sale of four company-operated restaurant assets in Nashville, Tennessee. As a result, the Company recognized an impairment charge of $2.1 million in the second quarter of 2008 which represents the excess of the carrying values of the property and equipment, goodwill and other intangible assets associated with the restaurants over their estimated fair values, less cost to sell. The impairment charge is recorded as a component of “Other expenses (income), net” in the condensed consolidated statements of operations for the forty weeks ended October 5, 2008. The Company continues to seek qualified operators to re-franchise the four company-operated restaurants in Nashville, Tennessee. The Company is unable to estimate the timing of this future re-franchising transaction. The adjusted carrying value of the Nashville restaurant assets of $1.3 million is classified as a component of “Property and equipment, net” in the condensed consolidated balance sheet as of October 5, 2008.

Accounting for Income Taxes. On January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* . FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The amount of unrecognized tax benefits was approximately $4.7 million as of October 5, 2008 of which approximately $1.1 million, if recognized, would affect the effective income tax rate.

The Company recognizes interest and penalties related to uncertain tax positions as a component of its income tax expense. As of October 5, 2008, the Company has approximately $0.9 million of accrued interest and penalties related to uncertain tax positions.

The Company files income tax returns in the United States and various state jurisdictions. The U.S. federal tax years 2004 through 2006 are open to audit, with 2004 and 2005 currently under examination. The Company has recorded unrecognized tax benefits of approximately $0.8 million related to the period being examined. In general, the state tax years open to audit range from 2003 through 2006.

The Company has unrecognized tax benefits of approximately $0.8 million, which the Company would recognize within the next twelve months if the statute of limitations were to expire.

Contractual Obligations

The Company's material contractual obligations are summarized and included in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2007. During the quarter ended October 5, 2008, there have been no material changes outside the ordinary course of business in the contractual obligations specified in December 30, 2007.

For additional information regarding the adoption of FIN 48, see "Critical Accounting Policies and Significant Estimates" in this Item 2, and at Note 10 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Long-Term Debt

For a discussion of our long-term debt, see Note 5 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Item 2.

Capital Expenditures

Our capital expenditures consist of re-imaging activities associated with company-operated restaurants, new unit construction and development, equipment replacements, the purchase of new equipment for our company-operated restaurants, strategic acquisitions of restaurants from franchisees, rebuilding of damaged restaurants, and investments in information technology hardware and software. Capital expenditures related to re-imaging activities consist of significant renovations, upgrades and improvements, which on a per unit basis typically cost between $70,000 and $160,000. Substantially all of our capital expenditures have been financed using cash provided from operating activities and borrowings under our 2005 Credit Facility.

During the forty week period ended October 5, 2008, we invested approximately $2.3 million in various capital projects, including approximately $0.7 million in new restaurant locations, approximately $1.3 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities and equipment, and approximately $0.3 million in information technology hardware and site modeling software.

During the forty week period ended October 7, 2007, we invested approximately $5.8 million in various capital projects, including approximately $2.2 million in new restaurant locations, $0.9 million in the rebuilding of restaurants damaged by Hurricane Katrina, $0.3 million in our re-imaging program, and approximately $2.4 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities and equipment.

Impact of Inflation

The impact of inflation on the cost of food, labor, fuel and energy costs, and other commodities has increased our operating expenses. To the extent permitted by the competitive environment in which we operate, increased costs are partially recovered through menu price increases coupled with purchasing practices and productivity improvements.

Recently Adopted Accounting Pronouncements

For a discussion of recently adopted accounting pronouncements, see Note 2 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

Accounting Pronouncements That We Have Not Yet Adopted

For a discussion of recently issued accounting pronouncements that we have not yet adopted, see Note 2 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report.

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Forward-Looking Statements

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management's current expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. These forward-looking statements are subject to a number of risks and uncertainties. Examples of such statements in this quarterly report on Form 10-Q include discussions regarding the Company's strategic plan including the re-franchising of company-operated restaurants, the effect of the Company's marketing initiatives, the Company's ability to repurchase shares of its common stock under its share repurchase program and the number of shares that may actually be repurchased (if any), projections and expectations regarding same-store sale growth, guidance for new openings, and restaurant closures, and the Company's anticipated 2008 performances including projections regarding general and administrative expenses, interest expenses, net earnings per diluted share and similar statements of belief or expectation regarding future events. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: competition from other restaurant concepts and food retailers, the loss of franchisees and other business partners, labor shortages or increased labor costs, increased costs of our principal food products, changes in consumer preferences and demographic trends, as well as concerns about health or food quality, instances of avian flu or other food-borne illnesses, the loss of senior management and the inability to attract and retain additional qualified management personnel, limitations on our business under our 2005 Credit Facility, failure of our franchisees, a decline in the number of franchised units, a decline in our ability to franchise new units, slowed expansion into new markets, unexpected and adverse fluctuations in quarterly results, increased government regulation, adverse effects of regulatory actions arising in connection with the restatement of our previously issued financial statements, effects of volatile gasoline prices, disruptions in the financial markets, general economic conditions, supply and delivery shortages or interruptions, currency, economic and political factors that affect our international operations, inadequate protection of our intellectual property and liabilities for environmental contamination and the other risk factors detailed in our 2007 Annual Report on Form 10-K and other documents we file with the Securities and Exchange Commission. Therefore, you should not place undue reliance on any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Market Risk. We are exposed to market risk from changes in poultry and other commodity prices. Fresh chicken is the principal raw material for our Popeyes' operations, constituting more than 40% of our "Restaurant food, beverages and packaging" costs. These costs are significantly affected by fluctuations in the cost of chicken, which can result from a number of factors, including fluctuations in the cost of grain, disease, declining market supply of fast-food sized chickens and other factors that affect availability. We are affected by fluctuations in the cost of other commodities including shortening, wheat, gas and utility price fluctuations. Our ability to recover increased costs through higher pricing is limited by the competitive environment in which we operate.

In order to ensure favorable pricing for fresh chicken purchases and maintain an adequate supply of fresh chicken for the Popeyes system, Supply Management Services, Inc. (a not-for-profit purchasing cooperative of which we are a member) has entered into chicken purchasing contracts with chicken suppliers. The contracts, which pertain to the vast majority of our system-wide purchases for Popeyes are "cost-plus" contracts that utilize prices based upon the cost of feed grains plus certain agreed upon non-feed and processing costs. In order to stabilize pricing for the Popeyes system, Supply Management Services, Inc has entered into commodity pricing agreements at reduced pricing levels for 2009 for certain commodities including corn and soy, which impact the price of poultry and other food cost.

Instances of avian flu or other food-borne illnesses could adversely affect the price and availability of poultry. In addition to losses associated with higher prices and a lower supply of our food ingredients, instances of food-borne illnesses could result in negative publicity for us and could result in a decline in our sales.

Foreign Currency Exchange Rate Risk. We are exposed to foreign currency exchange rate risk associated with our international franchise operations. Foreign currency exchange rate changes directly impact our revenues and cash flows from these operations. For the forty weeks ended October 5, 2008 and October 7, 2007, foreign-sourced revenues represented approximately 5.6% and 4.3%, respectively, of our total revenues. As of October 5, 2008, approximately $0.8 million of our accounts receivable were denominated in foreign currencies. Our international franchised operations are in 25 foreign countries with approximately 30% of our revenues from international royalties originating from restaurants in Korea and Canada.

Interest Rate Risk With Respect to our 2005 Credit Facility. We have a market risk exposure to changes in interest rates. Borrowings made pursuant to the 2005 Credit Facility include interest rates that are benchmarked to U.S. and European short-term floating-rate interest rates. As of October 5, 2008, we had outstanding borrowings under our 2005 Credit Facility of $126.7 million.

Effective May 12, 2005, the Company entered into two interest rate swap agreements with a combined notional amount of $130.0 million. Effective December 29, 2006, the Company reduced the notional amounts of the combined agreements to $110.0 million. The agreements terminated on June 30, 2008. The effect of the agreements was to limit the interest rate exposure on a portion of the 2005 Credit Facility to a fixed rate of 6.4%.

Effective for the period June 30, 2008 through June 30, 2010, the Company entered into an interest rate swap agreement with a notional amount of $100.0 million. Pursuant to this agreement, the Company pays a fixed rate of interest and receives a floating rate of interest. The effect of the agreement is to limit the interest rate exposure on a portion of the Term B debt outstanding under the 2005 Credit Facility to a fixed rate of 4.87%. At October 5, 2008, the fair value of this agreement was approximately $0.6 million and was recorded as a component of "Other long-term assets, net. " As of October 5, 2008, the Company's weighted average interest rate for all outstanding indebtedness under the 2005 Credit Facility, including the effect of the interest rate swap agreement, was approximately 5.0%. The impact on our annual results of operations of a hypothetical one-point interest rate change on the outstanding borrowings under the 2005 Credit Facility would be approximately $0.3 million, taking into account the interest rate swap agreement.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures of a registrant designed to ensure that information required to be disclosed by the registrant in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) are properly recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to a registrant’s management, including its principal executive and financial officers, as appropriate, to allow for timely decisions regarding required disclosures.

(b) CEO and CFO Certifications

Attached as Exhibit 31.1 and 31.2 to this quarterly report are certifications by our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). These certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This portion of our quarterly report describes the results of our controls evaluation referred to in those certifications.

(c) Our Evaluation of AFC’s Disclosure Controls and Procedures

As of the end of the period covered by this report, we evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as required by Rule 13a-15 of the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO. Based on the evaluation as of the end of the period covered by this report, our CEO and CFO concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms.

(d) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the period covered by this report.

(e) Inherent Limitations of Any Control System

We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected.

PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of our legal matters, see Note 8 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Part 2, Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors presently disclosed in our Annual Report on Form 10-K for the year ended December 30, 2007 except as noted below. The information below updates our risk factors and should be read in conjunction the risk factors in our Annual Report of Form 10-K for the year ended December 30, 2007.

Disruptions in the financial markets may adversely impact the availability and cost of credit and the slower economy may impact consumer spending patterns.

The ability of our franchisees and prospective franchisees to obtain financing for development of new restaurants or reinvestment in existing restaurants depends in part upon financial and economic conditions which are beyond their control. If our franchisees are unable to obtain financing on acceptable terms to develop new restaurants or reinvest in existing restaurants, our business and financial results could be adversely affected.

Disruptions in the financial markets and slow economy may also adversely impact consumer spending patterns. There can be no assurances that governmental, or other responses to the challenging credit environment will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit. Declines in or displacement of our guests' discretionary spending could reduce traffic in our system's restaurants and/or limit the ability to raise prices.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the third quarter of 2008, the Company did not repurchase any shares of our common stock.

As originally announced on July 22, 2002, and subsequently amended and expanded, the Company's Board of Directors has approved a share repurchase program. As of October 5, 2008, the remaining value of shares that may be repurchased under the share repurchase program was approximately $39.0 million. See Note 6 to our condensed consolidated financial statements included at Part 1, Item 1 to this quarterly report.

Pursuant to the terms of the Company's 2005 Credit Facility, the Company is subject to a repurchase limit of approximately $19.3 million for the remainder of fiscal 2008.

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Item 6. Exhibits

(a) Exhibits

Exhibit 3.1	Articles of Incorporation of Registrant, as amended (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended July 14, 2002).
Exhibit 3.2	Amended and Restated Bylaws of Registrant (incorporated by reference to the Registrant’s current report on Form 8-K filed April 16, 2008).
Exhibit 10.1	Amended and Restated Employment Agreement dated as of November 12, 2008 between AFC Enterprises, Inc. and Harold M. Cohen.
Exhibit 10.2	Amended and Restated Employment Agreement dated as of November 12, 2008 between AFC Enterprises, Inc. and Henry Hope, III.
Exhibit 11.1*	Statement Regarding Composition of Per Share Earnings.
Exhibit 31.1	Certification pursuant to Rule 13a — 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification pursuant to Rule 13a — 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Data required by Statement of Financial Accounting Standards No. 128, “Earnings per Share,” is provided in Note 11 to our condensed consolidated financial statements in Part 1, Item 1 to this quarterly report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AFC Enterprises, Inc.

Date: November 12, 2008

By: /s/ H. Melville Hope, III
H. Melville Hope, III
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT
Effective as of November 12, 2008 between
AFC Enterprises, Inc. (the "Company") and
Harold M. Cohen ("Employee")

WHEREAS, the Company desires to continue the employment of Employee and to enter into an agreement embodying the terms of such employment; and

WHEREAS, Employee desires to accept such employment and to enter into such agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Agreement.

This Agreement shall be effective as of the date hereof and, unless earlier terminated pursuant to Section 8 or Section 9 hereof, shall be for an initial term of one (1) year (the "Term"). The Term of this Agreement and Employee's employment hereunder will automatically be extended for an additional one-year period following the expiration of each year of employment hereunder (the "Renewal Date"), without further action by Employee or the Company. Such automatic one-year renewal shall continue from year to year unless and until either the Company or Employee gives to the other written notice not less than thirty (30) days prior to the applicable Renewal Date of its decision not to renew for an additional one year.

For purposes of this Section 1 only, the first "year" of the Term shall be deemed to begin as of the date hereof and end on December 27, 2009, and each one (1) year period thereafter shall coincide with the Company's fiscal year.

2. Employment.

2.01 Position. Beginning on November 12, 2008 (the "Restatement Date"), Employee shall serve as Senior Vice President — Legal Affairs, General Counsel, Chief Administrative Officer and Secretary of the Company and its Popeyes Chicken & Biscuits division, and shall perform such duties consistent with his position as may be assigned to him from time to time by the Chief Executive Officer of the Company (the "CEO") or the Board of Directors of the Company (the "Board"). Employee shall perform his duties hereunder at the Company's offices at 5555 Glenridge Connector, NE, Suite 300, Atlanta, Georgia, subject to such reasonable amount of travel as is necessary to render the services provided hereunder.

2.02 Time and Efforts. Employee, so long as he is employed hereunder, shall devote his full business time and attention to the services required of him hereunder, except as otherwise agreed and for vacation time and reasonable periods of absence due to sickness or personal injury, and shall use his best efforts, judgment and energy to perform, improve and advance the business and interests of the Company in a manner consistent with the duties of his position. Anything herein to the contrary notwithstanding, nothing shall preclude Employee from (i) serving on the boards of directors of trade associations; (ii) engaging in charitable activities and community affairs; or (iii) managing his personal investments and affairs, provided that the activities described in the preceding clauses (i) through (iii) do not interfere with the proper performance of his duties and responsibilities hereunder.

3. Base Salary.

Beginning on the Restatement Date, the Company shall pay Employee, in equal installments no less frequently than monthly, a base salary at the rate of no less than Two Hundred Eighty Thousand Dollars ($280,000 U.S.) per annum (the “Base Salary”) during the term hereof. The Employee’s Base Salary shall be reviewed by the Board on an annual basis.

4. Incentive Pay.

4.01 Annual Plan. The Board of Directors of the Company, acting in its sole discretion, shall annually, at the beginning of each fiscal year of the Company, approve an annual incentive plan (the “Annual Incentive Plan”) for Employee, which Plan shall contain such terms and provisions as the Board shall determine. The Annual Incentive Plan shall set forth the specific financial and performance goals which must be achieved for Employee to be entitled to receive payment under such Annual Incentive Pay. Any amounts payable to Employee pursuant to the Annual Incentive Plan is hereinafter referred to as “Incentive Pay”.

4.02 Target Incentive Pay. The target Incentive Pay (“Target Incentive Pay”) for Employee for the 2008 fiscal year of the Company shall be as follows: One Hundred Fifty Four Thousand Dollars (U.S. $154,000); provided, however, that the Target Incentive Pay with respect to any fiscal year is subject to, and may be modified by, the Annual Incentive Plan approved by the Board pursuant to Section 4.01 above and this Section 4.02 shall be read accordingly. After 2008, the Target Incentive Pay for Employee will be set by the Board for each fiscal year and will be included in the Annual Incentive Plan for such year.

4.03 Payment of Incentive Pay. If Employee is entitled to payment of any Incentive Pay for any fiscal year, an accounting will be furnished and payment will be made to Employee as set forth in the Annual Incentive Plan, but in no event later than two and one-half months following the end of each fiscal year.

4.04 Termination of Employment. If Employee’s employment hereunder shall terminate other than pursuant to Sections 8.03 or 8.04, Employee shall receive, at the time contemplated by the Annual Incentive Plan, such Incentive Pay, if any, to which he would have been entitled under the terms of the Annual Incentive Plan had Employee remained in the employ of the Company for the entire fiscal year in which such termination occurs. If Employee’s employment hereunder shall terminate pursuant to (a) Section 8.03, the provisions of Section 8.03 shall determine the amount of Incentive Pay payable to Employee; or (b) Section 8.04, no Incentive Pay shall be payable to Employee after such termination.

5. Equity Compensation.

As part of the Employee’s compensation, Employee may be granted stock options, restricted stock or other forms of equity compensation in the future based upon Employee’s performance as determined in the sole discretion of the Board.

6. Employee Benefits.

6.01 Life Insurance. During the Term and any renewal term of this Agreement Employee shall be entitled to term life insurance coverage paid by the Company with a death benefit in an amount of $1,100,000 (the “Death Benefit”), payable solely from, and to the extent of, the Death Benefit proceeds payable under such life insurance policy.

6.02 Disability Insurance.

(a) During the Term, and any renewal term of this Agreement, Employee shall be entitled to disability insurance coverage in an amount not less than his disability coverage on the Restatement Date of this Agreement and the Company shall maintain in full force and effect during the Term a Supplemental Disability Policy which will supplement the benefits payable under any disability benefit provided to Employee by the Company under its basic employee health care benefit program. Subject to Section 6.06 below, with respect to a disability as defined in the Supplemental Disability Policy (a “Policy Disability”) occurring after the Company has obtained the Supplemental Disability Policy, the total monthly disability benefit (the “Disability Benefit”) payable to Employee under all disability policies maintained by the Company, after a maximum elimination period of ninety (90) days, shall be in accordance with the terms and conditions of the Company executive disability program.

(b) Notwithstanding anything herein to the contrary, if the premiums for the Supplemental Disability Income Policy for Employee shall exceed regular, non-rated premiums, the Company may, but shall have no obligation to, fund such excess. In the event the Company determines not to fund such excess it shall promptly notify Employee and Employee may, at his option, elect to pay the excess. If Employee fails to pay such excess or if for any other reason the Company, after reasonable efforts, is not able to obtain the Supplemental Disability Policy required herein, then Employee shall not be entitled to the Supplemental Disability Policy hereunder except as may otherwise be determined in the discretion of the Company and set forth in writing.

(c) If the definition of a Policy Disability does not satisfy the requirements for a payment based on a “disability” under § 409A of the Code and the related tax regulations, the payment of his Disability Benefit shall begin when he has a Separation from Service (as defined in Section 8.01) as a result of his being disabled or, if he is a Specified Employee (as defined in Section 8.01), shall begin on his Delayed Payment Date (as defined in Section 8.01), and the payment made on his Delayed Payment Date shall include all the payments which would have been made on and after the date of his Separation from Service but for his status as a Specified Employee.

6.03 Employee Medical Benefit. The Company, at its expense, shall provide Employee with an annual physical examination to be conducted by a physician or physicians as determined by Employee subject to the reasonable approval of the Company.

6.04 Other Benefits. Employee shall be provided additional employee benefits, in addition to those identified in Section 6.01 – 6.03, including, without limitation, participation in the Company's 401(k) plan with immediate full vesting in the Company's matching contributions beginning with any matching contribution made for fiscal year 2008, health, accident and disability insurance under the Company's regular and ongoing plans, policies and programs available, from time to time, to senior officers of the Company, in accordance with the provisions of such plans, policies and programs governing eligibility and participation; provided, however, that such benefits may be modified, amended or rescinded by the Board subject to applicable law and the terms of such plans. The Company shall also pay Employee's initiation fee as well as monthly membership dues at the Ashford Club, Atlanta, Georgia.

6.05 Vacation. Employee shall be entitled to four (4) weeks paid vacation and three (3) days of paid personal business time each year during the Term hereof and any renewal hereof. Any vacation or personal business days not used in any year shall be subject to forfeiture or accrual pursuant to the Company's then-current vacation policy.

6.06 Paramount Provisions .

(a) Notwithstanding anything in Sections 6.01 and 6.02 above or any other provision of this Agreement to the contrary, if the Company has met all of its obligations under this Agreement (and provided that such obligations are not relieved in accordance with the terms hereof) with respect to obtaining and maintaining in force (i) the life insurance policy described in Section 6.01 hereof on the life of Employee to fund the minimum death benefit or (ii) the Supplemental Disability Policy maintained for Employee pursuant to Section 6.02 hereof to fund such Employee's Disability Benefit, but all or any portion of the proceeds under any such policy are not actually received by the Employee for any reason whatsoever, including without limitation the insolvency of the insurer or any misrepresentation made by Employee in the application for such insurance, then the right of Employee or his designated beneficiary to receive a Disability Benefit or a death benefit, as the case may be, shall be reduced (but not below zero) by the amount by which the Disability Benefit or death benefit otherwise payable exceeds the insurance proceeds actually received. The Company agrees that any insurance company issuing the life insurance policy described in Section 6.01 shall have at least an "A" rating by the Best Rating Service.

(b) Anything in Sections 6.01, 6.02, 6.03, and 6.04 to the contrary notwithstanding, the amount of the benefits provided for in Section 6 are subject to adjustment as shall be provided for in the plan or insurance contract, as the case may be, pursuant to which such benefit is being paid and the Employee will be given written notice of any such change. Anything in this Agreement to the contrary notwithstanding, the Board shall have full authority to make all determinations deemed necessary or advisable for the administration of the benefits described in this Section 6. The good faith interpretation and construction by the Board of the terms of this Section 6 or the benefit programs described herein shall be final, conclusive and binding on Employee.

7. Business Expenses.

All reasonable and customary business expenses incurred by Employee in the performance of his duties hereunder shall be paid or reimbursed by the Company in accordance with the Company's policies in effect, from time to time. The amount of reasonable business expenses eligible for reimbursement in any taxable year of Employee shall not affect the amount of reasonable business expenses eligible for reimbursement in any other taxable year of Employee.

8. Termination of Employment.

8.01 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

The term "Cause" shall mean (i) Employee commits fraud or is convicted of a crime involving moral turpitude, (ii) Employee, in carrying out his duties hereunder, has been guilty of gross neglect or gross misconduct resulting in harm to the Company or any of its subsidiaries or affiliates, (iii) Employee shall have failed to materially comply with the policies of the Company or shall have refused to follow or comply with the duly promulgated directives of the CEO or the Board, (iv) Employee has breached any of the provisions of Sections 10.02 through and including 10.04 or (v) Employee otherwise materially breaches a material term of this Agreement.

The term "Code" shall mean the Internal Revenue Code of 1986 as amended.

The term "Constructive Discharge" shall mean a Separation from Service by the Employee on account of a material diminution of or change in his responsibilities or duties; provided, however, that no Separation from Service by the Employee shall be considered a Constructive Discharge unless, within one hundred eighty (180) days of the initial existence of such diminution or change Employee has first provided written notice to the Company's Chairman of the Board of the factual circumstances forming the basis for the claim of constructive discharge and of his intent to treat those circumstances as a Constructive Discharge under this Agreement, and has further provided the Company with a period of at least thirty (30) days in which to cure such alleged breach.

The term "Delayed Payment Date" shall mean the date that is six (6) months and one (1) day after the date of Employee's Separation from Service.

The term "Disability" shall mean the good faith determination by the CEO of the Company or the Board that Employee has failed to or has been unable to perform his duties as the result of any physical or mental disability for a period of ninety (90) consecutive days during any one period of Disability.

The term “Separation from Service” shall mean a “separation from service” with the Company within the meaning of § 409A of the Code and the related income tax regulations.

The term “Specified Employee” shall mean a “specified employee” within the meaning of § 409A of the Code and the related income tax regulations.

8.02 Termination upon Death or Disability. If Employee has a Separation from Service due to his death or Disability, the Company shall pay to the estate of the Employee or to the Employee, as the case may be, within fifteen (15) days following Employee’s death or upon his termination in the event of Disability, all amounts then payable to Employee pro rated through the date of termination pursuant to Section 3, and the amount of any accrued but unused vacation under Section 6.05 for the year in which such termination occurs and any reimbursable amounts owed Employee under Section 7. However, if the definition of a Disability does not satisfy the requirements for a payment based on a “disability” under § 409A of the Code and the related tax regulations, any payments due hereunder shall begin when he has a Separation from Service as a result of his being Disabled or, if he is a Specified Employee, shall begin on his Delayed Payment Date, and the payment made on his Delayed Payment Date shall include all the payments which would have been made on and after the date of his Separation from Service but for his status as a Specified Employee. Finally, the Company shall pay to Employee any Incentive Pay payable pursuant to Section 4.03 hereof. Such payment shall be made in a lump sum in cash at Employee’s Separation from Service or, if Employee is a Specified Employee, on Employee’s Delayed Payment Date.

8.03 Termination by the Company without Cause or Employee’s Resignation for a Constructive Discharge. The Company may terminate Employee’s employment under this Agreement without Cause at any time, upon written notice to Employee. If Employee has a Separation from Service as a result of a termination without Cause (other than a Separation of Service described in Section 8.02) or as a result of his resignation because he has experienced a Constructive Discharge or as a result of the Company’s decision not to renew the Term pursuant to Section 1, the Company shall pay or provide to Employee, in lieu of all other amounts payable hereunder or benefits to be provided hereunder the following: (a) a payment equal to the sum of (x) and (y) where (x) is two (2) times Employee’s Base Salary at the time of termination, and (y) is two (2) times Employee’s Target Incentive Pay for the year in which such termination occurs (or, if no Target Incentive Pay has been designated for such year, then the Target Incentive Pay for the last year in which it was designated prior to such termination); and (b) the acceleration of any unvested rights of Employee under any restricted stock, stock options (other than stock options for which the performance criterion required for exercise has not been previously satisfied) or other equity incentive awards such that they shall immediately vest under the terms of such awards. As a condition precedent to the requirement of Company to make such payment or grant such accelerated vesting, Employee shall not be in breach of his obligations under Section 10 hereof and Employee shall execute and deliver to Company a general release in favor of the Company in substantially the same form as the general release then being used by the Company.

Any payment required to be made under this Section 8.03 shall be made to Employee in a lump sum in cash on his Separation from Service or, if he is a Specified Employee, on his Delayed Payment Date.

8.04 Voluntary Termination by Employee or Termination for Cause. Employee may resign his employment hereunder at any time whatsoever, with or without cause, upon thirty (30) days prior written notice to the Company. The Company may terminate Employee's employment hereunder at any time without notice for Cause. In the event Employee has a Separation from Service as a result of his resignation (other than as a result of a Constructive Discharge) or as a result of a termination by the Company for Cause:

(a) The Company shall pay to Employee a lump sum in cash on his Separation from Service or, if he is a Specified Employee, on his Delayed Payment Date all amounts then due under Sections 3, 4 (but only to the extent of earned but unpaid Incentive Pay), 6 and 7, prorated, through the date of termination for the year in which he is terminated; and

(b) The Company shall be under no obligation to make severance payments to Employee or continue any benefits being provided to Employee beyond the date of such termination other than benefits to which Employee may be entitled as a result of Federal or state law.

If Employee is terminated by the Company for Cause, Employee may within the ten (10) business day period immediately following such termination request in writing that the Chairman of the Board provide a written statement of the facts supporting his termination for Cause, and Employee during the ten (10) business day period immediately following the delivery of such statement may submit a written petition to the Chairman of the Board that his employment be reinstated with full pay retroactive to the date of his termination of employment. Any such petition shall set forth his reason or reasons why there was no Cause for his termination, and he may request that he be granted a meeting with the Board of Directors so he (or Employee and his attorney) can present such reason or reasons in person and answer any questions which any of the members of the Board of Directors want to ask Employee. The Board of Directors will promptly act on his petition, and the decision of the Board of Directors shall be final and binding on the Company and on Employee.

9. Change of Control, Change in Responsibilities.

Upon the occurrence of both of the following events:

(a) The dissolution or liquidation of the Company, or a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the owners of all of the outstanding shares of Stock immediately prior to such reorganization, merger or consolidation own in the aggregate, directly and indirectly, less than 50% of the outstanding shares of Stock of the Company or any other entity into which the Company shall be merged or consolidated immediately following the consummation thereof, or the sale, transfer or other disposition of all or substantially all of the assets or more than 50% of the then outstanding shares of Stock of the Company in a single transaction or series of related transactions (a "Change in Control"); and

(b) Within one (1) year of such Change in Control there is a termination of employment without Cause or (2) there is a material diminution of or change in Employee's responsibilities or duties, and Employee elects, in writing, within ninety (90) days following the occurrence of such diminution or change to resign effective thirty (30) days after the Company's receipt of such notice then, if Employee has a Separation from Service as a result of such termination or resignation, he shall be deemed to have been terminated by the Company other than for Cause and all amounts payable to Employee pursuant to Section 8.03 shall become payable in a lump sum in cash on his Separation from Service or, if he is a Specified Employee, on his Delayed Payment Date.

A Change in Control of the Company shall not be deemed to occur by reason of any public offering of the Stock of the Company.

Except as expressly contemplated by this Agreement, or in any other agreement referred to in Section 5 hereof, no merger, reorganization, recapitalization, sale of stock, sale of assets or other change in the capital structure of the Company or in the identity of the legal or beneficial owners of the Company shall affect the rights or obligations of the Company or Employee hereunder.

10. Confidentiality and Non-Competition.

10.01 Definitions . For purposes of this Section 10, the following terms shall have the following meanings:

"Affiliate" means any corporation, limited liability company, partnership or other entity of which the Company owns at least fifty percent (50%) of the outstanding equity and voting rights, directly or indirectly, through any other corporation, limited liability company, partnership or other entity.

"Businesses" means the businesses engaged in by the Company directly or through its Affiliates immediately prior to termination of employment.

"Confidential Information" means information which does not rise to the level of a Trade Secret, but is valuable to the Company or any Affiliate and provided in confidence to Employee.

"Proprietary Information" means, collectively, Trade Secrets and Confidential Information.

"Restricted Period" means the period commencing as of the date hereof and ending on that date two years (2) year after the termination of Employee's employment with the Company for any reason, whether voluntary or involuntary.

“Trade Secrets” means information which derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

10.02 Covenant Not-To-Disclose . The Company and Employee recognize that, during the course of Employee’s employment with the Company, the Company has disclosed and will continue to disclose to Employee Proprietary Information concerning the Company and the Affiliates, their products, their franchisees, their services and other matters concerning their Businesses, all of which constitute valuable assets of the Company and the Affiliates. The Company and Employee further acknowledge that the Company has, and will, invest considerable amounts of time, effort and corporate resources in developing such valuable assets and that disclosure by Employee of such assets to the public shall cause irreparable harm, damage and loss to the Company and the Affiliates. Accordingly, Employee acknowledges and agrees that, except as may be required by law:

(a) that the Proprietary Information is and shall remain the exclusive property of the Company (or the applicable Affiliate);

(b) to use the Proprietary Information exclusively for the purpose of fulfilling the obligations under this Agreement;

(c) to return the Proprietary Information, and any copies thereof, in his possession or under his control, to the Company (or the applicable Affiliate) upon request of the Company (or the Affiliate), or expiration or termination of Employee’s employment hereunder for any reason; and

(d) to hold the Proprietary Information in confidence and not copy, publish or disclose to others or allow any other party to copy, publish or disclose to others in any form, any Proprietary Information without the prior written approval of an authorized representative of the Company.

The obligations and restrictions set forth in this Section 10.02 shall survive the expiration or termination of this Agreement, for any reason, and shall remain in full force and effect as follows:

(a) as to Trade Secrets, indefinitely, and

(b) as to Confidential Information, for a period of two (2) years after the expiration or termination of this Agreement for any reason.

The confidentiality, property, and proprietary rights protections available in this Agreement are in addition to, and not exclusive of, any and all other corporate rights, including those provided under copyright, corporate officer or director fiduciary duties, and trade secret and confidential information laws. The obligations set forth in this Section 10.02 shall not apply or shall terminate with respect to any particular portion of the Proprietary Information which (i) was in Employee's possession, free of any obligation of confidence, prior to his receipt from the Company or its Affiliate, (ii) Employee establishes the Proprietary Information is already in the public domain at the time the Company or the Affiliate communicates it to Employee, or becomes available to the public through no breach of this Agreement by Employee, or (iii) Employee establishes that he received the Proprietary Information independently and in good faith from a third party lawfully in possession thereof and having no obligation to keep such information confidential.

10.03 Covenant of Non-Disparagement and Cooperation . Employee agrees that he shall not at any time during or following the Term of this Agreement make any remarks disparaging the conduct or character of the Company or the Affiliates or any of the Company's or the Affiliates' current or former agents, employees, officers, directors, successors or assigns (collectively the "Related Parties"). In addition, Employee agrees to cooperate with the Related Parties, at no extra cost, in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which Employee was involved during Employee's employment with the Company. The Company shall reimburse Employee for reasonable expenses incurred by Employee in providing such assistance.

10.04 Covenant Not-To-Induce . Employee covenants and agrees that during the Restricted Period, he will not, directly or indirectly, on his own behalf or in the service or on behalf of others, hire, solicit, take away or attempt to hire, solicit or take away any person who is or was an employee of the Company or any Affiliate during the one (1) year period preceding the termination of Employee's employment.

10.05 Remedies . The Company and Employee expressly agree that a violation of any of the covenants contained in subsections 10.02 through and including 10.04 of this Section 10, or any provision thereof, shall cause irreparable injury to the Company and that, accordingly, the Company shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to an injunction enjoining and restraining Employee from doing or continuing to do any such act and any other violation or threatened violation of said Sections 10.02 through and including 10.04 hereof.

10.06 Severability . In the event any provision of this Agreement shall be found to be void, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as though the void part were deleted; provided, however, if Sections 10.02 through and including 10.04 of this Section 10 shall be declared invalid, in whole or in part, Employee shall execute, as soon as possible, a supplemental agreement with the Company, granting the Company, to the extent legally possible, the protection afforded by said subsections. It is expressly understood and agreed by the parties hereto that the Company shall not be barred from enforcing the restrictive covenants contained in each of subsections 10.02 through and including 10.04, as each are separate and distinct, so that the invalidity of any one or more of said covenants shall not affect the enforceability and validity of the other covenants.

10.07 Ownership of Property . Employee agrees and acknowledges that all works of authorship and inventions, including but not limited to products, goods, know-how, Trade Secrets and Confidential Information, and any revisions thereof, in any form and in whatever stage of creation or development, arising out of or resulting from, or in connection with, the services provided by Employee to the Company or any Affiliate under this Agreement are works made for hire and shall be the sole and exclusive property of the Company or such Affiliate. Employee agrees to execute such documents as the Company may reasonably request for the purpose of effectuating the rights of the Company or the Affiliate in any such property.

10.08 No Defense . The existence of any claim, demand, action or cause of action of the Employee against the Company shall not constitute a defense to the enforcement by the Company of any of the covenants or agreements in this Section 10.

11. Gross Up Payment . The term “Gross Up Payment” as used in this Agreement shall mean a payment to or on behalf of Employee which shall be sufficient to pay (1) 100% of any excise tax described in this Section 11, (2) 100% of any federal, state and local income tax and social security and other employment tax on the payment made to pay such excise tax as well as any additional taxes on such payment and (3) 100% of any interest or penalties assessed by the Internal Revenue Service on Employee which are related to the timely payment of such excise tax (unless such interest or penalties are attributable to Employee’s willful misconduct or gross negligence with respect to such timely payment). A Gross Up Payment shall be made by the Company in a lump sum at the Company’s option either directly to the United State Treasury or to Employee after either the Company or the Company’s independent accountants determine that any payments and benefits called for under this Agreement together with any other payments and benefits made available to Employee by the Company and any other person will result in Employee being subject to an excise tax under § 4999 of the Code or such an excise tax is assessed against Employee as a result of any such payments and other benefits if Employee takes such action (other than waiving Employee’s right to any payments or benefits in excess of the payments or benefits which Employee has expressly agreed to waive under this Section 11) as the Company reasonably requests under the circumstances to mitigate or challenge such excise tax; provided, however, if the Company or the Company’s independent accountants make the determination described in this Section 11 and, further, determine that Employee will not be subject to any such excise tax if Employee waives Employee’s right to receive a part of such payments or benefits and such part does not exceed $10,000, Employee shall irrevocably waive Employee’s right to receive such part if an independent accountant or lawyer retained by Employee and paid by the Company agrees with the determination made by the Company or the Company’s independent accountants with respect to the effect of such reduction in payments or benefits. Any determinations under this Section 11 shall be made in accordance with § 280G of the Code and any applicable related regulations (whether proposed, temporary or final) and any related Internal Revenue Service rulings and any related case law and, if the Company reasonably requests that Employee take action to mitigate or challenge, or to mitigate and challenge, any such tax or assessment (other than waiving Employee’s right to any payments or benefits in excess of the payments or benefits which Employee has expressly agreed to waive under this Section 11 and Employee complies with such request, the Company shall provide Employee with such information and such expert advice and assistance from the Company’s independent accountants, lawyers and other advisors as Employee may reasonably request and shall pay for all expenses incurred in effecting such compliance and any related fines, penalties, interest and other assessments.

12. Indemnification.

12.01 Company Obligations . The Company hereby indemnifies and agrees to hold harmless Employee, to the extent allowed by applicable law, against all liabilities, obligations, claims, demands, actions, causes of action, lawsuits, judgments, expenses and costs, including but not limited to the reasonable costs of investigation and attorney’s fees, incurred by the Employee as a result of any threat, demand, claim action or lawsuits, made, instituted or initiated against the Employee, which arises out of, results from or relates to this Agreement or any action taken by Employee in the course of performance of Employee’s duties hereunder, except for Employee’s own gross negligence or willful misconduct.

12.02 Notice and Defense of Claim . If any claim suit or other legal proceeding shall be commenced, or any claim or demand be asserted against the Employee and Employee desires indemnification pursuant to this paragraph, the Company shall be notified to such effect with reasonable promptness and shall have the right to assume at its full cost and expense the entire control of any legal proceeding, subject to the right of the Employee to participate at his full cost and expense and with counsel of his choice in the defense, compromise or settlement thereof. The Employee shall cooperate fully in all respects with the Company in any such defense, compromise or settlement, including, without limitation, making available to the Company all pertinent information under the control of the Employee. The Company may compromise or settle any such action, suit, proceeding, claim or demand without Employee’s approval so long as the Company obtains for Employee’s benefit a release of liability with respect to such claim from the claimant and the Company assumes and agrees to pay any amounts due with respect to such settlement. In no event shall the Company be liable for any settlement entered into by the Employee without the Company’s prior written consent.

12.03 Survival . The provisions of Sections 12.01 and 12.02 shall survive the termination of this Agreement for a period of four (4) years, unless Employee is terminated for Cause, in which event such provisions shall not survive termination of this Agreement.

12.04 Liability Insurance. The Company shall use commercially reasonable efforts to obtain and maintain directors’ and officers’ liability insurance covering the Employee to the same extent as the Company covers its other officers and directors.

13. Dispute Resolution.

13.01 Agreement to Arbitrate . In consideration for his continued employment with the Company, and other consideration, the sufficiency of which is hereby acknowledged, Employee acknowledges and agrees that any controversy or claim arising out of or relating to Employee’s employment, termination of employment, or this Agreement including, but not limited to, controversies and claims that are protected or covered by any federal, state, or local statute, regulation or common law, shall be settled by arbitration pursuant to the Federal Arbitration Act. This includes, but is not limited to, violations or alleged violations of any federal or state statute or common law (including, but not limited to, the laws of the United States or of any state, or the Constitution of the United States or of any state), or of any other law, statute, ordinance, including but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act of 1972, as amended, the Rehabilitation Act of 1973, and any other statute or common law. This provision shall not, however, preclude the Company from seeking equitable relief as provided in Section 10.06 of this Agreement.

13.02 Procedure . The arbitration shall be conducted in accordance with the Employment Arbitration Rules of the American Arbitration Association: a single arbitrator who is experienced in employment law shall be selected under those Rules, and the arbitration shall be initiated in Atlanta, Georgia, unless the parties agree in writing to a different location or the Arbitrator directs the arbitration to be held at a different location. Except for filing fees, all costs of the arbitrator shall be allocated by the arbitrator. If the arbitrator awards monetary relief to Employee, the arbitrator shall have the discretion to award Employee's attorney's fees and costs if the arbitrator deems it appropriate. The award rendered by the arbitrator shall be final and binding on the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof. In addition to that provided for in the Employment Arbitration Rules, the arbitrator has sole discretion to permit discovery consistent with the Federal Rules of Civil Procedure and the judicial interpretation of those rules upon request by any party; provided, however, it is the intent of the parties that the arbitrator limit the time and scope of any such discovery to the greatest extent practicable and provide a decision as rapidly as possible given the circumstances of the claims to be determined. The arbitrator also shall have the power and authority to grant injunctive relief for any violation of Sections 10.02 through and including 10.04 and the arbitrator's order granting such relief may be entered in any court of competent jurisdiction. The agreement to arbitrate any claim arising out of the employment relationship or termination of employment shall not apply to those claims which cannot be made subject to this provision by statute, regulation or common law. These include, but are not limited to, any claims relating to work related injuries and claims for unemployment benefits under applicable state laws.

13.03 Rights of Parties . Nothing in this clause shall be construed to prevent the Company from asking a court of competent jurisdiction to enter appropriate equitable relief to enjoin any violation of this Agreement by Employee. The Company shall have the right to seek such relief in connection with or apart from the parties' rights under this clause to arbitrate all disputes. With respect to disputes arising under this Agreement that are submitted to a court rather than an arbitrator, including actions to compel arbitration or for equitable relief in aid of arbitration, the parties agree that venue and jurisdiction are proper in any state or federal court lying within Atlanta, Georgia and specifically consent to the jurisdiction and venue of such court for the purpose of any proceedings contemplated by this paragraph. By entering into this Agreement the parties have waived any right which may exist for a trial by jury and have expressly agreed to resolve any disputes covered by this Agreement through the arbitration process described herein.

14. Employee Acknowledgment.

By signing this Agreement, Employee acknowledges that the Company has advised Employee of his right to consult with an attorney prior to executing this Agreement; that he has the right to retain counsel of his own choosing concerning the agreement to arbitrate or any waiver of rights or claims; that he has read and fully understands the terms of this Agreement and/or has had the right to have it reviewed and approved by counsel of choice, with adequate opportunity and time for such review; and that he is fully aware of its contents and of its legal effect. Accordingly, this Agreement shall not be construed against any party on the grounds that the party drafted this Agreement. Instead, this Agreement shall be interpreted as though drafted equally by all parties.

15. Amendments.

This Agreement may not be altered, modified or amended except by a written instrument signed by each of the parties hereto.

16. Successors.

As used in this Agreement, the term the Company shall include any successors to all or substantially all of the business and/or assets of the Company which assumes and agrees to perform this Agreement.

17. Assignment.

Neither this Agreement nor any of the rights or obligations of either party hereunder shall be assigned or delegated by any party hereto without the prior written consent of the other party, except that the Company may without the consent of Employee assign its rights and delegate its duties hereunder to any successor to the business of the Company. In the event of the assignment by the Company of its rights and the delegation of its duties to a successor to the business of the Company and the assumption of such rights and obligations by such successor, the Company shall, effective upon such assumption, be relieved from any and all obligations whatsoever to Employee hereunder.

18. Waiver.

Waiver by any party hereto of any breach or default by any other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived.

19. Severability.

In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

20. Survival.

Notwithstanding anything herein to the contrary, the provisions of Sections 6.06, 7, 8.03, 9, 10, 11, 12 and 13 shall survive the termination of this Agreement.

21. Entire Terms.

This Agreement contains the entire understanding of the parties with respect to the employment of Employee by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein. This Agreement supersedes all prior agreements, arrangements and understandings between the parties, whether oral or written, with respect to the employment of Employee.

22. Notices.

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or if mailed in the manner herein specified, five (5) days after postmark of such mailing when mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:

Harold M. Cohen
5555 Glenridge Connector NE
Suite 300
Atlanta, Georgia 30342

If to the Company to:

AFC Enterprises, Inc.
5555 Glenridge Connector NE
Suite 300
Atlanta, Georgia 30342
Attn: Chief Executive Officer

or to such other address or such other person as Employee or the Company shall designate in writing in accordance with this Section 22 except that notices regarding changes in notices shall be effective only upon receipt.

23. Headings.

Headings to Sections in this Agreement are for the convenience of the parties only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

24. Governing Laws.

The Agreement shall be governed by the laws of the State of Georgia without reference to the principles of conflict of laws.

25. Compliance with § 409A of the Code.

To the extent this Agreement is subject to § 409A of the Code, the Company and Employee intend all payments under this Agreement to comply with the requirements of such section, and this Agreement shall, to the extent reasonably practicable, be operated and administered to effectuate such intent

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and Employee has hereunto set his hand as of the day and year first above written.

COMPANY:

AFC ENTERPRISES, INC.

By: /s/ John M. Cranor, III
John M. Cranor, III
Chairman of the Board

EMPLOYEE:

/s/ Harold M. Cohen
Harold M. Cohen

Exhibit 10.2

AMENDED AND RESTATED EMPLOYMENT AGREEMENT
Effective as of November 12, 2008 between
AFC Enterprises, Inc. (the "Company") and
Henry Hope, III ("Employee")

WHEREAS, the Company desires to continue the employment of Employee and to enter into an agreement embodying the terms of such employment; and

WHEREAS, Employee desires to accept such employment and to enter into such agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Agreement.

This Agreement shall be effective as of the date hereof and, unless earlier terminated pursuant to Section 8 or Section 9 hereof, shall be for an initial term of one (1) year (the "Term"). The Term of this Agreement and Employee's employment hereunder will automatically be extended for an additional one-year period following the expiration of each year of employment hereunder (the "Renewal Date"), without further action by Employee or the Company. Such automatic one-year renewal shall continue from year to year unless and until either the Company or Employee gives to the other written notice not less than thirty (30) days prior to the applicable Renewal Date of its decision not to renew for an additional one year.

For purposes of this Section 1 only, the first "year" of the Term shall be deemed to begin as of the date hereof and end on December 27, 2009, and each one (1) year period thereafter shall coincide with the Company's fiscal year.

2. Employment.

2.01 Position. Beginning on November 12, 2008 (the "Restatement Date"), Employee shall serve as Senior Vice President and Chief Financial Officer of the Company and its Popeyes Chicken & Biscuits division, and shall perform such duties consistent with his position as may be assigned to him from time to time by the Chief Executive Officer of the Company (the "CEO") or the Board of Directors of the Company (the "Board"). Employee shall perform his duties hereunder at the Company's offices at 5555 Glenridge Connector, NE, Suite 300, Atlanta, Georgia, subject to such reasonable amount of travel as is necessary to render the services provided hereunder.

2.02 Time and Efforts. Employee, so long as he is employed hereunder, shall devote his full business time and attention to the services required of him hereunder, except as otherwise agreed and for vacation time and reasonable periods of absence due to sickness or personal injury, and shall use his best efforts, judgment and energy to perform, improve and advance the business and interests of the Company in a manner consistent with the duties of his position. Anything herein to the contrary notwithstanding, nothing shall preclude Employee from (i) serving on the boards of directors of trade associations; (ii) engaging in charitable activities and community affairs; or (iii) managing his personal investments and affairs, provided that the activities described in the preceding clauses (i) through (iii) do not interfere with the proper performance of his duties and responsibilities hereunder.

3. Base Salary.

Beginning on the Restatement Date, the Company shall pay Employee, in equal installments no less frequently than monthly, a base salary at the rate of no less than Two Hundred Ninety Thousand Dollars ($290,000 U.S.) per annum (the “Base Salary”) during the term hereof. The Employee’s Base Salary shall be reviewed by the Board on an annual basis.

4. Incentive Pay.

4.01 Annual Plan. The Board of Directors of the Company, acting in its sole discretion, shall annually, at the beginning of each fiscal year of the Company, approve an annual incentive plan (the “Annual Incentive Plan”) for Employee, which Plan shall contain such terms and provisions as the Board shall determine. The Annual Incentive Plan shall set forth the specific financial and performance goals which must be achieved for Employee to be entitled to receive payment under such Annual Incentive Pay. Any amounts payable to Employee pursuant to the Annual Incentive Plan is hereinafter referred to as “Incentive Pay”.

4.02 Target Incentive Pay. The target Incentive Pay (“Target Incentive Pay”) for Employee for the 2008 fiscal year of the Company shall be as follows: One Hundred Fifty Nine Thousand Five Hundred Dollars (U.S. $159,500); provided, however, that the Target Incentive Pay with respect to any fiscal year is subject to, and may be modified by, the Annual Incentive Plan approved by the Board pursuant to Section 4.01 above and this Section 4.02 shall be read accordingly. After 2008, the Target Incentive Pay for Employee will be set by the Board for each fiscal year and will be included in the Annual Incentive Plan for such year.

4.03 Payment of Incentive Pay. If Employee is entitled to payment of any Incentive Pay for any fiscal year, an accounting will be furnished and payment will be made to Employee as set forth in the Annual Incentive Plan, but in no event later than two and one-half months following the end of each fiscal year.

4.04 Termination of Employment. If Employee’s employment hereunder shall terminate other than pursuant to Sections 8.03 or 8.04, Employee shall receive, at the time contemplated by the Annual Incentive Plan, such Incentive Pay, if any, to which he would have been entitled under the terms of the Annual Incentive Plan had Employee remained in the employ of the Company for the entire fiscal year in which such termination occurs. If Employee’s employment hereunder shall terminate pursuant to (a) Section 8.03, the provisions of Section 8.03 shall determine the amount of Incentive Pay payable to Employee; or (b) Section 8.04, no Incentive Pay shall be payable to Employee after such termination.

5. Equity Compensation.

As part of the Employee’s compensation, Employee may be granted stock options, restricted stock or other forms of equity compensation in the future based upon Employee’s performance as determined in the sole discretion of the Board.

6. Employee Benefits.

6.01 Life Insurance. During the Term and any renewal term of this Agreement Employee shall be entitled to term life insurance coverage paid by the Company with a death benefit in an amount of $1,150,000 (the “Death Benefit”), payable solely from, and to the extent of, the Death Benefit proceeds payable under such life insurance policy.

6.02 Disability Insurance.

(a) During the Term, and any renewal term of this Agreement, Employee shall be entitled to disability insurance coverage in an amount not less than his disability coverage on the Restatement Date of this Agreement and the Company shall maintain in full force and effect during the Term a Supplemental Disability Policy which will supplement the benefits payable under any disability benefit provided to Employee by the Company under its basic employee health care benefit program. Subject to Section 6.06 below, with respect to a disability as defined in the Supplemental Disability Policy (a “Policy Disability”) occurring after the Company has obtained the Supplemental Disability Policy, the total monthly disability benefit (the “Disability Benefit”) payable to Employee under all disability policies maintained by the Company, after a maximum elimination period of ninety (90) days, shall be in accordance with the terms and conditions of the Company executive disability program.

(b) Notwithstanding anything herein to the contrary, if the premiums for the Supplemental Disability Income Policy for Employee shall exceed regular, non-rated premiums, the Company may, but shall have no obligation to, fund such excess. In the event the Company determines not to fund such excess it shall promptly notify Employee and Employee may, at his option, elect to pay the excess. If Employee fails to pay such excess or if for any other reason the Company, after reasonable efforts, is not able to obtain the Supplemental Disability Policy required herein, then Employee shall not be entitled to the Supplemental Disability Policy hereunder except as may otherwise be determined in the discretion of the Company and set forth in writing.

(c) If the definition of a Policy Disability does not satisfy the requirements for a payment based on a “disability” under § 409A of the Code and the related tax regulations, the payment of his Disability Benefit shall begin when he has a Separation from Service (as defined in Section 8.01) as a result of his being disabled or, if he is a Specified Employee (as defined in Section 8.01), shall begin on his Delayed Payment Date (as defined in Section 8.01), and the payment made on his Delayed Payment Date shall include all the payments which would have been made on and after the date of his Separation from Service but for his status as a Specified Employee.

6.03 Employee Medical Benefit. The Company, at its expense, shall provide Employee with an annual physical examination to be conducted by a physician or physicians as determined by Employee subject to the reasonable approval of the Company.

6.04 Other Benefits. Employee shall be provided additional employee benefits, in addition to those identified in Section 6.01 – 6.03, including, without limitation, participation in the Company's 401(k) plan with immediate full vesting in the Company's matching contributions beginning with any matching contribution made for fiscal year 2008, health, accident and disability insurance under the Company's regular and ongoing plans, policies and programs available, from time to time, to senior officers of the Company, in accordance with the provisions of such plans, policies and programs governing eligibility and participation; provided, however, that such benefits may be modified, amended or rescinded by the Board subject to applicable law and the terms of such plans.

6.05 Vacation. Employee shall be entitled to four (4) weeks paid vacation and three (3) days of paid personal business time each year during the Term hereof and any renewal hereof. Any vacation or personal business days not used in any year shall be subject to forfeiture or accrual pursuant to the Company's then-current vacation policy.

6.06 Paramount Provisions .

(a) Notwithstanding anything in Sections 6.01 and 6.02 above or any other provision of this Agreement to the contrary, if the Company has met all of its obligations under this Agreement (and provided that such obligations are not relieved in accordance with the terms hereof) with respect to obtaining and maintaining in force (i) the life insurance policy described in Section 6.01 hereof on the life of Employee to fund the minimum death benefit or (ii) the Supplemental Disability Policy maintained for Employee pursuant to Section 6.02 hereof to fund such Employee's Disability Benefit, but all or any portion of the proceeds under any such policy are not actually received by the Employee for any reason whatsoever, including without limitation the insolvency of the insurer or any misrepresentation made by Employee in the application for such insurance, then the right of Employee or his designated beneficiary to receive a Disability Benefit or a death benefit, as the case may be, shall be reduced (but not below zero) by the amount by which the Disability Benefit or death benefit otherwise payable exceeds the insurance proceeds actually received. The Company agrees that any insurance company issuing the life insurance policy described in Section 6.01 shall have at least an "A" rating by the Best Rating Service.

(b) Anything in Sections 6.01, 6.02, 6.03, and 6.04 to the contrary notwithstanding, the amount of the benefits provided for in Section 6 are subject to adjustment as shall be provided for in the plan or insurance contract, as the case may be, pursuant to which such benefit is being paid and the Employee will be given written notice of any such change. Anything in this Agreement to the contrary notwithstanding, the Board shall have full authority to make all determinations deemed necessary or advisable for the administration of the benefits described in this Section 6. The good faith interpretation and construction by the Board of the terms of this Section 6 or the benefit programs described herein shall be final, conclusive and binding on Employee.

7. Business Expenses.

All reasonable and customary business expenses incurred by Employee in the performance of his duties hereunder shall be paid or reimbursed by the Company in accordance with the Company's policies in effect, from time to time. The amount of reasonable business expenses eligible for reimbursement in any taxable year of Employee shall not affect the amount of reasonable business expenses eligible for reimbursement in any other taxable year of Employee.

8. Termination of Employment.

8.01 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

The term "Cause" shall mean (i) Employee commits fraud or is convicted of a crime involving moral turpitude, (ii) Employee, in carrying out his duties hereunder, has been guilty of gross neglect or gross misconduct resulting in harm to the Company or any of its subsidiaries or affiliates, (iii) Employee shall have failed to materially comply with the policies of the Company or shall have refused to follow or comply with the duly promulgated directives of the CEO or the Board, (iv) Employee has breached any of the provisions of Sections 10.02 through and including 10.04 or (v) Employee otherwise materially breaches a material term of this Agreement.

The term "Code" shall mean the Internal Revenue Code of 1986 as amended.

The term "Constructive Discharge" shall mean a Separation from Service by the Employee on account of a material diminution of or change in his responsibilities or duties; provided, however, that no Separation from Service by the Employee shall be considered a Constructive Discharge unless, within one hundred eighty (180) days of the initial existence of such diminution or change Employee has first provided written notice to the Company's Chairman of the Board of the factual circumstances forming the basis for the claim of constructive discharge and of his intent to treat those circumstances as a Constructive Discharge under this Agreement, and has further provided the Company with a period of at least thirty (30) days in which to cure such alleged breach.

The term "Delayed Payment Date" shall mean the date that is six (6) months and one (1) day after the date of Employee's Separation from Service.

The term "Disability" shall mean the good faith determination by the CEO of the Company or the Board that Employee has failed to or has been unable to perform his duties as the result of any physical or mental disability for a period of ninety (90) consecutive days during any one period of Disability.

The term “Separation from Service” shall mean a “separation from service” with the Company within the meaning of § 409A of the Code and the related income tax regulations.

The term “Specified Employee” shall mean a “specified employee” within the meaning of § 409A of the Code and the related income tax regulations.

8.02 Termination upon Death or Disability. If Employee has a Separation from Service due to his death or Disability, the Company shall pay to the estate of the Employee or to the Employee, as the case may be, within fifteen (15) days following Employee’s death or upon his termination in the event of Disability, all amounts then payable to Employee pro rated through the date of termination pursuant to Section 3, and the amount of any accrued but unused vacation under Section 6.05 for the year in which such termination occurs and any reimbursable amounts owed Employee under Section 7. However, if the definition of a Disability does not satisfy the requirements for a payment based on a “disability” under § 409A of the Code and the related tax regulations, any payments due hereunder shall begin when he has a Separation from Service as a result of his being Disabled or, if he is a Specified Employee, shall begin on his Delayed Payment Date, and the payment made on his Delayed Payment Date shall include all the payments which would have been made on and after the date of his Separation from Service but for his status as a Specified Employee. Finally, the Company shall pay to Employee any Incentive Pay payable pursuant to Section 4.03 hereof. Such payment shall be made in a lump sum in cash at Employee’s Separation from Service or, if Employee is a Specified Employee, on Employee’s Delayed Payment Date.

8.03 Termination by the Company without Cause or Employee’s Resignation for a Constructive Discharge. The Company may terminate Employee’s employment under this Agreement without Cause at any time, upon written notice to Employee. If Employee has a Separation from Service as a result of a termination without Cause (other than a Separation of Service described in Section 8.02) or as a result of his resignation because he has experienced a Constructive Discharge or as a result of the Company’s decision not to renew the Term pursuant to Section 1, the Company shall pay or provide to Employee, in lieu of all other amounts payable hereunder or benefits to be provided hereunder the following: (a) a payment equal to the sum of (x) and (y) where (x) is one (1) times Employee’s Base Salary at the time of termination, and (y) is one (1) times Employee’s Target Incentive Pay for the year in which such termination occurs (or, if no Target Incentive Pay has been designated for such year, then the Target Incentive Pay for the last year in which it was designated prior to such termination); and (b) the acceleration of any unvested rights of Employee under any restricted stock, stock options (other than stock options for which the performance criterion required for exercise has not been previously satisfied) or other equity incentive awards such that they shall immediately vest under the terms of such awards. As a condition precedent to the requirement of Company to make such payment or grant such accelerated vesting, Employee shall not be in breach of his obligations under Section 10 hereof and Employee shall execute and deliver to Company a general release in favor of the Company in substantially the same form as the general release then being used by the Company.

Any payment required to be made under this Section 8.03 shall be made to Employee in a lump sum in cash on his Separation from Service or, if he is a Specified Employee, on his Delayed Payment Date.

8.04 Voluntary Termination by Employee or Termination for Cause. Employee may resign his employment hereunder at any time whatsoever, with or without cause, upon thirty (30) days prior written notice to the Company. The Company may terminate Employee's employment hereunder at any time without notice for Cause. In the event Employee has a Separation from Service as a result of his resignation (other than as a result of a Constructive Discharge) or as a result of a termination by the Company for Cause:

(a) The Company shall pay to Employee a lump sum in cash on his Separation from Service or, if he is a Specified Employee, on his Delayed Payment Date all amounts then due under Sections 3, 4 (but only to the extent of earned but unpaid Incentive Pay), 6 and 7, prorated, through the date of termination for the year in which he is terminated; and

(b) The Company shall be under no obligation to make severance payments to Employee or continue any benefits being provided to Employee beyond the date of such termination other than benefits to which Employee may be entitled as a result of Federal or state law.

If Employee is terminated by the Company for Cause, Employee may within the ten (10) business day period immediately following such termination request in writing that the Chairman of the Board provide a written statement of the facts supporting his termination for Cause, and Employee during the ten (10) business day period immediately following the delivery of such statement may submit a written petition to the Chairman of the Board that his employment be reinstated with full pay retroactive to the date of his termination of employment. Any such petition shall set forth his reason or reasons why there was no Cause for his termination, and he may request that he be granted a meeting with the Board of Directors so he (or Employee and his attorney) can present such reason or reasons in person and answer any questions which any of the members of the Board of Directors want to ask Employee. The Board of Directors will promptly act on his petition, and the decision of the Board of Directors shall be final and binding on the Company and on Employee.

9. Change of Control, Change in Responsibilities.

Upon the occurrence of both of the following events:

(a) The dissolution or liquidation of the Company, or a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the owners of all of the outstanding shares of Stock immediately prior to such reorganization, merger or consolidation own in the aggregate, directly and indirectly, less than 50% of the outstanding shares of Stock of the Company or any other entity into which the Company shall be merged or consolidated immediately following the consummation thereof, or the sale, transfer or other disposition of all or substantially all of the assets or more than 50% of the then outstanding shares of Stock of the Company in a single transaction or series of related transactions (a "Change in Control"); and

(b) Within one (1) year of such Change in Control there is a termination of employment without Cause or (2) there is a material diminution of or change in Employee's responsibilities or duties, and Employee elects, in writing, within ninety (90) days following the occurrence of such diminution or change to resign effective thirty (30) days after the Company's receipt of such notice then, if Employee has a Separation from Service as a result of such termination or resignation, he shall be deemed to have been terminated by the Company other than for Cause and all amounts payable to Employee pursuant to Section 8.03 shall become payable in a lump sum in cash on his Separation from Service or, if he is a Specified Employee, on his Delayed Payment Date.

A Change in Control of the Company shall not be deemed to occur by reason of any public offering of the Stock of the Company.

Except as expressly contemplated by this Agreement, or in any other agreement referred to in Section 5 hereof, no merger, reorganization, recapitalization, sale of stock, sale of assets or other change in the capital structure of the Company or in the identity of the legal or beneficial owners of the Company shall affect the rights or obligations of the Company or Employee hereunder.

10. Confidentiality and Non-Competition.

10.01 Definitions . For purposes of this Section 10, the following terms shall have the following meanings:

"Affiliate" means any corporation, limited liability company, partnership or other entity of which the Company owns at least fifty percent (50%) of the outstanding equity and voting rights, directly or indirectly, through any other corporation, limited liability company, partnership or other entity.

"Businesses" means the businesses engaged in by the Company directly or through its Affiliates immediately prior to termination of employment.

"Confidential Information" means information which does not rise to the level of a Trade Secret, but is valuable to the Company or any Affiliate and provided in confidence to Employee.

"Proprietary Information" means, collectively, Trade Secrets and Confidential Information.

"Restricted Period" means the period commencing as of the date hereof and ending on that date two years (2) year after the termination of Employee's employment with the Company for any reason, whether voluntary or involuntary.

"Trade Secrets" means information which derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

10.02 Covenant Not-To-Disclose . The Company and Employee recognize that, during the course of Employee's employment with the Company, the Company has disclosed and will continue to disclose to Employee Proprietary Information concerning the Company and the Affiliates, their products, their franchisees, their services and other matters concerning their Businesses, all of which constitute valuable assets of the Company and the Affiliates. The Company and Employee further acknowledge that the Company has, and will, invest considerable amounts of time, effort and corporate resources in developing such valuable assets and that disclosure by Employee of such assets to the public shall cause irreparable harm, damage and loss to the Company and the Affiliates. Accordingly, Employee acknowledges and agrees that, except as may be required by law:

(a) that the Proprietary Information is and shall remain the exclusive property of the Company (or the applicable Affiliate);

(b) to use the Proprietary Information exclusively for the purpose of fulfilling the obligations under this Agreement;

(c) to return the Proprietary Information, and any copies thereof, in his possession or under his control, to the Company (or the applicable Affiliate) upon request of the Company (or the Affiliate), or expiration or termination of Employee's employment hereunder for any reason; and

(d) to hold the Proprietary Information in confidence and not copy, publish or disclose to others or allow any other party to copy, publish or disclose to others in any form, any Proprietary Information without the prior written approval of an authorized representative of the Company.

The obligations and restrictions set forth in this Section 10.02 shall survive the expiration or termination of this Agreement, for any reason, and shall remain in full force and effect as follows:

(a) as to Trade Secrets, indefinitely, and

(b) as to Confidential Information, for a period of two (2) years after the expiration or termination of this Agreement for any reason.

The confidentiality, property, and proprietary rights protections available in this Agreement are in addition to, and not exclusive of, any and all other corporate rights, including those provided under copyright, corporate officer or director fiduciary duties, and trade secret and confidential information laws. The obligations set forth in this Section 10.02 shall not apply or shall terminate with respect to any particular portion of the Proprietary Information which (i) was in Employee's possession, free of any obligation of confidence, prior to his receipt from the Company or its Affiliate, (ii) Employee establishes the Proprietary Information is already in the public domain at the time the Company or the Affiliate communicates it to Employee, or becomes available to the public through no breach of this Agreement by Employee, or (iii) Employee establishes that he received the Proprietary Information independently and in good faith from a third party lawfully in possession thereof and having no obligation to keep such information confidential.

10.03 Covenant of Non-Disparagement and Cooperation . Employee agrees that he shall not at any time during or following the Term of this Agreement make any remarks disparaging the conduct or character of the Company or the Affiliates or any of the Company's or the Affiliates' current or former agents, employees, officers, directors, successors or assigns (collectively the "Related Parties"). In addition, Employee agrees to cooperate with the Related Parties, at no extra cost, in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which Employee was involved during Employee's employment with the Company. The Company shall reimburse Employee for reasonable expenses incurred by Employee in providing such assistance.

10.04 Covenant Not-To-Induce . Employee covenants and agrees that during the Restricted Period, he will not, directly or indirectly, on his own behalf or in the service or on behalf of others, hire, solicit, take away or attempt to hire, solicit or take away any person who is or was an employee of the Company or any Affiliate during the one (1) year period preceding the termination of Employee's employment.

10.05 Remedies . The Company and Employee expressly agree that a violation of any of the covenants contained in subsections 10.02 through and including 10.04 of this Section 10, or any provision thereof, shall cause irreparable injury to the Company and that, accordingly, the Company shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to an injunction enjoining and restraining Employee from doing or continuing to do any such act and any other violation or threatened violation of said Sections 10.02 through and including 10.04 hereof.

10.06 Severability . In the event any provision of this Agreement shall be found to be void, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as though the void part were deleted; provided, however, if Sections 10.02 through and including 10.04 of this Section 10 shall be declared invalid, in whole or in part, Employee shall execute, as soon as possible, a supplemental agreement with the Company, granting the Company, to the extent legally possible, the protection afforded by said subsections. It is expressly understood and agreed by the parties hereto that the Company shall not be barred from enforcing the restrictive covenants contained in each of subsections 10.02 through and including 10.04, as each are separate and distinct, so that the invalidity of any one or more of said covenants shall not affect the enforceability and validity of the other covenants.

10.07 Ownership of Property . Employee agrees and acknowledges that all works of authorship and inventions, including but not limited to products, goods, know-how, Trade Secrets and Confidential Information, and any revisions thereof, in any form and in whatever stage of creation or development, arising out of or resulting from, or in connection with, the services provided by Employee to the Company or any Affiliate under this Agreement are works made for hire and shall be the sole and exclusive property of the Company or such Affiliate. Employee agrees to execute such documents as the Company may reasonably request for the purpose of effectuating the rights of the Company or the Affiliate in any such property.

10.08 No Defense . The existence of any claim, demand, action or cause of action of the Employee against the Company shall not constitute a defense to the enforcement by the Company of any of the covenants or agreements in this Section 10.

11. Gross Up Payment . The term "Gross Up Payment" as used in this Agreement shall mean a payment to or on behalf of Employee which shall be sufficient to pay (1) 100% of any excise tax described in this Section 11, (2) 100% of any federal, state and local income tax and social security and other employment tax on the payment made to pay such excise tax as well as any additional taxes on such payment and (3) 100% of any interest or penalties assessed by the Internal Revenue Service on Employee which are related to the timely payment of such excise tax (unless such interest or penalties are attributable to Employee's willful misconduct or gross negligence with respect to such timely payment). A Gross Up Payment shall be made by the Company in a lump sum at the Company's option either directly to the United State Treasury or to Employee after either the Company or the Company's independent accountants determine that any payments and benefits called for under this Agreement together with any other payments and benefits made available to Employee by the Company and any other person will result in Employee being subject to an excise tax under § 4999 of the Code or such an excise tax is assessed against Employee as a result of any such payments and other benefits if Employee takes such action (other than waiving Employee's right to any payments or benefits in excess of the payments or benefits which Employee has expressly agreed to waive under this Section 11) as the Company reasonably requests under the circumstances to mitigate or challenge such excise tax; provided, however, if the Company or the Company's independent accountants make the determination described in this Section 11 and, further, determine that Employee will not be subject to any such excise tax if Employee waives Employee's right to receive a part of such payments or benefits and such part does not exceed $10,000, Employee shall irrevocably waive Employee's right to receive such part if an independent accountant or lawyer retained by Employee and paid by the Company agrees with the determination made by the Company or the Company's independent accountants with respect to the effect of such reduction in payments or benefits. Any determinations under this Section 11 shall be made in accordance with § 280G of the Code and any applicable related regulations (whether proposed, temporary or final) and any related Internal Revenue Service rulings and any related case law and, if the Company reasonably requests that Employee take action to mitigate or challenge, or to mitigate and challenge, any such tax or assessment (other than waiving Employee's right to any payments or benefits in excess of the payments or benefits which Employee has expressly agreed to waive under this Section 11 and Employee complies with such request, the Company shall provide Employee with such information and such expert advice and assistance from the Company's independent accountants, lawyers and other advisors as Employee may reasonably request and shall pay for all expenses incurred in effecting such compliance and any related fines, penalties, interest and other assessments.

12. Indemnification.

12.01 Company Obligations . The Company hereby indemnifies and agrees to hold harmless Employee, to the extent allowed by applicable law, against all liabilities, obligations, claims, demands, actions, causes of action, lawsuits, judgments, expenses and costs, including but not limited to the reasonable costs of investigation and attorney's fees, incurred by the Employee as a result of any threat, demand, claim action or lawsuits, made, instituted or initiated against the Employee, which arises out of, results from or relates to this Agreement or any action taken by Employee in the course of performance of Employee's duties hereunder, except for Employee's own gross negligence or willful misconduct.

12.02 Notice and Defense of Claim . If any claim suit or other legal proceeding shall be commenced, or any claim or demand be asserted against the Employee and Employee desires indemnification pursuant to this paragraph, the Company shall be notified to such effect with reasonable promptness and shall have the right to assume at its full cost and expense the entire control of any legal proceeding, subject to the right of the Employee to participate at his full cost and expense and with counsel of his choice in the defense, compromise or settlement thereof. The Employee shall cooperate fully in all respects with the Company in any such defense, compromise or settlement, including, without limitation, making available to the Company all pertinent information under the control of the Employee. The Company may compromise or settle any such action, suit, proceeding, claim or demand without Employee's approval so long as the Company obtains for Employee's benefit a release of liability with respect to such claim from the claimant and the Company assumes and agrees to pay any amounts due with respect to such settlement. In no event shall the Company be liable for any settlement entered into by the Employee without the Company's prior written consent.

12.03 Survival . The provisions of Sections 12.01 and 12.02 shall survive the termination of this Agreement for a period of four (4) years, unless Employee is terminated for Cause, in which event such provisions shall not survive termination of this Agreement.

12.04 Liability Insurance. The Company shall use commercially reasonable efforts to obtain and maintain directors' and officers' liability insurance covering the Employee to the same extent as the Company covers its other officers and directors.

13. Dispute Resolution.

13.01 Agreement to Arbitrate . In consideration for his continued employment with the Company, and other consideration, the sufficiency of which is hereby acknowledged, Employee acknowledges and agrees that any controversy or claim arising out of or relating to Employee's employment, termination of employment, or this Agreement including, but not limited to, controversies and claims that are protected or covered by any federal, state, or local statute, regulation or common law, shall be settled by arbitration pursuant to the Federal Arbitration Act. This includes, but is not limited to, violations or alleged violations of any federal or state statute or common law (including, but not limited to, the laws of the United States or of any state, or the Constitution of the United States or of any state), or of any other law, statute, ordinance, including but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act of 1972, as amended, the Rehabilitation Act of 1973, and any other statute or common law. This provision shall not, however, preclude the Company from seeking equitable relief as provided in Section 10.06 of this Agreement.

13.02 Procedure . The arbitration shall be conducted in accordance with the Employment Arbitration Rules of the American Arbitration Association: a single arbitrator who is experienced in employment law shall be selected under those Rules, and the arbitration shall be initiated in Atlanta, Georgia, unless the parties agree in writing to a different location or the Arbitrator directs the arbitration to be held at a different location. Except for filing fees, all costs of the arbitrator shall be allocated by the arbitrator. If the arbitrator awards monetary relief to Employee, the arbitrator shall have the discretion to award Employee's attorney's fees and costs if the arbitrator deems it appropriate. The award rendered by the arbitrator shall be final and binding on the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof. In addition to that provided for in the Employment Arbitration Rules, the arbitrator has sole discretion to permit discovery consistent with the Federal Rules of Civil Procedure and the judicial interpretation of those rules upon request by any party; provided, however, it is the intent of the parties that the arbitrator limit the time and scope of any such discovery to the greatest extent practicable and provide a decision as rapidly as possible given the circumstances of the claims to be determined. The arbitrator also shall have the power and authority to grant injunctive relief for any violation of Sections 10.02 through and including 10.04 and the arbitrator's order granting such relief may be entered in any court of competent jurisdiction. The agreement to arbitrate any claim arising out of the employment relationship or termination of employment shall not apply to those claims which cannot be made subject to this provision by statute, regulation or common law. These include, but are not limited to, any claims relating to work related injuries and claims for unemployment benefits under applicable state laws.

13.03 Rights of Parties . Nothing in this clause shall be construed to prevent the Company from asking a court of competent jurisdiction to enter appropriate equitable relief to enjoin any violation of this Agreement by Employee. The Company shall have the right to seek such relief in connection with or apart from the parties' rights under this clause to arbitrate all disputes. With respect to disputes arising under this Agreement that are submitted to a court rather than an arbitrator, including actions to compel arbitration or for equitable relief in aid of arbitration, the parties agree that venue and jurisdiction are proper in any state or federal court lying within Atlanta, Georgia and specifically consent to the jurisdiction and venue of such court for the purpose of any proceedings contemplated by this paragraph. By entering into this Agreement the parties have waived any right which may exist for a trial by jury and have expressly agreed to resolve any disputes covered by this Agreement through the arbitration process described herein.

14. Employee Acknowledgment.

By signing this Agreement, Employee acknowledges that the Company has advised Employee of his right to consult with an attorney prior to executing this Agreement; that he has the right to retain counsel of his own choosing concerning the agreement to arbitrate or any waiver of rights or claims; that he has read and fully understands the terms of this Agreement and/or has had the right to have it reviewed and approved by counsel of choice, with adequate opportunity and time for such review; and that he is fully aware of its contents and of its legal effect. Accordingly, this Agreement shall not be construed against any party on the grounds that the party drafted this Agreement. Instead, this Agreement shall be interpreted as though drafted equally by all parties.

15. Amendments.

This Agreement may not be altered, modified or amended except by a written instrument signed by each of the parties hereto.

16. Successors.

As used in this Agreement, the term the Company shall include any successors to all or substantially all of the business and/or assets of the Company which assumes and agrees to perform this Agreement.

17. Assignment.

Neither this Agreement nor any of the rights or obligations of either party hereunder shall be assigned or delegated by any party hereto without the prior written consent of the other party, except that the Company may without the consent of Employee assign its rights and delegate its duties hereunder to any successor to the business of the Company. In the event of the assignment by the Company of its rights and the delegation of its duties to a successor to the business of the Company and the assumption of such rights and obligations by such successor, the Company shall, effective upon such assumption, be relieved from any and all obligations whatsoever to Employee hereunder.

18. Waiver.

Waiver by any party hereto of any breach or default by any other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived.

19. Severability.

In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

20. Survival.

Notwithstanding anything herein to the contrary, the provisions of Sections 6.06, 7, 8.03, 9, 10, 11, 12 and 13 shall survive the termination of this Agreement.

21. Entire Terms.

This Agreement contains the entire understanding of the parties with respect to the employment of Employee by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein. This Agreement supersedes all prior agreements, arrangements and understandings between the parties, whether oral or written, with respect to the employment of Employee.

22. Notices.

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or if mailed in the manner herein specified, five (5) days after postmark of such mailing when mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:

Henry Hope, III
5555 Glenridge Connector NE
Suite 300
Atlanta, Georgia 30342

If to the Company to:

AFC Enterprises, Inc.
5555 Glenridge Connector NE
Suite 300
Atlanta, Georgia 30342
Attn: Chief Executive Officer

or to such other address or such other person as Employee or the Company shall designate in writing in accordance with this Section 22 except that notices regarding changes in notices shall be effective only upon receipt.

23. Headings.

Headings to Sections in this Agreement are for the convenience of the parties only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

24. Governing Laws.

The Agreement shall be governed by the laws of the State of Georgia without reference to the principles of conflict of laws.

25. Compliance with § 409A of the Code.

To the extent this Agreement is subject to § 409A of the Code, the Company and Employee intend all payments under this Agreement to comply with the requirements of such section, and this Agreement shall, to the extent reasonably practicable, be operated and administered to effectuate such intent

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and Employee has hereunto set his hand as of the day and year first above written.

COMPANY:

AFC ENTERPRISES, INC.

By: /s/ John M. Cranor, III
John M. Cranor, III
Chairman of the Board

EMPLOYEE:

/s/ Henry Hope, III
Henry Hope, III

Exhibit 31.1

CERTIFICATION

I, Cheryl A. Bachelder certify that:

1. I have reviewed this quarterly report on Form 10-Q of AFC Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2008

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, H. Melville Hope, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AFC Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2008

/s/ H. Melville Hope, III
H. Melville Hope, III
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of AFC Enterprises, Inc. (the "Corporation") for the period ended October 5, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Financial Officer, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: November 12, 2008

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of AFC Enterprises, Inc. (the “Corporation”) for the period ended October 5, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Financial Officer, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: November 12, 2008

/s/ H. Melville Hope, III
H. Melville Hope, III
Chief Financial Officer
(Principal Financial and Accounting Officer)